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Financial Literacy and the Profitability of Entrepreneurial Projects

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ABSTRACT: Financial matters are becoming increasingly complex, placing financial education at the forefront of governments' concerns. It is now widely accepted that people with a sound financial education make informed choices regarding financial management. In an entrepreneurial context characterised by a relentless pursuit of performance, this article aims to assess the impact of financial education on the profitability of entrepreneurial projects. To carry out this work, we adopted a quantitative methodological approach; the non-probabilistic sampling method based on reasoned selection enabled us to set the sample at 128 project managers. We conducted a survey and collected data which were analysed using frequency statistics and multiple regression tests. Prior to this, we applied PCA to extract the items relevant for constructing the factor axes, and Cronbach's alpha was used to ensure the internal consistency of these items. The results confirm that entrepreneurs' cognitive abilities and financial literacy significantly improve the economic and financial profitability of entrepreneurial projects. This finding suggests the need to develop training programs dedicated to the financial education of young entrepreneurs and to facilitate access to financial services and technologies.

KEYWORDS: Entrepreneurial Projects, Financial literacy, Profitability.

INTRODUCTION

In an ever-changing economic landscape, where entrepreneurship plays a central role, financial education is emerging as a key pillar for the success of entrepreneurial ventures (kiyosaki & Lechter, 2001). A thorough understanding of financial principles and the ability to make sound financial management decisions are becoming essential assets for business founders. The 1980s were marked by rapid expansion of global financial markets and the rise of financial capitalism. This era saw growing interest in financial education, both at academic and professional levels. Financial institutions, governments and non-governmental organisations began promoting financial education programmes to empower individuals to manage their personal finances.

This context has fostered the development of financial technology (fintech) in Central Africa, particularly within the CEMAC zone, with rapid growth in the number of companies using technological and digital advancements in the financial sector. In light of this rapid growth and the security risks associated with digital financial transactions, the Bank of Central African States (BEAC) organised a forum dedicated to fintech firms with a view to regulating their activities. With this in mind, the BEAC has developed a regional financial inclusion strategy focusing on access to reliable and secure data, the promotion of innovation and the use of financial services, as well as interoperability. The aim is to accelerate financial inclusion in the sub-region, with the ambition of reaching a rate of 75% of CEMAC residents holding a bank account and an electronic payment instrument by 2030. The BEAC report also highlights the growing importance of digital financial services in the region, with over 73% of transactions carried out via Mobile Money (CEMAC, 2022).

Given the proliferation and increasing sophistication of financial services, financial education is emerging as a key driver of financial inclusion. It enables entrepreneurs and consumers to understand essential financial concepts such as income management, budgeting, investment and risk management. A solid grasp of these principles allows people to make informed decisions and minimise financial risks. However, a shortfall is evident in the implementation of this form of education, despite the efforts made

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by public and private organisations. This shortfall is particularly pronounced among small and medium-sized enterprise (SME) owners, who represent a vital part of the continent's economic fabric (98.8% of Cameroonian businesses are SMEs)[1]. Nearly 60% of African SMEs face significant gaps in financial management, which impacts their ability to manage their resources effectively and plan for growth (Institute for Inclusive Finance, 2023). The World Bank highlights that this shortfall also contributes to ineffective financial risk management and reduces resilience in times of crisis (World Bank, 2022). Furthermore, the International Labour Organisation has noted that the lack of adequate financial education can lead to misguided investment decisions and poor cash flow management of savings by increasing the risk of bankruptcy (OIT 2023).

