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The relationship between financial literacy and financial performance of registered small enterprises

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ABSTRACT

This study sought to examine the correlation between the financial literacy of small business proprietors and the performance of their enterprises in the northern region of Tshwane Ga-Rankuwa. The research utilised a quantitative methodology, employing a standardised questionnaire distributed to small business owners. A quantitative methodology underpinned the study's aims in examining a potential association between financial literacy and business performance. Data were examined via STATA/small enterprise, version 17. Descriptive and inferential statistics were conducted to analyse the distribution of study participants and their financial literacy. Multiple linear regression evaluated the relationships between predictor factors (socio-demographic characteristics and financial literacy) and return on assets. The small firms reported low to moderate profits and elevated returns on assets (ROA). Substantial correlations are present among family size, income level, and ROA, contesting the assumptions that education and experience are predictors of performance. Financial performance exhibits good connections with financial literacy and access to financing; nevertheless, the minor associations with knowledge and attitude highlight crucial dimensions of performance. Small firms must to seek methods to enhance profitability and invest in financial literacy. Authorities ought to enhance access to funding for small firms and should evaluate the relevance and quality of education concerning its contribution to financial literacy. The research demonstrated the significant influence of financial literacy and access on forecasting financial performance. Nonetheless, the correlation between financial literacy, attitudes, and actual financial results was less pronounced than anticipated.

Introduction

Numerous researchers and policymakers have demonstrated that small enterprises enhance global economic growth. The OECD (Organisation for Economic Co-operation and Development) regards small firms as crucial drivers of economic growth. According to the OECD, small enterprises constitute 98% of South African businesses, employ 50–60% of the labour force, and contribute over 50% to the GDP. Data from the UK (United Kingdom) (2020) and the World Bank (2021) corroborates these statistics. In South Africa, small enterprises are defined as "established businesses with five to 50 employees that are owned or directly overseen by the community" (Fatoki, 2019). The NDP's Vision 2030 advocates for the advancement of small enterprises. According to the NDP, small enterprises may provide 90% of new employment opportunities and stimulate economic growth.

The inadequate utilisation of Financial Support Programs (FSP) by business owners raised concerns for the South African National Treasury (SANT). The National Treasury indicated that the issue may have led to diminished financial literacy and suboptimal business performance, particularly among small enterprises (National Treasury, 2018). The OECD (2018) defines financial literacy as "a combination of awareness, knowledge, skills, attitudes, and behaviours necessary for making prudent financial decisions and ultimately achieving personal financial well-being." Current literature indicates that financial literacy improves business

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sustainability, agility, and confidence in employing financial knowledge for strategic financial operations among small business proprietors (Jianmu & Kulanthunga, 2019).

Financial acumen and business success are correlated (Agyei, 2018; Bushe, 2019; Fatoki, 2014), while Kate (2019) advocated for further investigation into underperforming small enterprises in South Africa. The author recommended directing future research towards particular regions of Tshwane. This project will investigate methods to enhance financial literacy among small business owners in Ga-Rankuwa to improve financial performance. This study investigated the correlation between owners' financial literacy and the financial success of small enterprises in Ga-Rankuwa. The study analysed the factors that influence financial literacy among small business proprietors in Ga-Rankuwa, focussing on under-explored firms to improve their financial outcomes. The study analysed features of financial literacy, including comprehension of financial ideas and proficiency in applying them, such as accessing funds, budgeting, and investing.

The research will employ five financial awareness criteria delineated by Dewi, Febrian, Effendi, Anwar, and Nidar (2020) to evaluate the financial literacy of small business proprietors: Financial Knowledge (FK), Experience (FE), Goals (FG), Capacity (FC), and Behaviour (FB). Dewi et al. (2020) conducted investigations on financial literacy performance. This study will analyse small business entrepreneurs in GA Rankuwa. The literature indicates that small firms in Ga-Rankuwa, similar to other South African enterprises of their kind, may be facing challenges due to inadequate financial literacy among their owners and management teams. This fundamental comprehension fails to consider the distinct financial literacy issues impacting the financial success of small enterprises. Wentzel (2016) noted that South Africa exhibited a company termination rate 50% greater than that of other African nations due to financial challenges, while the study focused on South Africa in its entirety rather than Ga-Rankuwa specifically. Wentzel (2018) discovered that South African entrepreneurs exhibited a deficiency in financial literacy. Nevertheless, there is limited understanding of the impact of financial literacy on the financial success of small business owners in Ga-Rankuwa. This study proposed recommendations to tackle financial literacy challenges faced by small business owners in the Ga-Rankuwa region to enhance financial performance.

