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## Financial Literacy and Entrepreneurial Success: Case Studies from Nigeria, Indonesia, and Japan

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| ABSTRACT  | INFO ARTIKEL   |
|---|--|
| <p>The research aimed to find out the impact of financial literacy on entrepreneurial success in three countries. It is also looked into other possible variables that can affect the efficient of financial literacy like, culture, economic environment and government policies. The data were collected through questionnaire administered to 261 respondents. The primary data collected was analysed using descriptive statistics. ANOVA model was used to find out the variance between the three countries and the Tukey's HSD post-hoc test was used to identify the individual variance. The result revealed that financial literacy has a positive impact on entrepreneurial success, and variables like culture, economic environment and government also has a significant impact on entrepreneurial success. The variance test, showed that there is no significant difference between Nigeria and Indonesia, however there is a significant difference when the two countries were compared to Japan.</p> <p>© 2025 Kantor Jurnal dan Publikasi UPI</p> | <p><b>Article History:</b><br/><i>Submitted/Received 6 June 2025</i><br/><i>First Revised 10 June 2025</i><br/><i>Accepted 27 June 2025</i><br/><i>First Available online 1 August 2025</i><br/><i>Publication Date 7 August 2025</i></p> <hr/> <p><b>Keyword:</b><br/><i>Cross Country; Economic Environment; Entrepreneurial Success; and Financial Literacy</i></p> |

## 1. INTRODUCTION

The world of entrepreneurship is characterized by individuals who embark on the journey of starting and growing their businesses. Their success is vital for the economic growth and development of countries worldwide. In developing and emerging economies, such as Nigeria and Indonesia, entrepreneurship serves as a powerful tool for economic development. Meanwhile, in advanced economies like Japan, entrepreneurship remains crucial for fostering innovation and economic diversification. Lumpkin & Dess (1996) define entrepreneurial success as the achievement of desired outcomes and goals by entrepreneurs. In their pursuit of these goals, entrepreneurs contribute to job creation, innovation, economic diversification, wealth creation, and increased productivity within a country.

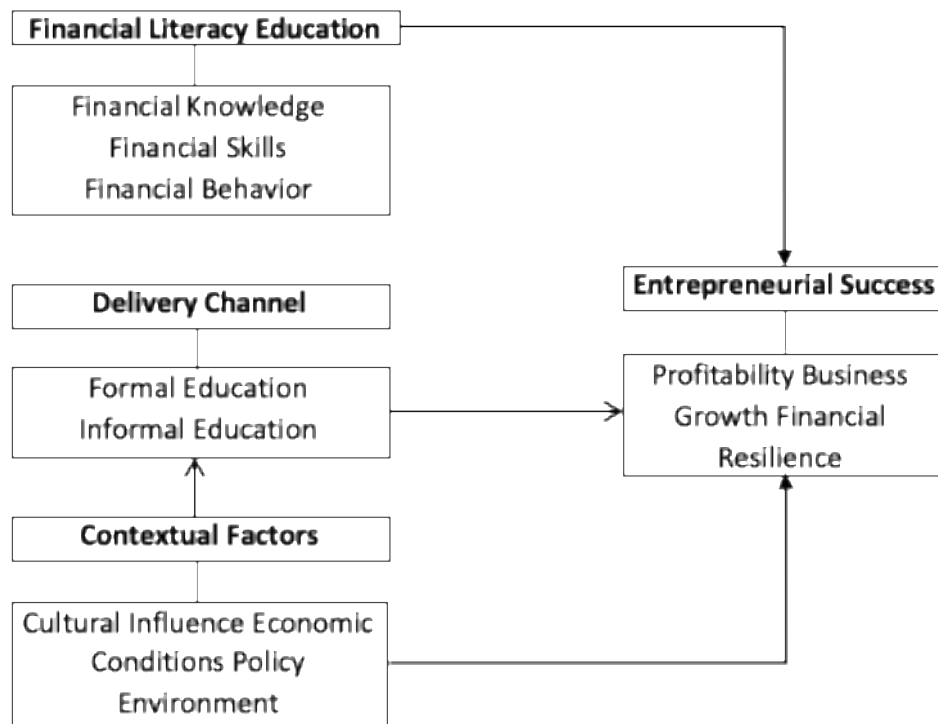
In high-income countries, SMEs account for more than 55% of GDP and more than 65% of total employment. In low-income countries, SMEs and informal enterprises account for more than 60% of GDP and more than 70% of total employment, while in middle-income countries, they account for more than 95% of total employment and roughly 70% of GDP (Zafar & Mustafa, 2017). Despite these contributions to the economy, entrepreneurs face pervasive and multifaceted challenges. These include a lack of financial resources, management skills, and the ability to make informed financial decisions due to the lack of financial literacy.

