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### Financial Literacy and Financial Performance of SMEs

Forbeneh Agha Jude

Department of Accounting and Finance, Faculty of Economics and Applied Management, University of Douala, Cameroon

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Corresponding Author: Forbeneh Agha Jude

#### Abstract

The aim of this study is to examine the effect of financial Literacy on the financial performance of small and medium Size enterprises (SMEs). In order to attain the aforementioned objective, we use a quantitative research approach. Survey questionnaires were used to collect data from a sample of 145 SMEs sampled using convenient sampling. The researcher used structural equation modelling (SEM) as statistical tool to analyse collected data. The results of the findings revealed that financial knowledge, financial behaviour and financial attitude have a positive

effect on the financial performance of SMEs. The study concluded that financially literacy of SMEs owners contributed positively to their financial performance. The study recommends that owner-managers of SMEs must make a conscious effort to improve upon their financial literacy by attending workshops, conferences and programs on financial literacy. Financial education programmes should be organised that will create more financial knowledge, attitudes and behaviour.

**Keywords:** Financial Literacy, Financial Performance, SMEs

#### 1. Introduction

Small and medium-sized enterprises (SMEs) offer a significant contribution to economic growth through creating jobs, alleviating poverty, distribution of income, and innovation (Devi *et al.*, 2023). However, the business success of SMEs can be illustrated through their performance and business continuity. The performance of SMEs is an illustration of the ability and success of SMEs in achieving their business goals and maintaining their existence in the industry. According to Eniola and Entebang (2015b), performance is commonly employed as an index of a SME's health over a dedicated period. This puts performance as one of the key issues of SMEs.

To maintain business continuity and improve business performance, financial literacy is an important factor for business owners in managing their business finances. Financial literacy is knowledge and skills in managing financial resources, making it easier for SMEs to make appropriate and effective decisions (Victor, 2019). For instance, in an increasingly complex and competitive business environment, understanding financial concepts and practices is essential for making informed decisions, managing resources effectively, and ensuring long-term viability. Small and Medium Enterprises (SMEs) need financial literacy knowledge to manage their businesses effectively. Financial literacy for SMEs includes the awareness, knowledge, skills, attitudes and behaviour needed to make healthy financial decisions. Financial literacy is an important thing that must be owned by SMEs manager in achieving success and improving business performance. Low financial literacy level makes it difficult for SMEs to access funding because they are unable to produce financial reports properly and inaccurate financial management (Agung *et al.*, 2020). Difficult access to finance will become one of the obstacles to the growth and development of SMEs performance because formal financial institutions are still hesitant to provide credit to business owner.

The failure of SMEs is a recurring issue worldwide, with studies indicating that a significant proportion of these businesses do not survive beyond their initial years (Abdallah *et al.*, 2024). Although SMEs contribute significantly to the economy, most of them face many challenges that affect their financial performance and collapse within a few months of their operations due to financial distress affecting their operating power and growth capabilities (Ahinful *et al.*, 2023). SME players face various problems related to low financial literacy, including: financial difficulties and making wise financial decisions (Meitriana *et al.*, 2022). Eniola and Entebang (2017) advocate that when compared to other nations, financial literacy levels are quite low in African nations. These authors identified the lack of financial literacy as a common problem for SMEs. The low level of financial literacy among business actors is an obstacle for SMEs to develop (Fatoki, 2021; Aritonang *et al.*, 2023). The

academic literature suggests that a low level of financial literacy of entrepreneurs often leads to poor financial decisions being made (Lusardi, 2015). These poor financial literacy challenges lead to SME owner-manager's poor performance and premature firm failure (Adegoke, 2014). Meanwhile, empirical research suggests that SMEs with higher financial literacy levels are better at managing debts, stabilizing cash flows, and achieving long-term financial sustainability (Akhtar *et al.*, 2024).

The level and determinants of SMEs' financial literacy have become the most popular topic of research (Thabet *et al.*, 2019), while some prior studies (Amoah & Amoah, 2018; Lusardi & Mitchell, 2014), primarily focus on personal financial literacy rather than its application in business management. However, past studies have shown inconclusive evidence of the relationship between financial literacy and SME performance. Significant relationships have been demonstrated in some studies (Agyapong & Attram, 2019; Usama & Yusoff, 2019; Suffari & Tahir, 2021). By contrast, other research (Bruhn & Zia, 2011; Eresia-Eke & Raath, 2013; Menike, 2019) shows that financial literacy has no relationship with or influence on SME performance.

In Cameroon, SMEs play a pivotal role in reducing poverty and driving economic growth. However, there is limited research on the relationship between financial literacy and SME performance within this context. In addition, these past studies have been conducted in countries other than Cameroon. Researchers sense the necessity to validate the relationship between financial literacy and SME performance in the Cameroon environment, as differences exist between Cameroon and other countries from the perspective of culture, ways of thinking, legal issues, business nature, political situation, and other factors. In the Cameroon context, Fah and Molem (2024) examine the effect of financial Literacy on the investment decision of small and medium Size enterprises (SMEs) in Buea. The findings show the complete effect of business owner-manager's financial knowledge, financial Behaviour and financial attitude in converting financial literacy to enhance the firm's decision making. However, this study is based on investment decisions, which is one aspects leading to financial performance. Additionally, Esowe *et al.* (2018) investigated financial literacy and financial health among persons in Cameroon by applying financial education and financial skills. Studies on the financial literacy of Cameroonian SME managers in terms of knowledge, behaviour, and attitude have not been conducted empirically. Therefore, this study examines the influence of financial literacy on the performance of SMEs in Cameroon. This study differs from previous findings conducted in Cameroon as we employ a more comprehensive measurement of financial literacy as suggested by Sabana (2014). Furthermore, it enriches the growing literacy in the context of SME to assist the decision-making process and strategy formulation to ensure a sustainable SME performance.

The rest of the paper is divided into three sections. "Literature review" looks at the literature; "Research methods" was devoted to the research methods. "Result and discussions" looked at the results and discussions. Finally, "Conclusions" and "Recommendations" were devoted to the conclusions and recommendations respectively.

## 2. Literature Review

As said earlier, this sections reviews the literature related to financial literacy, financial performance, and SMEs. Conceptual, theoretical and empirical literature relative to the study are demystified in this section.

