

Financial Knowledge and Financial Behaviour as Drivers of SME Growth in a Fragile Economy: Evidence from Cameroon

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ABSTRACT

This study examines the effect of financial knowledge and financial behaviour on the growth of small and medium-sized enterprises (SMEs) operating in a fragile economic environment. Drawing on the Resource-Based View, human capital theory, and the OECD financial capability framework, the study conceptualises financial literacy as a multidimensional capability and operationalises it through its cognitive and behavioural components, namely financial knowledge and financial behaviour. Using cross-sectional survey data collected from 304 SMEs in the South West Region of Cameroon, the study employs Ordinary Least Squares (OLS) regression complemented by diagnostic tests including correlation analysis, Variance Inflation Factors (VIF), and the Breusch–Pagan test for heteroskedasticity. The results reveal that financial knowledge ($\beta = 0.289$, $p < 0.01$) and financial behaviour ($\beta = 0.431$, $p < 0.01$) significantly and positively influence SME growth, with financial behaviour exerting a stronger effect. The model explains approximately 37.3% of the variation in SME growth. The findings indicate that while financial knowledge enhances entrepreneurs' decision-making capacity, disciplined financial behaviour translates into actual performance improvements. The study contributes to the literature by positioning financial capability as a strategic internal resource in fragile economies and provides policy-relevant insights for SME development in sub-Saharan Africa.

Keywords: Financial Literacy; Financial Knowledge; Financial Behaviour; Small and Medium-Sized Enterprises;

INTRODUCTION

Small and medium-sized enterprises (SMEs) occupy a central position in the development architecture of both advanced and emerging economies, not only as employers but also as drivers of innovation, structural transformation, and inclusive growth. In sub-Saharan Africa, SMEs account for a dominant share of business activity and contribute significantly to GDP and job creation, yet their growth trajectories remain persistently constrained (World Bank, 2022; African Development Bank, 2023). This paradox of high economic relevance alongside limited growth has prompted extensive scholarly attention, particularly in fragile economic environments where institutional inefficiencies, financial exclusion, and macroeconomic instability converge to shape firm outcomes. In Cameroon, these constraints are especially pronounced, as SMEs operate within a context characterised by limited access to formal credit, weak financial infrastructure, regulatory rigidities, and socio-political uncertainty, all of which compound the difficulty of sustaining business expansion (UNCTAD, 2021; Wansi & Burrell, 2023).

While early explanations of SME underperformance have largely emphasised structural barriers such as financing gaps, market imperfections, and institutional voids, more recent scholarship has increasingly turned inward, focusing on firm-level capabilities as critical determinants of growth heterogeneity. This shift reflects the recognition that even within the same constrained environment, SMEs exhibit markedly different performance outcomes, suggesting that internal managerial capacity plays a decisive role (Ayyagari,

Demirgüç-Kunt, & Maksimovic, 2020). Among these internal capabilities, financial literacy has emerged as a particularly salient factor, influencing not only how entrepreneurs' access and manage financial resources but also how they interpret risk, allocate capital, and plan for growth.

Financial literacy, traditionally defined as the ability to understand and utilise financial concepts, has evolved into a broader construct encompassing both cognitive and behavioural dimensions. Contemporary frameworks, particularly those advanced by the OECD/INFE, conceptualise financial literacy as a multidimensional capability comprising financial knowledge, financial behaviour, and financial attitudes (OECD, 2022). Within the SME context, this reconceptualisation is especially important because the entrepreneur's financial capability directly translates into firm-level decisions. Financial knowledge equips business owners to interpret financial information and evaluate alternatives, whereas financial behaviour reflects the extent to which this knowledge is translated into disciplined financial practices such as budgeting, record keeping, and cash flow management.

In fragile economic environments, the distinction between knowledge and behaviour becomes more than theoretical. It becomes practical and consequential. Entrepreneurs may possess a reasonable understanding of financial concepts yet fail to implement effective financial management practices, thereby undermining business performance. Conversely, SMEs that embed disciplined financial routines into their operations are often better positioned to navigate uncertainty, maintain liquidity, and sustain growth, even in the absence of advanced financial expertise. Empirical evidence increasingly supports this distinction, suggesting that financial behaviour exerts a more direct and robust influence on firm performance than financial knowledge alone (Bongomin et al., 2020; Morgan & Trinh, 2020).