Small enterprises have a crucial role in alleviating poverty and generating employment opportunities; hence, this study was motivated by the scarcity of research on this essential element. This encourages research on their sustainability, which contributes to employment creation and poverty reduction. In economically disadvantaged areas like as Ga-Rankuwa, where employment opportunities are scarce, these skills are crucial. A quantitative research methodology was employed to assess the financial performance of small businesses through survey techniques. The research employed the Critical Success Factor (CSF) theory proposed by Ronald H. Daniel and John Rockatt (Shirima, 2022). Financial literacy was posited as a crucial factor influencing small business financial performance and was examined through linear regression analysis.

The research indicated that small enterprises exhibited low to moderate profitability and enhanced return on assets (ROA). The findings indicated robust correlations among family size, income level, and ROA, contradicting the notion that education and experience dictate performance. Financial performance shown a favourable correlation with financial literacy and access; however, knowledge and attitude did not demonstrate such a relationship. Financial literacy was essential for the financial success of small enterprises in Ga-Rankuwa.

Literature Review

The literature on financial literacy and performance can be traced by understanding financial assessment literacy. Also, financial awareness is another core in understanding financial literacy. Furthermore, this section shall present the financial behaviors of small and medium enterprises in South Africa.

Financial literacy: meaning, nature, and measurement

OECD INFE (2011) defined financial literacy as "a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve financial well-being for individual and society as a whole". Irikefe (2019) added that financial literacy involves financial planning, compound interest, debt management, effective savings strategies, and money value. The author advised entrepreneurs to know and use money and wealth-making abilities, banking, insurance, inflation, risk, and returns to avoid financial illiteracy.

Academics Dewi (2020), businesses, the Department of Small Business Development (2019), and health professionals, Mulligan, Dickson, and DeVahl (2020) have long debated financial literacy. Recent economic changes, information technology, and business difficulties have greatly impacted financial management, necessitating entrepreneurship research, particularly for small businesses (Department of Small Business Development, 2019). Information resources and personality variables that enhance small business sustainability have been recommended for further study (NPC, 2012). The previous statement applies especially to small enterprises with insufficient financial education in impoverished areas. Mashizha et al. (2019) stated that financial literacy education can prevent entrepreneurs from making bad financial decisions that destabilize economies.

Assessment of financial literacy

Global surveys can evaluate financial literacy, according to OECD INFE (2011; 2020). A dedicated working group began developing the toolbox for evaluating financial literacy and inclusion in 2009 using an OECD working paper (2011), national surveys, international research, and expert guidance. In 2015, 40 countries and economies that participated in an international assessment of adult financial literacy competencies adopted the revised publication. OECD/INFE International Survey of Adult Financial Literacy Competencies (OECD, 2016) presented results from the first 30 nations. A 2018 revision updated the Toolkit and expanded its coverage of subjective financial well-being. For the 2019/20 OECD/INFE 2020 International Survey of Adult Financial Literacy (OECD, 2020), the modified 2018 toolkit was used. The Toolkit was also used to collect financial literacy data in OECD technical assistance projects in the Commonwealth of Independent States and Southeast Europe, which resulted in regional reports (OECD, 2018; OECD, 2020).