Financial education is generally defined as the process of acquiring knowledge and skills related to money management (Kiyosaki, 2021). This concept aims to promote sound financial management and raises significant questions regarding the profitability of entrepreneurial ventures (Lechter, 2015; Eker, 2005). Some of these issues relate to problems of information asymmetry, as highlighted in the work of Stiglitz (1970) on the formation of financial markets, investment decision-making, and the effects of information asymmetry on resource allocation and investment profitability. Thaler (2017) has also contributed to the development of this issue within behavioural finance, studying the impact of cognitive biases on entrepreneurs' investment decisions. In the same vein, we can cite the work of Shiller (2013) on how entrepreneurs' perceptions and expectations can be influenced by information asymmetry and, in turn, impact the profitability of their projects. Lusardi and Mitchell (2011, 2023), pioneers in financial literacy research, have incorporated the concept of information asymmetry into their work to help individuals better understand the risks associated with entrepreneurial ventures and make more informed decisions regarding investment and saving.

Cost control and efficient expenditure management are the key points highlighted by experts as ways to reduce unnecessary expenditure, control costs and contribute directly to boosting the profit margin of entrepreneurial projects (Olson, 2024). Indeed, diversifying revenue streams and managing financial risks are two crucial aspects for ensuring the long-term profitability of entrepreneurial projects. According to Jouida et Slaheddine (2022), this diversification of revenue streams is a strategic means of minimising risks and maintaining the financial stability of businesses in the face of market uncertainty. A sound grasp of the key principles of financial literacy appears to be a significant driver of the success and sustainability of projects in a constantly evolving economic environment. Thus, the central question we will attempt to answer is: 'What is the impact of financial literacy on the profitability of entrepreneurial projects?' This research derives further relevance and importance from the lack of discussion on financial literacy, particularly within the entrepreneurial context in Cameroon.

To address this question, the article begins by analysing the theoretical and empirical literature on the concepts of interest and highlights the relationship between them (1); it then outlines the methodological approach used (2) and presents the results, which will be discussed and put into context (3).

1. LITERATURE REVIEW

1.1 Conceptual approach to financial education and profitability

1.1.1 Clarification of the concept of financial education

In the early 2000s, the rise of policies promoting individual empowerment and the launch of the OECD[2]'s "Financial Literacy" programme saw the emergence of what is now commonly referred to as "financial education". The term derives from the Latin ex-ducere, meaning "to guide, to lead out". It refers to the act of raising and educating a child or young person, and developing their physical, intellectual and moral faculties[3]. It enables the transmission of a body of knowledge and values considered essential to the development of the individual's personality and social integration. Defined as such, education can be "formal", "non-formal" or "informal" (Richard, 2015). The formal process, although the most controlled, has many gaps in modern societies. Indeed, most of the crises in our societies are linked to educational crises. Education ensures the transmission from one generation to the next of knowledge, skills, attitudes and values imposed or suggested by the culture in which it operates (Foulquié, 1991; Van Zanten, 2008). Based on Emile Durkheim's (1963; 1969) sociological definition, "education is the influence exerted by adult generations upon

[1] Ministry of Small and Medium-Sized Enterprises, the social Economy, and Crafts (MINPEESA, 2025)
[2] Organisation of Economic Cooperation and Development
[3] French Academic Dictionary, 8th edition, 1932.

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those who are not yet ready for social life. Its purpose is to foster and develop in the child a certain number of physical, intellectual and mental qualities required of him by society as a whole and by the social environment for which he is particularly destined". This definition highlights the social nature of education; every society always shapes, through its educational system, the people it needs. Education therefore has a broader meaning than teaching or instruction. It corresponds to the overall development of an individual, at various levels (scientific, social, moral, cultural, etc.), whereas teaching is limited to a very specific form of education. Furthermore, education today is no longer confined to the formal sphere. It is no longer exclusively a product of the education system but coexists with the "parallel school", given that children acquire a large part of their knowledge from the media (Mialaret, 2006).

In the financial sector, financial literacy has been defined in a number of broad terms. For example, being financially literate means being well-informed, knowledgeable and aware of issues relating to the management of money and assets, banking, investments, credit, insurance and taxation. Financial literacy therefore involves understanding the basic concepts underlying the management of money and assets. This type of literacy refers to the use of knowledge and information to plan, implement and evaluate financial decisions (Ijsselsteijn and al., 2006). This construct has also been defined by Mason and Wilson (2000) as a combination of experiences, resources, technologies and knowledge that enable individuals to make financial decisions. For Beal and Delpachitra (2003), it is education that enables an individual to understand concepts related to money management; to have practical knowledge of financial institutions, systems, services and products; and to possess a set of analytical skills in personal finance.

