FINANCIAL LITERACY AND ENTREPRENEURIAL SUCCESS: A PATHWAY TO EMPLOYMENT GENERATION

Adedayo Patrick Adeyemi
adeyemiap@lasued.edu.ng
Business and Entrepreneurship Education Department
Lagos State University of Education,
Oto/Ijanikin, Lagos State, Nigeria

Abstract
This paper explored the link between financial literacy, entrepreneurial success, and employment generation. It is based on the Human Capital Theory, which states that investing in knowledge and skills increases productivity and economic growth. Various concepts related to variables under study were also reviewed. The review found that job creation depends largely on entrepreneurial success, which mediates the relationship between financial literacy and job creation. Financial literacy equips entrepreneurs with essential skills in budgeting, saving, investing, and credit management. These skills improve business performance and sustainability. The study also showed that financially literate entrepreneurs are more likely to manage their businesses effectively, sustain operations, and expand. Business growth increases labour demand and promotes employment in both formal and informal sectors. It was concluded that financial literacy and entrepreneurial success are very critical to employment generation. Financial Literacy leads to business creation and reduces the level of unemployment, promotes self-reliance, and economic growth. It was recommended amongst others that government and educational institutions should incorporate comprehensive financial literacy training into entrepreneurship and business education curricula at all levels, increase capacity-building initiatives, and policy frameworks to enhance sustainable job creation and economic growth.

Keywords: Financial literacy, entrepreneurial success, employment generation, entrepreneurship, human capital theory.

Introduction

Financial literacy has become a critical driver of economic growth and employment generation across the world. It refers to the knowledge and skills required to make informed financial decisions regarding saving, investing, budgeting, and risk management. Globally, institutions such as the World Bank and the Organisation for Economic Co-operation and Development emphasize financial literacy as a key tool for promoting entrepreneurship and reducing unemployment. When individuals possess strong financial knowledge, they are better equipped to start, manage, and sustain businesses successfully. Entrepreneurial success, on the other hand, involves the ability of individuals to identify opportunities, mobilize resources, and create value through sustainable business ventures. In many developed and emerging economies, entrepreneurship has been recognized as a major pathway to job creation, innovation, and poverty reduction. Financially, to make better financial decisions, manage risks effectively, and achieve business growth, thereby contributing to employment

generation on a broader scale. In Nigeria, unemployment remains a significant socio-economic challenge, particularly among youth. Despite abundant human and natural resources, the country continues to experience limited job opportunities in the formal sector. As a result, attention has shifted toward entrepreneurship as a viable solution for employment generation. Agencies such as the Central Bank of Nigeria and the Small and Medium Enterprises Development Agency of Nigeria have promoted financial literacy programs to support small and medium-sized enterprises (SMEs).

Recent studies in Nigeria have shown that entrepreneurial activities contribute significantly to employment creation, poverty reduction, and economic growth. For instance, Audu et al. (2026) observed that entrepreneurial orientation has a strong positive relationship with youth employment generation among undergraduates in Nigeria. Similarly, Onileowo and Anifowose (2020) noted that entrepreneurship serves as a catalyst for employment generation and national development in Nigeria.

Entrepreneurial success plays a critical role in sustaining employment because only successful ventures possess the capacity to expand, survive market competition, and create additional job opportunities. In the Nigerian business environment, the success of entrepreneurial ventures is often measured through indicators such as profitability, business growth, customer expansion, innovation, and sustainability. Scholars have argued that the extent to which entrepreneurs succeed directly influences their ability to contribute to the economy through employment creation. Recent empirical evidence from Nigeria supports this assertion. Olomola, Amos, and Oladapo (2025) found that entrepreneurial success among SMEs in Ekiti State significantly enhances business growth and operational expansion, thereby increasing employment opportunities.

One of the major factors influencing entrepreneurial success is financial literacy, which is the ability to understand, interpret, and effectively apply financial knowledge in making sound business decisions relating to budgeting, savings, investment, credit management, risk assessment, and resource allocation. In the context of entrepreneurship, financial literacy equips business owners with the competence needed to manage capital efficiently, maintain accurate financial records, make informed investment decisions, and ensure long-term business sustainability. In Nigeria, recent studies have emphasized the importance of financial literacy in business performance and entrepreneurial outcomes. Kasimu and Jamilu (2024) affirmed that financial literacy significantly enhances entrepreneurial competencies among business education students in Nigerian colleges of education. Likewise, Adewumi and Cele (2023) reported that financial literacy skills among SMEs in Lagos positively influence entrepreneurial decision-making and business performance. Therefore, this study examines financial literacy and entrepreneurial success as a pathway to employment generation, with the view that improved financial knowledge among entrepreneurs can enhance business success and consequently contribute to sustainable job creation in Nigeria.

