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**FINANCIAL LITERACY AND ENTREPRENEURIAL PERFORMANCE IN
BWARI AREA COUNCIL: THE MEDIATING ROLE OF CAPITAL ACCESS**

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Abstract

Financial literacy has been widely recognised as a critical determinant of entrepreneurial success, yet limited access to capital continues to constrain the performance of Small and Medium Enterprises (SMEs) in semi-urban Nigerian communities. This study examined the relationship between financial literacy and capital access among entrepreneurs in Bwari Area Council, Federal Capital Territory (FCT), Abuja, with specific attention to how interest rates, financial skills in cash flow management, and finance utilization jointly shape entrepreneurial performance. Adopting a cross-sectional survey design, data were collected from 300 registered entrepreneurs across the manufacturing, retail/wholesale, and services sectors using a structured, validated questionnaire. Simple linear regression was used to test the direct effects of financial knowledge on loan accessibility, budgeting and cash flow management skills on operational performance and sustainability, and financial record-keeping on business growth, while hierarchical regression and the Sobel test assessed the mediating role of capital accessibility in the financial literacy–performance relationship. The study was anchored on Human Capital Theory (Becker, 1964) and Financial Intermediation Theory (Gurley & Shaw, 1960). Results showed that financial knowledge significantly and positively affected loan accessibility ($\beta = 0.631$, $p < 0.001$); financial skills in cash flow management significantly improved operational performance and sustainability ($\beta = 0.704$, $p < 0.001$); finance record keeping significantly enhanced business growth ($\beta = 0.681$, $p < 0.001$); and capital access significantly mediated the relationship between financial literacy and entrepreneurial performance (Sobel $z = 5.97$, $p < 0.001$), raising the explained variance from 47.3% to 61.0%. The study concluded that financial competence, not

merely access to funds, is the critical lever of entrepreneurial success in Bwari Area Council, and recommends that financial institutions, government agencies, and educational bodies prioritise targeted financial literacy training, affordable lending policies, and structured finance-utilization support for entrepreneurs.

Introduction

Entrepreneurship has become one of the most important drivers of economic growth, employment generation, poverty reduction, and innovation across the world (Schumpeter, 1934; Drucker, 1985; OECD, 2023). In both developed and developing economies, the success and sustainability of entrepreneurial ventures increasingly depend not only on the availability of business opportunities but also on entrepreneurs' capacity to make sound financial decisions (Lusardi & Mitchell, 2014; OECD, 2023). Financial literacy, which encompasses financial knowledge, financial skills, financial behaviour, and financial attitudes, has emerged as a critical determinant of entrepreneurial success (OECD, 2023; Huston, 2010). Entrepreneurs who possess adequate financial literacy are better equipped to prepare budgets, maintain proper financial records, interpret financial statements, manage cash flows, evaluate investment opportunities, and make informed borrowing decisions (Remund, 2010; Lusardi & Mitchell, 2014). These competencies enhance their ability to allocate resources efficiently, minimize financial risks, and improve business performance (Atkinson & Messy, 2012; OECD, 2023). However, financial literacy alone may not guarantee business success if entrepreneurs lack adequate access to financial capital required for business expansion and operational sustainability (Beck & Demirgüç-Kunt, 2006; Beck, Demirgüç-Kunt, & Maksimovic, 2005). Consequently, scholars increasingly recognize capital access as a crucial mechanism through which financial literacy translates into improved entrepreneurial performance (Yoshino & Morgan, 2016; Ozili, 2025).

Across Africa, entrepreneurship constitutes the backbone of economic activities, with micro, small, and medium enterprises (MSMEs) accounting for a substantial proportion of employment and household incomes (African Development Bank [AfDB], 2024; International Finance Corporation [IFC], 2023). Despite their significance, African entrepreneurs continue to face numerous challenges, including limited financial knowledge, weak financial management practices, inadequate access to formal credit, high borrowing costs, and stringent collateral requirements (AfDB, 2024; World Bank, 2023). Many business owners rely heavily on informal financing sources such as personal savings, family contributions, and cooperative societies, thereby limiting business growth and competitiveness (IFC, 2023; World Bank, 2023). Recent studies indicate that improving financial literacy enhances entrepreneurs' confidence in financial decision-making and increases their ability to access formal financial services, ultimately promoting enterprise growth and sustainability (OECD, 2023; Ozili, 2025). Nevertheless, structural barriers within African financial systems continue to constrain access to affordable finance, particularly for small businesses operating in rural and semi-urban communities (AfDB, 2024; World Bank, 2023).

In Nigeria, MSMEs contribute significantly to employment creation, income generation, and national economic development (SMEDAN & National Bureau of Statistics [NBS], 2021). However, the sector continues to experience high business mortality, with many enterprises failing within their first few years of operation due to poor financial management and inadequate access to capital (SMEDAN & NBS, 2021; Central Bank of Nigeria [CBN], 2022). Financial literacy has therefore become an important policy concern as entrepreneurs require competencies in budgeting, record keeping, debt management, savings, investment planning, and financial analysis to sustain business operations (CBN, 2022; OECD, 2023). Empirical evidence from Nigeria demonstrates that financial literacy positively influences entrepreneurial performance by improving profitability, business growth, innovation, and operational efficiency (Adegbite & Machethe, 2020; Ozili, 2025). Similarly, access to finance through commercial banks, microfinance institutions, cooperative societies, government intervention programmes, and digital lending platforms remains a major determinant of enterprise

expansion (CBN, 2022; SMEDAN, 2023). Yet, many Nigerian entrepreneurs continue to encounter obstacles such as high interest rates, complex loan application procedures, collateral requirements, and limited awareness of available financing opportunities (CBN, 2022; World Bank, 2023). These constraints reduce entrepreneurs' capacity to acquire working capital, purchase equipment, diversify products, and expand market operations (Beck & Demirgüç-Kunt, 2006; World Bank, 2023).

Within the Federal Capital Territory, particularly Bwari Area Council, entrepreneurship has become increasingly important due to rapid population growth, urban expansion, rising unemployment, and increasing demand for self-employment opportunities (Federal Capital Territory Administration [FCTA], 2023; National Bureau of Statistics, 2024). The area hosts numerous micro and small enterprises engaged in agriculture, retail trading, transportation, hospitality, crafts, and service delivery, all of which contribute to local economic development (FCTA, 2023). Nevertheless, entrepreneurs in Bwari Area Council continue to experience significant financial challenges characterized by inadequate financial knowledge, poor record-keeping practices, limited budgeting and cash-flow management skills, and insufficient access to affordable business financing (SMEDAN, 2023; CBN, 2022). Existing evidence suggests that most businesses rely primarily on personal or family savings, while access to institutional credit remains constrained by collateral requirements, high lending costs, and cumbersome loan procedures (World Bank, 2023; SMEDAN, 2023). Consequently, many enterprises experience slow business growth, limited customer expansion, low profitability, and reduced operational efficiency despite the availability of entrepreneurial opportunities (Adegbite & Machethe, 2020; Ozili, 2025). Understanding how financial literacy influences entrepreneurial performance through improved capital access is therefore essential for developing evidence-based interventions capable of strengthening MSMEs, enhancing business sustainability, and promoting inclusive economic development in Bwari Area Council, Abuja (OECD, 2023; Ozili, 2025).

