



## FINANCIAL INCLUSION AND THE PERFORMANCE OF SMALL SCALE ENTERPRISES IN KOGI STATE

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### **Abstract**

*The main objective of this study is examining the financial inclusion and performance of Small Scale Enterprises in Kogi state. The study investigated how Financial inclusion (regulations and policies on financial inclusion and affordability and use of financial services affected the performance of the selected SSEs in Kogi state. (cash flow management and risk mitigation) of the selected Small Scale Enterprises (SSEs) in Kogi state. The study adopted a survey research approach where primary data was collected from the respondents with the use of questionnaire administered to all the managers and owners of selected small enterprises in Kogi with a population of (667). Due to the large size of the population 667, Taro Yamane formula was used to determine the sample size (266). Out of 266 copies of questionnaires were administered, 250 (representing 94 % response rate) were retrieved and used for analysis. Multiple regression was used to test the two hypotheses in line with the objectives of the study and the results led to the rejection of the two null hypotheses showing that financial inclusion significantly effects the performance of Small Scale Enterprises in Abuja. The study concluded that there was a positive significant effect of financial inclusion (regulations and policies on financial inclusion and affordability and use of financial services on performance of the selected SSEs in Kogi state.( cash flow management and risk mitigation) of the selected Small Scale Enterprises (SSEs) in Kogi state. The study recommends that the government should develop an acceptable, transparent workable and favourable fiscal policies such as provision of low lending rate and insured credits which ultimately will enhance the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state.*

**Keywords:** Financial inclusion, Small scale Enterprises(SSEs), Performance, Regulations and Policies, Cash Flow Management, Risk Mitigation, Affordability of Financial services

### **1.1 Background to the Study**

Financial inclusion (FI) is an important financial literacy program, which creates the entrepreneur's ability to improve on the usage of any kind of financial service from informal and formal financial institutions, which affects the performance of small scale businesses. Garikai (2011) defines Small Scale Enterprises (SSEs) by capital invested, number of workers employed, and sales turnover. The number of employees working in that business and asset value also classifies SSEs (UIA, 2016). Financial inclusion is an antecedent to economic growth through wide participation in various economic activities by the citizenry through numerous startups of small and medium enterprises. In the context of Nigeria, the promotion of Small Scale Enterprises



(SSEs) has been a key area of government intervention. SSEs dominate much of the country's economy. One of the key areas of government interventions is the creation of the Microfinance banks, which offers programs that support the growth and expansion of Small Scale Enterprises (SSEs) through access to cheap and affordable finance. Some researchers argue that Small Scale Enterprises (SSEs) globally are seen as an engine of economic growth and development, and its success has a direct effect on the economic growth and development in both developing and developed economies as they have the potential to create jobs (Kristiningsih & Trimarjono, 2014; ). Eton, Mwosi, Ogwel, Edaku, and Obote (2018) note that Small Scale Enterprises (SSEs) should receive full backing legal protection and stimulus from all stakeholders so that they can sustain the economic growth and development which would lead to job creation, therefore driving investment into the economy as well as generate revenue to government through taxation. The study conducted by Abanis and Arthur (2013) establishes that Small Scale Enterprises (SSEs) performance in some selected developing countries was largely hampered by inadequate funding characterized by a high cost of finance. However, a lack of competition among formal financial institutions for financial services reduces access to financing for Small Scale Enterprises (SSEs). However, no studies have been conducted on financial inclusion and SSE performance in Kogi state, and this research will help identify the specific areas to be addressed if the performance of SSEs is to be improved.

The problems associated with inadequate access to finance do not only cripple Small Scale Enterprises (SSEs), but also leads to an eventual decline in economic development (IMF, 2017). The growth, development, and survival of Small Scale Enterprises (SSEs) are affected by various factors that may exist in their operations and management of the businesses. SSEs are created and nurtured in various ways and supported by various stakeholders using different laws and regulations which support their creation. The poor performance rates of these SSEs in the country have prompted this study to examine the financial inclusion and performance of selected small scale enterprises in Kogi state.

