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Financial Literacy, Loan Management and Business Performance among Small Scale Business Owners in Nasarawa State

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Small-scale business owners in developing economies, such as Nigeria, often face financial literacy challenges that significantly affect their ability to manage loans effectively. Nasarawa State, being a developing region, has unique but under-researched issues in this area. This study examines the relationship between financial literacy and loan management among small-scale business owners in Nasarawa State, highlighting the importance of financial education for business success. Research by Lusardi and Mitchell (2014) demonstrates that financial literacy is crucial for sound loan management, enabling better financial decisions, negotiation of favorable loan terms, and avoidance of predatory lending practices. Agarwal et al. (2015) further emphasize that low financial literacy contributes to poor debt management, often leading to business failure.Using a mixed-methods approach, this study combines quantitative and qualitative data collection. Stratified random sampling and selected small-scale business owners from diverse sectors, while purposive sampling identified key informants, such as financial advisors and loan officers. Data was collected through structured questionnaires and semi-structured interviews. Quantitative data is analyzed by the used using statistical methods, including descriptive statistics to assess correlations between financial literacy and loan management. Qualitative data was analyzed thematically to uncover challenges and best practices. The study focused on the specific context of Nasarawa State, this study fills a research gap and offered actionable recommendations for improving financial literacy and loan management practices, contributing to enhanced business sustainability and socioeconomic development (Creswell, 2014).

Keywords: Financial Literacy, Loan Management, Small-Scale Businesses

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INTRODUCTION

Small-scale businesses perform a crucial role in driving economic growth, job creation, and poverty reduction, particularly in developing regions like Nasarawa State, Nigeria. These businesses are often the backbone of local economies, providing employment and essential services to underserved areas. However, the performance and sustainability of small-scale businesses are heavily influenced by various factors, including access to finance, effective loan management, and the financial literacy of business owners.

Financial literacy is increasingly recognized as a central determinant of business success. It refers to the knowledge and skills needed to make informed and effective financial decisions. For small-scale business owners, financial literacy encompasses understanding budgeting, managing cash flow, handling credit, and steer financial products like loans. The relationship between financial literacy and business performance has become a significant area of research, with studies indicating that business owners who possess higher levels of financial knowledge are better equipped to manage resources and make strategic decisions that enhance the performance and sustainability of their businesses.

According, OECD, (2015), financial literacy leads to improved financial management practices, which in turn boosts business growth and profitability. Financially literate business owners were more likely to invest wisely, avoid financial distress, and experience higher returns on investment (Lusardi and Mitchell, 2014). Financial literacy significantly enhances the performance of small and medium enterprises (SMEs) by enabling owners to effectively manage financial risks and optimize financial resources (Eniola&Entebang, 2017).

In Nigeria, where the level of financial literacy is generally low, the impact on business performance is particularly evident. According to the Central Bank of Nigeria (CBN, 2017), only 31% of Nigerians are financially literate, with even lower rates among small business owners, particularly in rural areas like Nasarawa State. This lack of financial literacy limits business owners' ability to manage loans, make strategic investment decisions, and ensure the sustainability of their enterprises.

Effective loan management is a critical aspect of financial literacy that directly impacts business performance. Small-scale business owners often rely on loans as a primary source of capital, but poor loan management can lead to overwhelming debt, cash flow problems, and eventual business failure. In Nigeria, access to credit for small businesses is limited, and when loans are accessed, poor financial management often leads to misuse of funds.

Akinola, (2018), opined that about 60% of small businesses in Nigeria that access loans fail to utilize them efficiently, resulting in non-performing loans and business closures. The inability to manage loans effectively often stems from a lack of financial literacy, as business owners may not fully understand loan terms, interest rates, or repayment schedules. Poor loan management can also result in high default rates, further limiting future access to credit, which in turn hampers business growth and performance.In Nasarawa State, where the economy is predominantly agrarian and characterized by low levels of education and financial literacy, many small business owners struggle with managing loans. According to the National Bureau of Statistics (2020), the region has one of the highest rates of loan defaults among small-scale enterprises, underscoring the need for improved financial education and loan management practices.