Low levels of financial literacy was a global issue (Xu & Zia, 2012). This problem has significant economic repercussions when entrepreneurs lack the financial literacy skills needed for successful business management (Dahmen & Rodríguez, 2014). According to Xu & Zia (2012), financial literacy refers to the capacity to read, analyse, manage, and communicate about one's financial situation. It encompasses the ability to differentiate between financial choices, engage in discussions about financial matters without discomfort, make future plans, and promptly address issues impacting daily financial decisions and the broader economy.

Financial literacy is intricately tied to financial literacy education. Individuals, including entrepreneurs, gain the knowledge and skills necessary to achieve financial literacy through financial literacy education. Therefore, financial literacy education serves as the cornerstone of financial literacy.

Financial literacy education equips individuals with the knowledge, skills, and information necessary to understand and effectively manage their finances when running a business. It can be seen as an investment in human capital, benefiting decisions related to savings, mortgages, and other financial matters (Lusardi & Mitchell, 2015). Recognized as an essential component of education by the Organisation for Economic Co-operation and Development (OECD, 2014), financial literacy education aims to provide individuals with the tools needed to make informed and responsible financial decisions and enhance the sustainability of their businesses. Empirical evidence from various scholars has demonstrated that financial literacy positively impacts entrepreneurial success. However, inadequate business knowledge, including a lack of financial literacy, can hinder entrepreneurial activity (Burchi, Włodarczyk, Szturo & Martelli, 2021). Many small businesses struggle with a poor saving culture, delayed or unpaid taxes, and a lack of financing sources, which can impede the success of their ventures. Therefore, financial literacy education has become crucial in ensuring the survival of these businesses. This aimed to find out the impact of financial literacy on entrepreneurial success in three countries; Japan, Indonesia and Nigeria measured by the Financial Literacy Education, Delivery Channel, and Contextual

Factors is an interesting topic to research. The choice of three characteristics of the country will enrich the findings.



**Figure 1 Conceptual Framework**

Sieki, Wagoki & Kalio (2013) assessed the impact of financial literacy education on small and micro enterprises in Njoro District, Kenya. Surveying 82 beneficiaries out of a population of 467, the study employed random sampling and distributed questionnaires. The analysis involved frequency counts, percentages, means, and standard deviation, with a t-test used to compare performance before and after training. The study highlighted the significant improvement in revenue performance for enterprises whose managers attended financial literacy programs, emphasizing budgeting, financial analysis, credit management, and bookkeeping skills. Credit management skills, acquired through the program, facilitated performance by securing credit financing and managing loan portfolios effectively. Budgeting skills played a vital role in boosting sales, profits, and overall business operations.

Chepkemioi, Patrick & Njoroge (2017) examined the effects of financial literacy training on SME profitability in the Coastal region of Kenya, focusing on Kwale County. Using a sample of 74 SMEs from sub-counties, including Kinang, Matuga, and Msambweni, the study employed a descriptive survey method with questionnaires and interviews. The research population comprised SMEs benefiting from World Bank training through the Kenya Coastal Development Project. Findings indicated a positive influence of financial literacy training on SME performance and profitability. The study recommended that financial institutions offer training to enhance SMEs' capacity to understand financial products. While both questionnaires and interviews were used in this study, the present research solely utilized questionnaires for data collection.