Despite the growing recognition of financial literacy as a driver of SME performance, existing studies often treat it as a composite construct, thereby obscuring the distinct roles of its underlying dimensions. This aggregation limits our understanding of how specific components of financial capability contribute to growth outcomes, particularly in fragile contexts where behavioural discipline may be more critical than cognitive knowledge. In Cameroon, empirical evidence on this issue remains limited, creating a gap in the literature that warrants further investigation.

This study addresses this gap by decomposing financial literacy into financial knowledge and financial behaviour and examining their respective effects on SME growth. Using data from SMEs in the South West Region of Cameroon, the study provides empirical evidence on how these dimensions of financial capability influence firm performance within a fragile economic environment. By doing so, it contributes to the literature in three key ways. First, it advances the conceptualisation of financial literacy by adopting a multidimensional approach that distinguishes between knowledge and behaviour. Second, it extends the Resource-Based View by positioning financial capability as a strategic internal resource that enhances firm performance. Third, it offers policy-relevant insights by highlighting the importance of strengthening financial behaviour among SME owners as a pathway to sustainable growth

Theoretical and Empirical Foundation

The relationship between financial literacy and SME growth is best understood through an integration of the Resource-Based View (RBV), human capital theory, and the financial capability framework, each of which provides a complementary lens for explaining how internal competencies translate into firm-level outcomes. The Resource-Based View posits that firms achieve sustained competitive advantage when they possess resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). While early applications of RBV emphasised tangible assets such as capital and technology, more recent developments have extended the framework to include intangible capabilities, particularly those embedded in managerial practices and organisational routines. Within this perspective, financial capability, especially as reflected in consistent and disciplined financial behaviour, can be understood as a strategic resource that enhances the efficiency with which firms allocate scarce resources, manage risks, and respond to environmental uncertainty.

Human capital theory reinforces this argument by emphasising the role of knowledge and skills in improving productivity and performance (Becker, 1985). Financial knowledge, as a component of human capital, equips

entrepreneurs with the cognitive tools necessary to interpret financial information, evaluate investment opportunities, and make informed decisions. Empirical evidence suggests that entrepreneurs with greater financial knowledge are more likely to adopt sound financial practices, access formal financial services, and achieve better business outcomes (Klapper & Lusardi, 2020). However, the explanatory power of knowledge alone is limited, particularly in contexts where behavioural constraints and environmental pressures influence decision-making. This limitation has led to growing recognition that knowledge must be complemented by behavioural capability to produce meaningful performance improvements.

The financial capability framework provides a more comprehensive conceptualisation of financial literacy by integrating knowledge, behaviour, and attitudes. According to the OECD (2022), financial literacy encompasses not only the understanding of financial concepts but also the ability to apply that knowledge in real-life situations through behaviours such as budgeting, saving, borrowing, and financial planning. Within this framework, financial behaviour is often regarded as the most critical component because it represents the observable manifestation of financial capability. Unlike knowledge, which is cognitive and latent, behaviour directly influences financial outcomes by shaping how resources are managed and decisions are executed. This distinction is particularly relevant in the SME context, where the entrepreneur's personal financial practices are closely intertwined with firm-level operations.

Empirical literature increasingly supports the view that financial literacy plays a significant role in enhancing SME performance, although the strength and nature of this relationship vary across contexts. Bongomin et al. (2020), in a study of SMEs in developing economies, found that financial literacy improves access to finance and firm performance, with financial behaviour acting as a key transmission mechanism. Similarly, Morgan and Trinh (2020) demonstrate that financial literacy enhances SME growth by improving financial decision-making and resource allocation efficiency. These findings are consistent with those of Klapper and Lusardi (2020), who show that financial literacy is positively associated with financial inclusion and business performance across a wide range of countries.

However, a closer examination of the literature reveals an important nuance: the effects of financial literacy are not uniform across its components. While financial knowledge contributes to improved decision-making, it does not always translate into better outcomes unless it is accompanied by appropriate financial behaviour. Several studies have highlighted that SMEs with strong financial management practices, such as maintaining accurate records, monitoring cash flows, and adhering to budgets, are more likely to achieve sustainable growth, even when their level of financial knowledge is relatively modest. This suggests that financial behaviour may serve as the primary mechanism through which financial literacy influences performance.

