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Financial Knowledge, Financial Planning, and Entrepreneurial Risk Attitudes: Evidence from Small and Medium Enterprises in Ekiti State

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Abstract

Although financial capability has been recognized as a crucial source of information for financial decision-making, little study has been done on how it influences SMEs' risk-taking attitudes. This study investigated the nexus between financial knowledge, financial planning, and entrepreneurial risk attitudes among SMEs in Ekiti State, Nigeria. The study used a descriptive survey design with double sampling, which included single-stage cluster and convenience sampling. A structured questionnaire was used in the study to collect information from 287 participants. In the data analysis, descriptive statistics and multinomial logistics regression technique were used. The study therefore confirmed a positive and statistically significant effect of financial knowledge and financial planning on entrepreneurial risk attitudes in Ekiti State, Nigeria. Findings from the study have obviously shown the significance of financial knowledge, and financial planning on SMEs' entrepreneurial risk attitudes. If implemented, the study's conclusions will result in advanced planning and knowledge of financial instruments like loans, derivatives, insurance, etc., which will encourage SMEs to take reasonable risks. Therefore, legislators, regulators, and other company operators may find the study's findings helpful in implementing simplicity in financial transactions that will favorably influence SMEs' decision-making, which may be influenced by their degree of risk aversion. SMEs' owners should, however, keep improving their financial planning skills in order to further refine.

Keywords: Financial Knowledge, Financial Planning, Risk Attitude, Entrepreneurial Decisions

JEL Classification: E41

1. Introduction

Financial competence is the capacity to use information and abilities to effectively manage financial resources for a lifetime of financial well-being. Lusardi (2019) defines financial literacy as people's ability to process economic information and make informed decisions regarding financial planning, wealth accumulation, debt, and pensions in order to assist individuals and households in navigating the ever-increasing complexity of financial market products and services. Reading, analyzing, managing, and communicating about one's own financial circumstances that impact material well-being is what it is. Financial literacy skills help people and businesses navigate the financial world, make wise financial decisions, and reduce the likelihood of financial misinformation. A person with financial capability can make well-informed decisions based on whether they have a risk-averse, risk-loving, or neutral attitude (Callis *et al.*, 2023; Kim *et al.*, 2021). According to Nguyen *et al.* (2022), Financial literacy also tends to develop an individual's attitude toward risk because it shapes the attitude that an individual will exhibit toward the risk involved in making a financial decision based on their ability to analyze and manage financial conditions and come up with a decision based on that analysis.

To make sure that their decisions have a positive impact on their future, people need to empower themselves with financial planning knowledge and skills given the complexity and variety of financial products accessible today (Yeo *et al.*, 2024). However, People should arm themselves with financial education, financial management, retirement, investments, savings, wills, insurance, and loans in addition to basic personal finance knowledge (Augustin *et al.*, 2022; Shefiee et al., 2024). With this knowledge, consumers might be able to comprehend the risk and make better financial decisions, preventing future financial problems. Most people experience their first financial difficulties when they start college or university since they must learn how to manage their money on their own. They could therefore have to overcome significant obstacles to make wise financial decisions (Yeo *et al.*, 2024). This demonstrates the importance of focusing on financial literacy, particularly among young people, to ensure that a country can produce many financially literate citizens. Therefore, to improve their financial well-being, it is crucial that they possess the skills and information necessary to handle their own personal money (Sabri *et al.*, 2023; Shefiee *et al.*, 2024).

Managing one's own financial circumstances is essential since people deal with money at practically every stage of their lives. Financial knowledge is necessary to manage one's financial circumstances, and as a result, some behaviors about the risks associated with the financial decision or scenario in question are influenced by this information (Bai, 2023; Rehman & Mia, 2024). This demonstrates how financial knowledge affects financial risk behavior toward financial decisions. Even those who are knowledgeable about the financial system find it difficult to make decisions when confronted with the complexity of the financial market (Domenico *et al.*, 2022; Nurwulandri, 2022).