Njoroge (2013) examined the correlation between financial literacy and entrepreneurial success in Nairobi County, Kenya. The study revealed that all SMEs interviewed demonstrated some level of financial literacy, with most entrepreneurs scoring well above average. Highly successful entrepreneurs exhibited a strong understanding of finance, while less successful ones

in the informal sector demonstrated low financial literacy and stagnant growth. The study concluded a positive relationship between financial literacy and entrepreneurial success in Nairobi County, emphasizing the role of financial literacy in SME success across formal and informal sectors. It recommended literacy as a key factor for business success, utilizing financial literacy measures replicated in the present study. Notably, this study, unlike Njoroge's, employs questionnaires instead of interviews.

The hypothesis of the research is as follows.

H1: There is a significant impact of financial literacy education on entrepreneurial success in Japan, Indonesia and Nigeria.

H2: The impact of financial literacy education on entrepreneurial success varies among Japan, Indonesia, and Nigeria

H3: Cultural differences and economic conditions in these countries determine the effectiveness of financial literacy programs in promoting entrepreneurial success.

## 2. METHODOLOGY

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex, or specific interest. The emphasis on the study population is that it consists of individuals or elements that are homogeneous in description. All the items under consideration in any field of inquiry constitute a population. A population is a group of persons, organizations, or objects about which information is desired. The population of this research were citizens in Nigeria, Indonesia and Japan.

**Table 1 Business Owners**

| Country   | Number of Entrepreneurs or Business Owners |
|-----------|--|
| Nigeria   | 45,100,000                                 |
| Japan     | 3,684,049                                  |
| Indonesia | 8,487,800                                  |
| Total     | 57,271,849                                 |

Source: (World Bank, 2023; World Bank, 2023)

A total of 385 questionnaires were distributed online and physically, however only 261 respondents were analysed, due to missing answers or complex responses from the respondents. The breakdown is as follows: Nigeria got 158 respondents, Indonesia got 51 respondents, and Japan got 52 respondents.

This study also used a descriptive statistical approach to analyse the responses of the participants, using tables, frequencies, and percentages, and Analysis of Variance (ANOVA) was the statistical technique used to assess variations in the impact of financial literacy education on entrepreneurial success across the three countries.

### 3. RESULT AND DISCUSSION

#### Financial Literacy Education

##### 1) Financial Knowledge

This was gotten by asking the respondents if they could understand and interpret basic financial reports. 47% and 35% of the respondents, either strongly agreed or agreed respectively. This forms a total of 82% of the respondents. About 15% were indifferent, while the remaining 3% explained they do not have basic knowledge and cannot interpret financial reports.

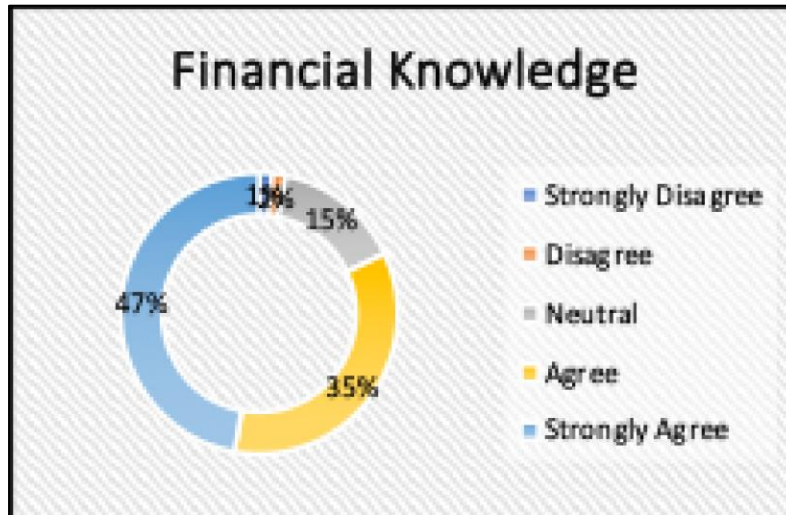


Figure 2 Financial Knowledge View

##### 2) Financial Behavior

The respondents were asked if they prioritize saving and reinvestment of profit in their business endeavours. About 87% either agreed or strongly agreed, that they prioritize saving and reinvestment of profit. 9% were neutral, and the remaining 4% either disagreed or strongly disagreed.