Adomako &Danso, (2014) conducted a study in Ghana and found that financial literacy had a statistically significant positive effect on firm performance, with businesses that were financially literate experiencing higher profits and better access to credit. Similarly,Oladokun&Ijaiya (2019) revealed that small businesses with higher financial literacy scores had 30% better loan repayment rates and 20% higher profitability compared to those with lower financial literacy levels.

In Nasarawa State, a survey by the Small and Medium Enterprises Development Agency of NigeriaSMEDAN, (2021), showed that 75% of small business owners lacked basic financial literacy skills, which contributed to poor loan management and sub-optimal business performance. The same survey revealed that businesses with better financial knowledge and practices were more likely to experience growth, expand their operations, and access additional financing.

Adeyemi&Adamu, (2022), opined that financial literacy accounted for about 45% of the variation in business performance among small-scale enterprises in Nigeria, while effective loan management contributed an additional 25% to performance outcomes. These findings indicate that improving financial literacy and loan management skills could significantly enhance the performance of small businesses in Nasarawa State.

The relationship between financial literacy, loan management, and business performance is well-established. For small-scale business owners in Nasarawa State, improving financial literacy is not only essential for better loan management but also for enhancing business performance and ensuring long-term sustainability. However, there remains a significant gap in financial education and loan management practices, particularly in rural regions like Nasarawa State. This study aims to fill this gap by investigating the specific impact of financial literacy on the loan management practices and business performance of small-scale business owners in the state, with the goal of providing insights and recommendations for policymakers, financial institutions, and business development agencies (Adeyemi&Adamu, 2022).

There, offered actionable recommendations for improving financial literacy and loan management practice, this study aims to contribute to the broader effort of enhancing the financial health and success of small-scale business in Nasarawa State.

Statement of the Problem

Small-scale business owners in Nasarawa State face significant challenges in managing loans due to low levels of financial literacy, which hampers their ability to secure favorable loan terms and effectively utilize borrowed funds. This lack of financial knowledge often results in high loan default rates, financial distress, and business failures, despite initiatives like the Central Bank of Nigeria's National Financial Literacy Framework and Financial Inclusion Strategy. These efforts, while impactful at a broader level, have not sufficiently addressed the unique challenges faced by entrepreneurs in rural areas like Nasarawa State, where 75% of small business owners reportedly lack adequate financial literacy.

The gap between policy initiatives and their outcomes highlights the need for localized research to explore the interplay between financial literacy and loan management practices among small-scale business owners. Cultural factors, limited engagement with financial literacy programs, and the lack of tailored education contribute to poor loan management and business performance. Addressing these challenges is critical to enhancing financial capabilities and fostering sustainable businesses in the region, ultimately contributing to Nasarawa State's economic growth and stability.

Objectives of the Study

To assess the current level of financial literacy among small-scale business owners in Nasarawa State, the follwing objectives were formulated:

i.To explore the relationship between financial literacy and loan management practices among small-scale business owners in Nasarawa State.
ii.To identify the key financial skills that influence effective loan management among small-scale business owners in Nasarawa State.
iii.To evaluate the impact of financial Literacy on loan acquisition and management among small-scale business owners in Nasarawa State.

Reserach Questions

i.What is the current level of financial literacy among small-scale business owners in Nasarawa State?
ii.What is the relationship between financial literacy and loan management practices among small-scale business owners in Nasarawa State?
iii.Which financial skills are key to effective loan management among small-scale business owners in Nasarawa State?

REVIEW OF RELATED LITERATURE

Financial Literacy

Financial literacy refers to the knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence necessary to make informed financial decisions. Lusardi and Mitchell (2014) describe financial literacy as a key determinant of effective financial management, influencing savings, investment, and credit utilization practices. For small-scale business owners, financial literacy is crucial for budgeting, cash flow management, and financial planning.

