

## ENTREPRENEURIAL FINANCIAL ORIENTATION AND ACCOUNTING PRACTICES ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA

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### **Abstract**

*The adverse effects of poor financial accounting practices on the performance of small and medium-sized enterprises (SMEs) in Nigeria have necessitated examining how entrepreneurial financial orientation influences the implementation of modern accounting practices. This study examines the relationship between entrepreneurial financial orientation and accounting practices with a view to identifying implementation strategies that can enhance SMEs' performance. The study was guided by three research questions, and a descriptive research survey was used to carry it out in Northern Nigeria. The population comprised 1,120 active registered SMEs across the trade, services, agriculture, and manufacturing sectors in Plateau State, from which a stratified sample of 290 SME owners was drawn. A total of 285 valid questionnaire responses were analysed. Data were analysed using mean responses to the real limits of numbers for the research questions. Pearson product-moment correlation to assess relationships and ordinary least squares regression to test hypotheses at the 0.05 level of significance. The findings reveal a strong and positive relationship between entrepreneurial financial orientation and accounting practices; the dimensions of financial orientation innovativeness, risk-taking and proactive working capital management significantly influence the adoption of innovative accounting practices, and practical strategies for implementing accounting practices towards improving the performance of SMEs. The study concludes that enhancing entrepreneurial financial orientation is critical to strengthening the implementation of effective accounting practices among SMEs. It therefore recommends that SME owners and accountants cultivate greater financial innovativeness, risk tolerance, and proactive financial management to implement innovative accounting practices and improve the performance of SMEs in Nigeria.*

**Keywords:** Entrepreneurial Financial Orientation, Accounting Practices, SMEs Performance

### **Introduction**

The quest to improve the performance of small and medium enterprises (SMEs) in Nigeria cannot be overemphasised, given their economic significance. Small and medium enterprises are central to Nigeria's economic development, contributing substantially to employment, income generation, and local value creation. Despite their importance, many Nigerian SME entrepreneurs appear to be facing challenges related to financial orientations, considering strategies often used in implementing accounting practice, particularly traditional bookkeeping and accounting information systems for planning and control, which constrain access to finance and overall performance.

Entrepreneurial financial orientation (EFO) is commonly defined by innovativeness, proactiveness, and risk-taking, which have been shown globally to enhance survival and expansion in dynamic markets (Suder, 2023; Ishaya, 2024). Entrepreneurial financial orientation reflects a firm's deliberate posture toward opportunity recognition and misuse, and provides a behavioural basis for pursuing new products, markets, and processes (Ndubisi, 2024). From a theoretical perspective, it is assumed that an entrepreneur's financial orientation mediates between firm accounting practices, managerial capabilities, and strategic intent and better outcomes.

Accounting practices in SMEs include basic bookkeeping, preparation of financial statements, budgeting and management accounting techniques, and adoption of computerised or cloud-based accounting systems. Recent studies in Nigeria find that adoption of digital accounting and structured accounting routines is associated with improvements in record accuracy, timeliness of reporting, and, in some cases, access to credit and better planning (Oyelakun, 2025; Mohammed, 2024). In terms of digital accounting practice, Ajape, et al. (2024) found out that adoption of technology-based accounting system enhanced SMEs' commitment to sustainability practices. However, uptake is hindered by cost and technological literacy such as limited digital accounting knowledge among owner/managers, costs of software, and infrastructural constraints (unreliable power and internet) continue to hinder wide implementation outside major commercial cities in Nigeria.

Previous studies have also examined entrepreneurial orientation (EO) and accounting practices (AP) separately, focusing on their effects on business performance in large urban areas such as Lagos and Abuja. However, little is known about how entrepreneurial financial orientation (EFO) influences innovative accounting practices among SMEs, particularly in rural and semi-urban areas of northern Nigeria. This gap exists because prior research has examined only the relationships between entrepreneurial orientation (EO) and performance ( $EO \rightarrow \text{performance}$ ) and between accounting practices (AP) and performance ( $AP \rightarrow \text{performance}$ ), without considering the effect of financial orientation. For instance, Mohammed (2024) found that digital accounting systems significantly influenced SME performance but did not explicitly explore whether EO influences accounting practices.