Therefore, managing one's own financial circumstances is essential since finance permeates all aspect of a person's social life. Planning financial activities and actions is so crucial. Most people, however, do not think financial planning is important because they do not see the need to manage their finances or create budgets before spending, which leads them to continue spending until they discover they are nearly out of money (Bai, 2023; Sabri *et al.*, 2023. Financial planning increases one's confidence in their attitude toward risk by making it easier to manage financial risk. Although these earlier empirical studies are available in the literature, many of them concentrate on the global environment, with very little attention paid to Nigeria's local environment. Not too many of the few studies that looked at the Nigerian context connected financial literacy to individual entrepreneurs' risk-taking behavior in small and medium-sized business community in Ekiti State. The main objective of this study is to examine the effects of financial capacities on entrepreneurial risk attitudes of selected small and medium sized enterprises in Ekiti State, Nigeria. The specific objectives are to investigate the effect of financial knowledge on the entrepreneurial risk attitude among selected small and medium-sized enterprises in Ekiti State; examine effect of financial planning on the entrepreneurial risk attitude among selected small and medium-sized enterprises in Ekiti State; and evaluate the influence of financial experience on the entrepreneurial risk attitude among selected small and medium-sized enterprises in Ekiti State.

2. Literature Review

Financial Knowledge - Financial knowledge is a subset of financial capability which is referred to as a fundamental understanding of financial terms (Azizah *et al.,* 2024). Empirical evidence (such as Azidul *et al*., 2023 Obaid *et al.,* 2023; Laza *et al.,* 2024) shows that financial knowledge helps predict financial wellness of individual persons; and serves as an embodiment of several skills, resources, and conceptual knowledge to manage information. Thus, to have financial knowledge, it is essential to create financial skills and learn to adopt financial instrument. Obaid *et al.* (2023) define financial knowledge as understanding core financial concepts and terms required to function daily. It is also referred to as the basic financial concepts and treated as a prerequisite to take effective financial decisions; hence, it has a close connection with financial literacy or financial education (Azizah *et al.,* 2024; Moko *et al.,* 2022). Because those with a high degree of education and business-related studies are more likely to regularly save money for themselves, financial behavior is linked to financial understanding (Adiputra & Patricia, 2019). According to Cera et al. (2021), financial literacy affects borrowing, saving, and investing—all of which are related financial behaviors and decisions. This indicates that better retirement planning and successful financial product investments are correlated with greater financial literacy. Additionally, research demonstrated a high correlation between a person's financial practices and knowledge, which helps individuals create financial objectives, make wise investments, plan payments, and save money for emergencies (Morris et al., 2022; Pham & Le, 2023).

Financial Planning - The process of figuring out how a company can afford to accomplish its strategic goals and objectives is known as financial planning. The practice of managing money to attain personal financial satisfaction is known as personal financial planning. Personal money management, also known as personal financial planning, is a systematic procedure that leads to both financial and personal happiness (Bai, 2023; Roestal, 2016). People can control their financial situation through this planning approach. Priorities must first be established to do this. Having a plan for spending, saving, and investing money increases the likelihood that financial needs and goals will be met. Achieving those goals requires financial planning that takes into account all aspects of financial life, including retirement, estate planning, insurance, obligations, budgeting and managing taxes, and purchasing decisions (Mendari & Soejono, 2020). A financial plan serves as a road map for reaching one's financial objectives. The process of creating plans to handle one's finances to accumulate wealth, enjoy life, and attain financial security is known as financial planning (Aziza *et al.,* 2022). As a continual process, it must be followed throughout various periods of an individual's life cycle. According to Lingyan *et al*. (2023), there are six fundamental steps in financial planning: (1) setting short-

, medium-, and long-term financial goals; (2) taking into account one's current financial situation, including savings, investments, and net worth; (3) identifying and assessing alternative plans that could help one reach those goals; (4) choosing and putting into action the best plan for doing so; and (5) assessing the results of implementation. Studies (such as Chun et al., 2021; Krishna et al., 2019) affirmed that budgeting, spending planning, liquidity planning, and personal financing or debt (liability) planning (personal loans and housing loans) are important aspects of financial planning. (5) Planning investments; (6) Planning for retirement; (7) Planning for insurance (life, property, liability, health, etc.) to safeguard assets and income; (8) Planning for estates; and (9) Planning for taxes.

