

Financial Planning, Financial Experience, and Entrepreneurial Risk Attitudes among Small and Medium Enterprises (SMEs) in Ekiti State

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Abstract

Despite the acknowledgement of financial capability as a vital determinant in financial decision-making, there is a paucity of research investigating its impact on the risk-taking behaviours of SMEs. This research examined the relationship between financial planning, financial experience, and entrepreneurial risk attitudes among SMEs in Ekiti State, Nigeria. The research employed a descriptive survey design utilising double sampling, incorporating single-stage cluster and convenience sample methods. A systematic questionnaire was employed to gather data from 287 participants. Descriptive statistics and multinomial logistic regression were employed in the data analysis. This study revealed a favourable and statistically significant impact of financial knowledge and financial planning on entrepreneurial risk attitudes in Ekiti State, Nigeria. The study's findings clearly demonstrate the importance of financial preparation and financial experience on the entrepreneurial risk attitudes of SMEs. The study's conclusions, if implemented, will enhance awareness and preparation about financial products like as loans, derivatives, and insurance, while fostering prudent risk attitudes among SME operators. Consequently, the study's findings may be seen beneficial by policymakers, regulators, and other business stakeholders in facilitating simplicity in financial transactions, which could enhance the decision-making processes of SME operators, influenced by their degree of risk aversion. To enhance precision, operators of SMEs should persist in refining their financial planning skills.

Keywords: financial experience, financial planning, entrepreneurial decisions, risk tolerance.

1. Introduction

Managing one's own financial experiences is essential since people deal with money at practically every stage of their lives. Financial experience 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 [15, 35]. This demonstrates how financial experience is drawn from financial risk behavior, which affects 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 [19, 51]. To make sure that their decisions have a positive impact on their future, people need to empower themselves with financial planning and experience, given the complexity and variety of financial products accessible today [54]. However, People should arm themselves with financial education, financial management, retirement, investments, savings, wills, insurance, and loans in addition to basic personal financial experience [26]. With this personal experience, 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 [23, 44]. This then 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, they must possess the skills and information necessary to handle their own personal money [16, 28]. However, managing one's own financial circumstances is essential since finance permeates all aspects 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 [33, 45]. 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 milieu. In the small and medium-sized business community in Ekiti State, not many of the few studies that examined the Nigerian setting linked financial literacy to the risk-taking behaviour of individual entrepreneurs. This study seeks to examine the influence of financial capabilities on the entrepreneurial risk perceptions of particular small and medium-sized enterprises in Ekiti State, Nigeria. The objectives are to evaluate the impact of financial experience on the entrepreneurial risk disposition among a cohort of small and medium-sized enterprises in Ekiti State and to investigate the influence of financial planning on this disposition.

2. Literature review

Financial Planning

Financial planning involves assessing how a corporation can finance the attainment of its strategic goals and objectives. Personal financial planning is the management of finances to attain individual financial objectives. Personal money management, also known as individual financial planning, is a systematic procedure that leads to both financial and personal happiness [8, 42]. People can control their financial situation through this planning approach. Priorities must first be established to do this. The fulfillment of financial objectives and requirements depends on a strategy for spending, saving, and investing. Thorough financial planning that includes budgeting, tax management, obligation oversight, purchasing decisions, insurance management, investment strategies, retirement planning, and estate planning is essential to attain those objectives [36].

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 [6]. As a continual process, it must be followed throughout various periods of an individual's life cycle. According to [31], there are six fundamental steps in financial planning: (1) establishing short-, medium-, and long-term financial objectives; (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 [12, 29]) 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.

Financial Experience

People's experiences with conventional and alternative borrowing as well as investment activities are referred to as their financial experience [41].

