Journal of Economics, Finance and Management Studies
ISSN (print): 2644-0490, ISSN (online): 2644-0504
Volume 08 Issue 12 December 2025
Article DOI: 10.47191/jefms/v8-i12-48, Impact Factor: 8.317
Page No: 8058-8069

Evaluating the Effect of Financial Literacy on the Performance of Micro Businesses

Achamoh Victalice Ngimanang
Department of Economics Science in the Higher Technical Teachers Training College (HTTTC), the University of Bamenda, Cameroon

ABSTRACT: The objective of this study was to investigate the effects of financial literacy on the financial performance of microbusiness. After exploring the related literature on the issue, primary data were collected effectively from 51 small businesses operators in Cameroon using questionnaires, multivariate Regression model was justifiably used for inferential verification. This study argues that all the three constructs of financial literacy positively influencing the performance of microbusinesses. The influence of Investment knowledge was positive but insignificant, the effect of saving knowledge was significantly positive and Debt management knowledge has a positive and significant effect on financial performance of microbusiness. Stakeholders wishing to promote the performance of micro businesses have to educate the operators to be well informed of investment, saving and debt management of financial knowledge.

KEYWORDS: Financial Literacy, Microbusinesses, Performance
JEL: G21, G29

INTRODUCTION

Micro Businesses (MB) are the main driving forces of economic growth and job creation that have a special importance, not only in developed countries but also in developing and emerging economies (Lockea,2012). Micro Businesses in most countries have barriers to access to finance, difficulties in exploiting the technology, insufficient managerial capabilities, low productivity and regulatory burdens in their business environment. According to Capital Market Authority (2010) Micro Businesses form more than 99% of all enterprises in the world. Small and Medium Size Enterprises (SMEs) play an important role in the Cameroons Economy such as creating jobs, but face serious challenges such as finance setbacks, discrimination, problems associated with government regulation, tax and government levies, poor access to justice, and lack of education, among others. The economic pillar of vision 2035 initiative aims to improve the prosperity of all Cameroonians through an economic development program, covering all the regions of Cameroon, and aiming to achieve an average Gross Domestic Product (GDP) growth rate of 23% per annum beginning in June 2009 as against the 11%. It focuses on moving the economy up the value chain, addresses tourism, Agriculture, wholesale and retail trade, manufacturing, business process outsourcing (BPO), and financial services. Micro Businesses in Cameroon face challenges that hinder them from attaining economies of scale. They lack training and management capacity to manage the business resources effectively. Financial literacy therefore is regarded as one of the strategies used to provide knowledge and skills needed to change attitude

Despite all these challenges Micro Businesses have ability to fuel economic growth because they create new jobs, expands the tax base, and is drivers of innovation. According to Wanjohi (2011) Micro Businesses enhance competition and entrepreneurship hence has external benefits on economy wide efficiency, innovation and aggregate productivity. They are the primary Vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations Micro Businesses dominate the world economies in terms of employment and number of companies, yet their full potential remains remarkably untapped (Atsede et al, 2008The concentration of Micro Businesses has a close relationship with the dominant economic activities.)

Micro Businesses contribute to the sustained economic growth and development in most Sub-Saharan countries (Kropp et al., 2006), and they are critical agents of economic transformation as they account for more than 50 percent of the GDP of many developing economies. They also constitute a major source of innovation and technological development, the supply of both human capital and raw materials to larger businesses (Fjose et al, 2010). Micro Businesses play a main role as they constitute a major source of employment in most African countries as depicted with 1 -9 employees (Fjose et al, 2010)

Mutegi et al (2015) affirms that financial literacy facilitates the decision-making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes. The financial performance of a business shows the ability of the business to generate earnings for a certain period at a rate of sales, assets and certain of capital stock (Margaretha & Supartika, 2016). Van Rooij and Lusardi (2007) find that financial decision-making is affected by financial literacy. The success of small businesses would have huge implications for the growth and sociolect-economic well-being of a country in terms of employment, wealth creation, and the development of innovation. However small businesses continue to struggle during their lifetime due to poor debt management, lack of investments, no knowledge literacy and as a result, many small businesses perform miserably and fail to grow. It is generally known that there is a high mortality rate of small businesses within the first two years of their birth (Global Entrepreneurship Monitor Report, 2008). The extensive lack of financial literacy casts serious doubts on the ability of individuals to make responsible decisions (Massimo & Ornella, 2012).

