

Financial Literacy and its Effect on Microfinance Institutions' Financial Performance in Bamenda, Cameroon

L'Education Financière et son Effet sur la Performance Financière des Institutions de Microfinance à Bamenda, Cameroun

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Abstract

This study seeks to explore the effect of financial literacy on the financial performance of Microfinance Institutions (MFIs) in Bamenda, Cameroon. Specifically, it has as objective to know the effects of budgeting literacy, credit management literacy, and savings literacy on the financial performance of MFIs in Bamenda, Cameroon. The study adopts a quantitative research approach with the use of structured questionnaires. Through a convenience sampling technique, questionnaires are administered to an adopted sample size of 50 MFIs drawn from 96 registered MFIs located in Bamenda. The data collected is analysed with the use of the Ordinary Least Squares (OLS) method. The results show that budgeting literacy ($\beta=0.6812$, $p<0.001$), credit management literacy ($\beta=0.5083$, $p<0.001$), and savings literacy ($\beta=0.5941$, $p<0.001$) have a positive significant effect on the financial performance of MFIs in Bamenda, Cameroon. It is recommended that MFIs should institute programs or campaigns on financial literacy for their various clients because this will permit them to better manage their finances, lend wisely as well as see the importance of saving which on the other hand will lead to better performance for the MFIs.

Keywords: Financial Literacy, Financial Performance, Microfinance Institutions

JEL Classification: G21, G53, L25, O16

Paper Type: Empirical Research

Résumé

Cette étude vise à examiner l'effet de l'éducation financière sur la performance financière des institutions de microfinance (IMF) à Bamenda, au Cameroun. Plus précisément, elle a pour objectif d'analyser les effets des connaissances en matière d'élaboration de budget, de gestion du crédit et d'épargne sur la performance financière des IMF de cette localité. L'étude adopte une approche de recherche quantitative s'appuyant sur des questionnaires structurés. Grâce à une technique d'échantillonnage de convenance, les questionnaires ont été administrés à un taille de l'échantillon de 50 IMF sélectionnées parmi les 96 IMF agréées situées à Bamenda. Les données recueillies ont été analysées à l'aide de la méthode des moindres carrés ordinaires (MCO). Les résultats révèlent que les connaissances en matière de budget ($\beta=0.6812$, $p<0.001$), de gestion du crédit ($\beta=0.5083$, $p<0.001$) et d'épargne ($\beta=0.5941$, $p<0.001$) ont un effet positif et significatif sur la performance financière des IMF à Bamenda. Il est recommandé aux IMF de mettre en place des programmes ou des campagnes d'éducation financière à l'intention de leurs clients ; cela leur permettrait de mieux gérer leurs finances, d'emprunter de manière avisée et de prendre conscience de l'importance de l'épargne, ce qui, en retour, favoriserait une meilleure performance pour les IMF elles-mêmes.

Mots clés : L'Education Financière, Performances Financière, Institutions de Microfinance

JEL Classification : G21, G53, L25, O16

Type du papier : Recherche Empirique

1. Introduction

Microfinance Institutions (MFIs) play a major role in helping both developed and developing countries to advance with financial inclusion. One way this can happen is by laying emphasis on financial literacy. According to Lusardi & Mitchell (2014), financial literacy is really important in efforts toward enhancing the financial situation of households, fostering household stability, and encouraging broader economic growth. Similarly, Atkinson & Messy (2012) note that financial literacy contributes to sound financial systems in developing countries by enabling individuals to make better financial decisions and actively participate in formal financial systems. Therefore, financial literacy is seen not only as a personal asset but also as a collective good with implications for financial inclusion, institutional sustainability, and economic progress.