According to [49] and [43], Financial expertise denotes the capacity to make informed decisions regarding investment considerations, as well as to engage in investment planning and management, so ensuring the efficacy of current and future financial management. Individuals can acquire the skills to navigate financial challenges and make informed decisions in the future through their financial experiences. According to some earlier studies, financial conduct is significantly influenced by prior financial experience [50]. The ability to decide on investment planning and management and assess the value of financial management for the present and the future is known as financial experience. However, to improve family financial management and provide wealth to the family, financial decisions are required to raise revenue, control spending, and pay taxes [5, 23]. Alongside financial education, the experience of possessing a financial product or engaging in shared ownership experiences with others further augments financial literacy [48].

According to [18], financial experience exerts a positive and substantial causal influence on financial literacy. Nonetheless, a robust financial comprehension is an outcome of possessing substantial financial experience. Nonetheless, methodological issues in the existing literature preclude the establishment of a causal association between financial experience and financial literacy, or the reverse. Financially literate people have experience bridging the gap between knowledge and skills, according to [32], who also found that knowledge is useless without applied experience. [48] discovered that financial behaviour, financial experience, and financial comprehension are interconnected. An individual's financial literacy and competence are shaped by their financial experiences and activities.

Entrepreneurship Education and Entrepreneurial Risk Attitudes

Entrepreneurship education commenced in 1938 at Kobe University in Japan, initiated by Shigeru Fiji [11]. In light of the recognised significance of entrepreneurship, numerous studies (including [25, 40, 47]) have been undertaken to ascertain the significance of entrepreneurship education for national growth. In this regard, gender is a crucial issue in the socio-economic progress of any nation and is vital for promoting entrepreneurial development. Moreover, risk mindset is essential to the discussion of human factors. An individual's disposition is crucial to the range of situational contexts.

Risk attitude denotes an individual's awareness and inclination towards recognising or pursuing risk when making decisions in situations characterised by uncertain outcomes [20]. [21] asserted that individuals' expressions of risk attitude influence all aspects of entrepreneurial endeavours, even when they feign ignorance of this fact. Research (e.g., [17, 24]) has confirmed that an individual's or organization's risk attitude is influenced by their utilisation of risk management tools, such as insurance.

Risk attitude reflects an organization's long-term perspective on risk. Nonetheless, a positive risk attitude authentically exhibited in entrepreneurial endeavours facilitates the attainment of organisational objectives, as it enhances entrepreneurs' abilities to develop sustainable risk management strategies [3].

Theoretical Review

Theory of Planned Behaviour

The concept of planned behaviour was introduced to elucidate social ideals, attitudes, and the regulated conduct of individuals in business-related activities [31]. The theory of planned behaviour emerged from the theory of reasoned action in the 1980s to predict individuals' intentions to participate in behavioural activities at a specific time and place. This is a carefully constructed evaluation of risk attitude toward a certain behaviour, perceived behavioural intention, control, and subjective values. Previous research (e.g., Carr & Kautonen, Van Gelderen, & Tornikoski, 2013) has shown that the theory of planned behaviour (TPB) has notably progressed the domain of entrepreneurial studies. This theory is seen as characteristic of entrepreneurial endeavours, even if the new venture may emerge suddenly due to an unforeseen opportunity. By placing a strong emphasis on individual attitudes and beliefs, TPB makes it possible to investigate the variables that affect students' choices [14]. Perceived behavioral control (PBC), subjective norms (SN) of perceived social pressure, and attitude (ATT) toward a behavior are the three components that determine intentions. A person's assessment of a behavior, which may be positive or negative, makes up their attitude toward that behavior [14]. While entrepreneurial intention refers to the desire to start a firm as impacted by attitudes toward entrepreneurial behavior [37], intention refers to the motivation of an individual for certain behaviors [4].

The Theory of Planned activity (TPB) identifies two primary sources of intent: the urge to engage in a certain activity and the feasibility of that behaviour [22]. TPB asserts that intent is a direct precursor to behavioural performance. The Theory of Planned Behaviour asserts that a more positive attitude and subjective norm, along with more perceived behavioural control, augment an individual's intention to participate in entrepreneurial activities.