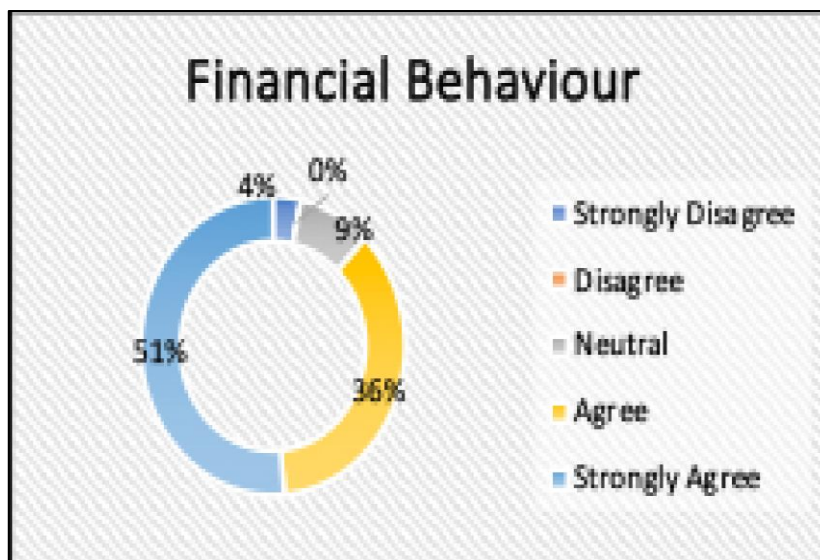


Figure 3 Financial Behavior View

### 3) Financial Skill

The respondents were asked if they had the ability to forecast their business revenue accurately. The number of those who either agreed or strongly agreed was 75%, 20% was neutral and 5% either disagreed or strongly disagreed.

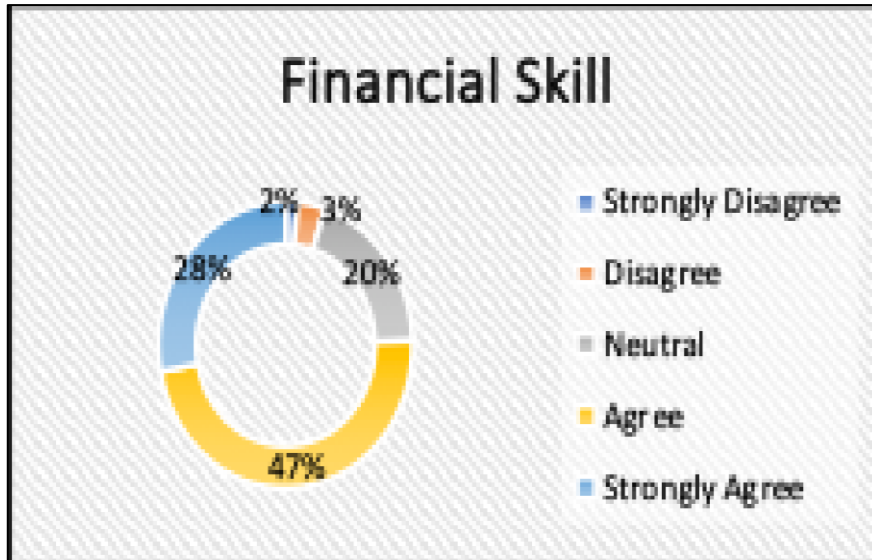


Figure 4 Financial Skill View

### Delivery Channel

#### 1) Formal Education

The respondents were asked if they got their financial education through a formal setting like going to school. About 64% of the respondents got their financial education through a formal setting. This is seen by those who answered agreed or strongly agreed. 18% of the respondents did not answer this question while the remaining 18% affirmed they did not get their financial literacy through a formal setting.