Entrepreneurship Education and Entrepreneurial Risk Attitudes

Shigeru Fiji began teaching business at Kobe University in Japan in 1938, according to Bayero (2020). Owing to the perceived significance of entrepreneurship, a number of studies have been carried out to determine the relevance of entrepreneurship education to national development (Jongbo & Ajemunigbohun, 2023; Ndofirepi, 2020; Smail et al., 2022). Accordingly, gender has a crucial role in a country's socioeconomic development and is essential to the growth of entrepreneurship (Kaur & Chawla, 2023). When discussing human aspects, risk mentality is essential. An individual's mindset plays a critical role in the situational events' variability. A person's enlightenment toward seeking or being cognizant of risk while making judgments about how to navigate in situations with unknown outcomes is referred to as their risk attitude (Genty et al., 2022). According to Gonzaga and Manigo (2023), even when people appear as though they are oblivious of it, their risk-taking behavior has an impact on every aspect of entrepreneurial endeavors. Research has confirmed that a person's or an organization's risk attitude is a function of their use of risk management tools like insurance (Filmina & Mayangsari, 2020; Isimoya & Oluwaleye, 2023). An organization's long-term perspective on risk can be inferred from its risk attitude. However, the desired organizational goals are attainable thanks to the right-thinking risk attitude that is genuinely demonstrated in entrepreneurial activities. This is because it makes it easier for entrepreneurs to develop long-lasting risk management instruments (Ajemunigbohun et al., 2020).

Theoretical Review

Theory of Planned behaviour -The idea of planned behavior was developed to illustrate human social values, attitudes, and controlled behavior in business-related operations (Bayona-Ore, 2023). In the 1980s, planned behavior theory was developed as a theory of reason action to forecast people's intentions to engage in behavioral activities at a certain location and time (Barber, 2011). It is a well-designed assessment of subjective values, perceived behavioral intention and control, and risk attitude with respect to a behavior of interest. According to the findings of earlier research (e.g., Carr & Sequeira, 2007; Kautonen, Van Gelderen, & Tornikoski, 2013), the theory of planned behavior (TPB) has made a significant contribution to the field of entrepreneurial studies. Therefore, this approach is seen as typical for entrepreneurial activity, even when the new business may grow suddenly because of a chance realised. By placing a strong emphasis on individual attitudes and beliefs, TPB makes it possible to investigate the variables that affect students' choices (Davis et al., 2002). Perceived behavioral control (PBC), subjective norms (SN) pertaining to perceived social pressure, and attitude (ATT) toward a behavior are the three components that determine intents. A person's assessment of a behavior, which may be positive or negative, makes up their attitude toward that behavior (Ajzen, 2002). While entrepreneurial intention refers to the desire to start a firm as impacted by attitudes toward entrepreneurial behavior (Mensah et al., 2021), intention refers to the motivation of an individual for certain behaviors (Alshebami et al., 2020). According to Hasan et al. (2020), there are two main sources of purpose with TPB: the possibility of a particular behavior and the incentive to act in a way that is planned. It is important to remember that TPB maintains that behavioral performance directly precedes intent. According to TPB, an individual's purpose to engage entrepreneurial behavior is stronger when their attitude and subjective value are more acceptable and their perceived behavioral control is higher (Barbera & Ajzen, 2021).

Empirical Review

Mudzingiri (2021) evaluated the relationship between risk-taking, financial literacy, and patterns of attitudes among South African university students. The study employed a financial literacy test and a questionnaire to conduct trials with various price lists. A maximum probability joint measure on an expected utility exponential function on the preferences of identical and differential students was used in the investigation. The study found that university students with low financial capabilities' risk and time preferences were strongly modified by financial literacy. According to the study, university students' views toward patients and their inclinations for risk are linked to their increased financial capabilities.