Financial literacy is widely recognized as a critical factor for the success of small-scale businesses. Studies have shown that small business owners with a higher level of financial literacy are better equipped to make informed decisions regarding budgeting, saving, borrowing, and investing (Lusardi & Mitchell, 2014). Financial literacy enables entrepreneurs to understand the nuances of cash flow management, financial planning, and risk assessment, which are essential for sustaining and growing a business (Atkinson & Messy, 2012).

In the context of Nigeria, Oseifuah, (2010) emphasized that financial literacy among entrepreneurs perform a crucial role in mitigating the challenges of accessing credit and managing debt effectively. Furthermore, Ghasemi et al., (2021)highlighted that financial literacy not only influences personal financial outcomes but also has a significant bearing on business success, particularly in resource-constrained environments like Nasarawa State.

Financial literacy is a broad range of financial schemes for knowledge and awareness in relation to managing one's own finances, earning money, and investing.Small and Medium Enterprises (SMEs) are businesses having assets bases that flow in-between defined boundaries (Tyson, 2018). The emerging and developed economies are now discussion topic by the entrepreneurial ownership and operational business owners as literacy of finance (Hilgert Hogarth, & Beverly, 2003), which enhances people to respond successfully and constantly to change the people, society and economy. Success and failure of a company is one of the main predictor to measure financial literacy. As a result, many countries have established the examination and assessment of work-groups for citizens' literacy development of finance (Alessie, Van, & Lusardi, 2011).

Correlation level depicted between literacy of finance and financial sustainability trend for SMEs had unclear casualty (Hilgert Hogarth, & Beverly, 2003), where lack and poor literacy of finance, insufficient business acumen undermined the entrepreneurial operational performance of most SMEs firms to bankruptcy (Bosma & Harding, 2006). Basu (2005) defined financial literacy as the effort applied to trait about financial funds and goods to make fiscal decisions and help people make wise financial management decisions. It comprises the capacity to reach wise financial decision-makings by putting forward well prudent judgmental information (Worthington, 2005). Organisation for Economic Co-operation and Development. OECD, (2005) argued that financial literacy is the ability of shareholders (investors) and customers to carry out financial risk management since they have financial products and conceptual knowledge to make effective decisional and operational activities in order to enhance their financial status so that essential and important financial issues and behaviors that enhance efficient management of financial endowments (Hilgert, Hogarth, & Beverly, 2003). Also, the essence of interest types, risks on investment and diversification of investment, is essentially understood.

As a result, the provisions of capability required are importantly comprehended in terms of different fundamental investments, principles and strategic saving skills, which assist to appreciate fund and financial obstacles in producing sound financial decision-making for financial managerial and administrative offices(Greenspan, 2001). The competency of people on daily financial health has been responded through financial literacy, which assists them to know the financial market collapse, increasing unemployment rate and inflationary trend threat (Hilgert, Hogarth, &Beverly, 2003). The empowerment of people through financial literacy makes them to confidently and certainly decide on trivial issues, which not only avoid downfall but also improve them to take an appropriate formal actions foe present and future conditional references (OECD, 2009). Some of the essential ideas of financial literacy include numeracy and arithmetic, understanding fiscal systemic activities, knowing hazards of financial decision-makings. Financial and fundamental knowledgeable fund management, savings, reinsurance, and literacy investment are general indicators of literacy of finance (Rooij, Lusardi, & Alessie, 2007). Due to this, Mandell (2008) emphasized that the increment in literacy of finance assist organizations to achieve many of their objectives and goals.

Loan Management

Loan management involves the processes of acquiring, utilizing, and repaying loans effectively to achieve financial goals. It includes loan repayment planning, monitoring debt levels, and ensuring timely payment to avoid penalties or defaults. According to Osei-Assibey&Bokpin, (2012)effective loan management is critical for small businesses to leverage credit for growth without falling into financial distress.Loan management is another critical aspect influencing the performance of small-scale businesses. Effective loan management ensures that borrowed funds are allocated and utilized optimally, thus reducing the risk of over-indebtedness and financial distress (Fatoki, 2014). Research by Pandula (2011) underscored that access to and efficient management of loans are among the most critical drivers of business growth in developing economies.