In fragile economic environments, this distinction becomes even more pronounced. SMEs operating in such contexts face heightened uncertainty, limited access to formal financial services, and frequent liquidity constraints. Under these conditions, the ability to implement disciplined financial practices becomes critical for survival and growth. Financial behaviour enables firms to manage cash flow volatility, anticipate financial challenges, and allocate resources more effectively, thereby enhancing resilience. In contrast, financial knowledge without corresponding behavioural discipline may be insufficient to overcome the structural challenges inherent in fragile economies.

Despite these insights, much of the existing literature continues to treat financial literacy as a composite construct, thereby obscuring the differential effects of its underlying dimensions. This aggregation limits researchers' and policymakers' ability to identify which aspects of financial capability are most important for SME growth. In Cameroon, where empirical studies on financial literacy and SME performance remain relatively scarce, this gap is particularly significant. There is therefore a need for research that disaggregates financial literacy into its core components and examines their individual contributions to firm performance.

By focusing on financial knowledge and financial behaviour as distinct but related constructs, this study provides a more nuanced understanding of how financial capability influences SME growth. It builds on existing theoretical frameworks while addressing a key gap in the empirical literature, particularly in fragile economic contexts. In doing so, it offers insights that are not only academically relevant but also practically useful for designing interventions to improve SME performance.

Research Gap

Methodologically, previous studies have adopted different indicators measuring the constructs which are not very suitable. An example is the study of (Aren & Hamamci, 2022) that captured financial Literacy using subjective and objective measures instead of the fundamental measures of financial knowledge, behaviour, and attitude used by the OECD, which this study has adopted. Therefore, to bridge the gaps mentioned above in the literature, this study seeks to investigate the nexus between financial Knowledge, Financial Behaviour and SMES Growth in a fragile economy such as Cameroon (contextual gap).

Research Objectives

1. Analyse the Financial Knowledge on SMEs' growth in the Southwest Region of Cameroon.
2. Evaluate Financial Behaviour's effect on SMEs' growth in the Southwest Region of Cameroon.

Research Hypotheses

H1: Financial Knowledge has a positive and significant effect on the growth of SMEs.

H2: financial Behaviour has a positive and significant effect on the growth of SMEs.

METHODOLOGY

This study employs a quantitative research approach, grounded in a cross-sectional survey design, to examine the relationships among financial knowledge, financial behaviour, and SME growth in the South West Region of Cameroon. The choice of a cross-sectional design is informed by both practical and methodological considerations. In contexts where longitudinal data are difficult to obtain due to weak record-keeping practices and high levels of informality, cross-sectional data provide a viable means of capturing firm-level characteristics and analysing relationships between variables at a given point in time. Moreover, this design is consistent with a large body of empirical research on SMEs in developing and fragile economies, where similar constraints are observed.

Sampling Technique and Sampling Size

Given the population size of 24,481 SMEs in the South West Region of Cameroon, according to recent data from the Southwest Regional delegation of SMEs, in 2023, a representative sample is necessary to ensure the generalizability of the study's findings. Nevertheless, given the constraints of not having the exact number of SMEs according to sizes and sectors and limited access to all areas in the South West Region of Cameroon, a combination of purposive and convenience sampling will be used. This approach allows for the inclusion of a diverse range of SMEs while considering practical limitations.

Purposive sampling was used to select key areas and types of SMEs that are critical to the study's objectives. This technique ensured that the sample included SMEs from various important sectors and different sizes. Areas and SMEs were selected based on economic significance, accessibility, and representativeness of the larger population. Major towns and economic hubs within the region were prioritised. Convenience sampling was also employed within the selected areas to gather data from SMEs that are easily accessible to the researcher. This method is practical given the constraints and helps collect a substantial amount of data.

The measurement of variables is grounded in established financial literacy frameworks and SME performance literature. Financial knowledge is one of the independent variables examined with the measurement model proposed by Bhushan and Medury (2014) and Hasler and Lusardi (2017) as well as OECD (2022). Their instrument consisted of 8 questions. Questions related to bookkeeping, balance sheet, inflation, risk diversification, savings and investments, borrowings, insurance, etc., were included in the questionnaire to measure financial knowledge.