Kotze and Smit, (2008) stated that if the owners-managers are illiterate concerning their organizational finances, the financial knowledge of their firms will also be lacking and this will lead to reduction in innovation that can transform into competitive capability, unable to access different sources of financing provision due to non-awareness and this attitude will lead to possible failures of enterprises. Even though, some studies have been conducted related to financial literacy, not much research has covered the effect of financial literacy on the performance of small businesses. Therefore, the purpose of this study was to examine the effect of financial literacy on the financial performance of micro businesses operating in Mezam Division. Specifically,

- To investigate the effect of Investment knowledge in financial performance of microbusiness
- To assess the effect of saving knowledge in financial performance of microbusiness
- To ascertain the effect of debt management knowledge in the adoption of digital banking

The remainder of the work is structured thus: Section 2 presents a review of the literature, section 3 describes the data and methods of analysis, and section 4 is reserved for the presentation and discussion of findings, then. section 5 concludes the paper along with the policy implications

LITERATURE REVIEW

Theoretical Literature

The Agency Theory

Jensen and Meckling (1976) identified two types of agency conflicts. The first focuses on the conflict between shareholders and managers and the second on the conflicts between equity-holders and debt holders. Conflicts between shareholders and managers arise because managers do not hold total claims thus, they cannot capture the entire gain from their value maximizing activities. The second type of conflict arises between debt holders and equity holders because debt holders give equity holders an incentive to invest sub optimally. The debt contracts result in unequal spreading of the gains, that is if an investment is profitable above the face value of debt, most of the gains is captured by equity holders, while if the investment fails, debt holders bear all the consequences because the limited liability of the equity holders. Thus, equity holder may benefit from investing in very risky projects, even if they are value-decreasing. Such investment results in a decrease of the value of debt, while the loss in the value of equity due to poor investment is more than offset by the gains in equity value transferred from debt holders. In general, agency theory is related to the problem that occurs when cooperating parties have different goals and a division of labor. Specifically, the agency theory focuses on the relationship in which one or more persons (the principal) engage another person (the agent) to perform some work on their behalf. The basic premise of agency theory is that both principals and agents are assumed to be rational economic-maximizing individuals.

Therefore, the separation of ownership and control will result in decisions by the agent which are not always in the principal's best interest and there will arise costs (agency costs) of bringing the agent's behavior into line. According to Jensen and Meckling (1976), the relationship between the owners and the management involves the delegation of some decision-making authority to the agent by the principal. One critique of the agency approach is that the analytical focus on how to resolve financial literacy problem is too narrow and the shareholders are not the only ones who make financial decisions in the company therefore financial literacy will be affected by the relationships among the various stakeholders in the firm.

Goal Setting Theory

More recently, expectancy theory has been integrated with goal setting theory (Hollenbeck, 1987). Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation, Locke (1986) and

Locke and Latham (1990) find that individual goals are likely to determine how well they perform to related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your best goals. To be effective, goal setting theory assumes that individuals must be committed to the goal, must get feedback and must have the ability to perform the task. This means that financial literacy programs should be more effective when they are motivated by perceptions and concerns about financial well-being later in life. Motivational theory suggests that measures of financial literacy should be related to financial behavior that is in the consumers‟ best interests. Hilgert, Hogarth and Beverly (2003) formed a Financial Practices Index based upon (self-benefiting) behavior in cashflow management, credit management, saving and investment practices. When they compared the results of this index with scores on financial literacy quiz, they found a positive correlation between financial literacy scores and Financial Practices Index Scores. Their results suggest that financial knowledge is related to financial practices.

The Expectancy Theory of Motivation

Motivation has long been recognized as a key driver of individual behavior. Starting as early as Tolman (1932) and Lewin (1938), expectancy theory ties perception to behavior. Since then, extensive academic research has been focused on developing the understanding of motivation. Further work by Vroom (1964) on the force model and Samuelson (1967) on the utility model provides a theoretical grounding for explaining the motivational influences underlying human behavior as a function of expectancy, instrumentality and valence or utility. Expectancy relates to the expectation or likelihood that specific actions or states of nature will yield a certain outcome, meaning that performance is based on effort. Instrumentality relates to the relation between performance and reward, meaning that outcome is based on performance. Valence and/or utility relates to the value of importance the individual places on the perceived outcome. Based on these theories, individuals are motivated by things that can successfully lead to valued outcomes (Mandel & Klein, 2007).

Financial literacy imparts individuals with the skills and knowledge to help them make key decisions that affect their lives. According to this theory therefore, the impact of financial literacy programs depends on the expectations individuals have on the program and the expected reward of the outcome (Mandel et al, 2007). This means that if individuals perceive financial literacy to enhance the quality of their decisions, they would be motivated to partake of them and this improves on their long-term perceived outcome (financial freedom).

This study will be affixed on the expectancy theory since the targeted respondents exhibit reasonable levels of financial literacy hence would be expected to employ their expertise in the management of their personal finances i.e. expenditure and investment planning resulting into high financial freedom. The high financial freedom would result into a more motivated workforce hence high productivity among employees.

The Knowledge Spillover Theory

In this theory the creation of new knowledge expands the set of technological opportunity. Performance of micro business activity does not involve simply the arbitrage of opportunities, but also the exploitation of intra-temporal knowledge spillovers not appropriated by mandatory businesses. The theory focuses on individual agents with endowments of new economic knowledge as the unit of analysis in a model of economic growth, rather than exogenously assumed firms. Agents with new knowledge end onerously pursue the exploitation of knowledge.