### 2.1 Small and medium-sized enterprises (SMEs)

Small, and medium-sized enterprises (SMEs) constitute the majority of enterprises in the world and contribute to the employment and economic development of countries as well as to the improvement of financial stability (Kurochkina *et al.*, 2019). This sector generates seven out of ten formal jobs (World Bank, 2021). Small businesses are more financially burdened than larger firms (Beck and Kent, 2006) as they are less likely to have access to formal finance. They require debt financing for both the early and growth stages. Evidence from the reviewed literature indicated that shortage of finance creates obstacle in the progress of SMEs, and it negatively impacts their survival rate. Therefore, keeping in view the significance of financial literacy for SMEs. A financially literate SME owner/manager is considered to know the most suitable financing and financial management options for his/her business at various growth stages, knows where to attain the most appropriate financial products and services; and interacts confidently with the suppliers of these products and services.

There is a lack of a specific universal definition for SMEs (Altman *et al.*, 2008). A review of the literature on small and medium enterprises (SMEs) shows that the definition of SMEs significantly varies from country to country depending on factors such as the country's; number of employees, the value of fixed assets, production capacity, basic characteristics of the inputs, level of technology used, capital employed, management characteristics, economic development, and the particular problems experienced by SMEs (Eniola & Entebang, 2015b). Since there is no universally accepted SME definition, the nomenclature in this study context is used to mean small and medium enterprises.

The definition of SMEs for this study is based on Law No. 2015/010 of the 16th of July 2015 on the Promotion of Small and Medium Size Enterprises. In Cameroon, according to Law No. 2015/010 of the 16th of July 2015 on the Promotion of Small and Medium Size Enterprises, businesses are classified as SMEs if they employ between 6 and 100 people and have an annual revenue before taxes of between 15 million and 3 billion FCFA. This means that small businesses with 6 to 20 employees and an annual revenue before taxes of 15 million to 250 million FCFA are classified as small businesses, while medium-sized businesses with 21 to 100 employees and an annual revenue before taxes of 251 million to 3 billion FCFA are classified as medium-sized businesses.

### 2.2 Concept of Performance

Firm performance is a focal phenomenon in business management. Performance can be characterized as the firm's ability to create acceptable outcomes and actions (Eniola & Entebang, 2015a, b). Performance is sought as the competency of an organization to transform the resources within the firm in an efficient and effective manner to achieve organization goals. Therefore, the effects of a firm's

performance depend on whether the firm has attained its goals or not. As a result, a company's performance is measured based on its ability to achieve planned results and measured based on projected output, which includes financial success, market performance, and profits.

Financial performance of a firm determines how well the business is doing in wealth creation and acquiring of resources. Financial performance is expressed as a measure of the results of business operations and policies in terms of money. Financial performance is the result obtained from the various business activities conducted within the available financial resources (Daud *et al.*, 2022). Financial performance helps enterprises measure the extent to which resources are utilised to generate revenue, as well as their financial weaknesses and strengths (Chelogoi, 2020). Financial performance defines a firm's financial health and the business' performance (Matar & Eneizan, 2018). It is a vital aspect of the enterprise's performance and significantly affects business operations management (Bartolacci, Caputo, & Soverchia, 2020).

Performance measures could include traditional accounting measures such as sales growth, market share, and profitability. Where this shows that the company has a development orientation and sees opportunities for continuous innovation (Mel *et al.*, 2001). In addition, factors such as overall satisfaction and nonfinancial goals of the owners are also very important in evaluating performance, especially among SMEs. This is consistent with the view of Wanjoi (2008) that both financial and non-financial measures should be used to assess organisational performance. Panigrahi (2013) posits that one of the indicators used to determine the performance of an enterprise is its turnover/ sales volume. In this study, Performance of SMEs was adopted from Watson (2007) who used sales growth, profit margin, cost efficiency, and market share as indicators of financial performance.

### 2.3 Financial Literacy

Financial literacy has recently become a very important research area, with many emerging research in the area. In today's fast-paced and increasingly complex financial environment, the importance of financial literacy cannot be overstated. From managing personal budgets to understanding investment options and navigating credit systems, individuals need financial skills to make informed decisions that impact their present and future economic well-being (Akbaş & Seedsman, 2024). Having the numeracy and capacity to do calculations, understanding the financial systems and understanding the risks of financial decisions are some of the fundamental concepts about financial literacy (Ibitomi, *et al.*, 2022). Consequently, common measures of financial literacy being money basic knowledge, financial management, debt, savings, insurance and investment literacy (Ibitomi, 2018).

There is no universally accepted definition of financial literacy (Huston, 2010). Financial literacy is the ability to manage finances so that life can be more prosperous in the future. It is a set of skills and knowledge that enable an individual to make decisions and be effective with all their financial resources. Meanwhile, according to expert opinion Kumari and Harikrishnan (2021) define financial literacy as the ability to understand financial conditions and financial concepts and to transform that knowledge appropriately into behaviour. Meanwhile, Aribawa (2016) explains that

financial literacy is knowledge of financial concepts, abilities, and skills related to financial concepts, skills in business management, the ability to make strategic business decisions, relatively precise and fast in certain situations. The OECD (2019) defines financial literacy as knowledge and understanding of financial concepts and risks, as well as the skills and attitudes to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life."

A financially literate SME owner/manager was defined as someone that knows what are the most suitable financing decisions on the business performance at the various growth stages of the business; knows where to obtain the most suitable products and services; and interacts with confidence with the suppliers of these products and services (USAID, 2009). Financial literacy has become an essential skill for SME owners given its significant bearing on the stability and continuity of their respective commercial enterprises. Many SMEs firms fail because they lack financial literacy, insufficient business acuity, as well as poor financial literacy, undermines entrepreneurial activity. With increased financial understanding, SMEs are in better position to plan their business finances in the long run. The quality of financial decisions relies heavily on knowledge, behaviour and attitude (Felipe, Ceribeli, & Lana, 2017). SMEs that have good financial literacy will be able to make the right business decisions, have a business development orientation and be able to survive in their business. Furthermore, it is also found that the low level of financial literacy will make the small business financial condition poorly (Dahmen & Rodríguez, 2014). Moreover, it is mentioned that the financial literacy will make the SMEs survive in the competition (Wise, 2013). A good financial foundation of the owner-managers of SMEs is a significant barometer of the success and growth in the performance of SMEs.