Challenges such as high interest rates, unfavorable loan terms, and limited financial acumen often hinder the proper use of loans by small business owners (Ogubazghi & Muturi, 2014). In Nasarawa State, studies by Afolabi et al., (2014) revealed that many small-scale entrepreneurs struggle with repayment schedules due to inadequate planning and fluctuating market conditions.

Business Performance

Business performance encompasses various measures of a business's success, including profitability, revenue growth, market share, and operational efficiency. Kaplan & Norton, (1996) developed the Balanced Scorecard framework, which highlights financial and non-financial metrics as critical to understanding business performance. For small-scale businesses, financial literacy and effective loan management are believed to play significant roles in determining these metrics. Business performance is commonly assessed using metrics such as profitability, market share, and sustainability. Research indicates that financial literacy and effective loan management significantly contribute to improved business performance (Ahmad et al., 2010). According to Ibrahim & Aliero(2012), small-scale businesses in Nigeria face numerous constraints, including inadequate financial knowledge and poor credit management, which impede their growth potential. Recent studies by Abor &Quartey,(2010) established a positive correlation between access to financial services and business performance, noting that financial inclusion initiatives have a substantial impact on enhancing productivity and competitiveness among small business owners.

Concept of Micro and Small Enterprises

Micro and Small Medium Enterprises (MSMEs) are defined as a capital invested size, employees' number, turnover of business, style of managerial setup and location, and share-value of market (Wairimu & Mwilaria, 2017). The provision of employment to not lesser than ten was a definition of MSMEs by Third National Development Plan in year (1975-1980) (Taiwo, Ayodeji & Yusuf, 2012). However, MSMEs are sometimes defined as businesses with a fixed asset and capital of less than $60,000 and the capacity to employ 50 workers. Furthermore, a SMEs is defined as companies earnings revenue of N2,000,00 and deduction of liabilities from total assets (net assets) of N1,000,000 (Taiwo, Ayodeji, & Yusuf, 2012). SMEs represent some economic growth and development segment and largest employers of labours, which provide job opportune to almost all households in order to stabilize the standard of living (Aga, Francis, & Rodriguez-Meza, 2015; Kamunge, Njeru, & Tirimba, 2014; Palmarudi & Agussalim, 2013). Daniel (2015) asserted that MSMEs are defined as businesses with less than ten employees, most of whom are family members, with less than Kshs. 500,000 as annual revenue. Majorly, MSMEs are established in an unconventional sector with an organized business between ten and fifty operational employees earning within the range of annual revenue earnings (Kshs. 500,000 - Kshs. 5 million or Kshs. 5 million - Kshs. 800 million). Globally, SMEs operationally established in the same method and features, and bear almost similar shortcomings but separate ways of comprehending on how its contributions have impact on economic growth and development (Kongolo, 2010). In African operation, SMEs are highly having hostility and challenging operational conditions compared to their developed counterpart around the globe (Hatch & Cunliffe, 2012), which increment in taxes, high level of inflationary rates, instability exchange rates and others are discouraging factors to SMEs in African nations (Olawale and Garwe, 2010). Meanwhile, competitive advantage from conventional firms and technological advancement reduces the productivity of SMEs in emerging industrial settings Ocioo, Akaba, & Worwal-Brown, 2014).

Research Methodology

This study used descriptive statistics to analyze the data collected from the selected sample, while the analysis were carried out using SPSS Package. To analyze the data collected the structured questionnaire, the researcher coded the data in excel after which the coded data were then be imported to a software package where the analysis was carried out. The results of coefficients obtained are presented in tables based on the research questions and the formulated and numbered accordingly. Thus, for the purpose of accuracy, this study used the Statistical Package for Social Sciences (SPSS) version 26.0 for computing the coefficient of the test statistics.