Empirical Review

[39] assessed the nexus between financial literacy, risk-seeking behavior, and attitudinal trends among university students in South Africa. The study employed a questionnaire to conduct numerous price list experiments and administered a financial literacy assessment. The research utilized a maximum probability joint measure on an expected utility exponential function concerning both similar and distinct student preferences. The research demonstrated that financial literacy substantially influenced the risk and time preferences of university students with limited financial resources. The research indicated that enhanced financial skills correlate with risk choices and attitudes of patients among university students.

[2] assessed the relationship between financial literacy and entrepreneurial risk-taking among company startup students in Nigeria. The study aimed to examine financial knowledge and financial behavior as factors influencing business risk-taking among chosen students at the University of Lagos, Nigeria. While a random sampling technique was adopted, the structured questionnaire was utilised to gather information from 145 final-year students. In data analysis, the regression technique was employed with findings, which proved that females are becoming more financially literate, with continuous development, for suitable pecuniary decision-making in business risk-taking and enterprise creation.

[24] evaluated the nexus between financial literacy and entrepreneurial risk disposition among selected SMEs in Ekiti State, Nigeria. The research adopted a knowledge-centric approach to this connection. The study employed a survey research design alongside a multistage sampling technique. The study collected data from 154 owners and operators of SMEs in Ado-Ekiti, the capital of Ekiti State. This study utilized a regression analysis, revealing that financial attitude, knowledge, and behavior positively influence the risk aversion of SMEs in Ekiti State, Nigeria. The study shown that extensive knowledge of financial management significantly enhances the entrepreneurial risk-taking behaviors of emerging business owners and operators.

[38] investigated essential elements including innovativeness and financial literacy in agriculture and forest economics, particularly with market and weather-related hazards. This study involved 371 German farmers and 215 foresters online in 2022. The research revealed that both groups exhibited financial literacy, maintained a neutral generalized risk attitude, and shown risk aversion in their specific domains. This study, statistically, showed differences in both generalised and contextualised risk attitude. While the farmers showed statistically significant differences in their generalised and contextualised innovativeness, it was so far from the foresters.

[52] assessed the interactions of financial risk attitude, financial literacy, financial behaviour, financial inclusion, and MSMEs' performance in Jember, Indonesia. This study focused on the enhanced intensity of competitive impact on business efficacies when implementing digital transformation. This study accentuated the possibility and systematic validity of creating a well-crafted strategy for the digital transformation of industrial businesses as objects of economic and managerial study.

3. Research Methods

A descriptive survey design was employed to achieve the aims of this study. The motivation for adopting this strategy stems from its capacity to collect data from several cases, thereby observing occurrences related to sample variables without any intention of manipulation or control over them [13,53]. The study's population comprised the total number of instances or individuals inside the universe. According to the Ekiti State Ministry of Commerce and Industries (2017) as referenced in [1], the estimated total of Small and Medium Enterprises in Ekiti State was 928.

The research employed single-stage cluster sampling and convenience sampling methods. The rationale for picking the single-stage cluster sampling method was its ability to enable researchers to divide the population into manageable groups by randomly choosing the requisite number of clusters as sample variables and analysing all individuals inside each randomly selected cluster.

For the convenience sampling technique, data were further generated among SME operators on their availability and readiness.

The target population included all registered SMEs in the Ado-Ekiti metropolis, and the overall sample size for the study was statistically calculated using Taro Yamane's (1967) formula, as referenced in [3] as:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{928}{1 + 928 (0.05)^2} = 280$$

To secure the data gathering errors and non-response of information, 30 percent was added to the 280 generated from the formula, making it 364 anticipated participants.

In the end, 287 participants were considered as useful for data analysis. Data collection was conducted by fieldwork among selected small and medium-sized organisations engaged in commerce, education, food processing, retail services, manufacturing, and other activities in Ado-Ekiti. Utilising a questionnaire. The selection of respondents was motivated by their vital role in the nation's economic sustainability. The utilisation of a questionnaire as a data collection tool was predicated on its appropriateness for the research design, given its cost-effectiveness, broader reach, and enhanced sample representation [30].