## **1.2 Statement of the Problem**

Small Scale Enterprises (SSEs) in Nigeria contribute greatly to the economy and can be said to be the driver of the economy. In Kogi state, Nigeria, SSEs are beset with a varieties of challenges which are in no small measure affecting their growth, cash flow management, risk mitigation and performance, some of which are low income, lack of financial services awareness, lack of access to available sources of finance, poor infrastructures, administrative bureaucracy, high charges and penalties. Other factors include lack of access to finance and or capital, high interest rate in Nigeria. Credit to Small Scale Enterprises (SSEs) is limited, particularly when compared to loans granted to larger firms. This is because Small Scale Enterprises (SSEs) are strongly limited in accessing the capital that they require for growing and expanding. Their inability to access finance from both deposit money banks and microfinance banks is as a result of high administrative costs, high collateral requirements and lack of experience within financial intermediaries. Government has been carrying out programmes and policies on financial inclusion such as regulations and policies on improvement of business environment and affordability and use of financial services towards encouraging small scale enterprise to access credits. These may not have yielded the desired result as the small scale enterprises in Kogi state still experience poor cash flow management and poor risk management. It is based on these that this study examines financial inclusion and the performance of selected small scale enterprises in Kogi state.



### 1.3 Research Questions

Based on the statement of problems, the following research questions were formulated to be answered in the course of the study;

- i In what way has financial inclusion affected the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state?
- ii To what degree has financial inclusion influenced the risk mitigation of the selected Small Scale Enterprises (SSEs) in Kogi state?

### 1.4. Objectives of the study

The main objective of the study is to examine the financial inclusion and performance of selected small scale enterprises in Kogi state. The specific objectives are to;

- i. Ascertain that financial inclusion has affected the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state.
- ii. find out the degree of the influence financial inclusion has on the risk mitigation of the selected Small Scale Enterprises (SSEs) Kogi state.

### 1.5 Statement of Hypotheses

Based on the objectives of the study and research questions, the following hypotheses were postulated to guide the study;

*H<sub>01</sub>: Financial inclusion does not significantly affect the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state.*

*H<sub>02</sub>: Financial inclusion does not have significant effect on the risk mitigation of selected Small Scale Enterprises (SSEs) in Kogi state.*

### 1.6 Significance of the Study

This study is beneficial to operators in the SSEs Subsector by creating more awareness on financial services available to them and how to access the services. They would have more insight into the various sources of credit and tap them to achieve better result. This study aids Government in moderating the affairs of Financial Institutions, and also see the need to provide enabling environment for Small Scale Enterprises (SSEs) to thrive so as to actually become the driver of our economic growth and development. Managers of Small Scale Enterprises (SSEs) will have a better understanding of the constraints affecting the banking sector in providing and supply of financial services. It will also add to the existing body of knowledge in the literature and serve as a repository for further academic research.

### 1.7. Scope of the Study

This study is restricted to the effect of financial inclusion and performance of selected small scale enterprises (SSEs) in Kogi state. The selected Small Scale Enterprises (SSEs) are those from the six selected local governments in Kogi state. These organizations are purposively chosen based on the fact that they are very large number of small scale enterprises in Kogi state and have the problems of non-performance due to their inability to manage cash flow and mitigate risk. The financial inclusion is the independent variable and shall be proxied with regulations and policies on financial inclusion and affordability and use of financial services while performance is the dependent variable and shall be proxied with cash flow management and risk mitigation. The



population of the study includes the owner/ managers and employees of the selected Small Scale Enterprises (SSEs) from the six area councils in Kogi state.