Statement of the Problem

Small and Medium Enterprises (SMEs) are widely recognised as key drivers of employment generation, income creation, innovation, and economic development in Nigeria. Despite their significant contributions, many SMEs in Bwari Area Council continue to experience low entrepreneurial performance, reflected in poor profitability, slow business growth, limited market expansion, and high business failure rates. These challenges have been attributed to inadequate financial management capabilities, poor financial planning, weak record-keeping practices, and limited access to external sources of finance (SMEDAN, 2023; World Bank, 2022). One of the major factors influencing entrepreneurial performance is financial literacy. Entrepreneurs who lack adequate financial knowledge often struggle to prepare realistic budgets, maintain proper financial records, and make informed investment and financing decisions. Such deficiencies result in inefficient resource utilisation, poor cash flow management, excessive indebtedness, and reduced business competitiveness (Lusardi & Mitchell, 2023). Although several financial literacy programmes have been introduced by government agencies and financial institutions in Nigeria, evidence suggests that many entrepreneurs still possess inadequate financial management skills, thereby limiting their business performance (Central Bank of Nigeria [CBN], 2022).

Furthermore, limited access to capital remains a significant obstacle to SME development in Nigeria. Many entrepreneurs are unable to obtain loans or other forms of external financing due to inadequate collateral, poor financial documentation, weak creditworthiness, and stringent lending requirements imposed by financial institutions (International Finance Corporation [IFC], 2023). Since financial literacy improves entrepreneurs' ability to prepare reliable financial records, develop bankable business plans, and manage finances effectively, it is expected to enhance their ability to access capital. Consequently, access to capital may serve as an important mechanism through which financial literacy translates into improved entrepreneurial performance (Bongomin et al., 2017). Although previous studies have examined the direct relationship between financial literacy and

entrepreneurial performance, many have overlooked the mediating role of capital access, particularly among SMEs operating in Bwari Area Council, Abuja. Moreover, most existing studies have focused on broad measures of financial literacy without specifically examining the influence of financial knowledge, budgeting skills, and financial record keeping, which constitute the core dimensions of financial literacy adopted in this study.

To address these gaps, this study seeks to examine the effect of financial knowledge, budgeting skills, and financial record keeping on entrepreneurial performance and to determine whether capital access mediates the relationship between financial literacy and entrepreneurial performance among SMEs in Bwari Area Council, Abuja. The findings are expected to provide empirical evidence that will assist policymakers, financial institutions, and SME development agencies in designing effective financial literacy programmes and financing initiatives to improve entrepreneurial performance.

Objectives of the Study

The main objective of this study is to examine the effect of financial literacy on entrepreneurial performance in Bwari Area Council, with the mediating role of capital access.

The specific objectives are to:

- i. Examine the effect of financial knowledge on entrepreneurial performance in Bwari Area Council.
- ii. Determine the effect of budgeting skills on entrepreneurial performance in Bwari Area Council, Abuja.
- iii. Evaluate the effect of financial record keeping on entrepreneurial performance in Bwari Area Council, Abuja.
- iv. Examine the mediating role of capital access in the relationship between financial literacy and entrepreneurial performance in Bwari Area Council, Abuja.

Research Questions

The study will seek answers to the following questions:

1. What effect does financial knowledge have on entrepreneurial performance in Bwari Area Council, Abuja?
2. To what extent do budgeting skills influence entrepreneurial performance in Bwari Area Council, Abuja?
3. What effect does financial record keeping have on entrepreneurial performance in Bwari Area Council, Abuja?
4. To what extent does capital access mediate the relationship between financial literacy and entrepreneurial performance in Bwari Area Council, Abuja?

Research Hypotheses

The following null hypotheses will be tested:

H0₁: Financial knowledge has no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

H0₂: Budgeting skills have no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

H0₃: Financial record keeping has no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

H0₄: Capital access does not significantly mediate the relationship between financial literacy and entrepreneurial performance in Bwari Area Council, Abuja.

Scope of the Study

This study focused on the relationship between financial literacy and capital access among entrepreneurs operating within Bwari Area Council, Federal Capital Territory (FCT), Abuja. The study was delimited to registered entrepreneurs and SME owners across the manufacturing,

retail/wholesale, and services sectors. Bwari Area Council was selected due to its growing commercial activities, the presence of diverse SME clusters spanning multiple economic sectors, and the relative scarcity of rigorous academic research specifically situated within this locality. The key constructs examined include financial literacy (measured through financial knowledge, budgeting behaviour, record-keeping practices, and credit management competence), capital access (measured through formal credit utilisation, awareness of credit sources, and perceived institutional barriers to borrowing), and entrepreneurial performance (measured through profitability, sales revenue growth, and operational efficiency). The study covers the period from 2022 to 2026, during which data relevant to financial literacy practices, capital access behaviour, and entrepreneurial performance outcomes among Bwari Area Council entrepreneurs were examined.

Significance of the Study

Academically, this study contributes to the existing body of knowledge on financial literacy, entrepreneurship, and SME finance in Sub-Saharan Africa by positioning capital access as an empirically testable mediating variable in the financial literacy–performance nexus. The findings enrich the literature in the areas of entrepreneurial finance, human capital development, and financial inclusion. Practically, the study offers actionable insights for SME operators in Bwari Area Council by demonstrating the direct relationship between financial competence and access to growth capital. The findings are equally useful for financial institutions and FinTech providers designing entrepreneur-friendly credit products, and for capacity-building organisations seeking to embed financial literacy within SME development curricula. Furthermore, policymakers, the Central Bank of Nigeria (CBN), and SMEDAN may derive evidence-based guidance for designing financial education programmes and inclusive credit frameworks that support entrepreneurial development in semi-urban communities such as Bwari Area Council.

Literature Review

Conceptual Review

Concept of Financial Literacy

Financial literacy has become an essential concept in entrepreneurship, finance, and economic development because it equips individuals with the knowledge and skills necessary to make informed financial decisions. It encompasses the ability to understand financial concepts, evaluate financial products and services, and effectively manage personal and business finances. For entrepreneurs, financial literacy is particularly important because it enhances their capacity to plan, budget, manage risks, access financing, and sustain business growth. The Organisation for Economic Co-operation and Development (OECD) defines financial literacy as the combination of awareness, knowledge, skills, attitudes, and behaviours required to make sound financial decisions and ultimately achieve individual financial well-being (OECD, 2020). This definition extends beyond financial knowledge to include behavioural and attitudinal aspects that influence how financial decisions are made.

Similarly, Lusardi and Mitchell (2023) describe financial literacy as the ability to understand fundamental financial concepts such as interest rates, inflation, risk diversification, and financial planning, enabling individuals to make effective financial decisions throughout their lives. According to the authors, financially literate entrepreneurs are better positioned to identify profitable investment opportunities, manage debt efficiently, and maintain healthy cash flows. From an entrepreneurial perspective, financial literacy comprises several competencies, including financial knowledge, budgeting skills, financial record keeping, financial planning, cash flow management, and investment decision-making (Agyapong & Attram, 2019). Entrepreneurs possessing these competencies are more likely to allocate resources efficiently, minimise financial risks, and improve overall business performance. Financial literacy also contributes significantly to business sustainability by enhancing entrepreneurs' confidence in dealing with financial institutions, preparing loan applications, interpreting financial statements, and complying with regulatory requirements (Bongomin et al.,

2017). Entrepreneurs who possess adequate financial literacy are more likely to secure external financing because they can present credible financial records and viable business plans to lenders. In developing economies such as Nigeria, inadequate financial literacy has been identified as one of the major factors limiting SME growth. Many entrepreneurs experience difficulties in budgeting, maintaining accounting records, separating personal and business finances, and evaluating financing alternatives, thereby affecting profitability and long-term survival (CBN, 2022). Consequently, financial literacy is regarded as a strategic capability that enables entrepreneurs to utilise financial resources effectively, improve operational efficiency, strengthen financial resilience, and achieve sustainable entrepreneurial performance.