Financial behaviour, another independent variable, was measured by the scale developed by OECD (2022), Rahman et al., (2021) and Shockey (2002). Their instrument consisted of four questions on a 5-point Likert scale, with 5 as strongly agree and 1 as strongly disagree. Questions related to savings behaviour, bill and loan repayment behaviour, responsible investment behaviour, financial planning behaviour, etc., will be included in the questionnaire to measure financial behaviour.

SME growth is the dependent variable and was captured using indicators such as the firm’s revenue and profitability, the size of the employees as well as the market and product diversification as adopted by Lusimbo (2016) and (Ogheneogaga Irikefe & Isaac Opusunju, 2021).

The empirical analysis used Ordinary Least Squares (OLS) regression, which is appropriate for estimating linear relationships between continuous variables. The model is specified as:

$$\text{SME Growth} = \beta_0 + \beta_1(\text{Financial Knowledge}) + \beta_2(\text{Financial Behaviour}) + \beta_3(\text{Control Variables}) + \varepsilon$$

Control variables were included to account for firm-specific characteristics that may influence growth outcomes. These include firm age (duration), a proxy for experience, and firm size (number of employees), which reflects resource capacity. Including these variables helps to isolate the effects of financial knowledge and financial behaviour on SME growth.

To ensure robust results, several diagnostic tests were conducted. Correlation analysis was used to examine relationships among variables and identify potential multicollinearity issues. Variance Inflation Factors (VIF) were calculated to formally assess multicollinearity among the independent variables. The results indicate that VIF values are well below the threshold of concern, confirming that multicollinearity is not a problem. Additionally, the Breusch–Pagan/Cook–Weisberg test was used to assess heteroskedasticity. The test results indicate that the assumption of constant variance is not violated, thereby validating the use of OLS estimation and ensuring the reliability of the standard errors.

RESULTS AND DISCUSSION

Table 1: Response Rate of Respondents

Questionnaires	Frequencies	Percentages
Number Distributed	384	100%
Number Collected	304	79%
Number Missing	80	21%
Total	384	100%

Source: Author’s computation (2024)

Based on the results presented in table 1, a total number of 384 questionnaire was distributed to the respondents who were managers and owners of SMES in the south west region of Cameroon. Out these 384 copies of questionnaire, 304 were return to the researcher while 80 of these copies were missing. This constitutes a total response rate of 79%. This response rate was found to be an acceptable rate which constitute a good unit of analysis for the study.

The empirical results are presented in three stages: the structural mimic model, the correlation analysis, and the regression estimates. This sequential presentation allows for a structured interpretation of the relationships among the variables and ensures that the model’s robustness is adequately established before drawing substantive conclusions