Literature Review

Theoretical Framework

Human Capital Theory

The study is anchored on Human Capital Theory (HCT) propounded by Gary Becker in 1964. The theory posits that investment in education, training, knowledge, and skill acquisition enhances the productive capacity of individuals and improves their economic outcomes. According to the theory, people who possess relevant knowledge and competencies are more likely to perform efficiently and make informed decisions that lead to better results. In the context of this study, financial literacy represents a form of human capital because it equips entrepreneurs with the knowledge and skills required to manage business finances

effectively, make sound investment decisions, and sustain business growth. Human Capital Theory is highly relevant to entrepreneurship because it explains that the success of any business venture depends largely on the quality of knowledge and competencies possessed by the entrepreneur. Entrepreneurs who are financially literate are better positioned to prepare budgets, manage cash flow, access credit facilities, evaluate risks, and allocate resources efficiently. These capabilities improve the survival rate and performance of business ventures. Recent studies have shown that financial knowledge significantly contributes to small business growth and entrepreneurial success, as financially informed entrepreneurs are more likely to make strategic business decisions that promote sustainability and profitability.

The theory supports the link between entrepreneurial success and employment generation. When entrepreneurs possess adequate financial knowledge and managerial competence, their businesses are more likely to expand and create opportunities for others through direct and indirect employment. Successful ventures often require additional labour, skilled personnel, and operational support, thereby contributing to job creation and reducing unemployment. In Nigeria, where youth unemployment remains a major socio-economic challenge, the application of financial literacy as a human capital asset can serve as a strong pathway to self-employment and enterprise expansion. Therefore, Human Capital Theory provides a sound theoretical basis for this study by explaining how financial literacy, as investment in entrepreneurial knowledge and skill, enhances entrepreneurial success, which in turn leads to employment generation. The theory establishes a logical relationship among the variables of the study by demonstrating that improved financial capability strengthens business performance and creates sustainable job opportunities. Hence, it is considered the most appropriate theory for explaining the nexus between financial literacy, entrepreneurial success, and employment generation in the Nigerian context.

The Human Capital Theory is highly relevant to the topic "Financial Literacy and Entrepreneurial Success: A Pathway to Employment Generation" because it explains how the acquisition of knowledge, education, and skills improves individual productivity and economic outcomes. In this study, financial literacy is regarded as a form of human capital because it provides entrepreneurs with the financial knowledge and competencies needed for effective decision-making in areas such as budgeting, savings, investment, credit management, and risk assessment. When entrepreneurs possess these financial skills, they are better able to manage business resources efficiently, make informed choices, and improve the performance of their ventures. This directly supports the relationship between financial literacy and entrepreneurial success as captured in the topic.

The theory is relevant because it establishes a logical link between entrepreneurial success and employment generation. According to the theory, when individuals invest in useful knowledge and skills, the result is improved performance and productivity. In the context of entrepreneurship, financially literate entrepreneurs are more likely to run successful and sustainable businesses that expand over time. Such expansion creates opportunities for self-employment and the hiring of additional workers, thereby contributing to employment generation and the reduction of unemployment in Nigeria. Therefore, Human Capital Theory provides a suitable explanation of how financial literacy can lead to entrepreneurial success and serve as a pathway to job creation.

Conceptual Review

Concept of Financial Literacy

Financial literacy refers to the knowledge, skills, and attitudes that enable individuals to effectively manage their personal and business finances. It involves the ability to understand financial concepts such as budgeting, saving, investing, debt management, and financial planning in order to make informed financial decisions. In the view of Nigerian scholars,

financial literacy is not just about knowing financial terms but also about applying them in real-life situations to achieve financial stability and improved economic well-being. For instance, Egbu (2024) explained that financial literacy involves the ability to match income with expenditure, live within one's means, and make sound financial decisions that prevent financial distress among individuals and entrepreneurs in Nigeria. In a similar perspective, Aiyedogbon, David, and Ezie (2023) described financial literacy as a combination of budgeting skills, debt management literacy, and bookkeeping skills that influence how individuals and business owners manage their financial resources. Their study in Nigeria emphasized that entrepreneurs with higher levels of financial literacy are better equipped to manage business finances, reduce financial risks, and improve overall business performance, especially among SMEs. Popoola (2025) viewed financial literacy as a critical empowerment tool that enhances entrepreneurs' ability to access funding, manage credit, and sustain business growth. The study emphasized that many Nigerian entrepreneurs face challenges due to limited financial knowledge, which affects their ability to make profitable investment decisions and expand their businesses. This shows that financial literacy is a key driver of entrepreneurial competence and sustainability in Nigeria. Financial literacy in the Nigerian context is a multidimensional concept that empowers individuals and entrepreneurs with the necessary financial knowledge and skills to make effective financial decisions, achieve business success, and contribute to economic development. It serves as a foundation for entrepreneurial growth and a pathway to employment generation.