#### 2.3.1 Financial literacy and financial performance of SMEs

Among the critical factors influencing SME performance, financial literacy emerges as a key determinant of financial sustainability, profitability, and resilience. Improving financial literacy among SMEs can lead to improved business performance and sustainability (Awwaliyah *et al.*, 2023). Asakania (2016) states that the key factor in promoting effective performance is the financial literacy levels of the individuals who manage or own SMEs. Financial literacy is useful for SMEs to gain adequate financial knowledge and the ability to prepare business financial strategies and improve performance (Satiti, 2020). Financial literacy is sought to influence the performance and sustainability of SMEs (Kurniasih *et al.*, 2020). Researchers have proven that there is a significant influence of financial literacy on improving the performance of SMEs (Parmitasari & Rusnawati, 2023; Togun *et al.*, 2022; Widyastuti *et al.*, 2023). Accordingly, positive relationships between financial literacy and performance have been noted by a number of researchers (Hilgert *et al.*, 2003; Huston, 2010; Lusardi, Mitchell, & Curto, 2010).

Bruhn and Zia (2011) found that SMEs with better performance had owner managers with higher levels of financial literacy. Simeyo *et al.* (2011) asserted that training in micro enterprise investment had a significant positive impact on the performance of the microenterprises. This

suggests the business skill training accompanying the provision of micro loans, most likely improves the capacity of the SME owners to use funds and hence impacts on business performance. In this case, SMEs that have good financial literacy will be able to make the right business decisions, have a business development orientation and be able to survive in their business. Ibitomi *et al.* (2024) examined financial literacy and performance of SMEs in Abuja, Nigeria. The findings from the study revealed that SMEs with adequate financial knowledge of their various businesses as such impact positively on their businesses in Abuja, Nigeria. Also, it was revealed that financial behaviour of SMEs owners in Abuja had a positive significant impact on their businesses performance. However, financial attitudes of the business owners and operators in Abuja improves the performance of their businesses. It was revealed from the analysis of the study that the financial influence of the SMEs owners contributed at a low rate to the performance of their businesses in Abuja. The study concluded that financially literacy of SMEs owners in Abuja contributed positively to the growth of their businesses.

### **H1: Financial literacy influences financial performance of SMEs**

#### **2.3.2 Dimensions of financial literacy**

Swiecka (2019) posits that component to financial literacy consisting of Financial knowledge, Financial attitudes (financial attitudes), and Financial behaviour. According to Widyastuti *et al.* (2023) & Damayanti *et al.* (2018) dimensions of financial literacy that are important for SMEs include financial knowledge, financial attitudes, and financial behaviour. This dimension contributes to the knowledge and skills of SMEs in areas such as loans, budgets, operations, financing and investment activities (Anshika *et al.*, 2021). Imelfina *et al.* (2023) examine various articles regarding the influence of financial literacy on the performance of SMEs. This research found various factors involved in measuring the influence of financial literacy on SME performance consists of: dimensions of financial literacy, namely: knowledge, attitudes and behaviour. Knowledge is related to the knowledge possessed, attitude is related to what behaviour will be made, and behaviour is related to the decision to be made.

##### **2.3.2.1 Financial knowledge**

Financial knowledge is defined as the understanding of key financial terms and concepts needed to function daily. Financial knowledge (FK) refers to understanding basic financial concepts of how business performance and business condition is measured using the mental model to facilitate, support or enrich decision-making (Lusardi & Bassa, 2013; Lusardi & Mitchell, 2007a, 2007b). Financial knowledge is a very critical aspect of any decision making regardless of the subject matter, as it is argued to result in a more effective decision (Robb & Woodyard, 2011). It impacts key outcomes including borrowing, savings, investment and even future plans in terms of retirement income (Lusardi & Mitchell, 2014). Financial knowledge helps people to understand financial concepts and procedures and use this understanding in solving financial problems. Financial knowledge is required to establish a measure of financial competence for competitive advantage, that is, to stay knowledgeable about financial matters

(Lusardi & Mitchell, 2006). As SMEs' owners and managers become more literate, they become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent (Hung, Parker & Yoong, 2009). Studies by Lusardi and Mitchell (2017a) found a significant and positive relationship between financial knowledge and financial literacy, indicating that individuals and businesses with a deeper comprehension of financial concepts are better positioned to make informed financial decisions, ultimately leading to higher levels of financial literacy.

Tuffour *et al.* (2020) contended that SMEs' failure or success greatly depends on financial literacy. The lack of knowledge by owner managers hinders financial performance. According to Robb (2014), in any decision-making process irrespective of the topic, financial literacy is a crucial factor as it is contended to lead to a more successful decision. For example, Kizza (2019) investigated the relationship between Financial Literacy and Financial Performance of Small and Medium Enterprises (SMEs) using Kikuubo Shopping Centre –Kampala as a case study. The study employed a correlational study design and a total of 160 respondents from SMEs owners and employees took part in the study. The study established a positive moderate and significant relationship exists between financial Knowledge and financial performance of SMEs. It was thus concluded that financial literacy is very key in promoting the financial performance of SMEs. Ibitomi *et al.* (2024) examined financial literacy and performance of SMEs in Abuja, Nigeria. The findings from the study revealed that respondents have adequate financial knowledge of their various businesses as such impact positively on their businesses in Abuja, Nigeria.

### **H11: Financial knowledge has an influence on financial performance of SMEs**

#### **2.3.2.2 Financial attitude (FA)**

Another important component of financial literacy discussed in the literature is financial attitude. Financial attitude is seen by Ajzen (1991) as the extent to which a person has a positive or negative appraisal of said behaviour, in (1991), he discovered that financial attitudes are rooted in the economic and non-economic views as they are as a result of some behaviour of a decision-maker. Financial attitude can be described as the implementation of sound management of financial principles that establish and maintain value (De Clercq, 2019). Financial attitude refers to an individual's mental or psychological judgment of their financial situation (Damayanti *et al.*, 2018). In other words, attitude is characterized as "psychological inclination that is expressed by evaluating a specific substance with a few degree of favour of disfavour (Eagle & Chaiken, 1993). Additionally, financial attitude can be considered as a state of mind, opinion and financial judgment. Therefore, financial attitude is the creation of value in decision making and resource management through application of financial principles. Financial attitude is improved through procurement of adequate information (Abiodun, 2016).