Adewunmi (2022) evaluated the connection between business risk-taking and financial literacy among Nigerian students launching new ventures. The study's goal was to examine how certain students at the University of Lagos in Nigeria used their financial behavior and knowledge as leverage while taking commercial risks. Information from 145 final-year students were gathered using a structured questionnaire and a random sample technique. Regression analysis was used to analyze the data, and the results demonstrated that women are becoming more financially literate as they continue to grow, enabling them to make appropriate financial decisions when taking business risks and starting new businesses.

Isimoya and Oluwaleye (2023) assessed the relationship between entrepreneurial risk attitude and financial literacy in a sample of SMEs in Ekiti State, Nigeria. The study explored this relationship from a knowledge-based perspective. The study used a multistage sampling technique in conjunction with a survey research methodology. 154 owners and operators of SMEs in Ado-Ekiti, the capital of Ekiti State, provided information for the study's data collection process. Regression analysis was used in the study's data analysis process, and the results showed that financial behavior, knowledge, and attitude all positively affect SMEs' risk aversion in Ekiti State, Nigeria. Accordingly, the study shows that a high level of financial management expertise significantly influences the development of entrepreneurial risk-taking behaviors in expanding business owners and operators.

Critical elements like financial literacy and inventiveness were examined by Michels et al. (2024) in agricultural and forest economics, particularly in relation to market and weather-related hazards. In 2022, 215 foresters and 371 German farmers were surveyed online for this study. The study discovered that both groups relied on risk aversion in their areas of exertion, had a neutral generalized risk attitude, and were financially literate. There are statistical disparities between the generalized and contextualized risk attitudes in this study. The generalized and contextualized innovativeness of the farmers differed statistically and significantly from that of the foresters.

3. Research Methods

A descriptive survey approach was chosen in order to achieve the study's goals. This approach was chosen because it collects data from multiple cases, allowing for the observation of events around sample variables without any intention of altering or controlling them (Creswell & Creswell, 2018; Wilson, 2014). The total number of cases or individuals in the universe served as the study's population. The Ekiti State Ministry of Commerce and Industries (2017), as referenced in Adeduro and Omolere (2023), estimated that there were 928 small and medium-sized businesses in operation in the state. Convenience sampling and single-stage clustering were used in the investigation. Because it allowed researchers to divide the population into handy clusters by randomly selecting the required number of clusters as sample variables, the single-stage cluster sampling method was chosen. All participants in each of the randomly selected clusters were then studied. Data on the availability and preparedness of SMEs' operators were also gathered using the convenience sampling technique.

Taro Yamane's (1967) method, which was used in Ajemunigbohun et al. (2020), was used to statistically determine the study's total sample size because the target population consisted of all registered SMES in Ado-Ekiti city; and the sample is calculated as 280. To secure the data gathering errors and non-response of information, 30% was added to the 280 generated from the formular making it 364 anticipated participants. In the end, 287 participants were considered as useful for data analysis. Selected small and medium-sized businesses in Ado-Ekiti that engaged in commerce, education, food processing, retail services, manufacturing, and other services were the subjects of fieldwork used to collect data. using a questionnaire as a guide. The reason for selecting the respondents was their vital role in the country's economic survival. The questionnaire was used as a data collection tool since it was appropriate for the research design in terms of being more widely distributed, more affordable, and having a more diverse sample representation (Kothari & Garg, 2016). Congruent, logical, and criterion-related categories of validity were used to assess the survey instrument's accuracy. The logical (content) validity was used by administering and distributing the selected survey instrument to my supervisors and academics in financial management and entrepreneurship, while the congruent (construct) validity was carried out using variables explained from previous literature. Experts thoroughly examined the questionnaire and came up with logical and reasonable suggestions, and thus gave advice that assisted in designing a questionnaire that accurately measured the variables.