Other definitions highlight the complexity and multidimensional nature of financial literacy and identify the key variables involved in its operationalisation. According to Vitt et al. (2000), financial education is the personal ability to read, analyse, manage and communicate about individual financial circumstances that affect material well-being; it is the ability to make financial choices, discuss financial matters, plan for the future and respond competently to life events. For Hogarth (2000): "it is the state of being educated and informed about issues relating to the management of money, financial assets and banking services; understanding the basic concepts underpinning the management of money and assets: time value, insurance, etc.; using this knowledge to plan and make financial decisions". Financial education is based on financial literacy and enables the development of knowledge of financial products and concepts in three ways. Firstly, through information, that is, specific data and knowledge aimed at raising individuals' awareness of opportunities, choices and consequences. Secondly, through training programmes designed to help people understand financial concepts and acquire new financial skills and qualifications. Thirdly, through financial advice (OECD, 2005). For this organisation, financial education is the process by which consumers/investors improve their knowledge of financial products, concepts and risks; acquire, through information, teaching or objective advice, the skills and confidence necessary to become aware of financial risks and opportunities, make informed and reasoned choices, know where to find financial assistance, and take other initiatives to improve their financial well-being. McCormick (2009) refers to equipping individuals with basic knowledge and minimum skills regarding money management, banking, finance, the economy, credit, etc. Financial education is a measure of the degree of understanding of key financial concepts and the ability to manage personal finances through informed decision-making based on planning adapted to changing economic conditions (Remund, 2010). According to Cibangala and al. (2019), it involves teaching the knowledge, skills and attitudes that people need to adopt in order to manage their spending, savings and credit more effectively and rationally. The above definitions allow us to define financial education, in simple terms, as the body of specific knowledge concerning opportunities in finance 'in the strict sense'. It enables individuals to understand financial concepts, acquire skills and qualifications, and make optimal use of financial instruments in a context of all-encompassing modernity.

The literature highlights several dimensions of financial education: (1) *the psychological dimension* (Atman, 2011; Hilgert and al., 2003), which relates to all the circumstances and behaviours surrounding the use of financial products and services, making sound financial decisions, and adopting rational financial attitudes and behaviours (Miller and al., 2014) ; (2*) the financial dimension* (Lusardi and Mitchell, 2007; OECD, 2015; Martinez, 2016), which refers to the ability to draw up budgets, to master basic financial concepts (interest rates, inflation, portfolios), to avoid excessive debt and to ensure sound management of financial resources (Lusardi and Mitchell, 2009, 2011); (3) *the economic dimension*, which is based on the rational management of resources. Given the multitude of needs, a hierarchy must be established in spending to ensure the optimal allocation of financial resources (Remound, 2010); (4) *the cognitive dimension*, which stipulates that financial education is a matter of reason. It helps to reduce certain cognitive biases such as overconfidence, herd behaviour and loss aversion (Willis, 2011). It moderates and/or reduces the occurrence of

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impulsive behaviour, strengthens financial capabilities, and helps to avoid unexpected expenditure (Delavande and al., 2008; Gärling and al., 2009; Banks, 2010); (5) *the moral dimension*, which introduces ethics into the management of personal finances and emphasises that honesty, integrity, responsibility and discipline form the foundations of financial education (Stone et al., 2008; Altman, 2011); (6) *the social dimension* (Cibangala and al., 2019) refers to the collaborative, concerted and transparent management of financial resources within the household (Vitt and al., 2000).