Concept of Entrepreneurial Performance

Entrepreneurial performance refers to the extent to which an entrepreneur or business enterprise achieves its intended objectives through efficient utilisation of resources, effective management practices, innovation, and market competitiveness. It reflects both financial and non-financial outcomes that demonstrate the success and sustainability of entrepreneurial ventures. According to Venkatraman and Ramanujam (1986), entrepreneurial performance encompasses both financial indicators, such as profitability and sales growth, and operational indicators, including market share, customer satisfaction, productivity, and business survival. This multidimensional approach has remained one of the most widely accepted perspectives in entrepreneurship research. Similarly, Wiklund and Shepherd (2005) define entrepreneurial performance as the achievement of superior business outcomes resulting from entrepreneurial orientation, innovation, resource management, and strategic decision-making. The authors argue that entrepreneurial performance is influenced by both internal capabilities and external environmental factors. Entrepreneurial performance is commonly assessed using indicators such as profitability, revenue growth, market expansion, customer retention, innovation, business sustainability, and operational efficiency (Cho & Lee, 2018). These indicators enable researchers to evaluate how effectively entrepreneurs convert available resources into desirable business outcomes.

Financial performance remains one of the most widely used measures of entrepreneurial success because it reflects the firm's ability to generate profits, maintain liquidity, and achieve long-term growth. However, modern entrepreneurship literature recognises that non-financial measures, including customer satisfaction, innovation capability, employee productivity, and business continuity, are equally important, especially for SMEs operating in competitive environments (Neneh, 2022). In Nigeria, entrepreneurial performance is often constrained by inadequate managerial competence, poor financial management, limited access to finance, weak technological capabilities, and unstable economic conditions (SMEDAN, 2023). Therefore, improving entrepreneurs' financial literacy has become an important strategy for enhancing business performance, competitiveness, and sustainability. Overall, entrepreneurial performance represents the degree to which entrepreneurial activities generate desirable financial, operational, and strategic outcomes that ensure business growth and long-term survival.

Concept of Capital Access (Access to Capital)

Capital access refers to the ability of entrepreneurs and business enterprises to obtain adequate financial resources needed to establish, operate, expand, and sustain their businesses. These financial resources may originate from formal institutions such as commercial banks and microfinance banks or from informal sources including family members, friends, cooperative societies, and personal savings. According to the World Bank (2022), access to capital is the availability and affordability of financial services that enable businesses to invest in productive activities, improve competitiveness, and stimulate economic growth. It is widely recognised as one of the critical determinants of SME development across both developed and developing economies. The International Finance Corporation (IFC, 2023) explains that access to capital enables entrepreneurs to acquire productive assets, adopt new technologies, increase production capacity, employ skilled labour, and exploit

emerging market opportunities. Businesses with greater access to finance are generally more resilient and better positioned to achieve sustainable growth.

Capital access encompasses various financing options, including bank loans, microfinance credit, government intervention funds, venture capital, equity financing, trade credit, cooperative financing, and retained earnings (Beck & Demirgüç-Kunt, 2006). The availability of these financing sources enables entrepreneurs to overcome liquidity constraints that may otherwise hinder business expansion. In entrepreneurship research, access to capital is often considered a mediating variable because financial literacy enhances entrepreneurs' ability to prepare financial statements, develop bankable business plans, manage cash flows, and satisfy lending requirements. These competencies increase the likelihood of obtaining external financing, which subsequently improves entrepreneurial performance (Bongomin et al., 2017). Despite numerous government interventions in Nigeria, many SMEs continue to experience financing constraints arising from inadequate collateral, poor financial records, high lending interest rates, limited financial literacy, and stringent lending conditions (CBN, 2022; SMEDAN, 2023). Consequently, improving entrepreneurs' financial literacy is expected to strengthen access to capital, thereby enhancing business productivity, profitability, and sustainability. Thus, capital access serves as an important mechanism through which financial literacy influences entrepreneurial performance by providing entrepreneurs with the financial resources required for investment, innovation, expansion, and long-term business success.

Dimensions of Financial Literacy

Financial Knowledge: Financial knowledge refers to an entrepreneur's understanding of fundamental financial concepts and principles required to make informed business decisions. It includes knowledge of budgeting, savings, investment, interest rates, credit management, cash flow, financial statements, taxation, and risk management. Entrepreneurs with adequate financial knowledge are better equipped to allocate resources efficiently, evaluate investment opportunities, manage debt responsibly, and enhance business profitability and sustainability (Agyapong & Attram, 2019).

Budgeting Skills: Budgeting skills refer to an entrepreneur's ability to prepare, implement, and monitor financial plans that estimate expected income and expenditures over a specified period. Effective budgeting enables business owners to allocate resources appropriately, control operational costs, avoid unnecessary spending, and ensure that sufficient funds are available for business activities. Strong budgeting skills improve financial discipline, facilitate informed decision-making, and contribute to the long-term growth and stability of the enterprise (Agyapong & Attram, 2019). Budgeting is one of the most fundamental concepts in financial management and an indispensable component of financial literacy for entrepreneurs and business organizations. It refers to the systematic process of preparing a financial plan that estimates expected revenues and expenditures over a specified period in order to achieve predetermined organizational objectives (Brigham & Ehrhardt, 2022).

Financial Record Keeping: Financial record keeping is the systematic process of recording, organizing, and maintaining accurate financial transactions and business documents. It involves keeping records of sales, purchases, expenses, assets, liabilities, inventories, and cash flows. Proper financial record keeping enables entrepreneurs to monitor business performance, prepare financial statements, comply with tax and regulatory requirements, facilitate access to external financing, and support sound managerial decision-making. Accurate financial records also enhance business transparency, accountability, and long-term sustainability (Agyapong & Attram, 2019).

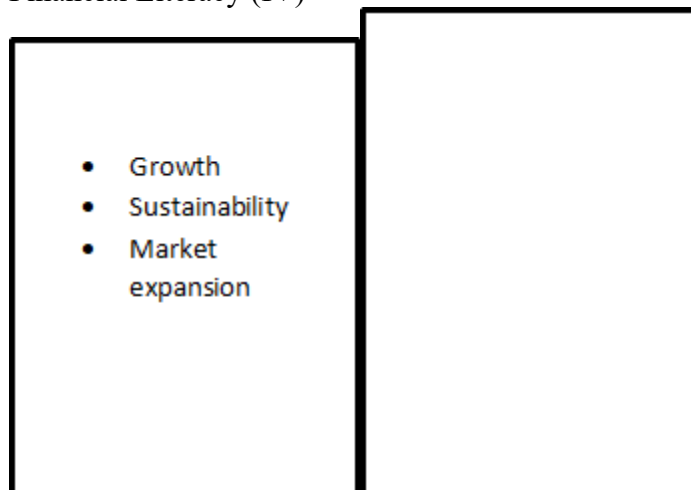
Conceptual Framework Financial Literacy and Entrepreneurial Performance with the Mediating Role of Capital Access

A conceptual framework is a logical representation of the relationships among the variables of a study. It also serves as a blueprint for hypothesis development, data collection, and empirical analysis. In this study, the conceptual framework is based on the premise that financial literacy enhances entrepreneurial performance by equipping entrepreneurs with the knowledge and skills required to make sound financial decisions. Financial literacy is conceptualised through financial knowledge, budgeting skills, and financial record keeping, which enable entrepreneurs to effectively manage business resources, prepare realistic budgets, maintain accurate financial records, and make informed investment decisions. The framework further proposes that the relationship between financial literacy and entrepreneurial performance is mediated by capital access (access to finance). Entrepreneurs with higher levels of financial literacy are more likely to prepare quality financial statements, maintain credible financial records, and develop viable business plans that satisfy lenders' requirements. Consequently, they have greater access to bank loans, microfinance credit, government intervention funds, and other financing opportunities. Improved access to capital enables entrepreneurs to invest in business expansion, acquire productive assets, adopt new technologies, and improve operational efficiency, leading to enhanced entrepreneurial performance. Recent empirical studies similarly suggest that access to finance acts as a significant mediating mechanism through which financial literacy improves SME performance.