### **2.1.1 Concept of Financial inclusion**

CFI (2018) defines financial inclusion as a state at which individuals access a full suite of financial services at affordable prices, in a convenient manner and with respect and dignity. IMF revealed that within a country's level, financial inclusion is affected by the limitations arising from numerous macroeconomic outcomes which include stability, equality, and economic growth (Sahay et al., 2015). The Financial Inclusion Alliance (FIA) (2018) states that the usage of smartphones and broadband Internet is now important for supporting access to secure and affordable financial services such as money transfers, credit and saving, and payments both domestic and international. Alaxandre and Eisenhart (2013) observed that mobile technologies have provided a true imperfection of finance. The high increase in financial inclusion can be associated with increased investment level, employment opportunity, higher income level, and lower poverty level and that economic growth can only be sustained if a good number of people have access to formal financial services (Umar, 2013). In order to increase financial inclusiveness to the majority of the population, financial service providers should lower down the costs of operating accounts, particularly citizens from rural areas (Eton, Mwosi, Ogwel, et al., 2018). According to Damodaran (2013) financial inclusion helps to channel the flow of money in the economy so that both the rich and the poor access it with ease. Financial inclusiveness at the household level may support more effectively the macroeconomic policy frameworks. IMF (2018) establishes that financial inclusion at a household level is associated with higher revenue and expenditure of gross domestic product (GDP). Ibor, Offiong, and Mendie (2017) argue that much effort should be made by all stakeholders to increase financial access points to more rural areas and develop infrastructural services which promote financial inclusiveness. The government should also develop policies for the expansion of financial services to those who are financially excluded in rural areas, and this will ultimately address the growth of Small Scale Enterprises (SSEs) Financial Inclusion plays a crucial role on MSMEs development.

According to the CBN (2012), access to financial services mobilizes greater household savings (enabling such persons to invest in themselves and families), leverages capital for investments and expands the class of entrepreneurs. Financial inclusion offers incremental and complementary solutions to tackle poverty, promote inclusive development and achieve the UN Sustainable (Millennium) Development Goals (MDGs). It aims at drawing the unbanked population into the formal financial services net so they have the opportunity to access the whole gamut of appropriate financial services. The CBN believes that financial inclusion is achieved when financially excluded (Small Scale Enterprises (SSEs)) have easy access to a broad range of formal financial services that meet their needs at an affordable cost. Such financial services include, but not limited to: payments, savings, loans, and insurance and pension products etc. Financial inclusion, which in this work will be construed as access to appropriate, fair and affordable financial services, varies widely across the globe. People that are mostly financially excluded are farmers, landless labourers, unorganized sector, migrants, ethnic minority, women and Small Scale Enterprises (SSEs). Therefore, to ensure that Small Scale Enterprises (SSEs)' performance is inclusive and sustained, financial inclusion is necessary.



### 2.1.2 Small Scale Enterprises and Financial Inclusion

According to extant literature the definition vary in different economies but the underlying concept is the same. Ayaggari et.al (2013) In country such as USA, Britain and Canada small scale business is defined in terms of annual turnover and the number of paid employees. In Britain for example small scale business is conceive as that industry with annual turnover of 2 million pound or less with fewer than 200 paid employees. In the case of Japan it is conceptualized as type of industry, paid up capital and number of employee.

In the case of Nigeria hardly do you see a clear-cut definition that distinguishes between small and medium scale enterprises. The National Directorate of Employment (NDE) concept of a small scale industry has been fixed to a maximum of N35, 000.. In other words a business unit of not less than \$240 dollar is characterized as a small scale business in Nigeria. That may not be the same in other countries, but that classification may be useful in developing countries, because of the low capacity of its small scale industry.

Aga, Francis, and Rodriguez-Meza (2015) posit that SSEs are described as the nucleus to economic growth and development and are major sources of employment. Studies also note that SSEs are major players in economic growth and development since it provides employment opportunities to citizens, and this increases their household income (Kamunge, Njeru, & Tirimba, 2014; Palmarudi & Agussalim (2013). However, Turyakira and Mbidde (2015) posit that inadequate research on Small Scale Enterprises (SSEs) contribution in networking influences competitiveness alongside limited resources. While Breda and Fahy (2011) do not find causal links between networking of resource combinations, information sharing, and international performance, their research supports a positive relationship between a firm's human capital network and international performance. Most Small Scale Enterprises (SSEs) operating in Sub-Saharan Africa and in Nigeria in particular are faced with many challenges, which affect their operations and long-term survival. It is noted that the business failure rates are alarming with very few businesses surviving for a year of their operation.