In light of these factors, financial literacy encompasses a set of skills, knowledge and behaviours that enable an individual to manage their personal finances effectively. According to Lusardi and Mitchell (2011), individuals with a higher level of education tend to be more financially literate than those with a lower level of education. The same applies to cognitive, psychological and moral abilities, as well as financial literacy (knowledge of financial products and markets) and even economic literacy, which are dependent on educational attainment (Van Rooij, 2013).

1.1.2 Definition, types and measurement of profitability

Profitability is a key component of a company's financial performance and attractiveness. As Alfred Sloan points out, the concept of financial performance is reflected in the economic return on the capital employed by the company (the ratio of net operating profit to capital employed) and the financial return on the capital contributed by the company's owners (the ratio of net profit to equity) (Sloan, 1990). The enterprise must, through the value it creates, remunerate all the factors of production used: external inputs, labor, public services and borrowed capital. It must therefore generate sufficient profit so that its rate of return is not only positive but higher than the rate of return on capital of the same risk class in the financial market. Otherwise, its shareholders would tend to sell their shares in favour of other, more profitable securities, and the company would no longer be able to raise new capital. Profitability is a means of internal financing (self-financing) and a determining factor in the remuneration of shareholders, managers and staff.

For Peter Drucker (1954), regarded as the father of modern management, an organisation's profitability is its ability to generate profits or financial returns that exceed its cost of capital. The author emphasises the maximisation of shareholder value and considers profitability to be a key indicator of a company's performance and viability. Michael Porter (1998) defines profitability in terms of competitive position and value creation. For him, a company is profitable when it succeeds in achieving a sustainable competitive advantage by offering unique products or services or by controlling costs in such a way as to generate profit margins above the industry average. In financial linguistics, profitability has been approached in various ways by different authors. For some, it is synonymous with profit in absolute terms, the ability to generate profits (Egleme and al., 2000; Grandguillot, 2015) or the capacity of capital deployed or invested to generate income expressed in financial terms (Martinet and al., 2023). Although widespread, this interpretation remains questionable. Profitability represents, rather, a relative value: the ratio of income generated to the investments made. A company's profitability is assessed by comparing its results with the value of the resources used to achieve them. This definition refers to two complementary concepts: effectiveness and efficiency. Indeed, companies aim not only to achieve their objectives (effectiveness) but also to make optimal use of their resources (efficiency). Within the framework of the Balanced Scorecard, Robert Kaplan and David Norton (1992) propose a balanced perspective on a company's profitability. It should not be measured solely in financial terms, but must also take into account other dimensions such as customer satisfaction, effective internal processes and organisational learning. They argue that long-term profitability depends on the balance between these different dimensions. A review of the literature allows profitability to be categorised into several types. We shall limit our discussion to economic and financial profitability, as well as the underlying leverage mechanism.

❖ ***Economic Profitability***

By dividing the profit generated by an activity by the capital invested, we obtain a measure of the efficiency of the capital employed, generally referred to as economic profitability. It represents the intrinsic quality of an activity or project, regardless of how it is financed. A company's economic profitability is the ratio of its operating profit to total capital invested. It is a summary indicator expressing both the efficiency and effectiveness of the company within its operating cycle. It is often broken down into two ratios: a margin ratio (operating profit to turnover), which expresses the relative profitability of the company's sales also known as commercial efficiency and a measure of the apparent productivity of capital or the economic asset turnover ratio (turnover to economic capital). This is a turnover ratio that describes the revenue generated by a given amount of economic capital. It reflects the efficient use of productive resources and the conversion of economic capital into revenue. The margin and turnover ratios thus

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highlighted shed light on economic profitability and lead to two management choices. The company can choose between high capital turnover with low margins or low margins with low turnover.