Table 1: Coefficient of Reliability for the Verified Dimensional Structures

Constructs	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
Financial Knowledge	0.828	0.832	5
Financial Planning	0.775	0.774	5
entrepreneurial Risk Attitude	0.883	0.884	12

Source: Author's Computation

Measuring financial capability is important for the success of any stakeholders in terms of meeting goals. Different methods by researchers have been employed to achieve these goals, but this study employed Multinomial Logistics Regression (MLR) for the analysis. The model's equation is written in terms of the outcome's logit, which compares a given category to the reference category; both are represented by the symbol π_j in this case.

$$\ln\left(\frac{\pi_j}{\pi_j}\right) = \alpha_j + \beta_j X \text{ ....} 1$$

Therefore, the operationalisation of variables and model specification for the study objectives is depicted below:

Model 1: model explaining the relationship between risk attitude constructs and financial knowledge

$$\ln\left(\frac{P(X=RS)}{P(X=RN)}\right) = c + c_1 FK \text{ ....} 2$$

$$\ln\left(\frac{p(X=RA}{p(X=RN}\right) = d_o + d_1 FK \text{ ....} 3$$

Model 2: model explaining the relationship between risk attitude constructs and financial planning

$$\ln\left(\frac{p(Y=RS}{PY=RN}\right) = e_o + e_1 FP \text{ ....} 4$$

$$\ln\left(\frac{p(Y=RA}{P(Y=RN}\right) = f + f_1 FP \text{ ....} 5$$

4. Results

Descriptive Analysis of Primary Source of Information

Table 2: Participants' Profiles

Response Variables	Frequency	Percentage
Gender		
Male	208	72.5
Female	79	27.5
Age		
18 but less than 30	48	16.7
30 but less than 40	99	34.5
40 but less than 50	79	27.5
50 but less than 60	49	17.1
60 and above	12	4.2
Marital status		
Single	73	25.4
Married	206	71.8
Divorced	6	2.1
Widow	2	.7
Educational qualification		
Bachelor's degree/HND	114	39.8
Master's degree	45	15.7
Doctorate degree	11	3.8
Professional Certificate	38	13.2
Others (ND, SSCE, GCE etc.)	79	27.5

Response Variables	Frequency	Percentage
Income (per annum)		
Less than one hundred thousand	71	24.7
One thousand but less than 300,000	97	33.8
300,000 but less than 500,000	53	18.5
500,000 but less than 1,000,000	48	16.7
1,000,000 & above	18	6.3

Source: Field Survey

The analysis of Table 2 reveals that the 287 SME operators sampled comprised 214 (72.5%) males and 73 (27.5%) females. This demonstrated diversified responses across genders. However, many of the respondents (78.7%) were less than 50 years of age formed 40 but less than 50 years. This is an indication that the perceptions of this age group largely influenced the opinions expressed in this study. Most of the respondents (71.8%) were married and their opinions formed the basis of financial capabilities and entrepreneurial risk attitudes. All the respondents were educated, with 72.5% having a minimum of a Higher National Diploma. This is suggestive of the fact that they are capable of understanding the questions being asked. Almost 77% earned less than five hundred thousand annually, which indicates that many SME operators have a low financial base, which may affect their effective demand for motor insurance.

Table 3: Financial Knowledge

Construct	Variables	Scale Level SD 1	D 2	U 3	A 4	SA 5	Mean	Std Dev.
Financial Knowledge	I get insurance because I feel better at ease leading a life free from significant financial danger.	6.8	22.8	11.7	47.6	11.1	3.31	1.143
	I am a very cautious person when it comes to financial decisions like insurance.	1.2	9.2	11.2	58.8	19.6	3.82	.883
	I am more frugal with money when it comes to purchases like insurance.	11.2	28.8	16.4	35.8	7.8	3.62	1.144
	My knowledge of a financial instrument like insurance is not required because I trust in luck.	18.4	33.9	12.4	24.5	10.8	2.64	1.231