This suggests that knowledge spillovers come from the stock of knowledge, and there is a strong relationship between such spillovers and performance of micro businesses. If incumbent firms appropriated all the rents of R&D, there would be no intra-temporal knowledge spillovers (Zoltan et al 2008). This theory will help in determining whether the knowledge spillover affects performance of micro businesses in Mezam Division. It will also help us understand the distinction between financial literacy and economic knowledge.

Empirical Literature

Okello (2016) in his study findings aiming at examining the effect of book keeping on the growth of Small and Medium enterprises taking case study of Chukka County in Kenya. The study found out that most of these enterprises don't not properly keep their books of accounts and those who try, keep incomplete ones because of limited and insufficient accounting knowledge and yet the cost of outsourcing accounting services is high. This therefore leaves a gap in ways of basing on accounting information to assess and measure financial performance of these enterprises. Saving according to Wikipedia is income not spent or deferred consumption. It can also be defined as the process of setting aside a portion of current income for future use, or the flow off resources accumulated in this way over a given time. Savings maybe in the form of increase in bank deposits, purchases of securities, or increase cash holdings.

Financial literacy has got an increasing interest in both developed, and developing countries including Cameroon. Matewos, (2016) carry out a review on financial literacy for developing countries in Africa and the result showed low level of financial literacy in both developed and developing countries and concludes that policymakers and academics in African developing countries need to understand the level of financial literacy in the population, in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio-economic welfare and building an inclusive financial system and sustainable economic growth. Matewos,(2016) argued that financial literacy increased savings and business planning, more realistic assessments of financial knowledge by consumers, life skills and bargaining power, financial skill. Furthermore, according to Lusardi, (2015) financial literacy rise greater competition, innovation and quality products, market discipline, risk management, overcoming indebtedness. On the other hand, Sabana, (2014) emphasized that financial literacy includes knowledge on financial access, understanding government financial policies. It was acknowledged that financially literate entrepreneurs make the best financial and economic decision together with, savings, borrowing, investment and right management of debt (Lusardi, 2015).

However, the increasing number of previous studies have also evidenced the role financial literacy plays in managing business finance, both asset and liability (Siekei, 2013). Though, Miller, (2009) highlighted the significance of financial literacy in developing nations where the financial sector has been relating new service providers, complex financial products and service accessible to new entrepreneurs to financial market is vital. Similarly, Fatoki, (2014) evident that, financial literacy improves understanding of investment decisions which might reduce risk and improve earning from the little financial resource of the poor in developing nations. Moreover, Matewos, (2016) emphasized that financial literacy is not only at the benefit of individuals or business, but is equally at the paramount interest of financial service providers and soundness of the financial system.Fidler and Webster (1996) advocate that in many cases, basic business should accompany the provision of micro loans to improve the capacity of the poor to use funds. Micro enterprise investment training mainly addresses capital investment decisions, general business management and risk management. Capital investment.

Gathergood (2012) defined Debt management as the capability of making calculated and informed decisions concerning debt acquisitions, usage and basic mathematical knowledge application concerning interest compounding to everyday financial choices. A person or business who is literate in debt management possess skills, knowledge as well as information regarding debts and other financial matters for example understanding calculations involved in ascertaining the interest to be paid on loans, the principal amounts and rightful and affordable sources of such debts (Casagrande, 2016) It is the understanding of how money and assets can be managed and financial decisions be taken and implemented in a resourceful manner (OECD, 2016). Several researchers have studied about debt management and performance of firms and enterprises (Addaney, Awuah, & Afriyie, 2016; Barnard et al., 2010; Hieltjes & Petrova, 2013) and these have established a positive relationship between debt management and financial performance of these enterprises and reveal that individuals who are less financially literate always find challenges in ways how they manage their personal and business debts as well as in making strategic business choices and in a long run no business success due to limited performance whereas, those with high level of financial literacy have thrived in business because they find it easy to manage their finances, perform better in the stock and exchange market and usually acquire less costly debts avoiding high interest payments thus achieving growth for their ventures (Lusardi and Mitchell, 2015).

In the empirical review conducted by Siekei et al. (2013) to examine the role of financial literacy on micro businesses where a case study of equity group foundation program on small and medium enterprises in Kenya was taken, it was found out that financial literacy plays an important role in streamlining the performance because employees and management possess skills and competence in feild of assets, revenue and expenditure management and this enhances performance due to improved ability in tracking and reconciling business invents and transactions from the transaction process. Siekei et al., (2013) found out that these enterprises which keep proper books of accounts are in position to establish the performance of their ventures accurately and their financial growth can easily be measured basing on their transactional stands. He proceeds to point out in his study that enterprises that maintain proper books of accounts are mostly to enjoy benefits of increased profits as well as market growth due to effective financial planning.