❖ ***Financial profitability***

There is an indicator that relates the revenue generated to the funds contributed or made available to the business: this is financial profitability. It is an indicator that can be applied to both a business and a project when it comes to investing money. Financial profitability takes into account not only the economic aspect, but also the financing structure (proportion of equity and debt). Financial profitability describes the company's ability to generate good results, which guarantee potential dividends for shareholders. It is the ratio of the company's net profit to equity; it takes into account the company's financing through financial expenses, which may reduce the profit. Financial profitability can be broken down into three components (net profit to turnover, turnover to capital employed, capital employed to equity), the product of which can be analysed. The first term represents the company's net margin and reflects its commercial policy. The second reflects the company's operational efficiency; it is the revenue generated per franc of capital invested. The third reflects the company's financing policy; it measures the company's debt ratio based on invested capital (equity and debt).

Financial profitability depends not only on sound management (economic profitability), but also on a skilful debt policy. Analysis of this highlights a mechanism of financial leverage. In financial literature, leverage refers to the favourable impact that the use of debt can have on a company's financial profitability. It is the result of the difference between financial profitability and economic profitability. If the investment is successful and the profits generated exceed the initial cost of the debt, this is referred to as positive leverage. However, if the return on investment is insufficient to cover the debt, this is referred to as a 'crush effect', since the debt is not repaid and the transaction results in a negative balance sheet, which severely penalises investors. When the return on investment equals the cost of debt, this is referred to as 'financial structure neutrality', meaning that debt has no effect on financial profitability.

1.2 Theoretical framework and review of the empirical literature

1.2.1 Theoretical framework of the research

The theoretical framework adopted in this research is that of Gary Becker's human capital theory (1964), theories based on the perspectives of Daniel Kahneman and Amos Tversky (1979) in behavioural finance, and agency theory (Jensen and Meckling, 1976).

➢ **The contribution of human capital theory and its implications**

Human capital is a key factor in the economic success of individuals and nations, as globalisation places greater value on technological skills and the ability to adapt. Education plays a key role in building this human capital, as the better educated people are the higher their incomes and the better their health. The concept of human capital was first formulated in 1961 by the development economist Theodore Schultz and conceptualised by Gary Becker in 1964 (Nobel Prize in Economics in 1992). For Becker, the skills acquired by an individual during their education help to distinguish them and make them a scarce resource. Investment in education (direct education costs and opportunity costs) is offset by the expected benefits of years of education (Becker, 1964). The concept of human capital has gradually expanded to include not only formal education, experience and social skills, but also physical and mental health, recognised as a driver of productivity. Human capital theory posits that education is an investment that increases the productivity of those who receive it and leads to higher earnings; it highlights the relationship between education, productivity and earnings. It can therefore be argued that this theory explains the difference in pay granted to employees based on their stock of human capital. Becker (1964) defines human capital as 'the total productive capacity that an individual acquires through the accumulation of general or specific knowledge and skills'. This definition shows that each person possesses a form of capital that depends on their personal abilities and education. This capital is a stock that can increase or decrease depending on the investment made in it. Becker advocates investment in human capital as it adds value to physical capital. People who possess knowledge and skills can rent out or sell their knowledge to those who hold physical or financial capital (workers or teachers); they can even engage in entrepreneurial projects (entrepreneurs).

Following on from Becker, Ben Porath (1967) developed a theory concerning the optimal accumulation of human capital over the life cycle and the wage profile of workers over time. His model posits that, at each point in time, an individual invests in human capital based on the associated costs and benefits and their stage of life. Drawing on human capital theory, Mincer (1974) argues that the return on education for an individual varies according to the number of years of education and professional experience. He

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posits that the accumulation of human capital does not stop at school education or formal education alone, but continues in the workplace through various forms of learning. In 1993, the author established an empirical method for assessing the return on education through its marginal effect on wages. He argues that firms pay higher wages to employees who are better educated due to their higher skills and productivity. Similarly, the wage gap between workers can be explained by differences in their capital stock. Through the relationship between education, productivity and remuneration in human capital theory, this framework can serve as an explanatory model for financial education and the profitability of entrepreneurial projects.