Eniola & Entebang (2017) assert that financial attitude has a significant role in the financial decision-making and financial circumstances of managers and owners of businesses. Eniola & They however suggested that a multitude of circumstances, such as their surroundings and

feelings, might affect an entrepreneur's mindset. Impatient entrepreneurs sometimes exhibit quick-witted, sharp attitudes that are detrimental to sound decision-making since they frequently act on instinct rather than following reason. Small and medium enterprise managers and business owners with more noteworthy attitudinal mentality have a tendency to take risks, initiate and act proactively, while conservative business managers and owners like better to avoid risk and are reluctant to initiate and act responsively (Lumpkin & Dess, 1996; Sabri & MacDonald, 2010). While attitude is relating to risk-taking, it is the firm consciously committing resources to projects with chance of high returns but may also entail a high possibility of failure (Lumpkin & Dess, 1996). Nevertheless, risk-taking is also usually linked with entrepreneurial behaviour and that mainly successful entrepreneurs are risk takers (Kuratko & Hodgetts, 2001). The significance of this effect suggests that SME manager and business owners should pay more attention to their attitude towards financing provision. Having a positive attitude and not being a short-term thinker and not being easily tempted does more to prevent financial problems than having financial skills.

According to (Akhtar & Liu, 2018; Oluyemisi, 2019), best financial attitude practices includes risk perception, planning and time allocation, which ultimately increases financial literacy. Small and medium enterprise managers and business owners with more noteworthy attitudinal mentality have a tendency to take risks, initiate and act proactively, while conservative business managers and owners like better to avoid risk and are reluctant to initiate and act responsively (Lumpkin & Dess, 1996; Sabri & MacDonald, 2010). While attitude is relating to risk-taking, it is the firm consciously committing resources to projects with chance of high returns but may also entail a high possibility of failure (Lumpkin & Dess, 1996). Nevertheless, risk-taking is also usually linked with entrepreneurial behaviour and that mainly successful entrepreneurs are risk takers (Kuratko & Hodgetts, 2001).

A comprehensive study by Ibrahim (2017) observing the effect of financial attitude of Kenyan micro and small enterprise owners and how it affects their profitability concluded that there is a meaningful relationship between profitability and financial attitude of small enterprise owners. Another similar work by Esiebugie, Agwa & Asenge (2018) in Nigeria revealed amongst others, that financial knowledge and attitudes influenced SMEs performance. Ibitomi *et al.* (2024) examined financial literacy and performance of SMEs in Abuja, Nigeria. The findings from the study revealed that financial attitudes of the business owners and operators in Abuja improves the performance of their businesses. To this end, one can conclude the profitability prospects of businesses are contingent upon financial attitude of the owners. A sustainably positive attitude of SMEs will most likely have a favourable outcome on its success.

### H12: Financial attitude has an impact on financial performance of SMEs

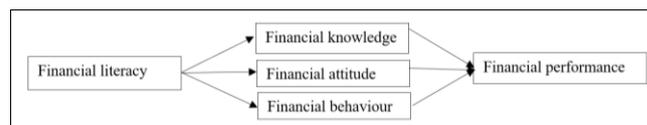
#### 2.3.2.3 Financial Behaviour

Research has shown that financial literacy consistently predicts measures of financial behaviour of individuals (Hung, Parker & Yoong, 2019). Additionally, the OECD (2022) states that sound financial behaviour is a key element

of financial literacy. Financial behaviour is defined as the ability to comprehend the entire consequences of financial actions on one's situation and to make the best cash management and budget planning decisions (Chuah *et al.*, 2020). Good financial behaviour is argued by (Grohmann, Menkhoff, & Storck, 2015) to be the ability to diversify assets across multiple types of investment as different investment types are affected by its own specific risk profile. Sucuahi (2013) highlighted that a good financial behaviour involves the ability to make financial decisions that increase wealth and prevent uncertainties of businesses and individuals. From a broader perspective, financial behaviour encompasses a wide range of ideas, such as short- and long-term investment behaviour, savings behaviour, credit utilization, spending behaviour, etc.

Several studies showed that financial literacy is positively related to self-beneficial financial behaviour. Based on the existing research findings and the present trend amongst rapidly growing number of SMEs, it is clear that the financial behaviour of small medium business owners towards their operational decisions remains as a primary determinant of profit making. Ibitomi *et al.* (2024) examined financial literacy and performance of SMEs in Abuja, Nigeria. The findings from the study revealed that financial behaviour of SMEs owners in Abuja had a positive significant impact on their businesses performance. In the same vein, Lusardi & Mitchell (2007a) concluded that sound financial behaviour led to global competitiveness whilst the opposite runs the business down to closure. An adequate knowledge of sales, profit and wealth maximization is key to responding to financial decisions such as cost saving measures and revenue enhancing strategies (Abiodun, 2016). However, studies conducted in different parts of the world indirectly points to the inverse relationship between financial illiteracy and SME profitability.

### H13 – Financial behaviour has an effect on financial performance of SMEs



Source: Author (2026)

Fig 1: Conceptual model of the study

#### 2.4 Theoretical Framework

This research uses both Resource-Based Theory (RBT) and Human Capital Theory (HCT) to examine the influence of financial literacy in SME success. RBT defines financial literacy as a valuable, uncommon, inimitable, and non-substitutable (VRIN) resource that allows SMEs to gain a durable competitive advantage (Eniola & Entebang, 2016; Talip & Wasiuzzaman, 2024). According to HCT, financial literacy is a human capital investment that improves management competence, financial discipline, and business acumen (Waziri, Ngaruko and Ngatuni, 2024). This dual-theoretical foundation broadens our knowledge of how financial literacy enhances both firm-level skills and individual entrepreneur performance.

Financial literacy has been extensively studied utilising several theoretical frameworks from economics, behavioural finance, psychology, and education (Priyantoro, Ratnawati

and Aisjah, 2023). Financial literacy is especially important in strategic management theories such as Resource-Based Theory (RBT) and Human Capital Theory (HCT), both of which give a solid framework for understanding its impact on SME performance. This study combines RBT and HCT to show that financial literacy is both a strategic business resource (RBT) and a human capital investment (HCT), increasing SME competitiveness and financial performance.

#### 2.4.1 Resource base theory (RBT)

The resource-based theory was first propounded by Wernerfelt (1984). The theory argues that resources are the most important factor for improving firm performance and staying highly competitive (Wernerfelt, 1984). The firm's resources include financial (liquid and illiquid), human (knowledge, skills and competencies), technological, marketing and physical resources. These resources are what the RBT describes as a firm's characteristics that derive its profitability, growth and ultimately survival. Such resources, according to this theory, should be in high demand, scarce and easily reproducible (Barney, 2001).