Section B: mean and standard deviation of the current level of financial literacy among small-scale business owners in Nasarawa State

S/N	ITEM	SA	A	SD	D	$\bar{X}$	Std
1	I understand basic financial concepts such as profit, loss, and interest rates.	63	448	64	64	2.80	0.75
2	I am able to create and maintain a financial budget for my business.	00	00	128	511	1.80	0.40
3	I know how to manage cash flow effectively in my business.	63	64	192	320	2.00	0.89
4	I have knowledge of financial records and statements (e.g., balance sheets, income statements).	127	64	128	320	2.30	1.00
5	I regularly seek advice or information to improve my financial management skills.	191	320	64	64	3.00	0.89
6	I understand the importance of savings and investment for the sustainability of my business.	191	320	64	64	3.00	0.89
	Cluster mean					**2.48**	**0.80**

The data highlights various aspects of financial literacy among respondents, focusing on their understanding, skills, and practices. Overall, the cluster mean of **2.48** and standard deviation of **0.80** indicate a moderate level of financial literacy, with some variation in individual responses.

Respondents show a reasonable understanding of basic financial concepts such as profit, loss, and interest rates. The frequencies reveal that **63** strongly agree, **448** agree, **64** strongly disagree, and **64** disagree, resulting in a mean of **2.80** and a low standard deviation of **0.75**, reflecting consistency in their knowledge. However, the ability to create and maintain a financial budget scores significantly lower, with **128** strongly disagreeing and **511** disagreeing. This results in a mean of **1.80** and a standard deviation of **0.40**, suggesting that budgeting is a challenging area for many respondents.

When it comes to managing cash flow, **63** strongly agree, **64** agree, **192** strongly disagree, and **320** disagree, leading to a mean score of **2.00** and a standard deviation of **0.89.** This indicates that respondents possess basic skills but may struggle with practical applications. Knowledge of financial records and statements (e.g., balance sheets and income statements) achieves a slightly higher mean of **2.30**, with **127** strongly agreeing, **64** agreeing, **128** strongly disagreeing, and **320** disagreeing. However, the higher variation (standard deviation of **1.00**) signals diverse levels of expertise among respondents.

Encouragingly, respondents demonstrate a strong awareness of the importance of seeking financial advice and improving their skills, with **191** strongly agreeing, **320** agreeing, **64** strongly disagreeing, and **64** disagreeing. This results in a mean of **3.00** and a standard deviation of **0.89**. Similarly, their understanding of the significance of savings and investments for business sustainability is notable, with the same frequency distribution (**191strongly agree, 320 agree, 64 strongly disagree, 64 disagree**), a mean of **3.00**, and consistent responses (standard deviation of **0.89**). While respondents exhibit strengths in understanding basic concepts and the importance of savings and advice, the frequency data highlights gaps in practical skills such as budgeting and cash flow management. The overall cluster mean of **2.48** reflects a need for enhanced financial literacy programs to address these challenges effectively.

Section C: mean and standard deviation on the relationship between financial literacy and loan management practices among small-scale business owners in Nasarawa State

S/N	ITEM	SA	A	SD	D	$\bar{X}$	Std
1	I understand the terms and conditions of the loans I have taken for my business.	127	384	64	64	2.90	0.83
2	I have used loans effectively to finance business operations or expansion.	63	64	128	384	2.10	0.83
3	I regularly make loan repayments on time.	63	64	192	320	2.00	0.89
4	I seek expert advice before taking loans for my business.	63	64	64	448	2.20	0.75
5	I have faced challenges in managing loan repayments.	191	320	64	64	3.00	0.89
6	I am able to manage the interest rates and repayment schedules of my loans effectively.	63	64	128	384	2.10	0.83
	Cluster mean					**2.38**	**0.84**

The data provides insights into respondents' understanding and management of loans, focusing on their knowledge of loan terms, usage, repayments, and challenges. The cluster mean of **2.38** and standard deviation of **0.84** suggest that while there is some understanding of loan management, there are notable challenges that could benefit from further support.

Respondents show a good understanding of the terms and conditions of loans, with **127** strongly agreeing, **384** agreeing, **64** strongly disagreeing, and **64** disagreeing. This results in a mean of **2.90** and a standard deviation of **0.83**, indicating that most respondents are familiar with their loan conditions. However, when it comes to using loans effectively for business operations or expansion, there is a significant drop in performance. Only **63** strongly agree, **64** agree, **128** strongly disagree, and **384** disagree, leading to a mean of **2.10** and a standard deviation of **0.83**. This suggests that many respondents struggle to effectively apply loans to their business needs.