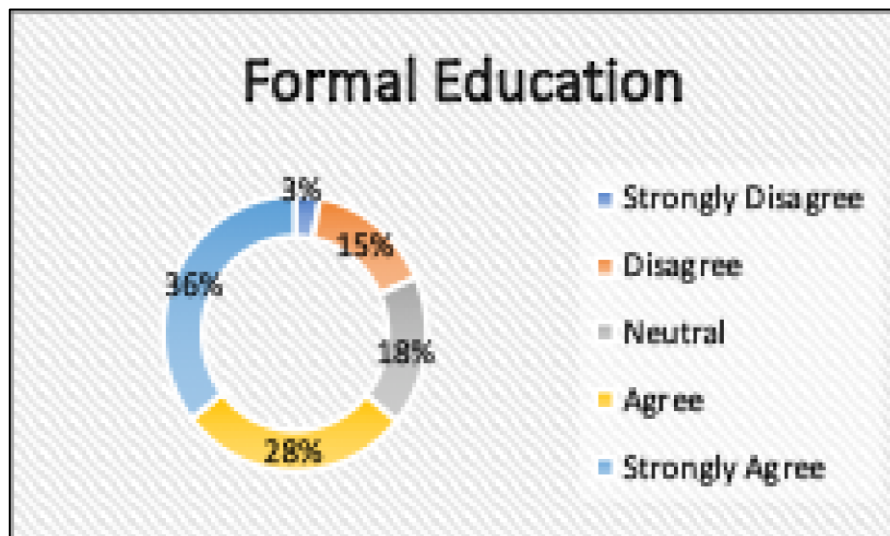


Figure 5 Formal Education View

2) Informal Education

In this, 66% of the respondents received their financial education through an informal setting like workshop, self-learning among others. 20% did not specify, while 14% indicated that they did not receive any form of informal training.

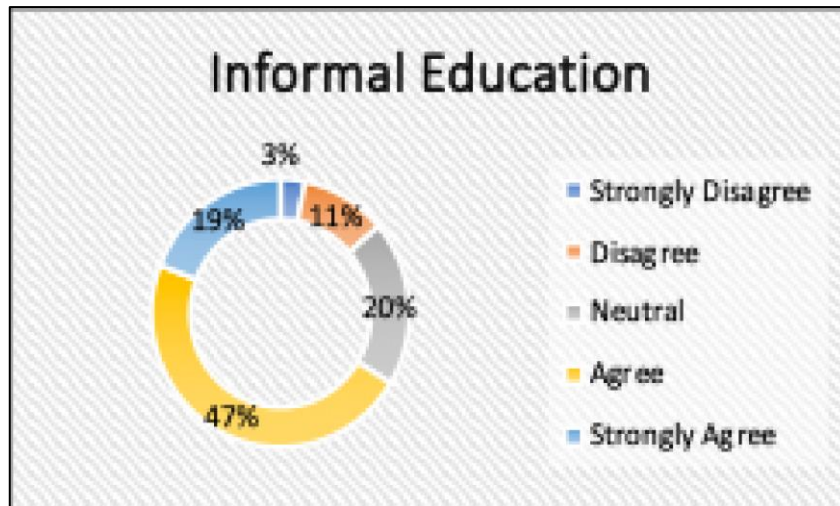


Figure 6 Informal Education View

Table 2 Frequency Analysis of Financial Literacy Education

|                   | Financial Behavior | Financial Knowledge | Financial Skill | Profitability | Business Growth | Financial Resilience |
|-------------------|--------------------|---------------------|-----------------|---------------|-----------------|----------------------|
| Strongly Disagree | 9                  | 4                   | 4               | 4             | 4               | 9                    |
| Disagree          | 0                  | 4                   | 9               | 23            | 9               | 35                   |
| Neutral           | 23                 | 39                  | 51              | 71            | 62              | 64                   |
| Agree             | 95                 | 91                  | 124             | 101           | 119             | 91                   |
| Strongly Agree    | 134                | 123                 | 73              | 62            | 67              | 62                   |