Accordingly, the framework assumes that financial literacy has both a direct effect on entrepreneurial performance and an indirect effect through capital access. Therefore, entrepreneurs who possess strong financial knowledge, effective budgeting skills, and proper financial record-keeping practices are expected to have better access to capital, which ultimately enhances business profitability, growth, market expansion, and sustainability. The framework therefore posits that capital access serves as the mechanism through which financial literacy contributes to improved entrepreneurial performance, while also allowing for a direct relationship between financial literacy and entrepreneurial performance. This conceptualisation is consistent with contemporary entrepreneurship and SME finance literature on financial literacy, access to finance, and business performance.

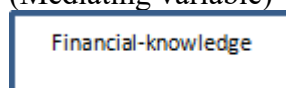
Financial Literacy (IV)

Entrepreneurial Performance



Capital Access

(Mediating variable)



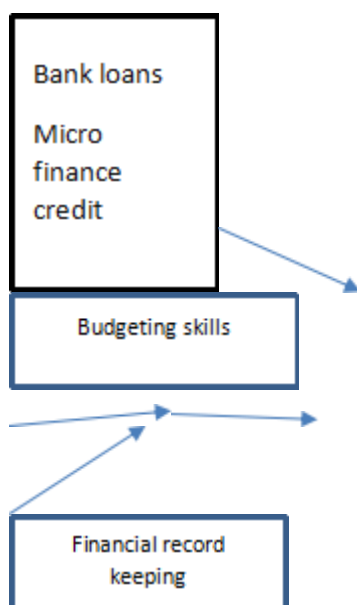


Figure 2.1 Conceptual Model

Source: Adapted from (Gurley & Shaw, 1960); (Becker, 1964)

Theoretical Review

This study draws on two complementary theoretical frameworks: Human Capital Theory (Becker, 1964) and Financial Intermediation Theory (Gurley & Shaw, 1960). Together, these frameworks provide a coherent and empirically grounded basis for the central argument that financial literacy improves entrepreneurial performance through the mechanism of enhanced capital access.

Human Capital Theory

Human Capital Theory was developed by Gary Becker in 1964. The theory posits that investments in education, knowledge, training, skills, and experience enhance an individual's productivity and capacity to generate economic value. Becker argued that human capital, like physical capital, requires deliberate investment and yields returns through increased efficiency, higher income, improved decision-making, and greater economic opportunities. The theory emphasizes that individuals who continuously acquire relevant knowledge and competencies are more capable of utilizing available resources effectively and adapting to changing economic conditions. Within entrepreneurship, financial literacy is regarded as an important component of human capital because it equips entrepreneurs with the knowledge and skills required to prepare budgets, manage cash flow, interpret financial statements, understand interest rates, utilize financial products, and make sound investment decisions. Entrepreneurs who possess higher levels of financial literacy are therefore better positioned to make informed financial decisions that enhance business sustainability and competitiveness.

Human Capital Theory provides the theoretical foundation for the independent variable financial literacy. It explains that entrepreneurs who invest in acquiring financial knowledge and skills are more likely to improve their business management capabilities and make better financial decisions. Such competencies enhance their ability to prepare reliable financial records, evaluate financing alternatives, and interact effectively with financial institutions. Consequently, financially literate entrepreneurs are more likely to obtain external financing, manage available funds efficiently, and improve entrepreneurial performance. The theory therefore supports the proposition that financial literacy positively influences entrepreneurial performance both directly and indirectly through improved access to capital.

Financial Intermediation Theory

Financial Intermediation Theory was introduced by John Gurley and Edward Shaw in 1960 to explain the role of financial institutions in facilitating the efficient allocation of financial resources within an economy. The theory argues that financial intermediaries, such as banks, microfinance institutions, cooperative societies, and other lending institutions, bridge the gap between surplus units (savers) and deficit units (borrowers). These institutions reduce transaction costs, minimize information asymmetry, assess borrowers' creditworthiness, monitor loan utilization, and improve the efficiency of financial markets. The theory further explains that lenders often face uncertainty regarding the ability and willingness of borrowers to repay loans. Financial intermediaries reduce this uncertainty by collecting financial information, evaluating business records, monitoring borrowers, and enforcing contractual agreements. This process increases confidence in lending decisions and enhances access to finance for qualified entrepreneurs.

Financial Intermediation Theory provides the theoretical explanation for the mediating variable, capital access. The theory explains that entrepreneurs who possess adequate financial literacy can produce accurate financial records, maintain effective cash flow systems, prepare realistic business plans, and demonstrate responsible financial behavior. These attributes reduce information asymmetry between entrepreneurs and financial institutions, making lenders more willing to provide loans and other forms of financing. Within the context of this study, capital access serves as the mechanism through which financial literacy translates into improved entrepreneurial performance. Entrepreneurs who successfully obtain business capital are able to expand operations, purchase productive assets, increase inventory, adopt new technologies, and improve overall business performance. Thus, Financial Intermediation Theory explains the mediating role of capital access in the relationship between financial literacy and entrepreneurial performance among entrepreneurs in Bwari Area Council, Abuja.

Theoretical Framework for the Study

The study reviewed two theories Human Capital Theory and Financial Intermediation Theory. Both theories were adopted because they collectively explain the study variables.

Empirical Review

Adesina and Ibrahim (2024) conducted a study titled Budgeting Practices and Entrepreneurial Sustainability among Small and Medium Enterprises in Southwest Nigeria. The study examined the influence of budgeting practices on business sustainability among SMEs using a cross-sectional survey research design. Data were collected from 356 SME owners through structured questionnaires and analyzed using multiple regression analysis. Findings revealed that budgeting significantly improved cost control, resource allocation, and business sustainability among SMEs. The study concluded that entrepreneurs who regularly prepare and implement budgets demonstrate better financial discipline and business performance than those without formal budgeting systems. The study recommended continuous financial management training for SME owners to improve budgeting competence. However, the study focused primarily on business sustainability and did not investigate how budgeting contributes to capital access or entrepreneurial performance among entrepreneurs in Bwari Area Council, Abuja, which the current study intends to address.