MFIs occupy an important place in the discussion between financial literacy and financial inclusion and are better positioned to bridge the gap in financial literacy for underserved communities (Achumie et al., 2024). This can be done according to Omowole et al. (2024) by the use of financial literacy programs which can play a transformative role by educating clients on money management, savings, budgeting, and responsible borrowing, ultimately reducing financial vulnerability. MFIs primarily operate in areas where conventional banking services are scarce, providing low-income populations with access to small loans, savings programs, and other financial products. Unlike traditional banks, MFIs often serve as a vital source of support for low-income individuals and small business owners, many of whom lack formal financial training (Urefe et al., 2024).

The relevance of financial literacy in Sub-Saharan Africa is underscored by regional studies indicating persistent gaps in basic financial knowledge. Xu & Zia (2012), in their study carried out in Sub-Saharan Africa indicated that a large proportion of population in these countries lack awareness of basic financial products and concepts such as savings accounts, interest on savings, insurance and loans. This is however a general problem as Lusardi & Mitchell (2011) and Klapper et al. (2012) think that improving financial literacy and financial capability benefits people both in developed and developing countries. In Esowe et al. (2017), we see that, presently in Cameroon, there is an indispensable need for financial education given that more and more financial instruments are made available to the population which are not yet financially literate.

Since the entry of MFIs into Cameroon, the number of MFIs has kept growing at a rapid rate (Wokwen et al., 2023). In Cameroon, MFIs as per the Director General of the Treasury, Financial and Monetary Cooperation (DGTCFM) website, are 390 licensed MFIs as of the 31st December 2024 operating in categories 1, 2 and 3. In the North West region, 96 of these MFIs are licensed. The question here is if these institutions, apart from offering financial services and products to those in need, also offer programs on financial literacy to help them better manage their finances thereby leading to better performance for the MFIs. However, Cohen et al. (2004) state that, MFIs that provide financial education: attract more clients; better retain existing clients; gain better market information for use in improving products and services; and have a competitive edge. Financial education has a role in building the capacity of the poor to gain control, become proactive, use information and resources to enhance their economic security and more effectively use financial services. When better informed clients become better consumers of financial services, financial institutions benefit (Cohen et al., 2004) thereby improving on their performances.

Studies carried out in Cameroon on financial literacy and performance, growth (Bamnjo et al., 2025), poverty alleviation (Esowe et al., 2017), financial inclusion (Takemeyang et al. 2024) etc., has been growing in various sectors like Small and Medium-sized Enterprises, but little on MFIs so this study is relevant to contribute to the literature. To do this, the study will explore

the nexus between financial literacy and financial performance while showing the extent to which knowledge and practice of sound financial principles impact the growth, sustainability and resilience of the MFIs. Therefore, the objective of this study is to know the effect that financial literacy has on the financial performance of MFIs in Bamenda, Cameroon. To achieve this objective, the following specific questions can be answered:

- How does budgeting literacy affect the financial performance of MFIs in Bamenda?
- How does credit management literacy affect the financial performance of MFIs in Bamenda?
- How does savings literacy affect the financial performance of MFIs in Bamenda?

The remainder of this paper is structured as follows. Section 2 presents a comprehensive literature review, incorporating conceptual, theoretical, and empirical perspectives. Section 3 outlines the methodology employed, including the research design, sampling strategy, data collection instruments, and analytical techniques. Section 4 presents and discusses the findings of the study, while Section 5 concludes with a summary of key insights and recommendations for MFIs, regulators, and future research.

2. Literature Review on Financial Literacy and Financial Performance

2.1 Conceptual Review of Financial Literacy and Financial Performance

Over the years, literature on financial literacy has been growing and developing. According to Lusardi & Mitchell (2014), financial literacy entails peoples' ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions. To Irikefe (2019), financial literacy is the ability to understand how money works, it entails proficiency in the knowledge and application of time-honoured and basic financial concepts and principles like financial planning, compound interest, debt management, profitable savings strategies and value of money generally. Gale & Levine (2010), also defined financial literacy as the inherent or acquired skill to make up-to-date decisions and effective judgments concerning the administration and use of money and wealth. According to them, financially illiterate family units make poor choices that affect not only the decision-makers themselves but also their families and the public at large. So, Irikefe (2019) were for the opinion that, for entrepreneurs to escape financial illiteracy, they must possess and be able to apply sheer knowledge of budget-making skills; the ability to track and control expenditure; debt management skills; and effective planning for retirement.