Effect of Financial Literacy on SME Growth

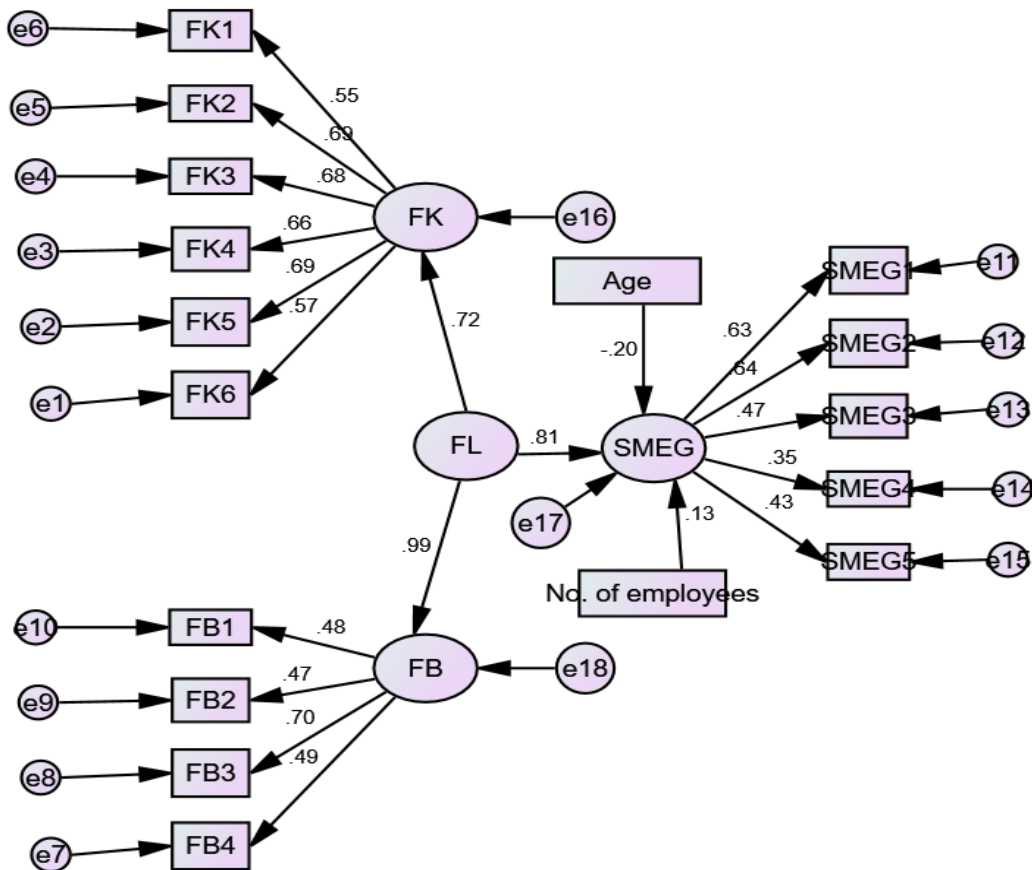


Figure 1: Structural mimic model of Financial Literacy and SMEG

Source: Computed by Author using AMOS version 20

Figure 1 shows that financial behaviour (FB) was measured with four questionnaire items, while financial knowledge was measured with six formative indicators. Both financial behaviour and financial knowledge are first-order formative constructs of financial literacy. Financial literacy is exogenous while SMEG is endogenous as observed in the hypothesised model. The number of employees and duration of the firm are the only two controlled observed variables in the model. The results of the maximum likelihood estimation of objective two is presented in Table 2 below.

Table 2: FL on SMEs Growth using Maximum Likelihood (ML)

Hypothesized Linkage			Estimate	S.E.	C.R.	P
FK	<---	FL	1.000			
FB	<---	FL	1.252	.229	5.456	***
SMEG	<---	FL	1.211	.197	6.153	***
SMEG	<---	duration	-.113	.034	-3.339	***
SMEG	<---	No. of employees	.110	.049	2.263	.024

Source: Computed by Author using AMOS version 20

Note: S.E is the standard errors; C.R. is the critical ratio, which is equivalent to the z-statistics and student test (t)

*****P<0.01, **P<0.05, *<0.1**

The result in Table 2 shows that financial literacy is a significant predictor of the growth of small and medium-sized enterprises in the South West Region of Cameroon. The significance of the relationship between financial literacy and SMEG permits us to reject the null hypothesis two in the study, which states that financial literacy has no significant positive effect on SMEG. The implication of this finding is that, if the level of financial literacy goes up by 1 unit of standard deviation, SMEG will rise by 1.211 units of standard deviation. All the control variables were also found to be significant determinants of SMEG in the south-west region of Cameroon.

Table 3: Correlation Matrix

	SMEs Growth	Financial Knowledge	Financial Behaviour	Duration	Number of Employees
SMEs Growth	1				
Financial Knowledge	0.4727	1			
Financial Behaviour	0.5177	0.5205	1		
Duration	-0.0737	-0.0019	0.0212	1	
Number of Employees	0.2078	0.181	0.117	0.1356	1

Source: Author’s computation (2024)

The correlation analysis provides an initial insight into the relationships between financial knowledge, financial behaviour, and SME growth. The results indicate that SME growth is positively associated with both financial knowledge and financial behaviour, although the strength of these relationships differs. Specifically, financial knowledge shows a moderate positive correlation with SME growth, suggesting that entrepreneurs with a better understanding of financial concepts tend to achieve greater business expansion. This relationship reflects the role of cognitive financial capability in enhancing decision-making processes, particularly in areas such as cost evaluation, pricing strategies, and investment planning.