Financial awareness and literacy

Financial literacy requires financial awareness to help business owners make good financial decisions and understand how they affect business performance to maximize profits (Sulaiman, 2018). Financial awareness "relates to the understanding and ability to handle available financial strategies" and comprehending the benefits of financial systems and services (Eniola & Entebang, 2017). Business owners with low financial awareness may make poor financial service decisions. Financial literacy can be generic or, according to Singla (2021) and Josia (2021). The former involves a larger understanding of financial ideas, while the latter involves financial knowledge, and skills related to one's finances. Financial literacy for entrepreneurs is business specific. Fauzi et al. (2020) and Kumar (2021) defined digital financial literacy as using ICT to obtain, manipulate, and interpret financial information.

Financial literacy includes investment opportunities and ramifications (Goyal & Kumar, 2021). Mashizha et al. (2019) claimed that many SMEs entrepreneurs lacked investment literacy. The author also found that inadequate investment literacy led to bad inflation and interest rate decisions (Mashizha et al., 2019). The remark implies that entrepreneurs require literacy to quickly adjust to the changing investing climate. Goyal and Kumar (2021) agreed that entrepreneurs need digital financial literacy. Financial expertise may not boost SME financial performance due to issues including resource availability, according to Adomako and Danso (2014). SMEs need a combination of financial goals to handle a multiplicity of obstacles that negatively affect financial performance, therefore the authors caution against financial literacy "as an end to itself".

Financial behavior and attitude

Financial behavior shows how people handle money (Winarta & Pamungkas, 2020). Financial behavior also includes spending, saving, and investing (Potrich et al., 2016). It can be measured by paying bills on time and keeping financial records (Potrich et al., 2016). Winarta and Pamungkas (2020) say financial attitude is a psychological construct based on money-related sentiments and thoughts. Sugiyanto et al. (2019) added that a positive financial attitude includes seeking financial education, appreciating insurance, savings, and investing.

Financial literacy is often mentioned with financial knowledge and attitudes. Financial literacy did not improve entrepreneurial financial behavior, according to Sugiyanto et al. (2019). The previously mentioned writers agreed that financial attitude drives how one creates and manages financial resources (Sugiyanto et al.,2019). In contrast, negative financial behavior includes wastefulness, unplanned spending, and poor financial planning (Wardani et al., 2017).

Financial orientation and small business performance

The profitability of a business could be increased by proper financial attitude/management such as aversion to risk, being time-oriented, social environmental factors, and training (Mbekomize and Mapharing, 20150; Marx et al., 2018). The willingness to acquire more knowledge about financial management will benefit entrepreneurs as it will facilitate the practical application of knowledge of financial concepts (Marx, et al., 2018). Understanding the analysis of financial statements, budgeting, and the operation of financial institutions and markets enhances entrepreneurial performance (Gitman, 2019:389; Marney and Tarbert, 2019). Thus, procuring adequate information will improve the financial attitude of business owners (Abiodun, 2016). A review of financial literature shows that the attainment of the right financial attitude will boost financial literacy, the appetite for asset and investment management, financial institutions, and market orientation and training (Potrich et al., 2016). In the case of risk-taking, there is a common finance saying that "the higher the risk on investment, the higher the returns" (Gitman, 2019). The profitability of the business is also dependent on the financial management literacy of the owners as well as the social and environmental issues (Mbekomize & Mapharing, 2015; Marx et al., 2018). Being willing to attain knowledge on financial management is also beneficial to owners/managers of businesses because it allows them to put the obtained knowledge into practical application (Cote, 2020).

In recent years, the researchers' interest in studying financial literacy and the effects of financial attitudes has significantly increased. Wagner (2015) highlighted that better financial decisions are made when the decision-maker is informed. Hence for managers and consumers, there is a positive long-term effect on profitability and in consumption respectively. Business managers' financial attitudes play a crucial part in the determination of business performance (Cote, 2020; Kaur and Bansal, 2021). It is a combination of concepts, emotions, and information about learning, which in turn results in readiness to have a favorable reaction which will lead to more effective decisions that generate profits for business (Potrich et al., 2016). Research has shown that there is a linkage between financial management/attitude and business ability to secure competitive strategic decisions, resources and capabilities, performance outcomes, and competitive advantage (Abiodun, 2016). He added that businesses with more positive financial management and attitude have a better competitive advantage in accessing external funding. In other words, the more financially literate (i.e. financial knowledge, planning/behavior, and financial management/attitude) the owners of small enterprises are the more success they experience in their business.