To Capuano & Ramsey (2011), financial literacy is beneficiary to individuals, financial systems and the economy. Some of these benefits are: Financial literacy can increase employee responsibility for managing their proper investments towards a retirement and pension plans (Braunstein & Welch, 2002); Financial literacy contributes towards the initiation of branchless banking to ease consumers' access to financial instruments; Financial literacy enables individuals and households to balance up their budgets as well as create an increased awareness on a healthy financial state; Financial literacy enables individuals and households to weigh the risk associated with sophisticated financial instruments; Financial literacy can enable consumers to transact with the financial sector by contributing effectively to the actual economic growth as well as alleviate poverty (OECD Policy Brief, 2006) etc.

Many authors have come up with ways over time to capture financial literacy in their various studies. For instance, Chen & Volpe (1998) revealed that financial literacy could be measured using four indicators: basic knowledge of financial management, credit management, savings and investment management, and risk management. Van Rooij et al. (2011) used financial management, debt, savings, insurance, and investment in measuring financial literacy. Mendari & Kewal (2013) revealed that financial literacy could be measured using indicators of basic knowledge of personal finance, savings and loans, insurance and investment. Ratnawati et al.

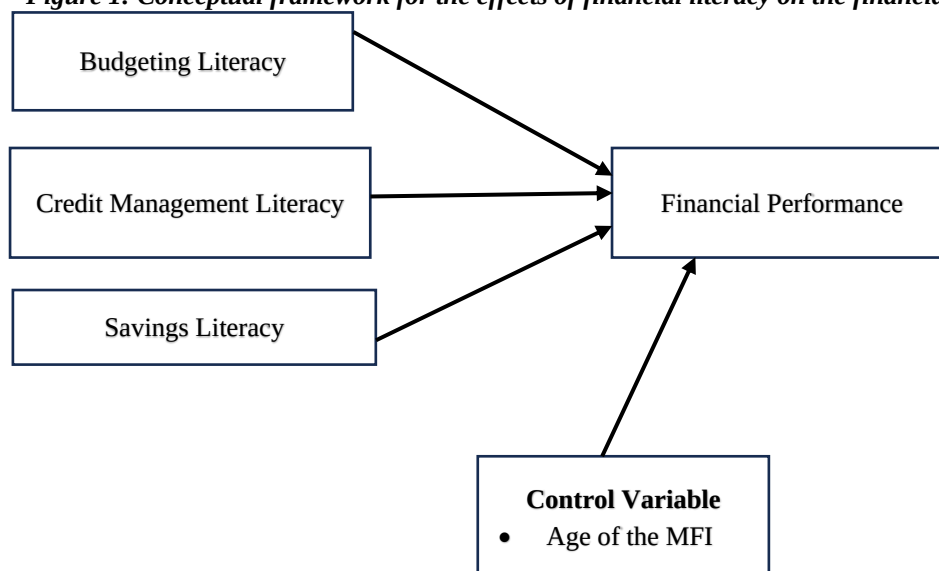
(2021) used financial management, credit management, savings management, investment management and risk management to capture financial literacy. We also see Irikefe & Opusunju (2021) use debt management literacy, budgeting literacy, banking services literacy and bookkeeping literacy as indicators for financial literacy. Bamnjo et al. (2025) used knowledge on budgetary management, bookkeeping management, and debt management as measures of financial literacy. For this study, budgeting literacy, credit management literacy and savings literacy will be used. This is because, MFIs deal on a day to day basis with activities relating to budgeting, savings and credit management which are common practices of MFIs.