Who is an Entrepreneur?

An entrepreneur is an individual who identifies business opportunities, organizes resources, and takes calculated risks to establish and manage a business venture to create value and make profit. In the Nigerian context, entrepreneurs are seen as innovators and problem-solvers who initiate business ideas, convert them into workable enterprises, and bear the risks associated with business success or failure. According to Nwokolo (2024), an entrepreneur is a person who detects gaps in the market and develops innovative solutions through the creation of goods and services that satisfy human needs in a competitive economy., Eze and Okeke (2023) explained that an entrepreneur in Nigeria is someone who mobilizes financial, human, and material resources to start and grow a business while accepting the uncertainties and risks involved in the business environment. They emphasized that entrepreneurs are not just business owners but individuals who contribute to economic development by creating employment opportunities and promoting innovation. This highlights the role of entrepreneurs in addressing unemployment challenges in Nigeria through self-driven business initiatives.

Ibrahim and Yusuf (2025) described an entrepreneur as a dynamic individual who possesses creativity, leadership, and risk-taking ability to transform ideas into profitable ventures. According to them, entrepreneurship in Nigeria goes beyond profit-making; it is a developmental tool that stimulates economic growth, reduces poverty, and enhances employment generation. Their view reinforces the idea that entrepreneurs play a critical role in national development through the establishment and expansion of businesses.

Concept of Entrepreneurial Competence

Entrepreneurial competence refers to the combination of knowledge, skills, abilities, attitudes, and behaviours that enable an individual to successfully identify opportunities, start a business, and manage it effectively in a competitive environment. It is not limited to having business ideas alone but includes the capability to transform ideas into sustainable ventures through planning, decision-making, innovation, and risk management. In the Nigerian context, entrepreneurial competence is viewed as a critical requirement for business survival and growth, especially among small and medium enterprises (SMEs) operating in a challenging

economic environment. According to Oyeku et al. (2024), entrepreneurial competence consists of both technical and managerial skills that entrepreneurs need to effectively operate and grow their businesses. The authors emphasized that competence includes abilities such as financial management, opportunity recognition, marketing skills, and leadership capacity, all of which contribute to entrepreneurial success and business sustainability in Nigeria. In a similar view, Chukwuka and Adams (2024) explained that entrepreneurial competence is essential for business survival, as it enables entrepreneurs to respond creatively and effectively to environmental changes and market competition.

Agumadu, Remilekeun, and Ojo (2022) noted that entrepreneurial competence significantly influences the performance of entrepreneurs in Nigeria, especially women-owned SMEs, by improving their ability to manage risks, innovate, and sustain business operations. Dangana et al. (2023) found that acquisition of entrepreneurial competencies through education and training enhances students' ability to develop viable business ventures and effectively manage them after graduation. Entrepreneurial competence in the Nigerian context is a multidimensional concept that involves the possession and application of relevant skills and knowledge needed to successfully initiate, manage, and grow a business. It plays a crucial role in determining entrepreneurial success and ultimately contributes to employment generation through business expansion and job creation.

Concept of Entrepreneurial Success

Entrepreneurial success refers to the ability of an entrepreneur to effectively establish, manage, and sustain a business venture that achieves desired outcomes such as profitability, growth, innovation, and long-term survival. It is not only measured by financial gains but also by the entrepreneur's capacity to expand operations, satisfy customers, remain competitive, and contribute to economic development. In the Nigerian context, entrepreneurial success is often associated with the performance of small and medium enterprises (SMEs), which play a major role in job creation and poverty reduction. Recent Nigerian studies have emphasized that entrepreneurial success is influenced by several factors such as entrepreneurial skills, innovation, access to finance, and managerial competence. For instance, Chukwuka et al. (2025) found that entrepreneurial skills such as leadership, risk-taking, and strategic planning significantly enhance business success among SMEs in Nigeria. In the same vein, Oyeku et al. (2020) noted that entrepreneurial capability, including financial management and opportunity recognition, has a strong positive effect on entrepreneurial success, especially in a competitive business environment like Nigeria. These studies show that success in entrepreneurship is not accidental but depends on the entrepreneur's acquired competencies and abilities. Businesspeople make inappropriate, inadequate, and ineffective financial decisions because of a lack of financial knowledge, and time to learn about personal financial management, but also because of the complexities in financial transactions and the wide variety of choices of financial products/services. (Adeyemi, Gbadamosi & Adeyemi, 2023)

Entrepreneurial success in Nigeria is also reflected in business growth, profitability, and sustainability. According to recent empirical findings, successful entrepreneurs are those who can adapt to market changes, manage resources efficiently, and expand their businesses over time. Inegbedion (2022) observed that innovation and problem-solving approaches significantly improve business performance and success in Nigerian entrepreneurial settings. Business success in SMEs is linked to the ability of entrepreneurs to recognize opportunities and apply effective management strategies in running their enterprises. Entrepreneurial success is a multidimensional concept that goes beyond profit-making to include growth, sustainability, innovation, and job creation. In Nigeria, it is largely driven by entrepreneurial competencies, financial management skills, and the ability to respond effectively to business challenges, making it a key factor in economic development and employment generation.