The survey instrument's accuracy was assessed using congruent, logical, and criterion-related validity categories. The congruent (construct) validity was assessed using variables derived from previous literature, while the logical (content) validity was established through the administration and distribution of the selected survey instrument to my supervisors and experts in financial management and entrepreneurship. Experts meticulously analysed the questionnaire and provided logical and rational recommendations, so offering guidance that facilitated the creation of a questionnaire that precisely assessed the variables.

Table 1: Reliability Coefficient of the Established Dimensional Constructs

Constructs	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
Financial Planning	.775	.774	4
Financial Experience	.700	.667	4
Entrepreneurial Risk Attitude	.883	.884	12

Source: Researcher's Computation, 2026

Measuring financial capability is important for the success of any stakeholder in terms of meeting goals. Different methods by researchers have been employed to achieve these goals. This study utilised Multinomial Logistic Regression (MLR) for analysis. The model's equation is articulated in terms of the logit of the outcome, representing a comparison between a specific category and the reference category, both indicated as π_j in this context.

$$\ln\left(\frac{\pi_j}{\pi_1}\right) = \alpha_j + \beta_j X \quad (1)$$

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

Model 1: Model elucidating the correlation between risk attitude dimensions and financial planning

$$\ln\left(\frac{p(Y=RS)}{p(Y=RN)}\right) = c_0 + c_1 FP \quad (2)$$

$$\ln\left(\frac{p(Y=RA)}{p(Y=RN)}\right) = d_0 + d_1 FP \quad (3)$$

Model 2: Model elucidating the correlation between risk attitude dimensions and financial experience

$$\ln\left(\frac{P(Y=RS)}{P(Y=RN)}\right) = e_0 + e_1 FE \quad (4)$$

$$\ln\left(\frac{P(Y=RA)}{P(Y=RN)}\right) = f_0 + f_1 FE \quad (5)$$

4. Results and Discussion

Descriptive Analysis of Primary Source of Information

Table 2: Participants' Profiles

Variables	Response Label	Frequency	Percentage
Gender	Male	208	72.5
	Female	79	27.5
Age	18 but < 30	48	16.7
	30 but < 40	99	34.5
	40 but < 50	79	27.5
	50 but < 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
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

Field Survey, 2026

The analysis of Table 2 reveals that the 287 SME operators sampled comprised 214 (72.5 percent) males and 73 (27.5 percent) females. This demonstrated diversified responses across genders. However, many of the respondents (78.7 percent) 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 percent) were married, and their opinions formed the basis of financial capabilities and entrepreneurial risk attitudes. All the respondents were educated, with 72.5 percent 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 percent 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 Planning

Construct	Variables	Scale Level					Mean	Std Dev.
		SD	D	U	A	SA		
		1	2	3	4	5		
Financial Planning	I often keep a close eye on my spending for the year's important purchases for financial products	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	3.8	11.9	15.7	51.9	16.7	3.66	1.015
	I have never purchased financial products 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	4.5	27.2	17.8	37.3	13.2	3.28	1.133

Field Survey, 2026

Table 3 presents an analysis of the respondents' financial planning behaviors, assessed using four items utilizing a five-point Likert scale. Results demonstrate that participants typically oversee their expenditures for significant financial decisions (mean = 3.63, SD = 1.001) and participate in thorough contemplation prior to financial choices (mean = 3.66, SD = 1.015), indicating a moderate to high level of involvement in proactive financial planning. Conversely, interaction with financial products was diminished, evidenced by a mean score of 2.98 (SD = 1.267) among those who had never acquired financial items, signifying diversity in actual financial experience. Correspondingly, perceptions on the absence of a formal financial risk management plan yielded a moderate mean of 3.28 (SD = 1.133), indicating that although some respondents acknowledge the significance of risk management, a considerable number lack systematic methodologies. The results indicate that participants demonstrate moderate financial planning behaviors, especially in tracking expenses and decision-making, while their interaction with financial products and systematic risk management is relatively constrained, exhibiting moderate variability among respondents.