Recently, financial performance has become very important for MFIs. Financial performance in Navin & Sinha (2021) can be seen as the extent to which MFIs can generate revenues to cover the cost of providing services to their clients. There are so many indicators to measure the financial performance of MFIs. According to the document published by the SEEP Network in 2010 called a “Guide to microfinance financial reporting standards measuring financial performance of MFIs”, experts divide the financial indicators of the financial performance of MFIs into five categories, which are: capital adequacy and solvency; asset quality (portfolio quality); profitability and sustainability; efficiency and productivity; and liquidity.

Ratios are also used to assess the financial performance of MFIs. Armendariz & Morduch (2010) selected five financial ratios to compare the financial performance of MFIs. According to them and others, the most calculated ratios among MFIs are: The return on assets ratio (ROA); the portfolio at risk (PAR); the yield on gross loan portfolio or portfolio yield ratio; the operational self-sufficiency ratio (OSS); the financial self-sufficiency ratio (FSS).

From the concepts we have explained, we can be able to establish a conceptual link as shown in Figure 1 between the indicators of the independent variable which is financial literacy (budgeting literacy, credit management literacy and savings literacy) and the dependent variable which is financial performance. The control variable used is the age of the MFIs.

Figure 1: Conceptual framework for the effects of financial literacy on the financial performance of MFIs



Source: Authors

2.2. Financial Literature and Financial Performance: what theories?

The relationship between financial literacy and financial performance of MFIs in this study is motivated by theories. Some of which are:

The Financial Intermediation Theory: It was developed by Gurley & Shaw (1960) and expanded by Mckinnon & Shaw (1973) and it states that, efficient intermediation channels

capital from surplus units to deficient units which enables productive investment and ultimately, economic growth (Boyd, 2003). In microfinance, MFIs exist to intermediate between surplus spending units and deficit spending units by not only offering credit to deficit spending units, but also training their clients on the proper use of the funds acquired (Ledgerwood, 2013). Bethune et al. (2022) argue that financial intermediation is an information-based process in which knowledge asymmetry can lead to suboptimal outcomes like default, fraud, or financial exclusion. Based on this, financial literacy helps to reduce the gap of information that exists between MFIs and clients, making intermediation more efficient and impactful. This leads to better portfolio quality, profitability, and sustainability for MFIs.

The Resource-Based View (RBV) theory: This theory in Barney (1991) states that if companies can manage resources to become more valuable, rare, inimitable, and non-replaceable, they will achieve growth performance and gain sustainable competitive advantage. Also, with high financial literacy, companies will have the ability to access financial resources (as resources) and be managed optimally to create company performance (Adomako & Ofori, 2014).

The Financial Literacy Theory: It opines that the performance of people with very high level of financial literacy is dependent on the dominance of two thinking styles they possess which are intuition and cognition (Evans, 2008). According to Atkinson & Messy (2005), financial literacy theory covers the combination of investors' understanding of financial yields and concepts and their ability and confidence to appreciate financial risks and opportunities.

2.3. Empirical Literature and hypotheses development

Irikefe & Opusunju (2021) studied the effect of financial literacy on the growth of micro, small and medium enterprises (MSMEs) in Murg shopping mall, Abuja, Nigeria. Based on their results, and the four proxies of financial literacy tested, debt management literacy had the highest positive impact on MSMEs' growth, followed by bookkeeping literacy and banking services literacy, whereas budgeting literacy was insignificant. They concluded that there was a significant effect of financial literacy on the growth of MSMEs in Murg Shopping Mall, Abuja.

Another study by Amoah & Mungai (2020) examined the effect of financial literacy training and micro insurance on the financial performance of Small and Medium Enterprises in the Sekondi-Takoradi Metropolis of Ghana. They used a sample size of 260 SMEs, and with the use of a structured questionnaire used to collect data on financial literacy training, micro insurance, financial performance, and government regulations from SME owners and microfinance institutions. Analysis of the data collected revealed that both financial literacy training and micro-insurance had a positive and significant effect on the financial performance of SMEs.