Kazimoto (2014) opines that governments should support Small Scale Enterprises (SSEs) by ensuring that they play their roles in helping them improve their economies. The stronger the countries' economies, the bigger are the opportunity for the citizens of those countries. Kongolo (2010) posits that globally, SSEs operate in a similar way, have the same characteristics, and face almost the same challenges but differ in their understanding of how they contribute to the economic growth and development. Enterprises (SSEs) are operating in highly hostile and difficult conditions compared to their counterparts in more developed economies of the world. Ocioo, Akaba, and Worwal-Brown (2014), observe that Small Scale Enterprises (SSEs) are faced with the challenge of competition. Globalization has also ushered in technological changes where new products are being developed, and this creates stiff competition within the Small Scale Enterprises (SSEs) sector.

The study conducted by Tinarwo (2016) also established that some of the challenges hampering the growth of SSEs were stiff competitions, lack of markets, unfair treatment exhibited by local authorities and lack of government support, and inadequate information and communication technology and training, which have greatly affected most of our Small Scale Enterprises (SSEs). Shah, Nazir, Zaman, and Shabir (2013) opine that it is very difficult to access financial services from formal financial institutions due to their unrealistic demand for collateral, loan guarantees and securities, and high interest rates. There are various factors that affect the level of a country's financial inclusiveness and financial development, including the quality of the



formal financial institutions, availability of relevant information, income per capita, governance, and the regulatory framework (Park & Mercado, 2015). Moreover, the existing literature does not offer substantial information on the financial inclusion and performance of small scale businesses in Kogi state thus making the current study timely.

### **2.1.3 Financial Inclusion Dimensions**

Financial inclusion consists of several key elements or components that together enable individuals and businesses to access and use financial services effectively. Terzi, (2015)., stated that the elements Financial inclusion are;

#### **Regulatory and Policy on Business Environment**

Business environment is defined as the total surroundings which have a direct or indirect bearing on the functioning of business (Obasan, 2014). External environment is expressed as the sum total of the external forces that influences individuals, businesses and communities (Oginni and Faseyiku, 2012). In the views of Adebayo and Ogunyomi (2005), environment is summarized as the surrounding of a phenomenon which from time to time dictates the shape and direction of business enterprise. Bogobiri and Kassah (2009) stated that business environment deals with the interaction of managers and their sub-ordinates with the outside environment of an organization.

According to Adebayo et al. (2005) business environment can be broadly categorized into internal and external environment with the former comprising variables or factors within the control and manipulation of the firm to attain set objective while the later encompasses factors that are outside the control and manipulation of the firm. Hence, firm must develop a plan that will help it to cope with the various environmental forces (Oluremi and Gbenga, 2011).

In most instances, an effective manager does not only concern himself with internal environment alone but he must also deal with the external environment that may affect the organization in one way or the other. All managers while they operate in business must in different degrees, take into account the element and forces of their external environment. While they may be able to do little or nothing to change these forces they have no alternative but to respond to them. They must first of all identify, evaluate and react to the forces outside the organization that may affect its operation (Bogobiri and Kassah, 2009). A conducive regulatory and policy framework is essential for creating an environment that encourages financial inclusion. Regulations should balance consumer protection with the promotion of innovation and competition in the financial sector.

#### **Affordability and Use of Financial Services:**

Financial services should be affordable to the target population. This means minimizing fees, charges, and interest rates to make them accessible to low-income individuals and small businesses. Microfinance institutions often play a role in providing affordable financial services. Access alone is not sufficient; people must actively use financial services. Encouraging people to save, make payments electronically, obtain loans, or purchase insurance is crucial for true financial inclusion. Robust consumer protection measures are necessary to safeguard the interests of financial service users. This includes regulations and mechanisms to address issues like fraud, unfair practices, and disputes.

Leveraging technology, such as mobile banking, digital wallets, and online platforms, can extend the reach of financial services to remote and underserved areas. These innovations also



improve the convenience and efficiency of financial transactions and offering a diverse range of financial products and services ensure that individuals and businesses can choose options that suit their specific needs. This includes tailored products for micro, small, and medium-sized enterprises (MSMEs). Infrastructure and Access Points: Adequate physical infrastructure, including bank branches, ATMs, and mobile network coverage are necessary to support access to financial services, especially in rural and remote areas. Access to reliable credit information is critical for extending credit to individuals and businesses. Credit bureaus and credit reporting systems help lenders assess creditworthiness, making it easier for people to access loans.