Olawale and Adekunle (2023) conducted a study titled Interest Rates and Loan Accessibility among Small Business Enterprises in Nigeria. The study investigated the effect of lending interest rates on access to credit by SMEs using a descriptive survey design. Data were obtained from 280 registered SMEs across Lagos and Ogun States and analyzed using correlation and regression techniques. Findings indicated that high lending interest rates significantly reduced entrepreneurs' willingness to obtain formal loans, thereby limiting business expansion and investment opportunities. The study concluded that affordable lending rates are essential for improving access to finance and enterprise growth. It recommended that financial institutions develop more flexible lending policies tailored to

SMEs. However, the study concentrated on lending institutions without examining the role of entrepreneurs' financial literacy in mitigating the effect of interest rates on capital access, which constitutes the focus of the present study.

Ahmed and Yusuf (2024) conducted a study titled *Cash Flow Management and Business Performance among Micro and Small Enterprises in Northern Nigeria*. The study assessed the relationship between cash flow management and business performance using a quantitative survey research design. Data were collected from 310 entrepreneurs and analyzed using Structural Equation Modeling (SEM). Findings showed that effective cash flow management significantly enhanced profitability, liquidity, and operational efficiency among SMEs. The study concluded that maintaining adequate cash flow enables businesses to meet operational obligations and exploit investment opportunities promptly. The researchers recommended regular financial monitoring and cash flow forecasting for entrepreneurs. However, the study did not examine how financial literacy influences cash flow management or its relationship with capital accessibility among entrepreneurs in Bwari Area Council, Abuja, which the present study seeks to investigate.

Okafor and Nwosu (2025) conducted a study titled *Venture Capital Financing and Growth of Innovative Small Businesses in Nigeria*. The study investigated the contribution of venture capital financing to the growth of innovative SMEs using an explanatory research design. Data were collected from 215 technology-based SMEs through questionnaires and analyzed using regression analysis. Findings revealed that venture capital availability significantly improved business expansion, product innovation, and employment generation. The study concluded that venture capital provides entrepreneurs with long-term financing needed for business growth and competitiveness. It recommended increased collaboration between government agencies and private investors to improve venture capital accessibility. However, the study focused mainly on technology-based firms and did not evaluate how financial literacy influences entrepreneurs' ability to access venture capital in Bwari Area Council, Abuja, which the current study intends to examine.

Eze and Chukwu (2023) conducted a study titled *Revenue Management Practices and Entrepreneurial Performance among SMEs in Southeast Nigeria*. The study examined the effect of revenue management on entrepreneurial performance using a survey research design. Data were collected from 330 SME operators and analyzed using Pearson correlation and multiple regression analysis. Findings revealed that effective revenue management significantly increased business profitability, sales growth, and financial stability. The study concluded that entrepreneurs with sound revenue management practices achieve better financial performance than those with weak financial controls. The researchers recommended regular financial reporting and monitoring to improve revenue generation and business sustainability. However, the study did not investigate whether capital access mediates the relationship between financial literacy and revenue performance among entrepreneurs in Bwari Area Council, Abuja, which the current study seeks to explore.

Bello and Hassan (2024) conducted a study titled *Financial Resource Utilization and Growth of Small Enterprises in North-Central Nigeria*. The study investigated the influence of financial resource utilization on enterprise growth using a descriptive survey research design. Primary data were collected from 295 SME owners and analyzed using hierarchical regression analysis. Findings indicated that efficient utilization of financial resources significantly enhanced business productivity, profitability, and expansion. The study concluded that prudent allocation and utilization of available financial resources remain essential determinants of entrepreneurial success. It recommended continuous financial management education for entrepreneurs to improve resource utilization. However, the study did not examine the mediating influence of capital access in the relationship between financial literacy and financial resource utilization, particularly among entrepreneurs in Bwari Area Council, Abuja, which forms the basis of the present study.

Adebayo and Musa (2025) conducted a study titled Financial Skills and Entrepreneurial Performance among Micro and Small Enterprises in Abuja. The study examined the influence of financial skills on entrepreneurial performance using a quantitative survey research design. Data were obtained from 340 entrepreneurs through structured questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Findings revealed that financial skills, including budgeting, bookkeeping, financial statement interpretation, and cash flow management, significantly improved profitability, operational efficiency, and business growth. The study concluded that entrepreneurs with stronger financial skills are better positioned to make informed financial decisions and sustain business operations. The researchers recommended regular financial literacy and business management training for entrepreneurs. However, the study did not assess the mediating role of capital access in explaining the relationship between financial skills and entrepreneurial performance, particularly among entrepreneurs in Bwari Area Council, Abuja, which the present study seeks to investigate.

Methodology

Research Design

This study adopts a cross-sectional survey design, enabling systematic examination of the relationships among financial literacy, capital access, and entrepreneurial performance at a defined point in time without experimental manipulation. Pearson Product-Moment Correlation and Sobel mediation analysis constitute the primary analytical methods. These techniques are appropriate for testing hypothesised direct and mediated relationships among continuous Likert-scaled variables, and are widely employed in entrepreneurial finance research within developing economy contexts (Baron & Kenny, 1986; Hair et al., 2019). The cross-sectional design is particularly suitable given the study's emphasis on describing the current state of financial literacy, capital access, and performance outcomes among entrepreneurs in Bwari Area Council.

Population, Sample Size, and Sampling Technique

The target population consists of registered entrepreneurs and SME operators in Bwari Area Council (FCT), Abuja, across the manufacturing, retail/wholesale, and services sectors, estimated at approximately 1,400 enterprises based on the Bwari Area Council Enterprise Register (2024). Using the Krejcie and Morgan (1970) sample size determination formula, the minimum sample size required for this population is 302; this was adjusted upward to 305 to allow for anticipated non-response and to enhance representativeness. A stratified random sampling technique was employed to divide the population by sector and randomly select respondents from each stratum in proportion to its representation in the population, thereby reducing sampling bias and ensuring adequate capture of sectoral heterogeneity. Respondents, comprising entrepreneurs, owner-managers, and financial officers, were identified from records maintained by local business associations and were contacted through direct on-site visits. Participation was voluntary, with full informed consent obtained and confidentiality guaranteed. Of the 305 questionnaires distributed, 300 were returned usable, representing a response rate of 98.4%.

$$S = \frac{[d^2(N-1) + X^2P(1-P)]}{X^2NP(1-P)}$$

$$[d^2(N-1) + X^2P(1-P)]$$

Where:

S = required sample size

X^2 = table value of chi-square for 1 degree of freedom at 95% confidence level = 3.841

N = population size

P = population proportion = 0.50

d = degree of accuracy expressed as a proportion = 0.05

Substituting the population size of 1400 into the formula:

$$S = \frac{[0.05^2(1400-1) + 3.841 \times 0.5(1-0.5)]}{3.841 \times 1400 \times 0.5(1-0.5)}$$

$$P(1-P)$$

$$0.5(1-0.5) = 0.5 \times 0.5 = 0.25$$

$$3.841 \times 1400 \times 0.25$$

$$3.841 \times 350 = 1344.35$$

$$0.05^2 = 0.0025$$

$$1400 - 1 = 1399$$

$$0.0025 \times 1399 = 3.4975$$

$$3.841 \times 0.25 = 0.96025$$

$$3.4975 + 0.96025 = 4.45775$$

$$S = 1344.35 / 4.45775$$

$$S \approx 301.57$$

$$S \approx 302$$

Data Collection Instrument

Primary data were collected using a structured questionnaire organised into four sections: (i) demographic and organisational information; (ii) financial literacy (items 1–5); (iii) capital access (items 6–10); and (iv) entrepreneurial performance (items 11–15), with a supplementary section on variable relationships (items 16–20). All items employ a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The instrument was pilot-tested with 30 entrepreneurs and validated by academic experts for content and face validity. Cronbach's Alpha coefficients for each construct exceeded the 0.70 threshold, confirming adequate internal consistency. Among the 305 questionnaires distributed, 300 were returned usable, indicating an exceptionally high participation rate.