Another study was carried out by Ratnawati et al., (2021) on financial literacy and MSME performance while determining the mediating role of financial behaviour of MSMEs in the food and beverage sector in Malang. Using 132 MSMEs and using Structural Equation Modelling, the results showed that financial literacy carried out by food and beverage SMEs in Malang City creates good financial management, thereby improving financial behaviour. Improving the performance of food and beverage SMEs in Malang City through financial performance requires greater emphasis on aspects of financial behaviour. Financial behaviour carried out by food and beverage MSME owners in Malang City can mediate the influence of financial literacy on MSME performance.

Kimani & Ntoiti (2015) evaluated the effects of financial literacy on the performance of youth-led enterprises. The study adopted a descriptive research survey design for a population of 464 youth-led enterprises under the training programme of Equity Group Foundation in Kiambu County. Primary data was gathered by the use of structured questionnaires and captured through a 5-point type Likert scale. The study found that there was a positive correlation between the

performance of Youth-led Enterprises and the independent variables (Budgeting Literacy, Debt Management Literacy, Banking Services Literacy, and Record-Keeping Literacy), but in varying magnitudes. Debt Management Literacy was found to affect the performance of Youth-led Enterprises the most, while Record-Keeping Literacy, the least.

Bamnjo et al. (2025) carried out a study to examine the effect of financial literacy on the growth of women-owned small and medium size enterprises in Bamenda and Buea of Cameroon. Their objective was to examine the effect of knowledge on bookkeeping management, budgetary management and debt management on the growth of women-owned small and medium size enterprises in Bamenda and Buea of Cameroon. Using a structured questionnaire administered to 300 respondents of women who owned SMEs, a multiple regression analysis was done. Their results showed that, bookkeeping had a positive significant effect on growth, debt management had a negative significant effect on growth and budgetary management had no significant effect on growth of women-owned SMEs.

Dorkas Rambu Atahau et al., (2023) carried out a study on financial literacy and sustainability of rural microfinance: the mediating effect of governance in Sumba, East Nusa Tenggara, Indonesia. Using a sample of 200 questionnaires, and the PLS-SEM for analysis, their findings showed that financial literacy played an important role in the transformation of rural MFIs. Also, financial literacy worked positively on the sustainability of rural microfinance through governance.

Esowe et al. (2017) conducted a study to examine the contribution of financial literacy towards poverty alleviation in Cameroon. The study was carried out in Yaoundé-Cameroon and with the use of questionnaires and interviews, a sample of some 100 respondents made up of workers was administered questionnaires, and the views of some 20 retired persons were sampled on their knowledge on the available financial instruments, and how these instruments were used to enhance their financial wellbeing and sustainability at retirement age. The findings showed that a significant proportion of workers in Cameroon were not familiar with the available financial instrument, and were greatly engaged in reckless borrowing without knowing the consequences of such actions; results from the interviews revealed that a great majority of workers only thought of retirement provisions when they approached retirement age. The authors suggested the need for sustainability in financial literacy to Cameroon workers with the intention to alleviate poverty.

From the empirical literature reviewed, the following hypotheses can be derived:

H₀₁: Budgeting literacy has no significant effect on the financial performance of Microfinance Institutions in Bamenda.

H₀₂: Credit Management literacy has no significant effect on the financial performance of Microfinance Institutions in Bamenda.

H₀₃: Savings literacy has no significant effect on the financial performance of Microfinance Institutions in Bamenda.

3. Methodology

This study adopts a quantitative approach and makes use of the explanatory research design. The sample size adopted for the study is 50 MFIs in Bamenda gotten from the population of 96 registered MFIs in 2024 as published by the DGTFCM. The sampling technique used is convenience based to ensure that the researchers approach the institutions that are easy to reach despite the crisis going on in the region, not forgetting the availability of the respondents. Data collected is primary and is collected with the use of structured questionnaires administered to these MFIs. The questionnaire is structured into three parts. The first part asks information about the respondents, the second part and the third part are in the form of a five level agreement Likert scale where budgeting literacy, credit management literacy and savings literacy are on

the second part and the third part is on financial performance in which items have been constructed based on Return on Assets to test the level of agreement. These questionnaires are administered using the “drop and pick” method, whereby, the questionnaires are dropped in the intended MFI and picked up after some days based on the availability of the respondents. The respondents are required to provide information on financial literacy and financial performance in their MFIs. The study is based on the following regression equation:

$$FP_i = \beta_0 + \beta_1 BL_1 + \beta_2 CML_2 + \beta_3 SL_3 + \beta_4 AG_4 + \mu$$