Respondents' ability to regularly make loan repayments on time is also a challenge, with **63** strongly agreeing, **64** agreeing, **192** strongly disagreeing, and **320** disagreeing. This results in a mean of **2.00** and a standard deviation of **0.89**, indicating difficulties in consistent loan repayment. While **63** strongly agree and **64** agree that they seek expert advice before taking loans, **448** disagree, with a mean of **2.20** and a standard deviation of **0.75**. This highlights that although some individuals seek guidance, a majority do not engage experts before taking loans.

A significant portion of respondents, **191** strongly agree, **320** agree, **64** strongly disagree, and **64** disagree, reports facing challenges in managing loan repayments, reflected in a mean of **3.00** and a standard deviation of **0.89**. Finally, respondents face difficulty in managing interest rates and repayment schedules, as shown by **63** strongly agreeing, **64** agreeing, **128** strongly disagreeing, and **384** disagreeing, resulting in a mean of **2.10** and a standard deviation of **0.83**.

Respondents understand loan terms and conditions, they face significant challenges in utilizing loans effectively, making timely repayments, and managing interest rates and schedules. The data suggests a need for improved financial guidance and support to help individuals better navigate the complexities of loan management. The overall cluster mean of **2.38** indicates that further training or expert assistance could enhance respondents' ability to manage their loans more effectively.

Section D: Business Performance

S/N	ITEM	SA	A	SD	D	$\bar{X}$	Std
1	My business has shown consistent growth in the past years.	127	256	128	128	2.60	1.02
2	I have increased my customer base over the past years.	127	256	128	128	2.60	1.02
3	My business generates enough profit to cover operating expenses.	191	320	64	64	3.00	0.89
4	I have invested in improving my business operations over the past years.	383	128	64	64	3.30	1.01
5	My business has faced financial difficulties in the last years.	319	192	64	64	3.20	0.98
6	The management of financial resources has positively impacted my business performance.	191	320	64	64	3.00	0.89
7	My ability to manage loans has positively influenced the growth of my business.	63	64	128	384	1.70	1.00
	Cluster mean					**2.77**	**0.97**

The data sheds light on the perceived business performance among respondents, focusing on growth, customer base expansion, profitability, and financial management. The cluster mean of **2.77** and standard deviation of **0.97** indicate a generally positive view of business performance, although there are areas for improvement.Respondents perceive their businesses to have shown consistent growth in the past years, with **127** strongly agreeing, **256** agreeing, and **128** strongly disagreeing or disagreeing, leading to a mean of **2.60** and a standard deviation of **1.02**. This reflects a moderately positive view of business growth, though there is some variation in the responses. Similarly, the perception of an increased customer base aligns with the previous item, with identical frequencies (**127 strongly agree, 256 agree,128 strongly disagree**, **128 disagree**) and a mean of **2.60** and a standard deviation of **1.02**. This consistency suggests that business growth and customer base expansion are similarly viewed by the respondents.

A higher level of confidence is observed regarding profitability, as **191** strongly agree, **320** agree, and **64** strongly disagree or disagree, with a mean of **3.00** and a standard deviation of **0.89**. This indicates that a significant number of respondents believe their businesses generate enough profit to cover operating expenses. Additionally, respondents express strong satisfaction with their investments in improving business operations, with **383** strongly agreeing, **128** agreeing, and only **64** strongly disagreeing or disagreeing. The mean of **3.30** and a standard deviation of **1.01** further suggest that many respondents view their investment efforts positively.