A study by Sulaiman and Usman (2025) found that accounting skills impact entrepreneurial growth in Taraba State, but did not fully explain the influence of entrepreneurial financial orientation. Thus, there remains a gap regarding whether entrepreneurial financial orientation (EFO) corresponds with better accounting practices (bookkeeping, digital adoption, budgeting) and the extent of its influence. Akpan and Okwudu (2022) found that among 1,308 SMEs in the South-South region, Entrepreneurial orientation (EO) significantly improved firm performance. Similarly, Nuhu et al. (2023) reported a strong positive relationship between EO and SME performance in the Federal Capital Territory of Nigeria. These findings reinforce the notion that EO is a key strategic capability in Nigerian SMEs (Akpan & Okwudu, 2022; Nuhu et al., 2023).

According to Ogbaini et al. (2024), the effectiveness of entrepreneurial orientation depends on firm size, industry, financial orientation, and capability, suggesting that EO alone may not guarantee superior performance. Generally, accounting practice determines the language of business and serves as a basis for informed decision-making, effective working capital management, and profitable investment to achieve better performance (Oyinlana et al., 2024).

Entrepreneurial financial orientation (EFO) describes a firm's disposition to financial issues. Entrepreneurial financial orientation (EFO) and accounting practices (AP) are complementary, as no entrepreneurial activity can be sustained profitably without both. In this study, entrepreneurial

financial orientation (EFO) describes a firm's strategic financial mindset, attitude, or approach characterised by innovativeness, proactivity, and financial risk-taking. Accounting practices include routine bookkeeping, financial statement preparation, budgeting, internal control, effective working capital management, and digital accounting systems.

Olayemi et al (2025) reported low awareness and usage of accounting software among Nigerian small businesses, underscoring persistent adoption gaps. The upshot is that while accounting practices are widely recognised as beneficial for SMEs, many that struggle to adopt formal, digital accounting routines need a financial orientation. For instance, Olontoyin (2023) found that bookkeeping and internal control had strong positive effects on SME performance in Bauchi Metropolis. More recently, Adelayo (2025) found that proper accounting record-keeping significantly improves performance among Nigerian SMEs. It is therefore imperative not to overlook the influence of an entrepreneurial financial orientation on the adoption of accounting systems to improve performance. Given this background, the present study examines whether entrepreneurial orientation (innovativeness, risk-taking, and proactiveness in working capital management) is associated with the adoption and quality of accounting practices, thereby improving SME performance in Nigeria.

### **Statement of the Problem**

Small and medium enterprises (SMEs) are vital to Nigeria's industrial and socio-economic growth; thus, studies aimed at improving their performance are vital. Previous empirical studies have focused on the impact of entrepreneurial and financial management skills and accounting practices on performance, but have not explicitly explored whether the financial orientation of entrepreneurs influences the dimensions of these skills and the strategies adopted to implement accounting practices to enhance SME performance. Others examined entrepreneurial orientation and accounting practices separately, focusing primarily on their effects on business performance in large urban areas such as Lagos and Abuja.

There remains a gap in determining the extent to which entrepreneurial financial orientation corresponds with better accounting practices and improves SME performance, especially in less-studied contexts such as northern Nigeria. Thus, the adverse effects of poor financial accounting practices on SME performance in northern Nigeria have necessitated examining how entrepreneurial financial orientation influences the implementation of modern accounting practices, which led to this study. This study, therefore, examines dimensions of entrepreneurial financial orientation, such as innovativeness, risk-taking, and proactivity, to examine how working capital management correlates with the adoption of sound accounting practices and their impact on the performance of SMEs in Nigeria.

### **Purpose of the Study**

The primary objective of this study was to examine the relationship between entrepreneurial financial orientation and accounting practices towards improving the performance of SMEs in Nigeria. Other specific objectives include examining the:

1. Relationship between entrepreneurial financial orientation and accounting practices towards improving the performance of SMEs in Nigeria.
2. Influence of entrepreneurial financial orientation on adoption of innovative accounting practice towards improving the performance of SMEs in Nigeria.
3. Relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices towards improving the performance of SMEs in Nigeria.

## Research Questions

The following research questions guided the study:

1. What is the extent of the relationship between entrepreneurial financial orientation and accounting practices towards improving the performance of SMEs in Nigeria?
2. What is the influence of entrepreneurial financial orientation on the adoption of innovative accounting practices towards improving the performance of SMEs in Nigeria?
3. What is the relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices towards improving the performance of SMEs in Nigeria?