Where:

FP=Financial Performance

BL=Budgeting Literacy

CML=Credit Management Literacy

SL=Savings Literacy

AG=Age of the MFI

β_0 =Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficients of Budgeting Literacy, Credit Management Literacy, Savings Mobilisation Literacy, and Age of the MFI

μ =Error term

After data is collected, in order to test the hypotheses of the study, the SPSS software package with the Ordinary Least Squares (OLS) method so as to establish the relationship between Financial Literacy and Financial Performance in the MFIs found in Bamenda.

4. Results of the study

Table 1: Descriptive results

Profile	Category	N	Frequency
Gender	Male	18	36%
	Female	32	64%
	Total	50	100%
Years of service	Less than 1 year	12	24%
	1-3years	20	40%
	4-5years	10	20%
	Above 5 years	8	16%
	Total	50	100%
Level of Education	O/Level	8	16%
	A/Level	12	24%
	Degree	20	40%
	Masters	10	20%
	Total	50	100%

Source: Authors

From Table 1, 64% of the respondents are female while 36% of the respondents represent the male. The majority of respondents (40%) hold a degree, indicating that a significant portion of the workforce in the MFIs is highly educated. A quarter (24%) of the respondents have A/Level qualifications, suggesting a notable presence of individuals with secondary education or equivalent. Additionally, 20% of respondents have a Master's degree, reflecting a well-educated segment within the institutions. Lastly, 16% of the respondents have O/Level qualifications, representing those with basic secondary education. This distribution highlights the diverse educational backgrounds of employees, which may influence their ability to engage with and contribute to financial literacy campaigns.

The largest group (40%) has been with the company for 1-3 years, suggesting that many employees are relatively new but have gained enough experience to contribute to financial literacy campaigns. A quarter of respondents (24%) have been with the company for less than a year, which may indicate a fresh perspective or early involvement in the campaigns. 20%

have been with the company for 4-5 years, while 16% have been there for more than five years, reflecting a smaller proportion of long-term employees. This distribution shows a mix of new and experienced employees, all of whom may offer valuable insights into the impact of financial literacy campaigns within the MFIs.

Concerning the MFIs, descriptive results show that a significant portion of the MFIs (36%) have been operating for 1-3 years, indicating that many are in the early stages of growth and might still be adjusting their financial literacy campaigns. Another 24% have been operating for 4-5 years, suggesting these institutions are becoming more established and potentially seeing more refined impacts from such campaigns. A smaller proportion (20%) of MFIs have been operating for less than a year, while 20% have been in operation for over five years, reflecting a mix of newer and more mature institutions. This distribution highlights the varied stages of financial literacy implementation and its potential effects on the financial performance of MFIs in the region.

Using the Pairwise correlation matrix in Table 2, the following can be gotten.

Table 2: Correlation Matrix

Variable	FP	AG	BL	CML	SL
FP	1				
AG	0.608	1			
BL	0.684	0.507	1		
CML	0.63	0.495	0.536	1	
SL	0.695	0.515	0.605	0.587	1

Source: Authors

From the correlation matrix above, we observe that there is a fairly strong positive correlation between budgeting literacy at 0.684, credit management literacy at 0.63, savings literacy at 0.695, and the age of the MFI at 0.608. This therefore confirms the existence of a linear relationship between the variables tested, thereby leading us to proceed with testing for regression to test the hypotheses of the study.