South African SME challenges

Poor business and management practices, brain drain, and a lack of qualified personnel, financial skills, and competent managers were issues (Van Tonder, 2010). Most SMEs are too tiny to learn from past mistakes, therefore even a small management blunder can close the business (Bowen, Morara, and Mureithi, 2009). Many South African SMEs fail despite government and private sector support for small business development and growth (Cant and Wiid, 2013). Thus, South African new SMEs' high failure rate has limited their ability to create jobs, boost the economy, and relieve poverty (Fatoki & Odeyemi, 2010).

Interest and exchange rates, inflation, unemployment, crime, HIV/AIDS, technological innovation, and government legislation affect South African SMEs, according to Cant and Wiid (2013). These factors affect demand for goods and services and SME growth (Ehlers and Lazenby, 2010). SME owners or managers must be aware of these external variables and minimize any negative consequences to respond quickly to capitalize on opportunities and minimize dangers (Sha, 2010). SMEs must understand the economy's market environment. They must know their clients, their purchasing patterns, how, where, and when they buy to thrive by meeting their requests (Cant and Wiid, 2013).

The high failure rate of South African SMEs is also due to internal causes. Lack of financial understanding, management abilities, marketing and HR competence, and access to funding are variables. Through the Department of Trade and Industry, the South African government has established many public institutions to serve SMEs. SEDA, SA Micro Finance, SEFA, and IDC are among such institutions.

South African SMEs' contributions

Small businesses boost economic growth, and more economists, policymakers, and business experts worldwide recognize this. A strong small enterprise sector boosts employment, production, exports, innovation, and entrepreneurial skills (OECD, 2017; World Bank, 2021). Small businesses create jobs and enhance life in emerging economies (OECD, 2017; World Bank, 2021). Small businesses tend to employ 22% of developing country adults, according to the World Bank (2018, 2021). Small businesses are considered the dynamo for growth.

UNIDO (2020) reports that small firms make- up over 90% of private business and more than 50% of employment and GDP in most African nations. According to Abor and Quartey (2010), 91% of formal business organizations in South Africa are small firms that contribute 52–57% to GDP and over 60% to employment. Since 1995, the democratically elected South African government emphasized small businesses in the economy. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa stated that "small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country" (Department of Trade & Industry, 1995; Department of Small Business Development, 2019). Thus, policymakers view small firm development as a route toward raising poor incomes. In ssummary of the literature. The review shows that financial literacy incorporates various concepts, specifically financial knowledge, financial awareness, financial behavior, financial attitude, and financial skills. Some studies associated financial skills with investment analysis capabilities, risk management, and abilities to access funding. Financial literacy was also discussed as a phenomenon that has a far-reaching economic impact, affecting economic growth, standards of living, and employment creation. It was not only a phenomenon of interest in South Africa but in many economies across the world. In South Africa, financial literacy was considered to be very low, and this was believed to be a major cause of SME failures by some researchers. Nonetheless, some researchers also argue that financial behavior rather than literacy had a significant impact on employment. Some studies assert that financial literacy differs across people of different genders, age, experience, and training. Others also argued that SME performance was significantly affected by other factors including access to capital with financial literacy playing a rather small part in poor SME outcomes. Lastly, this chapter captured the CSF theory as its theoretical framework. Using this theory, it questioned financial literacy as a critical success factor of positive SME performance.

Research and Methodology

Data

The data was collected using descriptive correlational study design. Kumar (2021) outline that a descriptive correlational study design is classified as a quantitative study design that systematically investigates the relationship between two variables, and then uses correlational statistics to describe this relationship. In this study, the two variable groups whose relationship the study investigates are (1) financial literacy and (2) financial performance. In this study the dependent variable is financial performance, whilst the independent variable is financial literacy (financial knowledge, financial experience, financial skills, financial goals and financial behaviour). Further correlations were on financial literacy and selected demographic indicators. Kumar (2021:98) notes that in correlational studies, the researchers also describe the direction of the relationship, this direction can be a negative relationship for example when financial literacy increases, financial performance decreases. The negative relationship is denoted as (-1). Kumar (2021:98) also outlines the positive relationship, for instance when financial literacy increases the financial performance also increases and this is denoted as (+1). In some cases, there can be no relationship between the variables, and this is denoted with a (0) (Kumar, 2021).