Table 3

|                   | Formal Education | Informal Education | Profitability | Business Growth | Financial Resilience |
|-------------------|------------------|--------------------|---------------|-----------------|----------------------|
| Strongly Disagree | 8                | 8                  | 4             | 4               | 9                    |
| Disagree          | 40               | 28                 | 23            | 9               | 35                   |
| Neutral           | 46               | 52                 | 71            | 62              | 64                   |
| Agree             | 74               | 123                | 101           | 119             | 91                   |
| Strongly Agree    | 93               | 50                 | 62            | 67              | 62                   |

Frequency Analysis of Delivery Channel

**Contextual Factors**

1) Culture and Tradition

The Respondents were asked if their tradition and culture affect how they manage their business finance. 62% of the respondents opined that culture affects how they manage their business finances, 28% were indifferent, 10% said the culture does not affect the way they manage their finances.

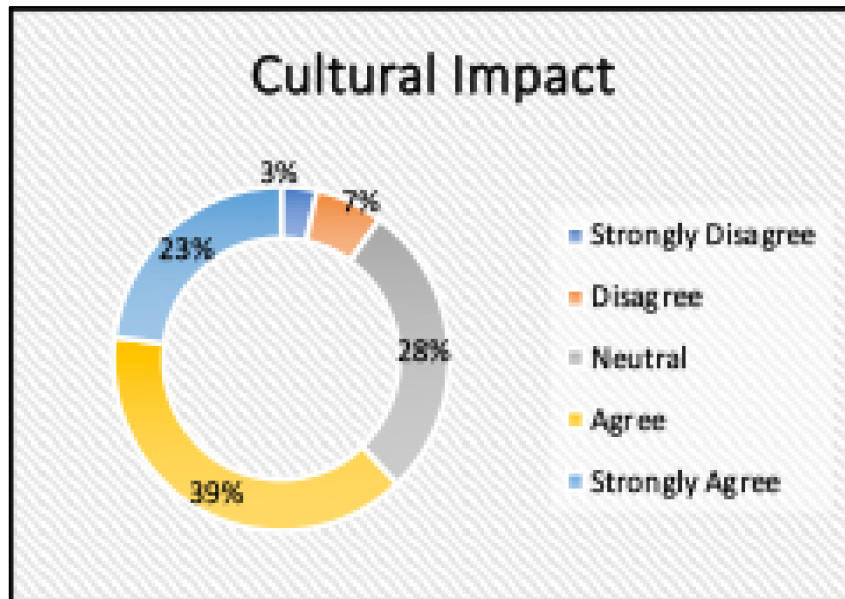


Figure 7 Culture and Tradition View

## 2) Economic Impact

The respondent was asked if economic factors like inflation makes it very difficult to plan their business financial future. 82% agreed that economic factors in their country make it difficult to plan, 13% were indifferent while 5% said the economic factors do not affect their financial planning.