Table 3: Regression results from the effects of financial literacy on the financial performance of MFIs

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	1.1427	0.259	4.40	0.000***
AG	0.3195	0.107	2.98	0.004***
BL	0.6812	0.145	4.72	0.000***
CML	0.5083	0.120	4.23	0.000***
SL	0.5941	0.103	5.75	0.000***
Observations	50			
R-squared	0.829			
Adjusted R-squared	0.808			
F-statistic	24.95			
Prob (F-statistic)	2.87e-29			

Source: Authors

The findings in Table 3 present a summary of the regression results after analysis and shows how financial literacy affects the financial performance of MFIs in Bamenda. The coefficient for the budgeting literacy is positive at 0.6812 and shows that every unit increase in the intensity of budgeting literacy results in a 0.6812 increase in financial performance of MFIs in Bamenda *ceteris paribus*. This strong positive effect highlights that financial literacy focused on improving budgeting skills among MFI clients significantly boost financial performance. The p-value (0.000) shows that this result is statistically significant, reinforcing the importance of budgeting education in improving financial outcomes. Based on this result, we reject the first hypothesis of this study which states that budgeting literacy has no significant effect on the financial performance of Microfinance Institutions in Bamenda.

Still from Table 3, another indicator used for financial literacy is the credit management literacy and its coefficient of 0.5083 shows that, a unit increase in the credit management literacy is associated with an increase in financial performance of the MFIs in Bamenda by 0.5083 units. This implies that educating clients on proper credit management has a direct and positive effect on the MFI's financial performance by reducing defaults and improving repayment rates. The p-value (0.000) confirms the statistical significance of this relationship. Based on this result, we reject the second hypothesis of this study which states that credit management literacy has no significant effect on the financial performance of MFIs in Bamenda.

Another indicator for financial literacy used in this study is savings literacy. From Table 3, the coefficient for savings literacy is 0.5941 and indicates that every unit increase in the effectiveness of the savings literacy is associated with a 0.5941 increase in financial performance of the MFIs in Bamenda. This suggests that financial literacy campaigns aimed at encouraging savings play a crucial role in enhancing the MFI's financial performance. As more clients save, the institution gains a larger capital base for lending and other activities, leading to improved performance. The p-value (0.000) indicates that this relationship is statistically significant. Based on this result, we reject the third hypothesis of this study which states that savings literacy has no significant effect on the financial performance of Microfinance Institutions in Bamenda.

Looking at the control variable from Table 3, we see that the age of the MFI has a positive and significant effect on the financial performance of MFIs in Bamenda given that its coefficient is 0.3195 and it has a p-value of 0.004. This suggests that older institutions tend to have more refined financial practices and better knowledge of managing financial resources. This may also reflect accumulated experience in the market, leading to improved financial performance over time.

The R-squared value is estimated at 0.829 which indicates that the model explains 82.9% of the variation in financial performance using the predictors, including control variables and financial literacy. This is a strong indication that the chosen variables explain a large portion of the financial performance of the MFIs. The adjusted R-squared (0.808), which adjusts for the number of variables, shows that the model still explains about 80.8% of the variation in financial performance, confirming that the financial literacy, along with the control variables, are excellent predictors of MFI performance.

The F-statistic (24.95) and the p-value (2.87×10^{-29}) indicate that the overall model is highly statistically significant. This means that the combination of the age of the MFI, budgeting literacy, credit management literacy, and savings literacy explains a substantial portion of the variation in financial performance and the model is a good fit.

5. Discussion of Findings

The findings in Table 3 shows that budgeting literacy has a positive and significant effect on the financial performance of MFIs in Bamenda. This can be because literacy on budgeting can lead both the MFIs and its members to better control over their financial resources, leading to improved financial outcomes for them. This result is in line with the work of Kimani & Ntoiti (2015) who found a positive correlation between the performance of Youth-led Enterprises in Kiambu County and budgeting literacy. However, this result is contrary to the results of Irikefe & Opusunju (2021) who found that budgeting literacy was insignificant towards the growth of MSMEs in Murg Shopping Mall, Abuja.