Resources are anything that might be thought of as a strength or weakness of a given firm, comprising tangible and intangible assets. Tangible resources include financial capital and physical capital. Intangible resources consist of entrepreneurial knowledge, skills, experiences, organizational procedures and reputation, among others (Eniola & Entebang, 2014). This indicates that the company must use its resources and capabilities to have an advantage over its competitors. These resources and capabilities are used as sources for companies to achieve competitive advantage. However, for the firm to achieve competitive advantage, Grant (1991) suggests managers analyse resources, appraise capabilities, analyse competitive advantage, select strategy and identify resource gaps.

There is implication of RBT for the issue of financial literacy and firm performance. Financial skills and knowledge have implication for how a firm select, uses, manages and disposes financial assets (Nunoo, Andoh, & Darfor 2015). Eniola and Entebang (2015b) discovered that financial literacy corresponds with resource-based theory (RBT) by assisting SMEs in successfully managing financial resources, improving cash flow planning, and influencing strategic investment choices. Financial literacy is an important human capital investment for small and medium-sized enterprises (SMEs) since it improves entrepreneurs' financial decision-making, debt management, and risk assessment skills. Moreover, a manager's financial literacy level is a demonstration of the level of financial knowledge he or she possesses or has acquired over time (Gustman, Steinmeier and Tabatabal, 2012). Several empirical research support this viewpoint. Furthermore, Talip and Wasiuzzaman (2024) contend that financially educated entrepreneurs may reinvest revenues more efficiently and increase financial resilience, so making their enterprises more sustainable. Mustafa *et al.* (2022) indicate that SMEs with excellent financial literacy skills have fewer financial risks and have higher financial efficiency, validating financial literacy as a resource that boosts SME competitiveness.

#### 2.4.2 Human capital theory (HCT)

The human capital theory stipulates that individuals have skills or abilities that can be improved through training and education. This theory claims that education enhances business owners' and managers' efficiency and productivity.

Moreover, the human capital theory argues that training or education equips the workforce with valuable information and skills, which, in turn, can improve the business's performance. According to the Human Capital Theory (HCT), financial literacy is a sort of skill development and education that contributes to better financial management, increased creditworthiness, and higher resilience to financial shocks (Waziri, Ngaruko & Ngatuni, 2024). Enterprises of which the managers were less financially literate suffered high transaction expenses, rendering financial literacy a form of an investment in human capital, that advances the growth of wealth.

Some findings highlighted that financially educated company owners are better at obtaining loans, negotiating favourable financing arrangements, and strategically planning long-term investments, emphasising the value of financial literacy as a human capital advantage that promotes business success. For instance, Agung *et al.* (2020) discovered that SMEs that prioritise financial literacy training had greater corporate success rates, easier access to credit, and better capital allocation. In the same vein, Hasan *et al.* (2024) believe that entrepreneurs with greater levels of financial literacy are better able to deal with financial crises, get capital, and adapt to economic unpredictability, assuring long-term company sustainability. On the other hand, Akhtar *et al.* (2024) further corroborate HCT by stating that SMEs who engage in financial literacy training outperform those that do not. Financial literacy allows SME owners to maximise sustainability, optimise financial resource allocation, and promote company development (Eniola & Entebang, 2016; Talip & Wasiuzzaman, 2024). Mustafa *et al.* (2022) contend that financially literate SMEs benefit from better loan repayment planning, improved financial risk management measures, and increased financial efficiency.

### 2.5 Empirical Literature

Many studies have been conducted on financial literacy and its influence on SMEs performance in developed and developing countries. Past studies have shown empirical evidence that a relationship exists between financial literacy and SME performance (Hilgert *et al.*, 2003; Huston, 2010; Lusardi, Mitchell, & Curto, 2010). Some studies found a positive and significant impact between financial literacy and financial performance of SMEs. For instance, in Indonesia (Hendrawaty, Widiyanti, & Sadila, 2020), Portugal (Fernandes, 2015), Kenya (Chepkemoi, Patrick & Njoroge, 2017; Salome & Memba, 2014; Kimunduu *et al.*, 2016; Muraga & John, 2015; Sabana, 2014), Ghana (Tuffour *et al.* (2020), Uganda (Zirabamuzale (2021), Nigeria (Onyejedum & Okoli, 2024; Tumba, *et al.*, 2022), USA (Dahmen and Rodriguez, 2014), South-Africa (Agyapong & Attram, 2019), Sri-Lanka (Kumari, *et al.*, 2021), Kediri-city (Priyantoro, *et al.*, 2023), Malaysia (Yakob *et al.* (2021). This is further echoed by several other scholars (Otieno, 2016, Togun *et al.* (2022), who argued that financial literacy influences financial performance. On the contrary, some studies found no association between financial literacy and SME performance (Bruhn & Zia, 2011; Eresia-Eke & Raath, 2013; Menike, 2019). Conclusively, findings from previous studies remain inconsistent and vague.

### 3. Methodology

This study adopts a quantitative research design using

Structural Equation Modeling (SEM) to examine the relationships between financial knowledge, financial behaviour, financial attitude, and financial performance. The sample for our study was composed of SMEs operating in the Douala 4 municipality located in the Littoral region of Cameroon. Participants were selected using convenience sampling. Considering a margin of error of 5%, the sample size was calculated using the **Slovin’s Formula as follows:**

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

Where:

- n = Sample
- N = Population size
- e = Margin of error

$$n = \frac{89\ 130}{1 + 89\ 130(0.1^2)}$$

$$n = 179.21 \cong 180$$

Accordingly, a sample of 180 respondents was used for this study.

Data was collected through a survey using a questionnaire as the main tool. A questionnaire is a way to collect information by giving a series of questions or statements to respondents to be answered in writing. A total number of one hundred and eighty (180) questionnaires were administered and a total of one hundred and fifty (150) were successfully retained for the analysis while thirty (30) questionnaires were not returned and five (5) were incomplete. A total of one hundred and forty-five (145) were analysed. The questionnaire consisted of structured research questions with a modified Likert-type with a scale of 5 (1 = strongly disagree, 2=disagree, 3 = neutral, 4- agree, and 5 = strongly agree).