### Dimensions of Performance

Financial inclusion can have a significant impact on the performance of businesses, especially small and micro enterprises. Here are the performance indexes used in this study;

**Cash Flow Management:** Access to financial services, such as bank accounts and payment systems, enables businesses to better manage their cash flow. They can receive payments electronically, make electronic payments to suppliers, and track transactions more efficiently, reducing the risk of cash leakages and fraud

**Risk Mitigation:** Businesses can use financial services like insurance to mitigate various risks, including property damage, liability, and disruptions to operations. This can protect businesses from financial setbacks and help them recover more quickly from unforeseen events.

## 2.2 Empirical Review

Riwayati, Salim, Maskie, & Indrawati (2020) studied Financial Inclusion and Performance to Mediate the Effect of Banking and Tax Regulation on the Success of Small and Medium Enterprises in Indonesia. The sample used in this research is Small and Medium Enterprises in Wijirejo batik Village, Pandak District, Bantul Regency, and Yogyakarta, Indonesia. The census sampling technique method was used. The population amounted to 76 batik business actors. The method of analysis is Wrap-PLS 5.0. and Findings: showed that implementation of banking and tax regulation for small and medium business actors has a number of positive consequences to success of the business involved.

Riwayati (2017) studied financial inclusion of business players and the success of SMEs in Indonesia. The study employed cross-sectional survey data technique of analysis and discovered that the financial inclusion of business players can mediate the determinants of the success of SMEs in Indonesia.

Bello and Kamoru (2017) examined the effect of financial on SME's contribution to economic growth using the OLS method and found that financial inclusion can boost SMEs through access to a loan in Nigeria.

Dandibi et al. (2019) studied the effect of financial inclusion and literacy on the performance of agro-based SMEs in Yobe using survey data. The findings revealed that financial inclusion has a significant and appreciating effect on the performance of agro-based SMEs in Yobe State.

## 2.3 Theoretical Review

The following theories informed the theoretical framework of the study.



### **Moral Hazard Theory**

The theory of financial inclusion and the moral hazard theory are related in the context of banking and financial services. Financial inclusion is about ensuring that individuals and businesses have access to affordable and appropriate financial products and services, while the moral hazard theory is concerned with the risks and consequences associated with the behavior of economic agents, particularly when they have access to financial resources or insurance. Here's how these two concepts can be connected:

When financial institutions and policymakers work towards greater financial inclusion by providing access to financial services, there is a risk of moral hazard. This risk arises because individuals or businesses, once included in the financial system, may take on more risk or engage in irresponsible financial behavior because they perceive a safety net provided by the availability of financial services. They may feel that they can take greater risks because they have access to credit or insurance. Financial institutions that offer inclusive financial services need to carefully manage the moral hazard risk. They must strike a balance between providing access to financial services and managing the potential adverse consequences of risky behavior. Effective risk assessment, credit scoring, and appropriate terms and conditions for financial products are essential to mitigate moral hazard.

Regulators play a crucial role in addressing moral hazard in the context of financial inclusion. They need to establish and enforce regulations that ensure responsible lending and risk management practices. This may include setting prudential standards for financial institutions and monitoring their activities to prevent excessive risk-taking. Financial literacy and consumer protection initiatives are vital components of financial inclusion strategies. Educating consumers about responsible financial behavior and their rights and responsibilities can help mitigate moral hazard by promoting informed decision-making.

In summary, while financial inclusion is aimed at expanding access to financial services, the moral hazard theory reminds us of the potential risks associated with such expansion. Careful risk management, regulation, and financial education are essential tools for addressing moral hazard and ensuring that financial inclusion efforts are both effective and responsible.