- **Contributions of Prospect Theory**

Many economists and psychologists have established that classical expected utility theory does not adequately describe human behaviour in the face of risk. Prospect theory is one of the most iconic developments in behavioural economics. Proposed by Daniel Kahneman (1979), winner of the Nobel Prize in Economics in 2002, and Amos Tversky, it introduces the concepts of reference points and loss aversion, which provide a better understanding of individual decision-making. This theory is rooted in the work of John von Neumann and Oskar Morgenstern (1974), which extended and formalised the expected utility theory developed by Bernoulli in the 18th century[4]. According to these authors, an individual's choice will fall on the decision that yields (on average) the greatest satisfaction (or utility). Whilst classical economic theory posits that individuals evaluate different states of the world in an absolute and objective manner, Kahneman and Tversky consider that individuals evaluate situations relatively, in relation to a reference point that may be subjective. These authors have made a significant contribution to advancing research in the field of decision-making. They demonstrate that decision-makers' choices are not always consistent with the criterion of expected utility and emphasise that these choices can be justified by psychological factors that are not incorporated into the standard theory.

The work of Kahneman and Tversky (1979) on prospect theory introduced the concept of risk aversion (or risk-seeking). They proposed that certain psychological tendencies of the individual should be taken into account in decision-making: the initial situation and loss aversion. When making a decision, it is not only the final outcome that is evaluated; the initial situation (or reference point) is also important. Thus, an individual assesses the consequences of a choice not only in terms of its impact on their final level of satisfaction, but also in terms of the change relative to the reference point. Two situations with the same final outcomes will not be perceived in the same way by an individual, depending on whether they are presented as losses or gains. With regard to loss aversion, this reflects the fact that a loss has a greater psychological impact than a gain of the same absolute value. Thus, the drop in satisfaction following a loss is greater than the rise in satisfaction caused by a gain of the same magnitude (Kahneman and Tversky, 1992). Due to the existence of this reference point and loss aversion, the way a situation is presented influences decision-making.

Prospect theory has fundamentally challenged expected utility theory, which had long been used to model human decision-making. In an experiment, if people are asked to choose between two options: winning 1,000 francs or having a 90% chance of winning 1,500 francs, many will opt for the certainty of winning rather than taking the gamble. If, however, they are offered the choice between losing 1,000 francs or having a 90% chance of losing 1,500 francs, many will opt for the gamble, in direct contradiction to the expected utility model. Prospect theory highlights human irrationality in decision-making, in contrast to orthodox economic theory, whose dominant idea is that of a rational man seeking to maximise the expected utility of a situation. Amos Tversky and Daniel Kahneman demonstrated through their experiments that losses have a greater impact on decision-making than equivalent gains.

- **The contribution of Agency Theory**

Jensen and Meckling's agency theory (1976) stems from the relationship between a principal (the party delegating decision-making authority) and an agent (the manager). It is rooted in a contractualist view of the firm and explains that the alignment of objectives among all stakeholders cannot be achieved naturally. The principal must constantly monitor the agent's behaviour through an effective monitoring system. The firm's profitability thus depends on the alignment of the objectives and behaviour of managers with those of all stakeholders. According to Jensen and Meckling (1976), an agency relationship is 'a contract whereby one or more persons (the principal) engage another person (the agent) to perform on their behalf any task involving the delegation of a certain degree of decision-making power to the agent'; whilst taking into account the divergence of interests between the parties and information asymmetry (Boisselier and al., 2013). The agency relationship in a context of information asymmetry provides fertile

[4] In expected utility theory, decisions are rational when faced with risky opportunities. In subjective utility theory, they are based on complex statistical and probabilistic calculations.

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ground for the emergence of opportunistic behaviour. Williamson (1975) distinguishes between ex ante opportunism (the adverse selection problem), which involves withholding information leading to cheating prior to the conclusion of the contract, and ex post opportunism (the moral hazard problem), which relates to breaches of obligation by one of the parties during the contract's execution phase. Three types of costs arise from the agency relationship: monitoring and incentive costs, commitment costs, and opportunity costs (Jensen and Meckling, 1976).