### 3.1 Analytical Model

Hypothesis testing was carried out using a Structural

Equation Model (SEM) approach based on Partial Least Square (PLS) or abbreviated as SEM-PLS. The following multiple linear regression model guided the analysis of this study:

$$FP = \alpha + \beta_1FK + \beta_2FB + \beta_3FA + \epsilon \tag{1}$$

Where:

- FP = Financial performance
- $\alpha$ =Regression Coefficient or intercept
- $\beta_1, \beta_2$  and  $\beta_3$  are the coefficient,
- FK= Financial Knowledge
- FB = Financial Behaviour
- FA= Financial Attitude
- $\epsilon$  = Error term.

### 3.2 Measurement and operationalisation of variables

As shown from the model above financial performance is the explanatory variable, and Financial literacy measured by financial knowledge, financial behaviour, and financial attitude represents the independent variable of the study.

#### 3.2.1 Financial Literacy

This is the independent variable. In this study owner-manager’s financial literacy is the independent variable. According to Remund (2010), financial literacy is the degree to which a person understands important financial concepts and possesses the capacity and confidence to handle personal funds, decision-making, and solid long-term financial forethought. Financial literacy was adopted from (Atkinson and Messy, 2013 study, where by there is a question on self-rating financial literacy, financial knowledge, financial attitude and financial behaviour.

#### 3.2.2 Performance of SMEs

This is the dependent variable. Performance of SMEs was defined as the ability to create acceptable outcomes and actions (Eniola & Entebang 2015 b). Performance of SMEs was adopted from Watson (2007) who used sales growth, profit margin, cost efficiency, and market share as indicators of financial performance.

**Table 1:** Measurements and operationalisation of variables

Main variables	Variables	Latent construct	Indicators	Measurability
Independent variable	Financial Literacy (FL)	Financial knowledge (FK)	-Investments -Savings -Interest rates -Expenses - Loans (borrowing) - Financing	Likert’s scale
		Financial Behaviour (FB)	Short-and long-term investment - Savings -Retirement plan -Cost management (spending) -Budgeting - Diversification - Loan repayment (loan utilisation)	Likert’s scale
		Financial Attitude (FA)	- Goal setting - Risk perception - debts - Planning - Time allocation - Reserves	Likert’s scale
Dependent variable	<b>Financial performance (FP)</b> Watson (2007)	<b>Financial performance</b>	- Sales growth - Profit margin - Cost efficiency - Market share	Likert’s scale

Source: Author (2026)

#### 4. Results and Discussion

##### 4.1 Demographic Characteristics

**Table 2:** Demographic characteristics of respondents based on age, education, and gender

Age	Frequency	Percentage
21-30	74	51
31-40	45	31
41-50	16	11
51+	10	7
Total	145	100
Educational background	Frequency	Percentage
Primary	16	11
Secondary	39	27
Diploma	33	23
Undergraduate	32	22
Post graduate	25	17
Total	145	100
Gender	Frequency	Percentage
Male	90	62
Female	55	38
Total	145	100

Source: Author (2026)

Based on the table above, it can be seen that there are more respondents in the segment of the age 21 years to 30 years, namely, with a percentage of 51% and a frequency of 75 respondents. Followed by the part of the age 31 years to 40 years, namely with a percentage of 31% and a frequency of 45 respondents, then aged 41 years to 50 years with a percentage of 11% and a frequency of 16 respondents, and in the last order respondents are over 51 years of age, namely with a percentage of 7% and the frequency is 10 respondents.

Meanwhile, the educational background more respondents

have attained secondary school with a percentage of 27% and a frequency of 39 respondents. Followed by diploma holders with a percentage of 23% and a frequency of 33, then 22% percentage and a frequency of 32 respondents with an undergraduate background, post-graduate respondents have a percentage of 17% and a frequency of 25, and in the last respondents with primary school background have a percentage of 11% and a frequency of 16. The educational background shows that most respondents have sufficient basic knowledge of finance because 90 respondents are university graduates and the rest are from secondary and primary school.

Furthermore, more male respondents than female respondents, with a percentage of 62% and a frequency of 90 respondents, while female respondents with a percentage of 38% and a frequency of 55 respondents.

##### 4.2 Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) was used to identify the core determinants of financial literacy in the current study. Before conducting the analysis, the Kaiser-Meyer-Olkin (KMO) test was applied to assess sample adequacy, yielding a value of 0.891, which surpasses the recommended threshold of 0.60, indicating that the sample size is sufficient for factor analysis. Bartlett’s test of sphericity was also significant at the 1% level, reinforcing the data’s suitability for analysis. The EFA was executed using Principal Component Analysis with varimax rotation. Following the criterion of selecting factors with Eigenvalues greater than 1, three factors were extracted, collectively explaining 79.24% of the total variance, confirming a strong explanatory capacity for the model. The results for the three (3) new components extracted are shown below.

**Table 3:** Total Variance Explained

Component	Total Variance Explained						
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.127	55.699	55.699	6.127	55.699	55.699	4.909
2	1.692	15.378	71.076	1.692	15.378	71.076	4.940
3	1.954	8.673	79.749	1.954	8.673	79.749	3.718
4	.631	5.738	85.487				
5	.533	4.849	90.337				
6	.365	3.322	93.658				
7	.282	2.562	96.220				
8	.169	1.537	97.757				
9	.149	1.357	99.113				
10	.082	.745	99.858				
11	.016	.142	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Source: SPSS Outputs (2026)

Following the provisions on extraction using values, the coefficient must be greater than 1. In this study three (3) components were extracted with Eigen value greater than 1 (6.127, 1.692 and 1.954). Components with Eigen value of less than 1 were rejected from the analysis. However, the three (3) extracted components accounted for 79.749% of Total Variance Explained which is above 50% threshold. The distributions of the variance explained by the model for the four extracted components are as follows: (55.699, 15.378 and 8.673).

##### Construct Validity (CV) and alpha Cronbach test of reliability ( $\alpha$ – Test)

##### 4.3 Reliability and Validity

The internal consistency of the scale items was assessed using Cronbach’s alpha to determine reliability, with the results presented in Table 5. All alpha values exceeded the recommended threshold of 0.70 (Hair *et al.*, 2010), indicating strong reliability. Additionally, convergent validity was confirmed through Average Variance Extracted

(AVE) values, which were all above 0.5. Discriminant validity was evaluated by comparing AVE values with Maximum Shared Variances (MSV), and since all AVE values exceeded the MSV, discriminant validity was established (Fornell & Larcker, 1981).