Concept of employment and employment generation

Employment refers to a formal or informal relationship between an employer and an employee in which an individual offers labour or services in exchange for wages, salary, or other forms of compensation. It involves productive engagement in economic activities that enable individuals to earn income and contribute to societal development. According to Kareem (2020), employment in the Nigerian context includes all forms of gainful work, whether in the public sector, private sector, or self-employment, and it serves as a key indicator of economic participation and productivity. This implies that employment is not limited to formal office jobs but also includes entrepreneurial and informal sector activities that provide livelihoods for individuals. Employment generation, on the other hand, refers to the process of creating new job opportunities for individuals who are willing and able to work. It involves deliberate efforts by governments, private sector actors, and individuals to reduce unemployment by expanding economic activities and creating avenues for income generation. Umar (2020) explained that employment generation includes providing new jobs for unemployed people, encouraging self-employment, and expanding existing businesses to absorb more labour. This shows that employment generation is both a policy-driven and entrepreneurship-driven process aimed at addressing unemployment challenges in society.

In Nigeria, scholars have emphasized that employment generation is closely linked to entrepreneurship, industrialization, and small and medium-scale enterprises (SMEs). For example, Ayoade and Agwu (2016) noted that entrepreneurship development plays a significant role in creating employment opportunities by enabling individuals to establish businesses that employ others. Similarly, Atoloye (2007) observed that the informal sector is a major contributor to employment generation in Nigeria because it absorbs a large proportion of the labour force that the formal sector cannot accommodate. These perspectives highlight that employment generation is a critical mechanism for reducing poverty and improving economic stability in Nigeria.

Employment is the engagement of individuals in productive work for income, while employment generation refers to the creation of such work opportunities through economic activities, policies, and entrepreneurship. Both concepts are essential for understanding how financial literacy and entrepreneurial success contribute to reducing unemployment and promoting economic development in Nigeria.

How Financial literacy and entrepreneurial success lead to employment generation

Financial literacy refers to the ability to understand and effectively use financial skills such as budgeting, saving, investing, and managing debt. (Adeyemi, Gbadamosi & Adeyemi, 2023) When individuals are financially literate, they make informed business decisions (e.g., cost control, pricing, and investment), they are better at managing cash flow, which is critical for business survival; they can access and properly utilize credit or funding without falling into excessive debt, and they plan for growth rather than just survival. This reduces the failure rate among small businesses and increases their chances of expansion, leading to employee hiring.

In the same vein, successful entrepreneurs create direct employment by hiring workers (e.g., staff, managers, technicians), thereby reducing unemployment. A successful entrepreneur also creates induced employment when there is an increase in income, spending and demand for goods and services. For example, a successful small manufacturing firm may employ factory workers directly while also supporting transporters, raw material suppliers, and marketers.

Conclusion

It can be concluded that financial literacy and entrepreneurial success are very critical to employment generation. Financial Literacy leads to business creation and reduces the level of unemployment, promotes self-reliance, and economic growth. When entrepreneurs possess adequate financial knowledge, they are better positioned to achieve entrepreneurial success through improved business performance, profitability, and sustainability. Entrepreneurial success leads to business expansion and job opportunities. Therefore, strengthening financial literacy and entrepreneurial success can enhance entrepreneurial outcomes and address unemployment challenges in Nigeria.

Recommendations

1. Integration of Financial Literacy into Entrepreneurship Education: Government and educational institutions should incorporate comprehensive financial literacy training into entrepreneurship and business education curricula at all levels to equip students and aspiring entrepreneurs with essential financial management skills.
2. Capacity Building and Training Programs: Workshops, seminars, and continuous training programmes should be organized by government agencies, NGOs, and financial institutions to improve the financial literacy skills of entrepreneurs, especially in SMEs.
3. Access to Financial Advisory Services: Entrepreneurs should be encouraged and supported to access professional financial advisory services that will guide them in budgeting, investment decisions, and effective business planning.
4. Support for Entrepreneurship Development Programmes: The government should strengthen entrepreneurship development initiatives, such as grants, loans, and incubation centres that combine financial support with financial literacy training.
5. Promotion of Financial Inclusion Policies: Policies that enhance access to banking services, credit facilities, and digital financial tools should be promoted to enable entrepreneurs to manage their finances more efficiently and expand their businesses.
6. Encouragement of Practical Financial Education: Financial literacy programmes should be made more practical and skill-based, focusing on real-life business situations to improve entrepreneurs' decision-making abilities and business sustainability.

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