1.2.2 An empirical review of the link between financial education and profitability

Many countries have developed strategies to promote financial education with a view to improving the financial literacy of their populations. Financial literacy is regarded as an essential skill for sound financial management in modern life (Tali, 2016). Financial education has been the subject of numerous theoretical and empirical studies focusing on three main areas (Campbell, 2006; Collins, 2009).

The first area analyses the role and contribution of financial education to household well-being. The aggregated results of these studies confirm that it is important to promote such education in order to enable households to use digital financial products, facilitate financial inclusion (OECD, 2015; Lusardi et al., 2010; Bruhn et al., 2013) and to prevent them from falling into excessive debt and personal and collective bankruptcy (Baucher, 2001; Barrone and Staten, 2009). Other findings reveal that financial education has a positive impact on household finances (Van Rooij and al., 2007) and individual well-being (World Bank, 2013).

The second strand proposes a conceptualisation and operationalisation of financial education through a range of arithmetic and descriptive measures. These studies adopt an approach to financial education that focuses on the understanding and use of financial products and services (Huston, 2009, 2010), skills relating to money management (Worthington, 2006), and factors in financial education or personal finance, notably accounting literacy, banking services and the analysis of ratios in personal and family finance (Eniola and Entebang, 2016).

The third area, which will serve as our guiding thread, examines the importance of financial literacy in business performance in terms of profitability and the growth of entrepreneurial projects. Related studies have concluded that a low level of financial literacy leads to business failure (Schmidt and al., 2016). Furthermore, effective liquidity and cash flow management appears to be a fundamental pillar for ensuring the profitability of entrepreneurial projects. Kiyosaki (2002) asserts that mastery of cash flow reflects the quality of the entrepreneur, and a lack thereof can jeoardise even the most promising projects. According to Kiyosaki and Ramsey (2009), financial education is a major challenge in the management of entrepreneurial projects, as it provides individuals with specific knowledge about opportunities in finance, the skills and qualifications needed to manage their money effectively and gain a better grasp of saving and budgeting.

When launching a business venture, the owner's level of education and their willingness to innovate can play a crucial role in performance, particularly with regard to sales rates and annual export growth (Kundu and Katy, 2003). Based on studies conducted in developing countries, particularly in South Africa, the authors have shown that the entrepreneur's level of education is considered one of the main determinants of business sustainability from the very first years of the enterprise's existence. Indeed, formal education appears to be a powerful lever that can help entrepreneurs develop business skills and seize business opportunities. Some authors argue that financial education has a significant impact on the profitability of entrepreneurial ventures, insofar as a better understanding of financial concepts enables the optimisation of resource allocation and the minimisation of financial risks. Yen (2022); Touissate and Azdimousa (2021) have confirmed the effect of educational attainment on entrepreneurial success in several developed and developing countries. Based on a meta-analysis of a large number of case studies from developing countries, they established that one year of schooling increases a firm's revenue by 5% on average, which is similar to the average return in industrialised countries. There are numerous determinants of financial literacy. For the purposes of this research, we will focus on cognitive, psychological and moral abilities, as well as financial and economic literacy. Individuals with higher cognitive skills tend to be more financially literate than those with lower cognitive skills (Nivoroxozhkin and Nivorozhkhin, 2012). These skills include the ability to solve problems, understand complex information and make informed decisions. Thus, a high level of education (or having taken financial education courses at school) enables a better understanding of financial concepts and the ability to make sound decisions (Kaliappen and Kuppusamy, 2019), which is not the case for individuals with a lower level of education (Lusardi and Mitchel, 2011).

At the conclusion of this literature review, we can postulate as a general hypothesis that financial education significantly influences the profitability of entrepreneurial projects. This postulate will lead us to test the following two specific claims: cognitive,

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psychological and moral capabilities have an effect on the economic and financial profitability of entrepreneurial projects; financial and economic culture impacts the economic and financial profitability of entrepreneurial projects. Testing these hypotheses requires a dedicated methodological framework and
appropriate tools for data collection and analysis.