The study was conducted using a total of 85 questions that were derived from the literature review, with a deliberate restriction on the number of questions. Two sets of data were collected from the respondents of Ga-Rankuwa which are primary data and secondary data. A survey research method was used by means of a questionnaire as the primary data collection instrument for small business owners. This allowed respondents to provide answers to a series of research questions. The Yamane method was used to determine the sample size for this study, which was based on a population of 2022 small companies that were registered in the Ga-Rankuwa region. A sample of 171 was derived from estimated population of 300 from Ga-Rankuwa SEs with 81 opting not to participate in the survey. This resulted 90 valid responses and the overall responses rate was above 50%. The sample distribution was based on the percentage small retail businesses within Ga-Rankuwa area, with specific emphasis selling groceries, clothes, and fast food as shown in Table 1.

Table 1: Data collection: population and sample

	Groceries	**Clothes**	**Fast Food**	**Total**
Sample	44	30	16	90
%	48.9%	33.3%	17.8%	100%

Source: Authors compilation from the survey

Table 2 presents the description of the variables used in the regressions 1 and 2

Table 2: Variable description

Model	**Dependent variable**	**Independent variables**
Regression 1: Demographic characteristics and enterprise performance	ROA	Level of education
		Family size
		Monthly income
		Entrepreneur experience
Regression 2: Financial literacy factors and enterprise performance	ROA	Financial literacy
		Financial knowledge (also called business knowhow)
		Financial attitude and skill (business skill)
		Access to finance
Regressions 1 and 2 combined	ROA	Level of education
		Family size
		Monthly income
		Entrepreneur experience
		Financial literacy
		Financial knowledge (also called business knowhow)
		Financial attitude and skill (business skill)
		Access to finance

Source: Authors compilation

Econometric methodology and model specifications

Linear regression analysis

Linear regression models were used to predict financial literacy (calculated individually for each wave) concerning gender, age, education level, and household income to evaluate contextual and individual differences in influences on financial literacy. In addition, multivariate regression analysis was used to determine the relationship between financial performance and financial literacy. This method of analysis allowed the researcher to investigate the relationship between a dependent variable of interest (financial performance) and multiple independent variables at the same time. This therefore addressed the researcher's interests and enabled achieving the research objectives that involved the dependent variable being affected by several independent variables at the same time (Ciulla & D'Amico, 2019). This also mirrored real-life situations, considering that phenomena are affected by more than one factor at a time (Ciulla & D'Amico, 2019).

For the regression analysis, it was important to identify the dependent variable and the independent (explanatory variables); the dependent variable in this study was SE performance. Regression 1 focuses on demographic characteristics and enterprise performance. Regression 2 focuses on financial literacy factors and enterprise performance and regression 3 on Combining Regressions 1 and 2 to identify the jointly significant attributes. Financial performance was measured using ROA because it provides a reliable picture of management's ability to pull profits from assets and projects and captures fundamentals of business performance by looking at both income statement performance and assets. Liquidity data was not collected. These elements are considered the core measures of financial performance or key financial performance indicators, in profit-orientated businesses. Each of these was provided by the respective study participants (Vibhakar, Tripathi & Johari, 2023). Nayak and Paluri (2022) also assert that these financial measures are important performance indicators for SEs. Each of these indicators was used as a dependent variable alongside the independent variables. This empowered the researcher to understand how each one of them is independently affected by financial literacy. ROA as a financial indicator assessed the unit return of each asset employed in a business (Dichaba, Hlalele & Mosweunyane, 2022). It was attained by expressing the net profit data collected from SEs as a ratio of the total assets employed. This function is important for showing the relationship between financial literacy and profit and assets (Dichaba et al., 2022). Liquidity ratio has also been used as a proxy for financial performance in SEs in various studies, including those by Wahyono (2018) and Natswa (2021). These two ratios captured three key financial performance indicators: profit, assets, and cash flow. By using these ratios as a measurement standard, the study could mathematically compare the performance of SEs of different sizes:

$$SEP=f(DXs,FFs)$$

Where:

SEP = small enterprise performance.