Table 4: Financial Experience

Construct	Variables	Scale Level					Mean	Std Dev.
		SD	D	U	A	SA		
		1	2	3	4	5		
Financial Experience	Regardless of how wise I believe my choices are, I am terrified to make financial decisions	8.7	26.8	23.0	34.5	7.0	3.04	1.115
	I'm not sure how I'll manage my money to purchase financial products for the year.	7.7	30.3	20.2	35.9	5.9	3.02	1.100
	Even when I have the knowledge to make financial decisions, I lack confidence.	3.8	14.0	10.8	54.0	17.4	3.04	1.195
	I would rather work with professionals than handle my financial losses on my own.	4.5	30.7	15.0	36.2	13.6	3.24	1.159

Field Survey, 2026

Table 4 evaluates the respondents' financial experience using four items on a five-point Likert scale. Findings reveal modest levels of anxiety and ambiguity in financial decision-making. Participants expressed a moderate apprehension over financial decision-making, evidenced by a mean score of 3.04 and a standard deviation of 1.115, as well as uncertainty in managing finances for the acquisition of financial products, reflected by a mean of 3.02 and a standard deviation of 1.100. Although possessing the requisite knowledge for financial decision-making, many individuals nevertheless exhibited a deficiency in confidence (mean = 3.04, SD = 1.195). Conversely, a marginally greater inclination was noted towards collaborating with experts instead of autonomously managing prospective financial losses (mean = 3.24, SD = 1.159). These data indicate that respondents have intermediate financial experience, marked by caution, limited confidence, and dependence on professional advice, with substantial diversity among participants.

Table 5: Entrepreneurial Risk Attitudes

Variables	Scale Level					Mean	Std Dev.
	SD	D	U	A	SA		
	1	2	3	4	5		
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

Field Survey, 2026

In Table 5, the participants' entrepreneurial risk attitudes were evaluated using twelve items on a five-point Likert scale, indicating a balanced profile of prudence and selective risk-taking. Participants predominantly regarded themselves as prudent, exhibiting strong consensus over their carefulness (mean = 4.04, SD = 0.974) and a preference for safer investing alternatives despite potentially lower returns (mean = 4.02, SD = 0.944; mean = 4.03, SD = 0.929). Concurrently, a moderate receptiveness to risk manifested, evidenced by the perception of risk as an opportunity (mean = 3.83, SD = 1.200), the readiness to undertake financial risks for significant returns (mean = 3.81, SD = 1.188), and the contemplation of considerable investment growth despite possible losses (mean = 3.74, SD = 1.212). Participants exhibited a notable hesitance to engage in independent investment, favoring bank deposits (mean = 3.50, SD = 1.411) and demonstrating limited investment experience (mean = 3.65, SD = 1.311). Additionally, behaviors such as prolonged deliberation on financial decisions (mean = 3.82, SD = 1.111) and anxiety regarding risky assets (mean = 3.73, SD = 1.015) underscored their cautious disposition. The statistics indicate a moderate-to-high level of caution alongside selective risk-taking, with standard deviations between 0.929 and 1.411 reflecting significant diversity across respondents.

Hypotheses 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 Planning vs. Entrepreneurial Risk Attitude

Pseudo R-Square									
Cox and Snell						.027			
Nagelkerke						.036			
McFadden						.019			
Likelihood Ratio Tests									
Effect	Model Fitting Criteria				Likelihood Ratio Tests				
	-2 Log Likelihood of Reduced Model				Chi-Square	Df	Sig.		
Intercept	195.164				2.247	2	.413		
Financial Planning	156.047				6.152	2	.032		
Parameter Estimates									
Risk Attitude Constructs ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
Risk Averse	Intercept	-.168	1.786	.008	1	.917			
	Financial Planning	-.357	.423	.460	1	.542	.517	.207	2.087
Risk Seeking	Intercept	-1.175	1.017	1.243	1	.276			
	Financial Planning	.517	.207	3.365	1	.013	1.786	1.056	2.571