Source: Field Survey

Four measurement items were examined for financial knowledge in Table 3. 58.7% agreed, 11.7% were indifferent, and 29.6% disagreed with the first survey item. 10.4% disagreed, 11.2% were undecided, and 78.4% agreed with the "second survey item." 40% opposed, 16.4% were unsure, and 43.6% agreed with the "third survey item." 35.3% agreed, 12.4% were indifferent, and 52.3% disagreed with the "fourth survey item." With the exception of the fourth item, which received a dissenting comment, all of the respondents' multiple answers on their financial expertise indicated that they agreed with every statement. In summary, it demonstrates that the vast majority of respondents agreed with the validation of the different financial capability assessment tools. As a result, the mean and standard deviation scores showed this. This demonstrates that the opinions of the respondents were centered around the mean and regularly distributed with respect to the survey items. It also demonstrated that the distribution of respondents' opinions did not differ much because the mean and standard deviations of the several survey items were comparable.

Table 4: Financial Planning

Construct	Variables	SD 1	D 2	U 3	A 4	SA 5	Mean	Std Dev.
Financial Planning	I often keep a close eye on my spending for the year's important purchases, such as purchasing insurance.	3.8	11.8	16.4	53.0	15.0	3.63	1.001
	I would weigh my options for several times before making any financial decisions, such as purchasing insurance.	3.8	11.9	15.7	51.9	16.7	3.66	1.015
	I have never purchased financial products like insurance with my earnings.	11.1	34.8	12.3	28.9	12.9	2.98	1.267
	Compared to other people, I don't have a plan on how to manage financial risk through insurance.	4.5	27.2	17.8	37.3	13.2	3.28	1.133

Source: Field Survey

Four measurement items were assessed for financial planning in Table 4. 68% agreed, 16.4% were indifferent, and 15.6% disagreed with the "first survey item." Regarding the "second survey item," 68.6% of respondents agreed, 15.7% disagreed, and 15.7% were undecided. 41.8% agreed, 12.3% were unsure, and 45.9% disagreed with the "third survey item." 50.5% agreed, 17.8% were indifferent, and 31.7% disagreed with the "fourth survey item." With the exception of the third item, which received a dissenting comment, all of the respondents' responses about their financial planning indicated that they agreed with every statement. In summary, it demonstrates that the vast majority of respondents agreed with the validation of the different financial capability assessment tools. The mean and standard deviation scores showed this. This demonstrates that respondents' views on the survey items were centered around the mean and regularly distributed. It also demonstrated that there are no appreciable variations in the respondents' opinion distribution because the averages and standard deviations of the several survey items were comparable.

Twelve measurement items were examined in table 5, and 86.8% of respondents agreed, 3.5% were undecided, and 9.7% disagreed. The statement, "I associate the word 'risk' with the idea of 'opportunity,'" was examined for item 1. 75.3% said they agreed, 17.4% disagreed, and 7.3% were unsure. The statement "I am not willing to take any financial risk" was examined in relation to item 2. Of those, 63.7% showed agreement, 8.4% were indifferent, and 27.9% disagreed. The statement "I am willing to take high financial risk to earn high returns" was examined in relation to item 3. 72.1% agreed, 8.4% were unsure, and 19.5% disagreed. Saying "I usually look for the safest type of investment even if that means lower returns for me" in reference to item 4. 81.2% said they accepted, 10.1% said they were neutral, and 8.7% said they were unhappy. I would rather be cautious than sorry when it comes to investing my