### **Gerschenkron's Great Spurt Theory**

This claims that for a less developed country to transition from traditional levels of economic backwardness to modern industrial economies, it will require a significant break from the past, or a large spurt of industrialization. According to the hypothesis, the rate of industrialization is determined by the degree of backwardness in each economy. All economies were initially backward, according to the notion, and have since evolved into different classes based on their level of industrialization. He divided the world's economy into four categories: very backward, backward, moderate, and advanced. The idea goes on to say that factory activity, bank involvement, and government policy assistance will all play a role in the development and transformation of a very backward economy. Although the theory suggests using capital intensive techniques in the manufacturing process in order to spark the great spurt, it also recognises the importance of having a sound financial system that can capture all of the people's economic activities within the economy in order to achieve the desired economic growth and higher living standards. This research was based on Gerschenkron's Great Spurt Theory, which claims that for a less developed country to transition from traditional levels of economic backwardness to modern industrial economies, it will require a significant break from the past, or a large spurt of industrialization.



### 2.3 Study Gaps

The study fills existing gap in knowledge by examining financial inclusion and performance of selected small scale enterprises in Kogi state. In examining financial inclusion, most studies did not focus on small scale enterprises in Kogi state and the variables used in this Various authors such as Bello and Kamoru (2017) examined the effect of financial on SME's contribution to economic growth. Futhermore, Riwayati, Salim , Maskie, & Indrawati (2020) studied Financial Inclusion and Performance to Mediate the Effect of Banking and Tax Regulation on the Success of Small and Medium Enterprises in Indonesia and Riwayati (2017) studied financial inclusion of business players and the success of SMEs in Indonesia. To the knowledge of the researcher, no or little study has been carried out on the effect of financial inclusion and performance of selected small scale enterprises in Kogi state. This study therefore seeks to contribute in this regard by evaluating the financial inclusion on the performance of selected small scale enterprises in Kogi state..

### 3. Methodology.

The study investigated the financial inclusion and performance of selected small scale enterprises in Kogi state. However, the population of the study includes the managers of selected small scale businesses in the six Local Government Council purposively selected in Kogi state. The population of the study was 651 respondents. Taro Yamane formula was used to determine the sample size (248). Out of the 248 copies of questionnaires that were administered, 232 (representing 94 % returned rate) were retrieved and used for analysis.

The study made use of primary source of data obtained with the use of structured copies of questionnaire to elicit responses of the respondents. Multiple regression was used to test the formulated hypotheses in line with the objectives of the study. The validity of the instruments was done through pilot study. In testing the reliability of the instrument, Cronbach's alpha was used. The result of the. reliability test shown an average of 0.8, the result of the Alpha is reliable.

### 4. 1 Results and Discussions

*H<sub>01</sub>: Financial inclusion does not significantly affect the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state.*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.062906	0.239765	0.262364	0.8176
RPF	0.055171	0.050523	0.074943	0.0001
BE	0.071507	0.054968	0.068864	0.0002

Source: Data output using e-view (2024) 5% level of significance

From the regression result, Financial inclusion coefficient for regulations and policies on financial inclusion is positive and significant in achieving the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state. The CFM = 0.06 + 0.05RPF which indicated that the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state increased by 5% for every 1% increase in regulations and policies on financial inclusion. The p-value of 0.00 is less than the t-statistic value of 0.07 and the standard error value of 0.05 is less



than the t-statistic value. This implied that there was significant effect of regulations and policies on financial inclusion on the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state.

Financial inclusion coefficient for business environment is positive and significant in achieving cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state. The CFM = 0.06+0.07BE which indicated that cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state increased by 7% for every 1% increase in business environment. The p-value of 0.00 is less than the t-statistic value of 0.06 and the standard error value of 0.05 is less than the t-statistic value. This implied that there was a significant effect of business environment on cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state.

Therefore, we reject the null hypothesis which stated that Financial inclusion does not significantly affects the cash flow management of the selected SSEs in Kogi state. This implied that there was a significant effect of Financial inclusion regulations and policies on financial inclusion and business environment) on cash flow management of the Financial inclusion. From the result business environment contributed more to cash flow management of the selected SSEs in Kogi state. among the variables used in the selected Small Scale Enterprises (SSEs) in Kogi state.