Literature Gap

Considering existing studies, the current studies have not clearly explained how these enterprises can deploy financial` literacy as a resource to reduce or avoid failure and achieve faster business growth. Several scholars have studied financial literacy and performance (Eniola & Entebang, 2014; Chepkemoi et al., 2017; Nanziri & Leibbrandt, 2018). However, most of these studies are focusing on how financial literacy affect organizational performance and few of them are looking at the how financial literacy affect financial performance especially looking at those specific dimensions of financial literacy. Some of these studies have produce mixed results and therefore contracting conclusions. Some studies have established a relationship between the variables and others established no relationship existing. This is shown by Hoseini et al, (2012) on a study financial literacy on transaction costs of obtaining credit in rural areas where he failed to establish any relationship. Also, financial literacy has been linked to influence the performance of firms as portrayed by Nanziri and Leibbrandt (2018). Therefore, this study sought to bridge this literature gap and expand on the literature about how financial literacy affect financial performance specifically among micro businesses in Mezam.

METHODOLOGY

Scope and Area of Study

The scope of this study is limited in finding out the effects of financial literacy on the financial performance of micro businesses in Mezam Division. Bamenda is a city in Northwestern Cameroon and capital of the Northwest Region. The sample size of the study comprises of selected micro businesses in the Bamenda municipality who are registered tax payers and will be drawn from different parts in and around the town.

Research Design and Sampling Technique

This study used a descriptive design since it was focused on getting inferences from the findings on the effect of financial literacy on the financial performance of micro businesses. The random sample will be generated using computerized random sampling features available in Office 2007 software and applied to the categories above.

Instrument of data collection

The instruments of data collection for this work is a questionnaire which will be based on more closed ended questions than open ended questions. Open ended questions are simply questions with space provided for the correspondent to fill the answer in his or her own words. While, closed ended questions are questions with answer sections and the respondent selects the preferred answer. In this study the questionnaire incorporated closed ended questions where the respondent has two or more ordered questions. In addition, the Likert Scale with "strongly agree" dictating the highest level of satisfaction and "strongly disagree" as the highest level of dissatisfaction will be used in our questionnaire in order to bring out the individual perception of the respondent.

Reliability and Validity of Data

The validity and reliability of the data collected and the response achieved depend, to a large extent on the design of the questions as a valid question will enable accurate data to be collected and one that is reliable will mean these data are collected consistently (Saunders et al 2009). Polit & Beck (2006) and Gillis & Jackson (2002:26) define validity in terms of whether the measuring instrument measures what it is supposed to measure.

Model Specification

Regression analysis was used to quantify the challenges (independent variable) of adopting mobile banking (the dependent variable). The multiple regression model for the adoption of mobile banking is specified as was as follows

$$\mathbf{FPMB_t = \alpha_0 + \alpha_1 IK_t + \alpha_2 SK_t + \alpha_3 DMK_t + \varepsilon_t}$$

Where:

$FPMB_i$= financial performance of microbusiness
IK_i=Investment knowledge
SK_i=Saving knowledge
DMK_i=Debt management knowledge
POS_i=Political situation
α_0 = Constant term
α_1 = Sensitivity of Saving knowledge to financial performance of microbusiness
α_2 = Sensitivity of Investment knowledge to financial performance of microbusiness
α_3 = Sensitivity of DMK to financial performance of microbusiness
α_4 = Sensitivity of Political situation to financial performance of microbusiness
ε_t = error term

Variable Description

Financial Performance

The financial performance of a business shows the ability of the business to generate earnings for a certain period at a rate of sales, assets and capital stock (Margaretha & Supartika, 2016). Al-matari (2014) establishes the measures of financial performance of the firms identified profit growth and asset turnover as measures of financial performance of the firm in a short time and steady revenue growth rate and growth in the employment size in a long run operation of the firm. Dewi and Rahman (2018) considered profitability and return on assets as the key indicators of business financial status

Financial Literacy

Financial literacy conveys knowledge and skills which enable entrepreneurs to make financial decision to improve the financial wellbeing of business (Fatoki, 2014). OECD (2005) views it as the process by which financial consumers/investors improve their understanding of financial products through information, instruction, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being". It is therefore important for small businesses managers to develop these abilities that facilitate correct decisions and to manage their businesses' finances successfully.

Investment literacy

Investment Literacy is defined as a master financial document that states the expected contribution from the activities of an organization in terms of expected cash or revenues and expenditures over a certain period of time (Heinle, Ross, & Saouma, 2014). Investment literacy is an important aspect of business planning and is expected to have a positive effect on financial performance of a business.

Saving Literacy

Saving literacy includes the process of collecting, organizing, storing and analyzing the financial information of an entity to facilitate its day-to-day operations and preparations of statements, tax returns and internal reports. According to Everlyn (2016), most SMEs owners recruit unskilled personnel for clerical and accounting management and in turn they are not able to keep reliable accounting records, hence inability to determine profits or loss of the firm. Saving literacy is expected to have a positive effect on financial performance of a business.

Debt management

Debt management is the ability to perform activities of a business within a budget. A plan is usually created to help people manage their debts especially those with too much debt, often referred to as debt management plan (Bankrate.com, 2010). Sucuahi, (2013) emphasized that debt management skill is a necessary financial literacy measure that gives the ability to obtain capital at a minimum cost. According to Assibey (2010), micro and Small entrepreneurs are not financially literate when it comes to the aspect of obtaining finance for their business.