Table 5: Entrepreneurial Risk Attitudes

Variables	SD 1	D 2	U 3	A 4	SA 5	Mean	Std Dev.
People who know me claim that I'm a cautious person.	4.1	5.6	3.5	55.4	31.4	4.04	.974
The word "risk" conjures up the word "opportunity."	7.3	10.1	7.3	42.5	32.8	3.83	1.200
I will not take on any financial risk.	9.4	18.5	8.4	36.2	27.5	3.54	1.319
I'm willing to take on a lot of financial risk in exchange for big profits.	4.9	14.6	8.4	38.7	33.4	3.81	1.188
In general, even if the safest investment options yield lower returns, I still look for them.	2.4	6.3	10.1	49.5	31.7	4.02	.944
When it comes to investing my money, I'd rather be safe than sorry.	2.4	6.6	7.0	53.3	30.7	4.03	.929
I don't have much experience investing money in financial transactions.	8.4	18.5	3.8	38.7	30.6	3.65	1.311
I would rather keep my money in the bank than invest it in other financial endeavors.	10.5	21.3	10.1	24.0	34.1	3.50	1.411
I feel comfortable investing my money in business ventures.	7.3	8.4	11.8	51.6	20.9	3.70	1.112
I usually take a long time to make decisions when it comes to money.	5.6	10.1	8.7	48.4	27.2	3.82	1.111
When I consider assets that include a certain amount of risk, I get tremendously anxious.	4.9	9.1	12.1	56.1	17.8	3.73	1.015
When I look for substantial investment growth, I'm willing to take into account the potential for larger losses.	7.4	11.1	12.5	38.7	30.3	3.74	1.212

Source: Field Survey

money, according to item 5. Eighty-four percent agreed, seven percent were undecided, and nine percent disagreed. "I have little experience when it comes to investing money in financial dealings," is the statement for item 6. 69.3% said they agreed, 3.8% said they were indifferent, and 26.9% disagreed. "I would rather keep my money in the bank than invest it in any other financial dealings," is the statement for item 7. 58.1% agreed, 10.1% were unsure, and 31.8% disapproved. "I feel comfortable investing my money in financial dealings" is the statement for item 8. 72.5% agreed, 11.8% were unsure, and 15.7% disagreed. Declaring "usually it takes me a long time to make up my mind on financial matters" with reference to item 9. In contrast, 75.6% showed agreement, 8.7% were neutral, and 15.7% disagreed. Regarding item 10, it states that "I feel quite anxious when I consider investments that have an element of risk." 73.9% agreed, 12.1% were unsure, and 14% disagreed. Item 11 states that "I am willing to accept the possibility of greater losses in order to achieve high investment growth whenever I am looking for this." Of those, 69% showed disagreement, 12.5% were neutral, and 18.5% disagreed. In summary, it demonstrates that the vast majority of respondents agreed with the numerous items gauging entrepreneurial risk mindset. The mean and standard deviation scores so showed this. This demonstrates that respondents' views on the survey items were centered around the mean and regularly distributed. It also demonstrated that there are no appreciable variations in the respondents' opinion distribution because the averages and standard deviations of the several survey items were comparable.

Hpothese Testing

To provide answers to research objectives 1 to 2, a multinomial logistic regression model of the measurements of financial capabilities and entrepreneurial risk attitudes was conducted. The model's output was used to test the relationship between financial capabilities dimensions (financial knowledge and financial planning) and entrepreneurial risk attitudes.

Hypothesis 1:

Table 6: Multinomial Regression Result for Financial Knowledge vs. Entrepreneurial Risk Attitude

Risk Attitude Constructs[a]		B	Std. Error	Wald	Sig.
Risk Averse	Intercept	-.163	1.698	.007	.729
	Financial knowledge	-.312	.412	.313	.502
Risk Seeking	Intercept	-1.142	1.085	1.013	.206
	Financial Knowledge	.512	.311	4.121	.019
	Likelihood Ratio Tests	5.201			.019
	Cox and Snell	.023			
	Nagelkerke	.035			
	McFadden	.013			

Source: Author's Computation

According to the fitted model, the R-squared statistic (Cox & Snell and Nagelkerke and McFadden R-Square) suggests that changes in financial knowledge account for 1.3% to 3.5% of the overall variation in the measure of entrepreneurial risk attitude. A substantial value for the variables in the parameter estimate enhances the model and denotes a favorable effect. According to the results, financial knowledge strongly predicted risk-seeking (= 0.512, SE = 0.311, $p < 0.05$) but insignificantly predicted risk-averseness (= -0.312, SE = 0.412, $p > 0.05$). The multinomial regression's likelihood ratio tests show a substantial correlation between the response variable (entrepreneurial risk attitude) and the predictor variable (financial knowledge) (χ^2 (2)=5.201, $p<0.05$). Consequently, it may be said that financial knowledge has a significant effect on entrepreneurial risk attitudes in Lagos, Nigeria.