*H<sub>02</sub>: Financial inclusion does not have significant effect on the risk mitigation of selected Small Scale Enterprises (SSEs) in Kogi state.*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.38738	0.285798	0.448167	0.4289
RPF	0.094913	0.065538	0.096821	0.0009
BE	0.095892	0.073317	0.094196	0.0003

Source: Data output using e-view, (2023) 5% level of significance

From the regression result, Financial inclusion coefficient for regulations and policies on financial inclusion is positive and significant in achieving the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state. The RMG = 19.38 + 0.09RPF which indicated that the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state. increased by 9% for every 1% increase in regulations and policies on financial inclusion. The p-value of 0.00 is less than the t-statistic value of 0.09 and the standard error value of 0.06 is less than the t-statistic value. This implied that there was a significant contribution of regulations and policies on financial inclusion on the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state.

Financial inclusion coefficient for business environment is positive and significant in achieving the risk management of the selected SSEs in Kogi state. The RMG = 19.38+0.09BE which indicated that the risk management of the selected SSEs in Kogi state increased by 9% for every 1% increase in place strategy. The p-value of 0.00 is less than the t-statistic value of 0.09 and the standard error value of 0.07 is less than the t-statistic value. This implied that there was a significant contribution of business environment on the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state.



Therefore, we reject the null hypothesis that financial inclusion has not significantly contributed to the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state. It implied that there was a significant contribution of Financial inclusion (regulations and policies on financial inclusion and business environment) on the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state. From the result regulations and policies on financial inclusion and business environment contributed most to the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state among the variables used in the selected SSEs in Kogi state.

#### **4.2 Findings**

The analysis in hypothesis 1, the study found out that there was a significant effect of Financial inclusion, (regulations and policies on financial inclusion and business environment) on cash flow management of selected Small Scale Enterprises (SSEs) in Kogi state. There was a significant positive effect of regulations and policies on financial inclusion on cash flow management of selected Small Scale Enterprises (SSEs) in Kogi state. Regulations and policies on financial inclusion increased cash flow management of selected Small Scale Enterprises (SSEs) in Kogi state by 5%. There was a significant positive effect of business environment on cash flow management of selected Small Scale Enterprises (SSEs) in Kogi state. Business environment increased cash flow management of selected Small Scale Enterprises (SSEs) in Kogi state by 3%.

#### **4.3 Discussion of Findings**

The results of the analysis indicated that the effects of financial inclusion on the firm performance of small scale enterprises in Abuja were significant. This implied that the effects of financial inclusion on the performance of small scale enterprises in Abuja using financial inclusion as the independent variable and proxied with regulations and policies on financial inclusion and business environment significantly influences performance of small scale enterprises in Abuja, the dependent variable and proxied with cash flow management and risk management

Therefore, the study was in tandem with Bello and Kamoru (2017) examined the effect of financial on SME's contribution to economic growth. Also it is in line with Riwayati, Salim, Maskie, & Indrawati(2020) studied Financial Inclusion and Performance to Mediate the Effect of Banking and Tax Regulation on the Success of Small and Medium Enterprises in Indonesia.: The results showed that implementation of banking and tax regulation for small and medium business actors has a number of positive consequences to success of the business involved.

#### **5.1 Conclusion**

From the study, the following conclusions were made:

There existed a positive significant effect of Financial inclusion (financial literacy, government intervention, regulations and policies on financial inclusion on cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi State. The implication is that financial inclusion increases the cash flow management of the selected Small Scale Enterprises (SSEs) in Kogi state. There existed a positive significant effect of Financial inclusion (financial literacy, government intervention, regulations and policies on financial inclusion on risk management of the selected Small Scale Enterprises (SSEs) in Kogi state. The implication is that Financial inclusion increases the risk management of the selected Small Scale Enterprises (SSEs) in Kogi state.



### 5.3 Recommendations

From the results of the analysis, the following recommendations were made:

- i. The government should provide and develop infrastructural facilities thus providing a favourable business environment for the selected Small Scale Enterprises (SSEs) in Kogi state to cash flow management effectively.
- ii. The management of the small scale enterprises in Kogi State should pay attention and use Strategic Planning experts that can bring effective risk management in the selected Small Scale Enterprises (SSEs) in Kogi state.

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