a. The reference category is: Risk Neutral

Source: Researcher's Computation, 2026

The R-squared statistic (Cox & Snell, Nagelkerke, and McFadden R-Square) indicates that around 1.9% to 3.6% of the total variation in entrepreneurial risk attitude is accounted for by changes in financial planning. Concerning the variables in the parameter estimate, a substantial value enhances the model and signifies a favourable influence. The results indicate that financial planning had an insignificant predictive value for risk aversion (= -0.357, SE = 0.423, p > 0.05) but a substantial predictive value for risk-seeking behaviour (= 0.517, SE = 0.207, p < 0.05). The likelihood ratio tests of the multinomial regression demonstrate a significant correlation between the predictor variable (financial planning) and the response variable (risk attitude) ($\chi^2(2) = 6.152, p < 0.05$). Consequently, it may be inferred that financial planning substantially influences entrepreneurial risk attitudes in Lagos, Nigeria.

Hypothesis 2:

Table 7: Multinomial Regression Result for Financial Experience and Entrepreneurial Risk Attitudes

Pseudo R-Square									
Cox and Snell						.027			
Nagelkerke						.035			
McFadden						.018			
Likelihood Ratio Tests									
Effect	Model Fitting Criteria				Likelihood Ratio Tests				
	-2 Log Likelihood of Reduced Model				Chi-Square	Df	Sig.		
Intercept	121.892				.700	2	.705		
Financial Experience	129.058				7.867	2	.020		
Parameter Estimates									
Risk Attitude Constructs ^a		B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
Risk Averse	Intercept	-.088	.861	.011	1	.918			
	Financial Experience	-.469	.311	2.276	1	.311	.626	.340	1.150
Risk Seeking	Intercept	.355	.492	.516	1	.471			
	Financial Experience	.249	.158	2.479	1	.115	1.283	.941	1.750

a. The reference category is: Risk Neutral.

Source: Researcher's Computation, 2026

The R-squared statistic (Cox & Snell, Nagelkerke, and McFadden R-Square) indicates that changes in financial experience account for around 1.8% to 3.5% of the total variation in entrepreneurial risk attitude. The presence of a substantial value in the parameter estimate enhances the model and signifies a beneficial effect. The results indicate that financial experience did not substantially predict risk aversion ($= -0.469$, $SE = 0.311$, $p > 0.05$) and also did not significantly predict risk seeking ($= 0.249$, $SE = 0.158$, $p > 0.05$). The likelihood ratio tests of the multinomial regression demonstrate a significant correlation between the predictor variable (financial experience) and the response variable (entrepreneurial risk attitudes) ($\chi^2(2) = 7.867$, $p < 0.05$). Consequently, it may be inferred that financial experience significantly influences entrepreneurial risk attitudes in Lagos, Nigeria.

Discussion of Findings

Null hypothesis one 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 are met.

The result shows that financial experience has a significant and positive relationship with the entrepreneurial risk attitudes of SMEs in Nigeria, thereby invalidating the null hypothesis and validating the alternative hypothesis. The result suggests that the way financial experiences are being handled by the SMEs affects their entrepreneurial risk attitudes. In light of this, a previous study by Rahayu et al. (2024) proposed that financial experiences serve as a learning process for people to manage their finances and make decisions in the future. According to certain earlier studies, people's financial conduct is significantly influenced by their financial experience [32,41,49].

5. Conclusion and Recommendations

The study's findings clearly demonstrate the importance of financial education and financial planning on the entrepreneurial risk attitudes of SMEs. The study's conclusions, if implemented, will facilitate advanced planning and expertise in financial products such as loans, derivatives, and insurance, thereby fostering appropriate risk attitudes among SME operators. The results confirmed that financial preparation and financial experience were crucial in influencing the entrepreneurial risk attitudes of SME owners. Consequently, the study's findings may be deemed beneficial by policymakers, regulators, and business operators in facilitating simplicity in financial transactions, which could influence the

decision-making of SME operators, contingent upon their degree of risk aversion. To enhance financial returns on their investments, it is recommended that SME operators augment their comprehension of business financial processes. To enhance precision, SMEs' operators should persist in refining their financial planning skills.

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