Method of Data Analysis

Data were analysed using the Statistical Package for Social Sciences (SPSS) version 25.0. Descriptive statistics, including means and standard deviations, were computed for each individual item and cluster of items. Pearson Product-Moment Correlation coefficients were computed to test Hypotheses 1, 2, and 3 concerning the direct relationships among financial literacy, capital access, and entrepreneurial performance. Sobel mediation analysis was employed to test Hypothesis 4 concerning the mediating role of capital access in the financial literacy–performance relationship. A significance level of $p < 0.05$ was applied throughout the analysis. The benchmark mean for Likert item interpretation was set at 3.00; items and clusters recording means at or above 3.00 were classified as 'Agreed.'

Ethical Considerations

All participation was voluntary with informed consent obtained prior to questionnaire administration. No personally identifying information was collected from any respondent. Data are reported only in aggregate form and used exclusively for academic purposes. All data are stored securely in accordance with data protection principles, and access is restricted to the research team. The study involved no deception, coercion, or harm to participants.

Results and Discussion

Demographic Profile of Respondents

This section presents the demographic and organisational characteristics of the 300 entrepreneurs and SME owner-managers, accountants, and financial officers who participated in the study.

Table 4.1a: Distribution of Respondents by Sector of Operation

Category	Frequency	Percentage (%)
Manufacturing	90	30.0
Retail/Wholesale	135	45.0
Services	75	25.0
Total	300	100.0

The majority of respondents (45.0%) operate in the Retail/Wholesale sector, followed by Manufacturing (30.0%) and Services (25.0%), reflecting the dominance of trading businesses in Bwari Area Council. This sectoral distribution is consistent with the profile documented by Okunnu (2026) in the same study area.

Table 4.1b: Distribution of Respondents by Years in Operation

Category	Frequency	Percentage (%)
Under 3 years	45	15.0
3–5 years	90	30.0
6–10 years	105	35.0
Above 10 years	60	20.0
Total	300	100.0

Most respondents (35.0%) have operated their businesses for 6–10 years, while 30.0% have operated for 3–5 years. This indicates that the majority of respondents possess sufficient business experience to provide informed responses about financial literacy practices, capital access behaviour, and entrepreneurial performance outcomes.

Table 4.1c: Distribution of Respondents by Number of Employees

Category	Frequency	Percentage (%)
1–10 (Micro)	120	40.0
11–50 (Small)	135	45.0
51–250 (Medium)	45	15.0
Total	300	100.0

45.0% of respondents operate small enterprises with 11–50 employees, while 40.0% operate micro enterprises. This distribution reflects the predominance of micro and small business operators in Bwari Area Council's entrepreneurial ecosystem, consistent with national SME profile data (World Bank, 2023).

Table 4.1d: Distribution of Respondents by Respondent Position

Category	Frequency	Percentage (%)
Owner/CEO	195	65.0
Manager	75	25.0
Accountant/Financial Officer	30	10.0
Total	300	100.0

65.0% of respondents are owner-managers or CEOs of the surveyed enterprises, ensuring that responses on financial literacy practices and capital access decisions are predominantly sourced from the most informed decision-makers within each business.

Analysis of Research Questions

Responses are based on a five-point Likert scale (1 = Strongly Disagree; 5 = Strongly Agree). The benchmark mean is 3.00; items recording means at or above 3.00 are classified as 'Agreed.'

Research Question One: Financial Knowledge

Table 4.6.2: Respondents' Perceptions on Financial Knowledge and Entrepreneurial Performance

S/N	Questionnaire Item	SA (5)	A (4)	N (3)	D (2)	SD (1)	Mean	Std. Dev.	Decision
1	I understand basic financial concepts such as profit, interest and cash flow..	102	117	51	18	12	3.93	0.96	Agreed
2	I can interpret simple financial statements of my business	96	120	54	18	12	3.90	0.97	Agreed

3	I understand the cost implications of borrowing money.	108	114	48	18	12	3.96	0.95	Agreed
4	I understand the importance of financial planning in business.	93	123	54	18	12	3.89	0.98	Agreed
5	I possess adequate financial knowledge for managing my business successfully.	87	120	63	18	12	3.84	0.99	Agreed
	Cluster Mean	486	594	270	90	60	3.90	0.97	

All five items recorded mean scores above the 3.00 benchmark. The cluster mean of 3.90 (SD = 0.97) indicates that respondents generally agreed financial knowledge significantly influence entrepreneurial performance. The highest mean was recorded for Item 3, Mean = 3.96), while (Item 5, Mean = 3.84) recorded the lowest mean.

Research Question Two: Budgeting Skills and Entrepreneurial Performance

Table 4.3: Respondents' Budgeting Skills and Entrepreneurial Performance

6	I prepare a budget before making major business expenditures.	108	11	45	18	12	3.9	0.9	Agreed
7	I regularly compare actual expenses with my budget	102	120	48	18	12	3.9	0.9	Agreed
8	My business follows a planned budget for its operations.	90	123	57	18	12	3.8	0.9	Agreed
9	Budgeting helps me control unnecessary business expenses	99	120	51	18	12	3.9	0.9	Agreed
10	I revise my budget whenever business conditions change.	111	114	45	18	12	4.0	0.9	Agreed
	Cluster Mean	510	594	246	90	60	3.9	0.9	

All five items recorded mean scores above the 3.00 benchmark. The cluster mean of 3.94 (SD = 0.96) indicates a high level of agreement that budgeting skills, particularly cash flow management, enhance operational performance and business sustainability. This pattern suggests that entrepreneurs appreciate the importance of budget management skills and recognize that reducing of unnecessary business expenses is essential for sustaining business operations and improving performance.

Research Question Three: Financial Record Keeping

Table 4.6.4: Respondents' Perceptions on Financial Record Keeping and Entrepreneurial Performance

11	I keep proper records of daily business transactions.	105	117	48	18	12	3.9	0.9	Agreed
12	My business maintains accurate records of income and expenses	99	120	51	18	12	3.9	0.9	Agreed
13	Financial records help me monitor business performance.	90	120	60	18	12	3.8	0.9	Agreed
14	I regularly prepare financial reports for my business.	108	114	48	18	12	3.9	0.9	Agreed
15	My financial records are adequate for obtaining external finance.	96	123	51	18	12	3.9	0.9	Agreed
	Cluster Mean	498	594	258	90	60	3.9	0.9	

All five items recorded mean scores above the 3.00 benchmark. The cluster mean of 3.92 (SD = 0.96) indicates that respondents agreed that effective utilization of finance contributes positively to business growth. This pattern suggests that entrepreneurs understand that business growth depends not only on obtaining finance but also on using available financial resources efficiently and for their intended purposes.