**Table 4:** Validity and reliability outputs – EFA

Indicators	Factors Loading	Mean	(AVE > 0.5) Construct Validity	MSV	( $\alpha > 0.6; 0.7$ ) Alpha Cronbach
FK1	0.834	4.25	0.869	0.645	0.945
FK2	0.811	4.58			
FK3	0.897	5.01			
FK5	0.885	4.68	0.778	0.576	0.875
FB1	0.868	4.71			
FB2	0.858	4.45			
FB4	0.825	4.80			
FB5	0.871	4.32			
FA2	0.775	4.89	0.579	0.532	0.847
FA4	0.726	4.54			
FA5	0.881	4.35			
FP1	0.886	4.21	0.723	0.681	0.882
FP 5	0.806	4.78			
FP 4	0.714	4.05			

Source: SPSS Outputs

The table provides insights into the performance of items based on several key metrics: factor loadings, mean scores, Cronbach's Alpha, Average Variance Extracted (AVE), and Maximum Shared Variance (MSV). The loadings for the items range from 0.714 to 0.897, indicating strong factor correlations, as values above 0.70 are generally considered good indicators of validity. The mean scores for the items range from 4.05 to 5.01, suggesting that respondents generally have favourable attitudes towards the items measured, with higher scores reflecting greater agreement or satisfaction. Cronbach's Alpha values are all above 0.80, which signifies excellent internal consistency and reliability of the scales. Specifically, we have an Alpha of 0.945, 0.875, 0.847 and 0.882. These high values suggest that the items within each group are measuring the same underlying construct with precision. The AVE values, which measure the amount of variance captured by the construct in relation to the variance due to measurement error, range from 0.579 to 0.869, all exceeding the 0.50 threshold, indicating that the constructs have good convergent validity. The MSV values range from 0.532 to 0.681, suggesting that while the items are distinct, there may be some overlap in variance, though not enough to cause concern about discriminant validity.

**4.4 Multivariate Regression Modelling (Structural Equation Model - SEM)**

Structural Equation Modeling (SEM) is a statistical approach utilized to examine and analyse intricate relationships among variables within a theoretical framework. In this study, Maximum Likelihood Estimation was employed for SEM due to its robustness, its capability to handle diverse data distributions, and its well-established theoretical basis (Blunch, 2013). These hypotheses were tested using the specification of SEM and the results are as follows.

**Table 5:** Hypothesis results using SEM

Hypotheses	Standardized regression weights ( $\beta$ )	Standard error	Critical ratio (t value)	P-value	Result
FK $\rightarrow$ FP	.560	.059	9.466	.001	H1 accepted
FB $\rightarrow$ FP	.375	.051	13.063	.000	H2 accepted
FA $\rightarrow$ FP	.486	.053	7.577	.000	H3 accepted

Source: Author (2026)

Hypothesis Testing can be done by looking at the value of the t-statistic using a significance level of 95% (= 0.05 or 5%). Meanwhile, the t-table with a significance level of 95% is 1.96. The criteria for rejecting and accepting a hypothesis are that H1 is accepted and Ho is rejected if the t-statistic is > 1.96 and vice versa. The results of the analysis of the empirical research model using Partial Least Square (PLS) analysis can be seen in Table 5.

Hypothesis testing on the effect of financial knowledge on financial performance of SMEs produces a correlation coefficient value of 0.560. Therefore, financial literacy has a positive effect on financial performance of SMEs. As a result, an increase in financial knowledge will lead to a proportional increase in financial performance of SMEs. The t statistics value was obtained at **9.446 (> t-critical 1.96)** with a p value of **0.001 < 0.05**, so the effect of financial knowledge on financial performance of SMEs is significant. Thus, hypothesis (H11) which states that financial knowledge has a positive influence on financial performance of SME is validated.

Hypothesis testing on the effect of financial behaviour on financial produces produces a correlation coefficient value of 0.375, so financial behaviour has a positive effect on financial performance of SMEs. The t statistics value was obtained at 13.063 (> t-critical 1.96) with a p value of 0.000 < 0.05, so the effect of financial behaviour on financial performance of SMEs is significant. Thus, hypothesis (H12) which states that financial behaviour has a positive effect on financial performance of SMEs is accepted.

Hypothesis testing on the effect of financial attitude on financial performance produces a correlation coefficient value of 0.486, so financial inclusion has a positive effect on financial performance of SMEs. The t statistics value was found to be 7.577 (> t-critical 1.96) with a p value of 0.000 < 0.05, so the effect of financial attitudes on financial performance of SMEs is significant. Thus, hypothesis (H13) which states that financial attitude influences positively the financial performance of SMEs is accepted. Lastly, financial knowledge emerges as the strongest predictor of financial performance, with a standardized regression weight of 0.560, which implies that financial knowledge is highly correlated to financial performance.

**4.5 Discussion of Results**

**4.5.1 Financial Knowledge and Financial Performance of SMEs**

These results show that there exist a weak but positively statistical significant relationship between Financial Knowledge (FK) and financial performance of SMEs in the Douala IV. It implies that SMEs whose managers have financial knowledge achieve the performance of the

business. Explicitly, the regression results show that financial knowledge has a positive statistical significant on the performance of SMEs. Therefore, owners of SMEs with financial knowledge in financial issues such as borrowing, savings, investment, financing and future retirement plans achieve the necessary Sales growth, generate profit margin, reduce cost, and acquire market share. This result is consistent with the finding of (Nidar & Bestari, 2012; Fernandes, 2015), in which they found a positive relationship between financial knowledge and SMEs performance. Therefore, individuals and businesses with a deeper comprehension of financial concepts are better positioned to make informed financial decisions, ultimately leading to higher levels of financial literacy.

Financial knowledge of the owner-manager could create a competitive advantage for the business due to the quality of the financial decisions. This is similar to findings by Osinde *et al.* (2013) which found out that the SMEs who received financial advice and resources had an improvement on the performance of SMEs with their sales and growth in market shares being increased. They established that those who attended training services recorded an improvement in their SMEs in terms of growth in sales and profits. This is because through training, the owner-managers are able to obtain the relevant business and financial knowledge. Without financial knowledge, SMEs often struggle to secure funding, manage cash flows, and navigate financial risks, leading to business failure (Ferawati, Fadah & Paramu, 2024).

The paper was premised on the resource-based theory. The theory emphasizes on how critical resources (including financial skills and competencies) are used by the firm to attain competitive advantage. Appropriate financial knowledge would help improve decisions in terms of market share, sales, and profit (Osinde *et al.*, 2013). Such outcomes emerge because the owner/manager is able to use his/her financial competence to reduce waste and cost resulting from poor financial product selection and management. The finding from this study supports the views in (Adomako *et al.*, 2016). These studies found that the financial skills of the owners/managers aid them in terms of the financing option, budgeting, costing, and making production decisions. The acquisition and the application of the appropriate financial knowledge have the ability to promote efficiency, and increase market share and sales profit. This would ultimately promote venture growth and survival which would create a competitive advantage for the business.