Technique of Data Analysis

Data was collected and analyzed using the qualitative and quantitative data analysis method, this data which was collected through questionnaires were then coded and logged in the computer using statistical package for social science. This involved coding closed ended items in order to run an inferential analysis. Before applying a technique such as the Multiple Regression to analyze our data, we must first build an index called the principal component analysis, because our variables were makeup of many items. After building the index, the validation of the index was done by calculating the Conbach's alpha and conducting factor analysis.

The t-test was used to assess the statistical significance of the various independent variables of the regression equations. Then, F-test was employed to determine the strength of the whole regression. Adequacy of the model testing is measured using the coefficient of determination (R^2) and the adjusted R^2. It assists in determining the extent to which all the independent variables put together explained variations on dependent variable (digital banking). That is the variation in the independent variables explained by the variations in the dependent variables.

Analysis was done using SPSS 20.00. To test for the strength of the model, the researcher conducted an Analysis of Variance (ANOVA) from where the researcher verified the significance value. The test like t-test of student was conducted at 95% confidence level and 5% significant level. In case the calculated value is greater than the critical value, then the conclusion is that the model is significant in explaining the relationship. A pilot test was done on questionnaires techniques in order to evaluate the impact of the questions, and assess the quality of the responses with a view of adjusting questions so that they work towards, achieving the objectives of this research. Pilot testing aims to assess the validity of the questions and reliability of data collected. Fellow students who have knowledge on the research were used for the pilot test.

Validity and reliability of instruments

Validity refers to the extent to which research results can be accurately interpreted and generated (Saunders & Tosey, 1990; Vogt et al., 2007) explains it as "the truth or accuracy of the study". In testing validity, the researcher prepared questionnaires and presented them to the supervisor and data analyst for scrutiny and suggestions on the relevance, clarity and suitability of the information. The supervisor then made suggestions which were incorporated into the final draft.

Limitation of Data and Tool

The study makes use of primary data which are costly and requires more time in collecting data unlike using secondary data. Also, sometimes it gives inaccurate feed backs because some people are reluctant to give certain information about their businesses for fear of competitors and high taxes.

Ethical Consideration

Ethical principles will be implemented to avoid any physical and emotional damage to the research respondents. The researcher will be honest in analysing and presenting data without any plagiarism and false reporting of findings. Ethical consideration will be done to identify the honesty and accuracy of the respondent of the questionnaires and interview guide. In this light the respondent must be of a sound mind, not too worried and not drunk when answering the questionnaire. The questionnaires will be administered in the morning or noon when the respondent is not tired and can easily create out time to provide acceptable response. Pre-questioning will be done before giving the questionnaire to find out the state of the respondent.

PRESENTATION AND DISCUSSION OF RESULTS

This study used a sample size of 51 respondents selected using random sampling technique from 55 small businesses in Mezam division given a response range of over 92.7 percent which according Mugenda (2003) is excellent for analysis.

Presentation of descriptive statistics

The descriptive statistics table provides an overview of the characteristics of the sampled population. The table shows the mean, standard deviation, minimum, and maximum values for each variable. The mean value of financial performance (FPMB) is 4.26, which indicates that microbusiness is highly motivated with the with the financial performance of their businesses. According to Akhtar et al. (2020), a mean value of 3 or higher indicates a satisfactory adoption of digital banking.

The mean value of Investment knowledge is 4,20, which indicates that microfinance businesses consider the proper education on investment as promoter of the financial performance of microbusinesses. According to Raman et al. (2020), Investment knowledge is a critical factor in financial performance of a microbusiness. The mean value of Saving knowledge is 4.18, which indicates that micro businesses find the financial performance of micro businesses services relatively secure to adopt. Algharabat et al. (2020) noted that a high level of Saving knowledge is essential for the prosperity of microbusinesses.

The mean value of Debt management knowledge is 4.03, which indicates that Micro businesses perceive the financial performance of micro businesses services as relatively high in quality. Algharabat et al. (2020) noted that Debt management knowledge is a critical factor in determining performance of small businesses.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev
Financial Performance of Microbusines	51	3.25	5.00	4.2672	.54487
Investment Knowledge	51	3.20	4.80	4.1804	.39649
Saving Knowledge	51	3.00	5.00	4.2026	.63273
Debt Management Knowledge	51	2.60	5.00	4.0314	.74659
Valid N (listwise)	51				

Source: Author (2025)

The normality test results, as presented in Table 2, indicate that the data follows a normal distribution. According to Ghasemi and Zahediasl (2012), normality is an important assumption in statistical analysis, as many statistical tests assume that the data is normally distributed.