However, the correlation between financial behaviour and SME growth is notably stronger, indicating that practical financial management practices are more closely linked to firm performance. This suggests that SMEs that consistently engage in disciplined financial routines such as budgeting, maintaining accurate financial records, and monitoring cash flow are more likely to experience sustained growth. The stronger correlation observed for financial behaviour provides an early indication that behavioural aspects of financial capability may have a more direct influence on performance outcomes than cognitive knowledge alone.

In addition to these relationships, the correlation analysis also reveals a positive association between financial knowledge and financial behaviour. While this suggests that knowledge may influence behaviour, the strength of the relationship is insufficient to indicate that the two constructs are interchangeable. Rather, they capture distinct dimensions of financial capability: knowledge as the cognitive foundation and behaviour as the practical application. This distinction justifies their inclusion as separate variables in the regression model.

Following the correlation analysis, multicollinearity diagnostics were conducted using Variance Inflation Factors (VIF). The results indicate that all VIF values are well below the conventional threshold of 10, with a mean VIF of approximately 1.3. This confirms that multicollinearity is not a concern in the model and that the independent variables do not exhibit excessive linear relationships among themselves. The absence of

multicollinearity enhances the reliability of the estimated coefficients and ensures that the effects of financial knowledge and financial behaviour can be interpreted independently.

Table 4: Regression Results

VARIABLES	Robust Standard Errors
Financial Knowledge	0.289***
	(0.0692)
Financial Behaviour	0.431***
	(0.0619)
Duration of employees	
5-9	-0.0798**
	(0.0327)
9-14	-0.0602
	(0.0403)
15-19	-0.165***
	(0.0419)
20 and above	-0.0386
	(0.0535)
Number of employees	
6-20	0.0117
	(0.0294)
21-100	0.144***
	(0.0434)
Constant	-0.750***
	(0.0687)
Observations	304
R-squared	0.373

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's computation (2024)

The regression results provide more definitive evidence on the impact of financial capability on SME growth. Financial knowledge is found to have a positive and statistically significant effect on SME growth, with a coefficient of 0.289 at the 1 per cent level of significance. This indicates that, holding other factors constant, greater financial knowledge is associated with higher SME growth. The magnitude of this coefficient suggests that financial knowledge plays a meaningful role in shaping business outcomes, likely through its influence on decision-making quality and financial planning.

Financial behaviour, however, exhibits a stronger positive and statistically significant effect on SME growth, with a coefficient of 0.431 at the 1% level of significance. This indicates that SMEs that adopt more disciplined financial practices experience higher growth than those that do not. The larger coefficient for financial behaviour relative to financial knowledge suggests that behavioural capability is a more powerful determinant of performance. This finding reinforces the argument that it is not merely what entrepreneurs know that matters, but how effectively they apply that knowledge in managing their businesses.

The model explains approximately 37.3% of the variation in SME growth, as indicated by the R-squared value of 0.373. This level of explanatory power is relatively high for a cross-sectional study in a fragile economic context, where firm performance is influenced by a wide range of external and internal factors. The result suggests that financial capability, as captured by financial knowledge and financial behaviour, constitutes a major determinant of SME growth.

The control variables included in the model also provide additional insights. Firm size, measured by the number of employees, is positively associated with SME growth, indicating that larger firms tend to experience greater expansion. This may reflect the advantages of scale, including better access to resources and more established operational structures. In contrast, firm age shows a mixed effect, suggesting that while experience may contribute to stability, it does not necessarily guarantee growth. This highlights the importance of dynamic capabilities, such as financial behaviour, in driving performance outcomes.

Table 5: Heteroscedasticity

Breusch–Pagan/Cook–Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of Growth of SMES
H0: Constant variance
chi2(1) = 4.12
Prob > chi2 = 0.425

Source: Author’s computation (2024)

Table 5 above shows the Breusch–Pagan/Cook–Weisberg test for heteroskedasticity. The result shows that the coefficient is insignificant thus we conclude that there is the absence of heteroskedasticity in our model hence the presence of homoskedasticity. This further indicates that our results are reliable.

Overall, the results provide strong empirical evidence that both financial knowledge and financial behaviour are important determinants of SME growth, with financial behaviour emerging as the more influential factor.