## Hypotheses

1. There is no significant relationship between entrepreneurial financial orientation and accounting practices towards improving the performance of SMEs in Nigeria.
2. Entrepreneurial financial orientation does not have a significant influence on the adoption of innovative accounting practices towards improving the performance of SMEs in Nigeria.
3. There is no significant relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices towards improving the performance of SMEs in Nigeria.

## Methodology

This study adopted a descriptive survey research design. The design choice was guided by the need to obtain quantitative data that describe the existing relationships among the study variables. The population comprised all registered 1,120 active SMEs in Plateau State, covering sectors such as trade, services, agriculture, and manufacturing, according to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2023). Using Yamane's sample size formula at a 5% margin of error, 290 SMEs were drawn through stratified random sampling to ensure adequate representation across sectors. The pilot study was conducted among 30 SMEs with a Cronbach's alpha reliability of 0.84. Data were collected from SME owners and accountants using a structured questionnaire divided into four sections: demographic information, entrepreneurial financial orientation, accounting practices, and implementation strategies. Responses were measured on a 4-point Likert scale ranging from very low (1) to very high (4). Questionnaires were administered face-to-face with strict ethical consideration. Questionnaires were retrieved from 285 respondents. SPSS version 26 for Social Statistics (SPSS) was used for data analysis. To answer research questions, mean responses for the absolute limit of the rating scale were interpreted as follows: 0.50-1.49, very low relationship/influence; 1.50-2.49, low relationship/influence; 2.50-3.49, high relationship/influence; and 3.50-4.00, very high relationship/influence. Pearson Product-Moment Correlation (PPMC) and Least Squares Regression (LSR) were used to test the null hypotheses at the 0.05 level of significance, with the decision to accept or reject based on the results.

## Data Analysis and Result

### Table 1: Analysis of Research Questions

Summary of Mean and Standard Deviation between Entrepreneurial Financial Orientation and Accounting Practices towards SMEs Performance

S/N	Relationship/Influence	$\bar{X}$	SD	Remark
1.	Relationship between EFO and AP on SMEs performance	3.87	.56	VH
2.	Influence of EFO on the adoption of innovative AP towards SMEs' performance	3.66	.61	VH

Variables		AP	AIAP	ESIAP	PSMEs
EFO	Relationship/Influence	.950	.755	.850	.852
	Significance (2-tailed)	.000	.000	.000	.000
	Df	283	283	283	283
3. Relationship between EFO and strategies for implementing AP on SMEs' performance		3.74	.48	VH	
		3.76	.55	VH	

#### Cluster Mean

Keys:  $\bar{X}$  = Mean response, SD = Standard Deviations, VH = Very Highly Relationship/Influence (3.50-4.00)

Table 1 summarises the data analysis results for responses to research questions one, two, and three, with mean values of 3.87, 3.66, and 3.74, and a cluster mean of 3.76, indicating a powerful relationship/influence (3.50-4.00). The standard deviation of 0.55 shows no divergence among the respondents. The result in item 1 shows a powerful relationship between entrepreneurial financial orientation and accounting practices aimed at improving SME performance. Item 2 also reveals that entrepreneurial financial orientation has a powerful influence on the adoption of innovative accounting practices to improve SME performance. The result in item 3 shows a firm relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices to improve SME performance.

**Table 2**

#### Hypothesis Test: Analysis of Correlation Result

**Key:** EFO - Entrepreneurial Financial Orientation, AP – Accounting Practices, AIAP – Adoption of Innovative Accounting Practices, ESIAP – Effective Strategies for Implementing Accounting Practice, PSMEs - Performance of SMEs

The correlation results in Table 2 indicate a strong, significant positive relationship between entrepreneurial financial orientation and accounting practices ( $r = .950$ ). Entrepreneurial financial orientation (dimensions) significantly influences the adoption of innovative accounting practices ( $r = .755$ ). Also, there is a significant relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices to improve SME performance ( $r = .850$ ). This indicates a strong, positive, significant relationship between entrepreneurial financial orientation and accounting practices in improving SME performance in Nigeria ( $r = .852$ ).