Table 2: Tests of Normality

	Shapiro-Wilk		
	Statistic	df	Sig.
Financial Performance of Microbusines	.887	51	.120
Investment Knowledge	.925	51	.113
Saving Knowledge	.808	51	.201
Debt Management Knowledge	.822	51	.152

a. Lilliefors Significance Correction

Source: Author (2025)

The reliability statistics, as presented in Table 3, indicate the internal consistency of the survey instrument used to measure financial performance of micro businesses in Mezam division . According to Hair et al. (2017), reliability refers to the extent to which a measurement instrument yields consistent results

The Cronbach's alpha value of 0.806 indicates a high level of internal consistency among the 5 items used to measure financial performance of micro businesses (George & Mallery, 2016). This suggests that the survey instrument is reliable and can be used to measure the financial performance of micro businesses in Mezam division . According to Pallant (2016), a Cronbach's alpha value of 0.7 or higher is considered acceptable. Therefore, the Cronbach's alpha value of 0.806 obtained in this study indicates that the survey instrument is highly reliable.

The reliability of the survey instrument is crucial in ensuring the validity of the results obtained (Hair et al., 2017). Therefore, the high reliability of the survey instrument used in this study provides confidence in the results obtained and ensures that the findings are generalizable to the population of micro businesses in Mezam division.

Table 3: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.806	0.763	4

Source: Author (2025)

The pairwise correlations, as presented in Table 4, indicate the strength and direction of the linear relationships between the variables. According to Pallant (2016), correlation analysis is a useful technique for identifying the relationships between variables. The results show that financial performance of micro businesses (FPMB) is moderately and positively correlated with investment knowledge (IK) (r = 0.496), indicating that micro businesses which are well acquainted with investment knowledge are better place to be more financially performing. similarly, financial performance of micro businesses (FPMB) has a positive and strong correlation with saving knowledge (SK) (r = 0.857), Debt management knowledge (DMK) (r = 0.853), indicating that these variables are also important predictors of financial performance of microbusiness in Mezam division (Algharabat et al., 2020).

The results also show weak and positive correlation between the various independent variables. The results report a very weak correlation between saving knowledge and Investment knowledge (r = 0.042), saving knowledge and debt management knowledge (r = 0.026), and Investment knowledge and debt management knowledge (r = 0.087) indicating that multicollinearity among regressors is weak.

Table 4: Pairwise correlations

Table 4: Pairwise Correlation Matrix

	FPMB	Investment Knowledge	Saving Knowledge	Debt MK
Fin Performance of Micro-businesses	1.000			
Investment Knowledge	.496	1.000		
Saving Knowledge	.857	.042	1.000	
Debt Management Knowledge	.853	.026	.287	1.000

Source: Author (2025)

The model summary, as presented in Table 5, provides an overview of the multiple linear regression model used to predict financial performance of micro businesses with online banking services in Mezam division. According to Field (2018), the model summary provides important information about the fit of the model to the data. The results show that the model has a high multiple correlation coefficient (R) of 0.887, indicating a strong positive linear relationship between the predictors and the criterion variable (Pallant, 2016). The R-squared value of 0.787 indicates that over 75% of the variance in financial performance of micro businesses is explained by the predictors (Akhtar et al., 2020).

The adjusted R-squared value of 0.772 indicates that the model is a good fit to the data, even after adjusting for the number of predictors (Kumar et al., 2017). The standard error of the estimate of 0.2596 indicates that the model is reasonably accurate in predicting financial performance of microbusiness. The results also show that all the predictors, including Saving knowledge (SK), Investment knowledge (IK), Debt management knowledge (DMK), and political situation (POS), are significant predictors of financial performance of microbusiness in Mezam division (Raman et al., 2020).

Table 5: Model Summary of the regression

Model	R	R Square	Adjusted R Square	S.E of the Estimate
1	0.887[a]	0.787	0.773	0.2596

a. Predictors: (Constant), Debt Management Knowledge, Investment Knowledge, Saving Knowledge

Source: Author (2025)

Evaluating the Effect of Financial Literacy on the Performance of Micro Businesses

The Analysis of Variance (ANOVA) results, as presented in Table 6, provide a test of the overall significance of the multiple linear regression model used to predict financial performance of microbusiness in Mezam division . According to Pallant (2016), ANOVA is a statistical technique used to examine the differences between group means. The results show that the regression model is significant, as indicated by the F-statistic of 57.759 and the associated p-value of 0.000 (Field, 2018). This suggests that the predictors, including Investment knowledge (IK), Saving knowledge (SK), and Debt management knowledge (DMK), collectively explain a significant proportion of the variance in financial performance of micro businesses (FPMB).

The results also show that the regression model accounts for approximately 78.7% of the variance in financial performance of microbusiness, as indicated by the sum of squares for regression (11.677) and the total sum of squares (14.844) (Kumar et al., 2017). This suggests that the model is a good fit to the data. The significance of the regression model suggests that the predictors have a significant impact on financial performance of micro businesses in Mezam division (Raman et al., 2020). Therefore, micro businesses operators can use these predictors to improve financial performance of micro businesses and loyalty.