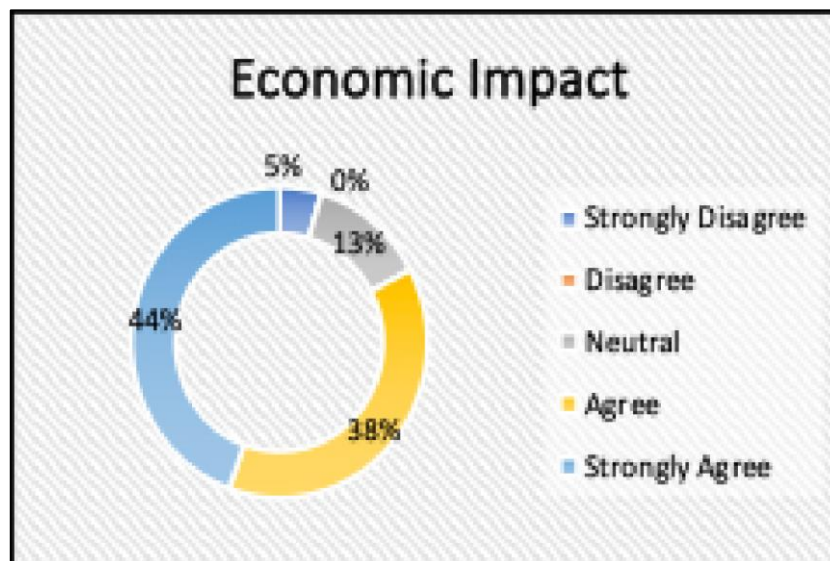


Figure 8 Economic Impact View

## 3) Government Policies and Regulations

The respondents were asked if government policies helped their businesses to thrive. Only 51% of the respondents agreed that government policies help their business to thrive. 20% were indifferent while 29% said government policies do not help their businesses to thrive.

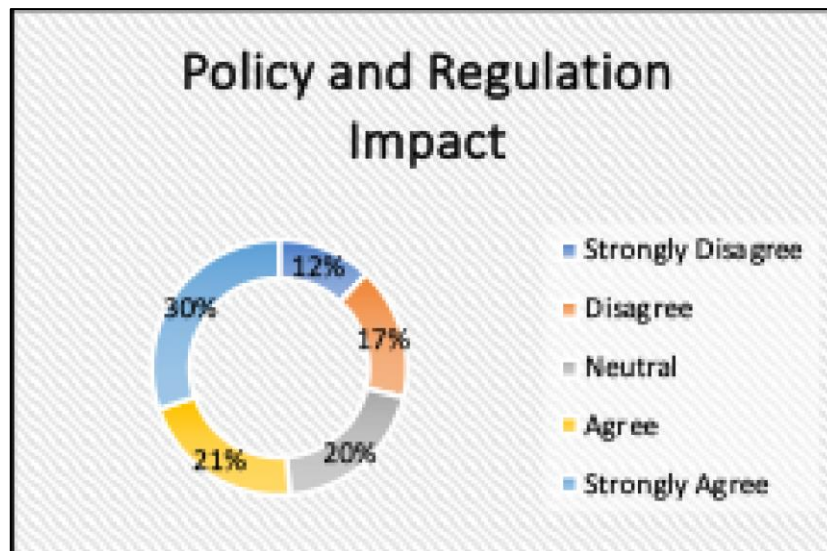


Figure 9 Government Polices and Regulations View

Table 4 Frequency Analysis of Contextual Factor

| Group 1           | Cultural Impact | Economic Impact | Policy and Regulation Impact | Profitability | Business Growth | Financial Resilience |
|-------------------|-----------------|-----------------|------------------------------|---------------|-----------------|----------------------|
| Strongly Disagree | 9               | 12              | 31                           | 4             | 4               | 9                    |
| Disagree          | 17              | 0               | 44                           | 23            | 9               | 35                   |
| Neutral           | 73              | 33              | 52                           | 71            | 62              | 64                   |
| Agree             | 102             | 100             | 55                           | 101           | 119             | 91                   |
| Strongly Agree    | 60              | 116             | 79                           | 62            | 67              | 62                   |

Table 2, 3, and 4 reveal that 63%, 71% and 59% of the respondents have built a profitable business, experienced business growth and have built a resilient business respectively. While these percentage account for a bigger population of the respondent, there is still a good number of respondents, who are either indifferent or has experienced the bad sides of the variables

Table 2 reveals that financial behavior, that is the ability to save and reinvest has given rise to higher growth and profitability as over 87% of the respondents have adopted this technique. Followed closely is the financial knowledge with 82% of the respondents agreeing that they understand and can interpret financial reports, then the financial skill, that is the ability to forecast accurately the financial number, is 76%. This shows that financial literacy could have a positive impact on profitability, business growth and resilience.