#### **4.5.2 Financial Behaviour and Financial Performance of SMEs**

This study was aimed at examining the effect of financial behaviour and financial performance of SMEs. The results of the findings revealed that there is a significant positive relationship between financial behaviour and financial performance of SMEs. From the hypothetical point of view and considering that [ $p = .000 < 0.05$ ,  $\beta = 0.375$ ,  $t = 13.063 > 1.96$ ], the study rejects the null hypothesis at a 95% confidence interval thereby concluding that there is significant statistical evidence to suggest that Financial Behaviour (FB) has a positive significant relationship with financial performance of SMEs. Therefore, sound financial behaviour is a key issue of financial literacy for SMEs to achieve financial performance. Accordingly, SMEs with careful short-term and long-term investment decisions, savings, loan utilisation, spending, and diversification

improve growth, profit, market share, and reduce cost of their businesses. This is in line to the findings of Atkinson and Messy (2013) who observed that positive financial behaviour, like carefully budgeting and maintaining financial stability, strengthens an individual's ability to make sound financial decisions, while negative behaviour, like heavily relying on credit and loans, undermines one's ability to do so. In addition, this result corroborate both resource based theory and human capital theory emphasising on the importance of valuable resources to attain predefined objectives.

#### **4.5.3 Financial Attitude and Financial Performance**

The last research objective sought to evaluate the impact of Financial Attitude (FA) on financial performance of SMEs. The result revealed that, [ $p = .000 > 0.05$ ,  $\beta = .486$ ,  $t = 7.577 > 1.96$ ,  $CI = 95\%$ ]; which implies that there is a statistically significant and positive relationship between financial attitude and financial performance of SMEs in the Douala IV municipality. According to this result, an increase in financial attitude induces a proportional increase in the financial performance of SMEs. Accordingly, SMEs with necessary financial behaviours such as setting goals and plan activities in order to reduce operational costs, integrate risks into both financial and investment decisions, constitute reserves, and properly allocate time achieve the financial performance of their business. The result of this study is in line with previous studies of (Ibitomi *et al.*, 2024; Abiodun, 2016), and corroborates pivotal theory of resource-based. From the RBV theory, this study obtains the support that accentuates the position of capability to manage the resources. Business managers with the right attitude and capacity to manage distinctive resources and to handle the business force have a lot of competitive advantages to achieve superior profit.

### **5. Conclusions**

The performance of SMEs highly depends on the financial decisions that are made by the owners ranging from financing to working capital management and saving decisions. Good financial behaviour leads to competitiveness in a globalized economy and financial illiteracy would lead to shut down of the business. It has been argued that a good financial foundation of the business owners is a significant barometer of the success and growth of the enterprises in the competitive environment (Lusardi & Mitchell, 2017b). This study sought to look at the effect of financial literacy of SMEs and the performance of their businesses. This is on the score that previous studies have not focused on such an important issue. The outcome of the study has implications for the theory, policy, and practice. Based on the research results, it is found that financial literacy has a positive influence on the performance of SMEs. In overall, the positive relation between financial literacy and SMEs performance is in line with the findings of many studies (Hilgert *et al.*, 2003; Huston, 2010; Lusardi, Mitchell, & Curto, 2010; Adomako *et al.*, 2016; Dahmen & Rodríguez, 2014; Fatoki, 2014; Kimani & Ntoiti, 2015; Wise, 2013). Hence, financial literacy is critical to business owners and can precipitate enterprise growth and effective financial performance (Susan, 2020). In addition, Asanansi's (2022) research shows that financial literacy is a prime competency needed for managing and growing SMEs' financial performance. In the same vein, Iramani *et al.* (2018) observed that high financial literacy levels of SMEs

managers enhance business performance. As stated by Aribawa (2016), SMEs with good financial literacy will be able to achieve business objectives, have a business development orientation, and survive in difficult economic conditions. This qualifies the need to design effective training programs to improve financial literacy levels.

The results support the view in the resource based theory, that the assets of the firm are the basis for its competitive advantage. On policy and practice, the findings highlight the critical issue of one's level of financial literacy before he or she is granted credit. This would help develop the financial skills of existing and potential owner-managers. Moreover, the results have implications for owner-managers with respect to their own training needs and that of their staff. The paper contributes to knowledge through the application of the resource-based theory to show financial knowledge and competencies are essential for the owner/manager if the venture would have a competitive advantage over others in the industry. The study equally gives a significant expansion to the viewpoint of resource-based theory, which explains on whatever way it is paramount for firm's business owners and managers that human capital, such as the entrepreneur's skills, experience and other personal characteristics, are key resource endowments.

Based on the findings and conclusions, the paper suggests the design and implementation of financial literacy programs by the bodies responsible for managing SMEs. Furthermore, the owner-managers of such businesses must make a conscious effort to improve upon their financial knowledge by attending workshops, conferences and short courses on financial literacy. Such events could be organized through industry-academia collaborations. Where necessary, owner-managers should seek the advice of financial consultants in making critical financial decisions. The government needs to create a program to enhance the level of financial literacy among the manager of the SMEs especially the skills and knowledge regarding the bank product, risk management, and capital market product. The study recommended that government agencies along with micro finance institutions and deposit money banks should organize financial education programmes that will create more awareness and growth on areas that are lacking in financial literacy.

However, despite the contribution of this study to the literature of financial literacy, some limits may emerge as well. For instance, this study is based in only one region of Cameroon. Thus, it is important to extent the study to other regions of the country in order to capture the value of contextual factors to investigate the influence of financial literacy on financial performance of SMEs. In addition, the study focused on SMEs operating within the service sector. Further studies may extent findings to other sectors of the activities of SMEs. Moreover, perhaps it will be interesting to examine the SME by the industry, such as food, clothes, Interior design, Handy craft, Music, and other creative industries. The information source hinges on the business owner/managers. Various sources of information from the observed firms, like the owner, workers, suppliers and other stakeholders, should be applied in the future research. The research limitation evolves from cross section information observation, which signifies on snapshot observation. Additionally, inspired to meet the analysis gap is panel data analysis.

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