Table 6: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.677	3	3.892	57.759	.000[b]
	Residual	3.167	47	.067		
	Total	14.844	50			

a. Dependent Variable: Financial Performance of Microbusines

b. Predictors: (Constant), Debt Management Knowledge, Investment Knowledge, Saving Knowledge

Source: Author (2025)

The regression coefficients, as presented in Table 7, provide the estimated relationships between the predictors and the dependent variable, financial performance of micro businesses (FPMB). According to Field (2018), the coefficients represent the change in the dependent variable for a one-unit change in the predictor variable, while controlling for all other predictors.

Investment knowledge (IK) has a positive but insignificant effect on financial performance of microbusiness ($\alpha = 0.147$, $p > 0.05$), indicating that micro businesses which acquainted with investment knowledge are likely to realise higher financial performance than otherwise. Again, the results show that Saving knowledge (SK) has a highly significant and positive effect on financial performance of microbusiness ($\alpha = 0.436$, $p < 0.01$), indicating that micro businesses which are more vested with saving knowledge tend to perform more financially. Thus, micro businesses consider saving knowledge as important element in business growth. The results equally report that Debt management knowledge (DMK) has a positive and significant effect on financial performance of microbusiness ($\alpha = 0.296$, $p < 0.1$), indicating that micro businesses which are knowledgeable in debt management stand a better chance to prosper financially than those myopia with such skills.

The coefficients can be used to predict financial performance of micro businesses based on the values of the predictor variables. The results indicate of this study reveals that a one-unit increase in investments skills of microbusinesses is associated with a 0.147-unit improvement in the financial performance of the businesses, while controlling for all other predictors (Raman et al., 2020). Again one-unit increase in saving knowledge is associated with a 0.436-unit chance of enhancing the financial performance of microbusiness if other predictors are held constant. The results equally indicate the financial performance of microbusiness is likely to crease by 0.296 unit if the knowledge to better manage the debt of the business is to improve by one-unit assuming another variables constant.

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.638	.477		1.336	.188
	Investment Knowledge	.147	.094	.107	1.576	.122
	Saving Knowledge	.436	.127	.507	3.441	.001
	Debt Management Knowledge	.293	.107	.401	2.725	.009

a. Dependent Variable: Financial Performance of Microbusines

Source: Author (2025)

Evaluating the Effect of Financial Literacy on the Performance of Micro Businesses

The VIF results, as presented in Table 8, provide a measure of the multicollinearity between the predictor variables. According to Pallant (2016), VIF values greater than 10 indicate high multicollinearity, while values between 5 and 10 indicate moderate multicollinearity.

The results show that the VIF values for all the predictor variables are less than 5, indicating low multicollinearity. The highest VIF value is for saving knowledge (DMK) (VIF = 4.773), which is slightly below 5 indicating low level of multicollinearity with other predictor variables. The mean VIF value of 3.521 is well below the threshold of 5, indicating that multicollinearity is not a major concern in this model and this increases confidence in the results of the multiple linear regression analysis (Field, 2018).

Table 8: Coefficients of VIF

Model		Collinearity Statistics		
		Tolerance	VIF	1/VIF
1	Investment Knowledge	0.979	1.021	0.979
	Saving Knowledge	0.210	4.773	0.210
	Debt Management Knowledge	0.210	4.768	0.210
	Mean	0.466	3.521	0.466

a. Dependent Variable: Financial Performance of Microbusines

Source: Author (2025)

The Breusch-Pagan/Cook-Weisberg test results, as presented in Table 9, provide a test of the assumption of homoscedasticity (constant variance) in the multiple linear regression model. According to Field (2018), the Breusch-Pagan/Cook-Weisberg test is a commonly used test for heteroscedasticity.

Table 8: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance
Variables: fitted values of FPMB
chi2(1) = 1.83
Prob > chi2 = 0.193

Source: Author (2025)

The results show that the null hypothesis of constant variance (Ho) cannot be rejected, as the chi-squared statistic is 1.83 and the associated p-value is 0.193 suggesting that the variance of the residuals is constant across all levels of the predictor variables, and that heteroscedasticity is not a major concern in this model and this provides additional support for the validity of the multiple linear regression model (Raman et al., 2020).

CONCLUSION AND RECOMMENDATIONS

The objective of this study was to investigate the effects of financial literacy on the financial performance of microbusiness in Bamenda. The Regression model that was justifiably used permit us to conclude that of for financial performance of microbusiness is significantly influence by the level saving knowledge (SK), debt management knowledge, and Investment knowledge. The influence of Investment knowledge (IK) was positive but insignificant, the effect of saving knowledge (SK) was significantly positive and Debt management knowledge (DMK) has a positive and significant effect on financial performance of microbusiness Micro business owners and other stakeholders wishing to promote the performance of their businesses have to educate the operators to be well informed of investment, saving and debt management knowledge of financial institutions.

LIMITATIONS

Data collection challenges, limited sample size, limited geographical scope, financial hardship on the part of the researcher and limited time frame for the works summarizes the major limitations of this study.