DISCUSSION

The findings of this study provide compelling evidence that financial capability plays a central role in driving SME growth in fragile economic environments, while also offering important insights into the relative importance of its constituent components. The positive and statistically significant effect of financial

knowledge confirms that cognitive financial competence enhances entrepreneurial decision-making capacity, enabling business owners to better evaluate financial opportunities, interpret cost structures, and plan for expansion. This result is consistent with the broader literature, which identifies financial knowledge as a key determinant of firm performance by influencing financial decision-making and resource allocation (Klapper & Lusardi, 2020).

However, the most notable contribution of this study lies in the finding that financial behaviour exerts a stronger influence on SME growth than financial knowledge. This distinction is both theoretically and practically significant, as it highlights the limitations of knowledge-based explanations of firm performance. While financial knowledge provides the foundation for informed decision-making, it is financial behaviour that translates this knowledge into concrete actions that directly affect business outcomes. This finding aligns with empirical evidence from Bongomin et al. (2020), who demonstrate that financial behaviour mediates the relationship between financial literacy and firm performance, suggesting that behavioural practices are the primary channel through which financial capability influences outcomes.

The stronger effect of financial behaviour can be explained by its direct impact on operational efficiency and financial discipline. SMEs that adopt structured financial practices, such as maintaining accurate records, monitoring cash flows, and adhering to budgets, are better equipped to manage resources, reduce inefficiencies, and respond to financial challenges. These practices enhance liquidity management and improve the firm's ability to sustain operations during periods of uncertainty. Morgan and Trinh (2020) similarly find that financial behaviour is a stronger predictor of SME growth than financial knowledge, reinforcing the argument that practical financial management is critical for performance.

From a theoretical perspective, these findings provide strong support for the Resource-Based View, which emphasises the role of internal capabilities in generating competitive advantage. Financial behaviour, as an embedded organisational routine, represents a dynamic capability that enables firms to adapt to changing conditions and utilise resources more effectively. In fragile economic environments, where external support systems are weak and uncertainty is high, such capabilities become even more critical. SMEs cannot rely solely on external factors for growth; instead, they must leverage internal competencies to navigate challenges and exploit opportunities.

The context of Cameroon further reinforces the importance of financial behaviour. In an environment characterised by limited access to formal finance, irregular cash flows, and economic instability, SMEs must rely heavily on internal financial management practices to sustain operations. Entrepreneurs who adopt disciplined financial behaviours are better able to anticipate financial constraints, manage risks, and maintain business continuity. This explains why financial behaviour emerges as the more dominant predictor of growth in this study.

The findings also contribute to the growing body of literature that emphasises the multidimensional nature of financial literacy. By disaggregating financial literacy into financial knowledge and financial behaviour, the study provides a more nuanced understanding of how different aspects of financial capability influence firm performance. This approach addresses a key limitation in existing research, which often treats financial literacy as a composite construct, thereby obscuring the differential effects of its components.

Policy Implications and Conclusion

From a policy perspective, the results have important implications for SME development programs. While traditional financial literacy initiatives often focus on improving knowledge, this study suggests that greater emphasis should be placed on developing financial behaviour. Training programs should prioritise practical skills such as budgeting, record keeping, and cash flow management, as these are more directly linked to performance outcomes. By focusing on behavioural change rather than knowledge acquisition alone, policymakers can design more effective interventions that enhance SME growth and resilience.

The study concludes that financial capability is a key determinant of SME growth in fragile economies, with financial behaviour playing a dominant role. Strengthening financial management practices among

entrepreneurs is therefore essential for enhancing SME performance. Policymakers should prioritise financial capability training programs that focus on practical financial management skills, such as budgeting, record-keeping, and cash flow management. Such interventions are likely to have a more significant impact on SME growth than traditional knowledge-based training programs.

Suggestions for Further Research

Future research could benefit from Conducting longitudinal studies to track the impact of financial Knowledge and Financial Behaviour on SME growth over an extended period. This can provide insights into how financial literacy influences growth dynamics over time. Also, future studies could explore other potential mediators or moderators, such as innovation or market orientation, to fully understand the dynamics of this relationship.

Another suggestion for further research is the comparative analysis of the impact of financial literacy on SME growth across different regions and sectors to identify contextual factors. Moreover, considering cultural and economic differences, further research could explore the role of financial literacy among different demographic groups within the entrepreneurial community, including gender and age differences in financial literacy impacts

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