Still from Table 3, credit management literacy also has a positive and significant effect on the financial performance of MFIs in Bamenda. Providing clients with the knowledge and skills necessary to manage credit more effectively can lead in a reduction of financial risks for MFIs. This result corroborates the results of Irikefe & Opusunju (2021) who found a positive impact of debt management literacy on the growth of the growth of MSMEs in Murg Shopping Mall,

Abuja. This result is also in line with the work of Kimani & Ntoiti (2015) who found a positive correlation between the performance of Youth-led Enterprises in Kiambu County and debt management literacy. The results also confirm the results of Ratnawati et al. (2021) who found that financial literacy measured through credit management and others carried out by food and beverage SMEs in Malang City creates good financial management, thereby improving financial behaviour.

Another indicator for financial literacy used in this study is savings literacy. From Table 3, savings literacy also has a significant effect on the financial performance of the MFIs in Bamenda. This is explained in the fact that, saving literacy campaigns can encourage clients/members to save more in the MFI which can improve on their financial security. The results are in conformity to the results of Ratnawati et al. (2021) who found that financial literacy measured through savings management and others carried out by food and beverage SMEs in Malang City creates good financial management, thereby improving financial behaviour. The result is also in line with that of Irikefe & Opusunju (2021) who found a positive impact of banking services literacy on the growth of MSMEs in Murg Shopping Mall, Abuja.

6. Conclusion and Recommendations

This study aimed to explore the effect of financial literacy on the financial performance of MFIs in Bamenda, focusing on budgeting literacy, credit management literacy and savings literacy. The findings of this research revealed that these literacies have a profound effect on the financial performance of MFIs in Bamenda. Based on the findings of this study, several recommendations can be made to enhance the effectiveness of financial literacy with the use of campaigns or programs for MFIs in Bamenda and other similar regions. These recommendations aim to strengthen the effect of budgeting, credit management, and savings literacies on the financial performance of MFIs in Bamenda.

Firstly, it is recommended that MFIs continue to prioritize and expand the scope of campaigns on budgeting literacy. These campaigns can enhance financial discipline among clients, leading to improved loan repayment rates and overall financial stability for MFIs. To increase their effectiveness, MFIs should consider incorporating more personalized financial education tools, such as one-on-one financial counselling or the use of mobile platforms that allow clients to track their income and expenses more efficiently. Additionally, further collaboration with schools and community groups could extend the reach of these campaigns and foster a culture of financial literacy at a younger age. Secondly, it is crucial for MFIs to intensify their campaigns on credit literacy. These campaigns can improve clients' understanding of credit terms and loan repayment expectations, thus reducing non-performing loans. MFIs should consider offering more in-depth workshops and seminars on credit management, specifically focusing on how to avoid over-indebtedness and the consequences of loan default. Furthermore, providing clients with clearer and simpler credit terms and repayment schedules could improve understanding and reduce the likelihood of defaults. The third recommendation is to enhance the focus on savings. Encouraging clients to save regularly and invest in financial products can help build the capital base of MFIs, ensuring greater financial stability. MFIs should explore the introduction of savings products that offer higher interest rates or other incentives to attract clients and increase deposit volumes. The fourth recommendation directed towards regulators is to ensure that training and literacy campaigns are effectively carried out by the MFIs so that their members can clearly understand their offerings before engaging on them. This can even lead to the members taking sound financial decisions.

7. Limitations and Future Research

This study just like others is not void of limitations. The study uses just MFIs, so it makes it difficult to generalise the results with other financial institutions. Also, it is limited just to Bamenda found in the North West region so the results cannot represent the whole of Cameroon. Also, there are other indicators of financial literature that can be used. Other limitations faced by the study are the insufficient use of statistical tools to do the research analysis. Based on these limitations, further studies can be carried out to expand research on the effects of financial literacy on financial performance not only in MFIs but also in other banking sectors. More can be done in Bamenda and even Cameroon as a whole with better methodological techniques used to deepen the research on financial literacy and financial performance in MFIs.

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