ROA = return on assets;

DXs = demographic characteristic; and

FFs = financial factors.

From the above mathematical (economic) functional relationships, the research could derive the following regressions:

Regression 1: Demographic characteristics and enterprise performance

$$ROA= \beta_0+\beta_1 LE+\beta_2 FS+\beta_3 MI+\beta_4 YE+\varepsilon$$

Where:

ROA = return on assets;

LE = level of education;

FS = family size;

MI = monthly income;

YE = years of experience in the business;

β_0-the intercept, β_1-β_4 are the coefficients of the model; and

ε = the error term.

Regression 1 used ROA as the dependent variable.

Regression 2: Financial literacy factors and enterprise performance

$$ROA= \beta_0+\beta_1 LFL+\beta_2 FK+\beta_3 FAS+\beta_4 AF+\varepsilon$$

Where:

ROA = return on assets;

LFL = level of financial literacy;

FK = financial knowledge (also called business knowhow);

FAS = financial attitude and skill (business skill);

AF = access to finance;

β_0-the intercept, β_1-β_3 are the coefficients of the model; and

ε = the error term.

Regression 2 also used ROA as the dependent variable.

Regression 3: Combining regressions 1 and 2 to identify the jointly significant attributes

$$ROA= +\beta\_1\ LE+\beta\_2\ FS+\beta\_3\ MI+\beta\_4\ YE+\beta\_5\ LFL+\beta\_6\ FK+\beta\_7\ FAS+\beta\_8\ AF+\varepsilon$$

Findings and Discussion

Findings

Data was analyzed using STATA, version 17. Both descriptive statistics and inferential statistics were carried out to understand the relationship between the financial literacy knowledge levels of small business owners and the financial performance of their SEs in Ga-Rankuwa. Multivariate regression analysis was used to determine the relationship between financial performance and financial literacy. This method of analysis allowed the researcher to investigate the relationship between a dependent variable of interest (financial performance) and multiple independent variables at the same time. This, therefore addressed the researcher's interests, enabling the answering of research questions that involve a dependent variable being affected by several independent variables at the same time (Cuilla and D'Amico, 2019). For the regression analysis it was important to identify the dependent variable and the independent (explanatory variables), the dependent variable in this study is small enterprises performance (SEP). Financial performance was measured using ROA. This function is important for showing the relationship between financial literacy and profit and assets (Dichaba & Hlalele, 2022). Liquidity ratio has also been used as a proxy for financial performance in small enterprises in various studies including by Wahyono (2018) and Natswa (2021). ROA captured three key financial performance indicators – profit, assets, and cash flows.

Discussion

To meet the study's objectives, multiple linear regression was performed to assess associations between the predictor variables (socio-demographic attributes and financial literacy) and ROA. The predictor variables included in the models were education, family size, monthly income, experience as an entrepreneur, financial literacy factors, and enterprise performance. Three models were produced as per the objectives.

Table 3: Regression results for model 1

Variable	Coefficient	Std. err.	t	P-value>t	95% conf. interval	
Education	0.605	0.799	0.87	0.389	-0.786	1.996
Family size	1.608	0.730	2.20	0.031	0.155	3.061
Monthly income	2.655	1.112	2.39	0.019	0.443	4.868
Experience as entrepreneur	3.485	2.166	1.61	0.112	-0.826	7.795

Source: Authors compilation

Model 1 illustrates socio-demographic attributes (independent variables) and the ROA (dependent variable). The independent variables in the model are significantly predictive of the ROA as determined by the ANOVA statistics [F (4, 79) = 4.04, p = 0.005]. In addition, the model's degree of predicting the dependent variable was R2 = 0.170 and the model's degree of explaining the variance in the dependent variable was Adj. R2 = 0.128. This shows that the model predicted the dependent variable very well. The coefficients of family size (β = 1.61, p = 0.031) and monthly income (β = 2.66, p = 0.019) were significantly positively associated with the ROA. There was no significant relationship between education, experience as an entrepreneur, and ROA.