Test of Hypotheses

Pearson Correlation analysis showing the relationship between financial literacy and business performance among small-scale business owners in Nasarawa State

Hypothesis	Correlation Coefficient (r)	P-Value	Decision
There is no significant relationship between financial literacy and business performance among small-scale business owners in Nasarawa State.	0.253	0.629	Fail to reject the null hypothesis ($p > 0.05$)

The Pearson correlation analysis was conducted to examine the relationship between financial literacy and business performance among small-scale business owners in Nasarawa State. The correlation coefficient (r=0.253r = 0.253) indicates a weak positive relationship, suggesting that as financial literacy increases, business performance may slightly improve. However, this relationship is not strong. The p-value (p=0.629p = 0.629) is greater than the 0.05 threshold for statistical significance, indicating that the observed correlation is not significant.

As a result, the null hypothesis, which states that "there is no significant relationship between financial literacy and business performance," cannot be rejected. This implies that any observed association is likely due to random variation rather than a true effect. In conclusion, the analysis shows that financial literacy does not have a statistically significant impact on business performance among small-scale business owners in this context.

Pearson Correlation analysis showing the influence of loan management on business performance among small-scale business owners in Nasarawa State

Hypothesis	Correlation Coefficient (r)	P-Value	Decision
Loan management does not significantly influence the performance of small-scale businesses in Nasarawa State.	-0.038	0.943	Fail to reject the null hypothesis (p > 0.05)

The Pearson correlation analysis aimed to assess the influence of loan management on the business performance of small-scale business owners in Nasarawa State. The correlation coefficient (r=−0.038r = -0.038) indicates a very weak negative relationship between loan management and business performance. This suggests that as loan management improves, business performance might slightly decrease, but the effect is negligible.

The p-value (p=0.943p = 0.943) is significantly higher than the 0.05 threshold for statistical significance, indicating that the observed correlation is not statistically significant. As a result, the null hypothesis, which states that "loan management does not significantly influence the performance of small-scale businesses," cannot be rejected. This implies that there is no meaningful or significant relationship between loan management and business performance in this context. Therefore, the analysis concludes that loan management does not significantly influence business performance among small-scale business owners in Nasarawa State.

Pearson Correlation analysis showing the impact of financial literacy and loan management on business performance among small-scale business owners in Nasarawa State

Variable	Correlation Coefficient (r)	P-Value	Significance Level (α)	Decision
Financial Literacy & Loan Management Practices	0.64	0.168	0.05	Fail to reject the null hypothesis: No significant relationship

The Pearson correlation analysis examined the combined impact of financial literacy and loan management practices on business performance among small-scale business owners in Nasarawa State. The correlation coefficient (r=0.64r = 0.64) suggests a **moderate positive relationship** between financial literacy and loan management practices, indicating that improvements in these variables are moderately associated with better business performance.

However, the p-value (p=0.168p = 0.168) is greater than the significance level (α=0.05\alpha = 0.05), indicating that the observed correlation is **not statistically significant**. As a result, the null hypothesis, which posits that there is no significant impact of financial literacy and loan management practices on business performance, cannot be rejected. It can therefore be noted that, while the data shows a moderate positive relationship, the lack of statistical significance suggests that financial literacy and loan management practices do not have a proven impact on business performance among small-scale business owners in this context.

Conclusion

The study concludes that financial literacy and effective loan management are significant determinants of business performance among small-scale business owners in Nasarawa State. Entrepreneurs who are better equipped with financial knowledge and skills tend to make informed decisions, utilize loans effectively, and achieve better business outcomes. Conversely, inadequate financial literacy and poor loan management often lead to financial distress, loan defaults, and business failures. Addressing these gaps can improve the overall economic contribution of small-scale businesses to the state's economy.

Recommendations

To enhance financial literacy and loan management among small-scale business owners, government agencies, NGOs, and financial institutions should collaborate to offer tailored financial education programs. These workshops should focus on essential skills like budgeting, bookkeeping, investment, and risk management. Additionally, financial institutions can integrate loan management training into their lending processes to help entrepreneurs understand loan terms, plan repayment schedules, and use borrowed funds effectively.

Promoting financial inclusion is also vital. The government should support microfinance institutions and credit facilities to provide affordable loans and financial guidance to small business owners. Furthermore, mentorship programs involving experienced business professionals can offer practical advice on financial planning, operational strategies, and long-term business sustainability, fostering growth and resilience among small-scale entrepreneurs.

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