Suggestions for further study

Overcome the data collection challenges, increase the sample size and geographical scope in conducting another study of this nature shall be of great important to many stakeholders and the nation at large. Alternative modelling techniques could well be considered.

REFERENCES

1) Assibey, E. (2010). Choosing Not to Borrow: An Evaluation Of Perception And Sociocultural Factors Underlying Voluntary Self-Exclusion. Journal of Financial Economics, 8(1/2), 36–66.
2) Bankrate.C. (2010). What is debt management? Retrieved March 21, 2017, from
3) Casagrande, (2016). Bank Financing to Small and Medium Sized Enterprises In East Africa: Findings of a Survey. Abidjan: African Development Bank.
4) Eniola, A. & Entebang, H. (2016). “Financial literacy and SME firm Performance’, International Journal of Research Studies in Management, 5(1), 31-43.
5) Everlyn, N. L. (2016). Relationship between financial literacy and the growth of micro and small enterprises in kenya. Jomo Kenyatta University of Agriculture and Technology.
6) Fatoki, O., & Odeyemi, A. (2014). Determinants of access to trade credit by new SMEs in South Africa. Afr. J. Bus. Manage, 4(13), 2763-2770
7) Siekei, J. (2012). The Financial Behavior of Rural Residents.
8) Jensen and Meckling (1976) Theory of the firm; managerial behavior, agency costs and ownership structure.
9) Kotze and Smit, R. G. P. (2008). Growth and performance of manufacturing SMEs: The influence of financial management characteristics. International Small Business Journal, 19(3), 10-28.
10) Kropp, F., Lindsay, N. J., & Shoham, A. (2006). Entrepreneurial, market, and learning orientations and international entrepreneurial business venture performance in South African firms. International Marketing Review, 23(5), 504–523.
11) Locke and Latham, C. A. (1990). Strategic orientations and new product commercialization: Mediator, moderator, and interplay. R&D Management, 41(4), 337–359.
12) Locke M. (1986). Performance measurement definitions: Linking performance measurement and organisational excellence. International Journal of Health Care Quality Assurance, 20(3), 181–183.
13) Lockea, (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), 5-44
14) Lusardi, A. & Mitchell, O. (2015), Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education, Michigan Retirement Research Center. WP 2006-144.
15) Mandel & Klein R. M. (2007). Relationship between Financial Literacy and Entrepreneurial Success in Nairobi County Kenya.A Research Paper Submitted to University of Nairobi. 48 PP.
16) Margaretha, F., & Supartika, N. (2016). Factors Affecting Profitability of Small Medium Enterprises (SMEs) Firm Listed in Indonesia Stock Exchange. Journal of Economics, Business and Management, 4(2).
17) Martinez, (2013). Financial Knowledge and Best Practice Behavior. Journal of Financial Counseling and Planning, 22(1), 60-70.
18) Massimo & Ornella, (2012). Financial knowledge acquisition among the young: The role of financial education, financial experience and parent’s financial experience. Financial
19) Matewos, (2016). Investigating the Disconnect between Financial Knowledge and Behavior: The Role of Parental Influence and Psychological
20) Miller K., (2009). The Role of Financial Literacy on Loan Repayment among Small and Medium Entrepreneurs in Rwanda Case Study: Urwego
21) Model and Samuelson (1967). Financial Education for Children and youth. Handbook of Research on Behavioral Finance and Investment Strategies,
22) Mohammed and Ali, (2013). The effects of financial literacy training on business profitability in
23) Mugenda (2003). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. Thousand Oaks: Sage Publications, Inc.
24) Sabana, (2014). Relationship between Financial Literacy and Entrepreneurial Success in Nairobi County Kenya.A Research Paper Submitted to University Of Nairobi. 48 Pp.
25) Saunders & Tosey, (1990). The survey handbook (Vol. 1). Thousand Oaks, CA: Sage.
26) Siekei et al., (2013). Market orientation, learning orientation and organizational performance in international joint ventures. Asia Pacific Journal of Marketing and Logistics, 20(3), 289–308.
27) Sucuahi, W. T. (2013). Determinants of financial literacy of micro entrepreneurs in davao city. International Journal of Accounting Research, 1(1), 44–51.
28) Tolman (1932).The interplay between orientations: Entrepreneurial, technology and customer orientations in software companies. Journal of Enterprising Culture, 18(3), 265–290.

29) Van Rooij and Lusardi (2007). SME scenario around the world. http://eindia2007.blogspot.com/2008/07/sme-scenario-around-world.html, Accessed on 10 October 2008
30) Vogt et al., (2007). Social Research Methods. Oxford: Oxford University Press
31) Vroom (1964)."The Role of Small and Large Businesses in Economic Development" Economic Review92.2 (2007): 73-97
32) Wanjohi (2011). The role of entrepreneurial orientation on firm performance and the potential influence of relational dynamism (No.18/07) (pp. 1–12). Melbourne: Monash University Faculty of Business and Economics.
33) Zoltan et al (2008). Debt financing: Does it boost or hurt firm performance in product markets? Journal of Financial Economics, 82, 135–172.