Hypothesis 2:

Table 7: Multinomial Regression Result for Financial Planning vs. Entrepreneurial Risk Attitude

Risk Attitude Constructs[a]		B	Std. Error	Wald	Sig.
Risk Averse	Intercept	-.168	1.786	.008	.917
	Financial Planning	-.357	.423	.460	.542
Risk Seeking	Intercept	-1.175	1.017	1.243	.276
	Financial Planning	.517	.207	3.365	.013
	Likelihood Ratio Tests	6.152			.032
	Cox and Snell	.027			
	Nagelkerke	.036			
	McFadden	.019			

Source: Author's Computation

According to the fitted model, the R-squared statistic (Cox & Snell and Nagelkerke and McFadden R-Square) suggests that changes in financial planning account for 1.9% to 3.6% of the overall variation in the measure of entrepreneurial risk attitude. A substantial value for the variables in the parameter estimate enhances the model and denotes a favorable effect. According to the results, financial planning strongly predicted risk-seeking (= 0.517, SE = 0.207, $p < 0.05$) but insignificantly predicted risk-averseness (= -0.357, SE = 0.423, $p > 0.05$). The multinomial regression's likelihood ratio tests show a strong correlation between the response variable (risk attitude) and the predictor variable (financial planning) (χ^2 (2)=6.152, $p<0.05$). Thus, it may be said that financial planning has a significant effect on entrepreneurial risk attitudes in Lagos, Nigeria.

Discussion of Findings

The findings disprove null hypothesis one by demonstrating a strong but unfavorable nexus between financial knowledge and entrepreneurial risk attitudes among SMEs in Nigeria. The outcome further supports the link between Nigerian SMEs' risk-seeking behavior and their financial literacy. This finding clarifies the lack of financial literacy among Nigerian SMEs, which explains why their low degree of financial literacy inversely correlates with their risk aversion. The findings differ from those of earlier research by Adewunmi (2022), Azidul et al. (2023), and Azizah et al. (2024). According to Lusardi (2019), risk aversion may influence the decision-making of financially illiterate individuals due to uncertainty surrounding cash payments because of entrepreneurial operations.

Null hypothesis two is invalidated by the results, which likewise show a significant but negative link between financial planning and entrepreneurial risk attitudes among SMEs in Nigeria. The outcome further supports the link between financial planning and Nigerian SMEs' propensity for taking risks. This finding explains why SMEs in Nigeria are less confident and distrustful of proper financial planning as a financial tool; thus, their low level of insurance confidence has an inverse link with their risk-averse attitude. However, the outcome differs from earlier research by Adewunmi (2022), Isimoya & Oluwaleye (2023), and Santos & Tavares (2020). According to Azizah et al. (2024), having a plan for investing, saving, and spending money affects how well financial needs

5. Conclusion and Recommendations

The study's conclusions clearly demonstrate the impact that financial planning and understanding have on SMEs' attitudes about taking on entrepreneurial risk. If implemented, the study's conclusions will result in advanced planning and knowledge of financial instruments like loans, derivatives, insurance, etc., which will encourage SMEs to take reasonable risks. The results also confirmed that SMEs operators' entrepreneurial risk attitudes were significantly influenced by their financial planning and understanding. Therefore, legislators, regulators, and other company operators may find the study's findings helpful in implementing simplicity in financial transactions that will favorably influence SMEs' decision-making, which may be influenced by their degree of risk aversion. It is recommended that SMEs' operators enhance their financial comprehension of business systems in order to enable capabilities in terms of financial returns on their investment. SMEs' owners should, however, keep improving their financial planning skills in order to further refine.

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