Research Question Four: Mediating Role of Capital Access (Finance Literacy → Entrepreneurial Performance)

Table 4.6.5: Respondents' Perceptions on the Mediating Role of Capital Access (Finance Literacy → Entrepreneurial Performance)

16	My business can easily obtain loans from financial institutions.	11 1	11 4	45	1 8	1 2	4.0 0	0.9 4	Agree d
17	I have access to adequate funds for business expansion.	10 2	12 0	48	1 8	1 2	3.9 4	0.9 6	Agree d
18	My business can access government intervention funds when needed.	10 8	11 7	45	1 8	1 2	3.9 7	0.9 5	Agree d
19	Good financial records improve my chances of obtaining loans.	99 8	12 3	48	1 8	1 2	3.9 4	0.9 6	Agree d
20	Financial institutions are willing to finance my business.	10 5	11 7	48	1 8	1 2	3.9 5	0.9 5	Agree d
	Cluster Mean	52 5	59 1	23 4	9 0	6 0	3.9 6	0.9 5	

All five items recorded mean scores above the 3.00 benchmark. The cluster mean of 3.96 (SD = 0.95) indicates a high level of agreement that capital access strengthen the relationship between finance literacy and entrepreneurial performance. This pattern suggests that respondents view capital access as a critical mediating factor that enables entrepreneurs to convert available financial resources into improved business decisions, operational efficiency, and superior entrepreneurial performance.

Test of Hypotheses

Hypothesis One

H₀₁: Financial knowledge has no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.631	0.398	0.396	0.574

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	64.952	1	64.952	196.911	0.000
Residual	98.381	298	0.330		
Total	163.333	299			

Coefficients

Variable	B	Std. Error	Beta	T	Sig.
Constant	1.123	0.184		6.103	0.000
Financial Knowledge	0.612	0.044	0.631	14.033	0.000

Decision

Since $p = 0.000 < 0.05$, the null hypothesis is **rejected**.

Interpretation

Financial knowledge have a significant positive effect on loan accessibility among entrepreneurs in Bwari Area Council. The standardized coefficient ($\beta = 0.631$) indicates that increase financial knowledge enhances entrepreneurs' ability to access loans. The model explains **39.8%** of the variation in loan accessibility ($R^2 = 0.398$).

Hypothesis Two

H₀₂: Budgeting skills have no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.704	0.496	0.494	0.523

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	81.224	1	81.224	297.161	0.000
Residual	81.455	298	0.273		
Total	162.679	299			

Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	0.872	0.176		4.955	0.000
Budgeting Skills	0.728	0.042	0.704	17.238	0.000

Decision

Since $p = 0.000 < 0.05$, reject the null hypothesis.

Interpretation

Budgeting skills in cash flow management significantly improve operational performance and business sustainability among entrepreneurs. A one-unit increase in budgeting skills increases operational performance by **0.728 units**. Approximately **49.6%** of the variation in operational performance is explained by financial skills.

Hypothesis Three

H₀₃: Financial record keeping has no significant effect on entrepreneurial performance in Bwari Area Council, Abuja.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.681	0.464	0.462	0.548

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	74.667	1	74.667	248.461	0.000
Residual	89.548	298	0.301		
Total	164.215	299			

Coefficients

Variable	B	Std. Error	Beta	t	Sig.
Constant	0.996	0.165		6.036	0.000
Financial Record Keeping	0.684	0.043	0.681	15.764	0.000

Decision

Since $p = 0.000 < 0.05$, reject the null hypothesis.

Interpretation

Financial record keeping has a statistically significant positive effect on business growth among entrepreneurs in Bwari Area Council. The model explains **46.4%** of the variation in business growth.

Hypothesis Four

H₀₄: Capital access does not significantly mediate the relationship between financial literacy and entrepreneurial performance in Bwari Area Council, Abuja.

Model 1

Dependent Variable: Entrepreneurial Performance

Predictor: Financial Literacy

Model Summary

R	R ²	Adjusted R ²	F	Sig.
0.688	0.473	0.471	267.624	0.000

Coefficients

Variable	Beta	t	Sig.
Finance Literacy	0.688	16.360	0.000

Model 2

Dependent Variable: Entrepreneurial Performance

Predictors: Finance Literacy and Capital Access

Model Summary

R	R ²	Adjusted R ²	Change in R ²	F	Sig.
0.781	0.610	0.607	0.137	232.457	0.000

Coefficients

Variable	Beta	t	Sig.
Finance Literacy	0.401	8.537	0.000
Capital Access	0.482	10.274	0.000

Sobel Test

Statistic	Value
Sobel z-value	5.97
Standard Error	0.051
p-value	0.000

Decision

Since the Sobel test yielded $z = 5.97$ with $p < 0.05$, the null hypothesis is rejected.

Interpretation

Capital Access significantly mediate the relationship between financial literacy and entrepreneurial performance among entrepreneurs in Bwari Area Council. The increase in **R² from 0.473 to 0.610** indicates that including capital access substantially improves the explanatory power of the regression model. This suggests **partial mediation**, where finance utilization influences entrepreneurial performance both directly and indirectly through financial skills.

Summary of Hypotheses Testing

Hypothesis	Statistical Test	β	R ²	t/F/z	Sig.	Decision
H ₀₁	Simple Linear Regression	0.631	0.398	t = 14.033	0.000	Rejected
H ₀₂	Simple Linear Regression	0.704	0.496	t = 17.238	0.000	Rejected
H ₀₃	Simple Linear Regression	0.681	0.464	t = 15.764	0.000	Rejected
H ₀₄	Hierarchical Regression & Sobel Test	0.482 (Mediator)	0.610	z = 5.97	0.000	Rejected

Results and Discussion

Results

The results of the hypothesis testing indicate that all the independent variables examined significantly influenced entrepreneurial performance and related outcomes among entrepreneurs in Bwari Area Council.

The first hypothesis examined whether financial knowledge significantly affect capital accessibility. The regression analysis revealed a statistically significant positive relationship between interest rates and loan accessibility ($\beta = 0.631$, $t = -14.033$, $p < 0.001$). The regression model explained approximately 39.8% of the variation in loan accessibility ($R^2 = 0.398$). Consequently, the null hypothesis was rejected. The finding suggests that good financial knowledge encourages entrepreneurs from accessing formal credit facilities, thereby increasing business financing opportunities.

The second hypothesis investigated the influence of financial budgeting skills in cash flow management on operational performance and business sustainability. The analysis showed a strong positive relationship ($\beta = 0.704$, $t = 17.238$, $p < 0.001$). The model accounted for 49.6% of the variation in operational performance and sustainability ($R^2 = 0.496$). The null hypothesis was therefore rejected. This result demonstrates that entrepreneurs with stronger cash flow management skills are more likely to operate sustainable and efficient businesses.

The third hypothesis examined the effect of financial record keeping on business growth. The regression analysis indicated that finance record keeping positively and significantly influences business growth ($\beta = 0.681$, $t = 15.764$, $p < 0.001$). The explanatory power of the model showed that finance record keeping accounted for 46.4% of the variation in business growth ($R^2 = 0.464$). Consequently, the null hypothesis was rejected. The finding implies that prudent record keeping and utilization of financial resources contributes substantially to enterprise expansion and improved business performance.

The fourth hypothesis assessed whether capital access mediate the relationship between financial literacy and entrepreneurial performance. Hierarchical regression analysis revealed that finance literacy alone explained 47.3% of the variation in entrepreneurial performance ($R^2 = 0.473$). However, when capital access were introduced as a mediating variable, the explanatory power of the model increased to 61.0% ($R^2 = 0.610$), representing an additional 13.7% of explained variance. The Sobel mediation test further confirmed that the indirect effect was statistically significant ($z = 5.97$, $p < 0.001$). Accordingly, the null hypothesis was rejected. This indicates that financial skills significantly enhance the positive influence of finance utilization on entrepreneurial performance, confirming a partial mediating effect.