Table 4: Regression coefficients for model 2

Variable	Coefficient	Std. error	t	P-value>t	95% conf. interval	
Financial literacy	3.952	2.284	1.73	**0.087**	-0.593	8.496
Financial knowledge	-0.530	2.663	-0.20	0.843	-5.828	4.767
Financial attitude	2.503	2.477	1.01	0.315	-2.425	7.430
Financial access	2.593	1.452	1.79	**0.078**	-0.296	5.482

Source: Authors compilation

Model 2 depicts financial factors, enterprise performance (independent variables), and ROA (dependent variable). The ANOVA results show that the independent factors in the model strongly predicted ROA [F (4, 81) = 6.46, p < 0.001)]. Furthermore, the model's degree of predicting the dependent variable was R2 = 0.242, while its degree of explaining the variance in the dependent variable was Adj. R2 = 0.204. This demonstrates that the model predicted the dependent variable quite accurately. Financial literacy (β = 3.95, p = 0.087) and financial access (β = 2.59, p = 0.078) had a weak positive correlation with ROA. However, no significant association was found between financial knowledge, attitude, and ROA.

Table 5: Regression coefficients for model 3

Variable	Coefficient	Std. err.	t	P-value>t	95% conf. interval	
Education	0.402	0.670	0.60	0.550	-0.932	1.737
Family size	1.437	0.682	2.11	0.038	0.079	2.796
Monthly income	2.532	1.051	2.41	0.019	0.437	4.627
Experience as entrepreneur	0.079	2.231	0.04	0.972	-4.368	4.526
Financial literacy	3.692	2.337	1.58	0.118	-0.965	8.349
Financial knowledge	-0.926	2.746	-0.34	0.737	-6.399	4.547
Financial attitude	2.386	2.585	0.92	0.066	-2.766	7.538
Financial access	2.838	1.518	1.87	0.882	-0.187	5.863

Source: Authors compilation

Model 3 illustrates socio-demographic attributes, financial factors, and enterprise performance (independent variables) and the ROA (dependent variable). The ANOVA results showed that the model's independent variables were strongly predictive of the ROA [F (8, 73) = 4.81, p = 0.005]. Furthermore, the model's R2 = 0.345 predicted the dependent variable and Adj. R2 = 0.274 explained the dependent variable's variance. This demonstrates that the model predicted the dependent variable quite well.

Family size (β = 1.61, p = 0.031) and monthly income (β = 2.66, p = 0.019) were found to have a strong positive correlation with ROA, while financial attitude (β = 2.39, p = 0.066) showed a weak positive connection with ROA. No significant association was found between education, entrepreneurial experience, financial knowledge, financial attitude, financial access, and ROA.

The study's findings on education contradict Cyril and Singla's (2021) findings, namely that as entrepreneurs' education increases, they tend to become more financially knowledgeable and have better financial performance.

Conclusion

The study achieved its research aims by producing significant findings, some of which were inconsistent with existing literature and perspectives. A significant discovery was the divergence between annual profits and return on assets (ROA). Although small firms generally reported very low to moderate profits, their return on assets (ROA) was marginally greater, suggesting more effective asset utilisation. Demographic characteristics, including family size and monthly income, were identified as significant predictors of financial performance. Conversely, prevalent criteria like educational background and previous business experience did not significantly affect financial performance. This divergence from prevailing research contradicts established assumptions regarding the determinants of financial performance in Ga-Rankuwa. The research demonstrated the significant influence of financial literacy and access on forecasting financial performance. The correlation between financial knowledge, attitude, and real financial outcomes was not substantial as anticipated.

The findings elucidate the intricate aspects influencing the financial performance of small enterprises in Ga-Rankuwa. Comprehending these elements is essential for the development and execution of tailored interventions designed to improve financial outcomes for small enterprises.

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