**Table 3**

#### Hypothesis Test: Coefficients Result

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
EFO	-.637	.078		-8.130	.000		
AP	.397	.035	1.353	11.347	.000	.035	28.283
AIAP	-.351	.028	-1.297	-12.635	.000	.048	20.966
ESIAP	.237	.029	.793	8.269	.000	.055	18.311

a. Variable: AP – Accounting Practices, AIAP – Adoption of Innovative Accounting Practices, ESIAP – Effective Strategies for Implementing Accounting Practices

The coefficient for entrepreneurial financial orientation is positive and highly significant ( $B = .397$ ,  $t = 11.347$ ,  $p = .000$ ). This indicates that entrepreneurial financial orientation is positively and significantly related to accounting practices that improve SME performance. Thus, the null hypothesis (H01), which states that there is no significant influence of entrepreneurial financial orientation on accounting practices that improve SME performance in Nigeria, is rejected. Entrepreneurial financial orientation (innovativeness, risk-taking, working capital management) shows a significant influence ( $B = -.351$ ,  $t = -12.635$ ,  $p = .000$ ). Thus, null hypothesis two (H02) is rejected, confirming that the dimension of EFO significantly influences the adoption of innovative accounting practices towards improving the performance of SMEs. Practical strategies for the implementation of accounting practice show a significant positive influence ( $B = .237$ ,  $t = 8.269$ ,  $p = .000$ ). This means null hypothesis three (H03) is rejected, which means that entrepreneurial financial orientation is a significant relationship with practical strategies for implementing accounting practice towards improving the performance of SMEs.

**Table 4**  
**Hypothesis Test: Modal Summary**

Model	R	Std. Error Change Statistics						Sig.	FDurbin-Watson
		R Square	Adjusted R Square	Rof Estimate	the R Square Change	F Change	df1		
1	.926 <sup>a</sup>	.857	.855	.48143	.857	425.983	4	.000	.145

The model summary in Table 3 shows that entrepreneurial financial orientation has a very strong predictive relationship influence (85.7% - 92.6%) on the combined variables of accounting practices, adoption of innovative accounting practices, and practical strategies for implementing accounting practices towards improving the performance of SMEs, as indicated by a high correlation value ( $R = .926$  and  $R$  Square = .857). The significant F-change value (425.983,  $p = .000$ ) confirms that the model is not statistically due to chance. At the same time, the adjusted R Square (.855) shows that even after accounting for sampling error, the model remains highly reliable. The standard error of estimate (.48143) indicates good predictive accuracy, and the Durbin-Watson statistic (1.45) indicates no serious autocorrelation, indicating that the residuals are independent.

### Discussion of Findings

This study finds that entrepreneurial financial orientation and accounting practices have a significant relationship and influence on improving SME performance in Nigeria, as demonstrated by the strong positive correlation coefficient. This finding is similar to Olontoyin (2023), who found that bookkeeping and internal control have strong positive effects on SME performance in Bauchi Metropolis, and that of Adelayo (2025), who found that proper accounting record-keeping significantly improves performance among Nigerian SMEs. The study also reveals that the dimensions of entrepreneurial financial orientation (innovativeness, risk-taking, proactiveness, and working capital management) have a significant influence on the adoption of innovative accounting practice. The result also reveals a significant relationship between entrepreneurial financial orientation and effective strategies for implementing accounting practices to improve SME performance. This aligns with the submission of Olayemi et al. (2025), which found that low awareness and use of accounting software among small businesses underscore persistent adoption gaps. The finding also corroborates the submissions of Sulaiman and Usman (2025) in Taraba State, who found that accounting skills impact entrepreneurial growth, and of Ajape et al. (2024), who found that the adoption of technology-based accounting systems enhanced SMEs' commitment to sustainability practices.

## **Conclusion**

The study concludes that entrepreneurial financial orientation significantly shapes accounting practices among SMEs in Nigeria. Entrepreneurial financial orientation has a powerful predictive relationship (85.7%-92.6%) with the combined variables of accounting practices, the adoption of innovative accounting practices, and practical strategies for implementing accounting practices to improve SME performance. The strong relationship between entrepreneurial financial orientation and accounting practices significantly influences the adoption of financial innovation, risk-taking, and proactive working capital management to improve SME performance. It also significantly influences the effective implementation of innovative accounting practices, thereby improving the performance of SMEs in Nigeria.

## **Recommendations**

The study recommended that:

1. Existing and potential SME owners should inculcate and advance their entrepreneurial financial orientation in accounting practice by acquiring modern financial training to improve performance.
2. Owners and accountants of SMEs should regularly evaluate their entrepreneurial financial orientation in terms of innovativeness, risk-taking, pro-activeness, stand working capital management in adopting modern accounting practices to improve the performance of SMEs.
3. SMEs should always be proactive in updating their entrepreneurial financial orientation and use effective strategies to implement accounting practices towards improving the performance of SMEs in Nigeria.

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