Overall, the regression analyses demonstrate that Financial Knowledge, Budgeting Skills Financial Record Keeping, and financial skills Capital Access as a mediator are significant determinants of entrepreneurial outcomes among entrepreneurs in Bwari Area Council. The findings suggest that improving financial literacy and ensuring affordable financing mechanisms could substantially improve entrepreneurial success.

Discussion

The findings of this study provide empirical evidence that financial literacy dimensions significantly influence entrepreneurial performance among entrepreneurs in Bwari Area Council, Abuja. The results are consistent with the theoretical assumptions of Human Capital Theory and Financial Literacy Theory, which posit that knowledge and financial capabilities improve entrepreneurial decision-making and business outcomes.

The first finding revealed that Financial Knowledge have a significant positive effect on loan accessibility. This implies that increasing financial knowledge ce entrepreneurs' willingness and ability to obtain business loans from formal financial institutions. High financial knowledge encourages investment, promte business expansion, and reduce financial risk, especially for small and medium-sized enterprises with limited capital reserves. This finding supports the work of Ozili (2025), who reported that high l remain one of the major constraints limiting access to finance among Nigerian SMEs. The finding also aligns with the Credit Rationing Theory, which suggests that high lending rates reduce credit demand and limit financial inclusion among small businesses.

The second finding established that financial skills in cash flow management significantly influence operational performance and business sustainability. Entrepreneurs possessing stronger financial management skills were found to demonstrate better operational efficiency, improved liquidity management, and greater business continuity. Effective cash flow planning enables businesses to meet financial obligations, maintain adequate working capital, and make timely investment decisions. This result corroborates the findings of Lusardi and Mitchell (2023), who argued that financial skills constitute one of the strongest predictors of business success. Likewise, Wise (2013) reported that entrepreneurs with sound budgeting and cash flow management skills consistently record higher profitability and business survival rates. The result further supports Human Capital Theory, which emphasizes that acquired financial competencies enhance productivity and organizational performance.

The third finding showed that financial record keeping significantly promotes business growth. The positive relationship indicates that entrepreneurs who effectively keep good of financial resources toward productive investments experience higher sales, increased profitability, business expansion, and improved competitiveness. Efficient record keeping of finance ensures that available resources are directed toward income-generating activities rather than wasteful expenditures. This finding agrees with the studies of Bongomin et al. (2017), who concluded that prudent financial management significantly improves SME growth and competitiveness. It is also consistent with OECD (2023), which emphasized that effective financial resource utilization enhances business resilience and long-term sustainability. The finding equally reinforces the Resource-Based View, which argues that efficient deployment of valuable organizational resources creates sustainable competitive advantage. The fourth finding demonstrated that capital access significantly mediate the relationship between finance literacy and entrepreneurial performance. The increase in the coefficient of determination (R^2) from 47.3% to 61.0% after introducing capital access indicates that entrepreneurs' financial competencies strengthen the positive effects of loan accessibility on business performance. This suggests that merely obtaining or utilizing financial resources may not automatically improve business performance unless entrepreneurs possess adequate financial management capabilities. Financial skills enable business owners to budget effectively, monitor expenditures, interpret financial statements, manage risks, and make informed investment decisions. This finding is consistent with the work of Atkinson and Messy (2012), who observed that financial literacy enhances the effectiveness of financial decisions and contributes significantly to business performance. Similarly, Eniola and Entebang (2017) concluded that financial knowledge and skills serve as important mechanisms through which financial resources translate into improved entrepreneurial outcomes.

Taken together, the findings indicate that financial literacy is a critical driver of entrepreneurial success in Bwari Area Council, Abuja. While affordable financing remains important, entrepreneurs' ability to understand interest rates, manage cash flows, and utilize financial resources efficiently plays an even more significant role in determining business growth, operational performance, and sustainability. The findings therefore suggest that interventions aimed at improving entrepreneurial performance should not focus solely on expanding access to finance but should also prioritize financial literacy education, cash flow management training, and financial capacity-building

programmes. Such interventions would enhance entrepreneurs' ability to make sound financial decisions, maximize available resources, and achieve sustainable business growth.

Conclusion

This study examined the effect of selected financial literacy indicators on entrepreneurial performance among entrepreneurs in Bwari Area Council, Abuja. Specifically, it investigated the effects of financial knowledge on entrepreneurial performance, financial skills in cash flow management on operational performance and sustainability, financial record keeping on business growth, and the mediating role of loan accessibility in the relationship between financial literacy and entrepreneurial performance. The findings revealed that interest rates significantly and negatively affect loan accessibility, indicating that high lending rates constitute a major barrier to entrepreneurs seeking formal financing. The study also established that financial skills, particularly in cash flow management, have a significant positive influence on operational performance and business sustainability. Entrepreneurs who possess strong financial management competencies are better able to allocate resources efficiently, meet financial obligations, and sustain business operations.

The study found that effective utilization of financial resources significantly promotes business growth. Entrepreneurs who prudently utilize available funds for productive investments, inventory management, business expansion, and operational activities are more likely to experience increased profitability and improved business performance. The mediation analysis further demonstrated that loan accessibility significantly strengthen the relationship between finance literacy and entrepreneurial performance. This implies that access to financial resources alone is insufficient to guarantee business success; rather, entrepreneurs must possess adequate financial management skills to utilize such resources effectively. Overall, the study concludes that financial literacy, as reflected through knowledge of interest rates, financial skills in cash flow management, and effective utilization of finance, is a critical determinant of entrepreneurial success in Bwari Area Council, Abuja. Enhancing entrepreneurs' financial capabilities will improve access to finance, strengthen operational efficiency, stimulate business growth, and enhance long-term sustainability. The findings also affirm that financial skills serve as an important mechanism through which financial resources are transformed into improved entrepreneurial performance.

Recommendations

Based on the findings and conclusions of this study, the following recommendations are made:

Financial institutions: Financial institutions should adopt entrepreneur-friendly lending policies, commercial banks, microfinance banks, and other lending institutions should review and reduce lending interest rates where feasible and introduce flexible repayment terms to improve loan accessibility for entrepreneurs, particularly small and medium-sized enterprises.

Government agencies: Government agencies should strengthen financial literacy programmes, agencies such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Bank of Industry (BOI), Central Bank of Nigeria (CBN), and Abuja Enterprise Agency should organize regular training programmes on budgeting, cash flow management, financial planning, and business record keeping to improve entrepreneurs' financial competencies.

Entrepreneurs: Entrepreneurs should prioritize effective cash flow management, business owners should prepare periodic budgets, maintain accurate financial records, monitor cash inflows and outflows, and regularly evaluate their financial performance to ensure business sustainability and operational efficiency.

Financial resources: Financial resources should be utilized for productive business investments, entrepreneurs should ensure that loans and internally generated funds are invested in business

expansion, equipment acquisition, inventory management, technological innovation, and other value-adding activities rather than personal or non-productive expenditures.

Business development: Service providers should incorporate financial skills development into entrepreneurship support programmes. Entrepreneurship training institutions, business consultants, and professional associations should integrate practical financial management modules into their capacity-building programmes to enhance entrepreneurs' decision-making abilities.

Educational institutions: Educational institutions should promote entrepreneurship and financial literacy education. Universities, polytechnics, and vocational institutions should incorporate practical financial literacy courses, including budgeting, financial statement analysis, investment planning, and cash flow management, into entrepreneurship curricula to prepare future entrepreneurs for sustainable business management.

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