To understand how this varies across the 3 countries, an ANOVA test was conducted which has a p-value. of 0.0000576, the Tukey's HSD post-hoc test was used to show their individual variance in Table 5 below.

Table 5 Tukey's HSD post-hoc test

| Group 1   | Group 2 | Mean Difference | p-value | Lower Bound | Upper Bound | Significant Difference |
|-----------|---------|-----------------|---------|-------------|-------------|------------------------|
| Indonesia | Japan   | -0.8571         | 0.0001  | -1.3144     | -0.3998     | Yes                    |
| Indonesia | Nigeria | -0.2449         | 0.4154  | -0.7022     | 0.2124      | No                     |
| Japan     | Nigeria | 0.6122          | 0.0053  | 0.1549      | 1.0695      | Yes                    |

The discussions on the hypothesis are as follows. Hypothesis 1, discusses the impact of financial literacy education on entrepreneurial success in Japan, Indonesia and Nigeria. From the result we reject the null hypothesis and accept the alternative. This means that financial literacy has a significant impact on the entrepreneurial success variable studied. As seen in the frequency table 4.1 the higher population of the respondent, who has gained financial literacy, evident by the financial behavior, skill and knowledge has given rise to high profitability, business growth and the resilient factor. This is also in line with the study of (Desiyanti & Kassim, 2020), showing that financial literacy has a positive impact on business success in Indonesia. Other related literature include (Agyapong & Attram, 2019; Li & Qian, 2020; Purnomo, 2019), among others.

Hypothesis 2 discusses the impact of financial literacy education on entrepreneurial success varies among Japan, Indonesia, and Nigeria. From the result of the analysis we reject the null hypothesis and accept the alternative, which is that the impact of financial literacy on entrepreneurial success varies among Japan, Indonesia and Nigeria.

The ANOVA analysis revealed that the variance is significant at 0.05 level of significance. Further breakdown using the Turkey HSD post-hoc test revealed the following

- a) There is a significant difference between Japan and Indonesia
- b) There is no significant different between Indonesia and Nigeria
- c) There is a significant difference between Nigeria and Japan

From the above result it is evident that Indonesia and Nigeria have similar impact, while they both differ from Japan. This could be as a result of the similarities that exist in the both countries as a developing economy with similar unemployment rates (World bank 2023). The significant change with Japan is evident considering that Japan is a developed country with so many notable business brands unlike Nigeria and Indonesia

Hypothesis 3, discusses the cultural differences and economic conditions in these countries determines the effectiveness of financial literacy programs in promoting entrepreneurial success. Here we reject the null hypothesis and accept the alternative. This shows that culture and economic conditions play a vital role towards determining how effective financial literacy will be towards entrepreneurial success. From table 4.3, 62% of the respondents agree that culture impacts their business significantly, while 82% agree that economic variables affect their business significantly. This goes to show that the economic factors are more significant than the cultural factors. However, both are extremely important as they tend to affect the effectiveness of financial literacy on entrepreneurial success. This can also validate the findings in the second hypothesis showing the variation in result across the countries under study.

#### **4. CONCLUSION**

The research has revealed the significance of financial literacy on entrepreneurial success, across three different countries (Nigeria, Japan, Indonesia). It is obvious from the result that the more financial literate an entrepreneur is, the better the possibility of becoming successful. However other factors tend to affect the success of an entrepreneur outside financial literacy. Some of these factors were identified as economic conditions, and culture. The economic conditions have more impact than culture. Furthermore, it was understood from the research that the impact of this financial literacy is the same in Nigeria and Indonesia but differs with Japan. This could be as a result of many factors, beyond the scope of this study.

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