2. METHODOLOGICAL FRAMEWORK

2.1 Methodological approach

The methodological approach adopted in this research is primarily quantitative, as it involves formulating hypotheses based on a review of the literature and testing them against a reality considered to be the most representative from a quantitative perspective (Popper, 1998).

2.2 Sampling and data collection

Sampling involves specifying the method and determining the size of a sample. The sampling method, which may be probabilistic or non-probabilistic, allows for the selection of a limited number of individuals, objects or events, the observation of which enables conclusions (inferences) to be drawn that are applicable to the entire population from which the selection was made (probabilistic method) (De Landsheere, 1975). Due to the absence of a sampling frame, we opted for non-probabilistic sampling by reasoned selection. A survey was conducted using a questionnaire among 128 participants, most of whom are owner-managers, managers, partners, or accounting/financial managers. A typology of the entrepreneurial projects studied is presented in the table below.

Table 1 : Types Entrepreneurial Projets studied

Business ventures	**Effectiveness**	**%**
Starting a business	86	67,19
Management buy-in	19	14,84
Succession	12	9,38
Acquisition of a stake	7	5,47
Business takeover	4	3,13
Total	**128**	**100**

Source: Results of our surveys

Analysis of the table reveals that 67.19% of the projects studied involve business start-ups, whilst 14.84% involve management leases. Of the 128 projects, 9.38% involve business succession, 5.47% involve equity investments, and only 3.13% involve business takeovers.

2.3 Data analysis process

We selected capabilities (cognitive, psychological and moral) and culture (financial and economic) as measures of financial literacy. As for the profitability of entrepreneurial projects, we split this into two indicators: economic profitability and financial profitability. These variables were operationalised using several measurement items, and two Likert scales were employed, one with 5 items and the other with 3 items. Principal component analysis (PCA) was applied to the variables of interest in the study in order to extract items relevant to the construction of the factor axes. The calculation of Cronbach's alpha ensured the internal consistency of the items contained within each selected factor. The collected data were subjected to univariate analyses in the form of descriptive statistics and multivariate analyses in the form of multiple linear regressions. The results obtained contributed to the verification of the research hypotheses. The general model selected for the empirical tests is of the form: $Y = \alpha 0 + \alpha 1X + Ɛ$ Where: Y: dependent variable, X: independent variable, αj: coefficient estimated parameters; Ɛ: Standard error.

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3. RESULTS AND DISCUSSION

3.1 Characterising financial education and profitability of entrepreneurial projects

3.1.1 Key variables of financial education

Financial education was captured based on two principal dimensions, cognitives, psychological and moral capacity; financial and economic culture. The work of Luardi and Mitchell (2014) on cognitive capacities and financial culture serve as a base as well as the works of Atman (2011); Carpena and al. (2011) on psychological and moral capacity; Remound (2010); on economic culture. The table below show some characteristic of financial education on studied entrepreneurs. The study uses a likert scale of 5: (1) Strongly disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strogly agree.

Table 3: Cognitive Capacities (CoCap) of the entrepreneurs studied

	5		4		3		2		1		Total	
	Eff	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**
Confidence in financial management	33	25.7	60	46.8	22	17.1	7	5,4	6	4.7	128	100
Clear labelling of financial products	30	23.4	50	39.0	10	7.8	20	15.6	18	14.0	128	100
Contract terms that are easy to understand	26	20.3	27	21.0	28	21.8	20	15.6	27	21.0	128	100
Attention to detail in financial management	38	29.6	46	35.9	25	19.5	14	10.9	15	11.7	128	100

Source: Results of our surveys

The table above shows that more than half of the entrepreneurs surveyed demonstrate a degree of self-confidence in financial management (72.5%). The situation is much the same when it comes to the labelling of financial products. The table shows that 62.4% of entrepreneurs label products correctly, compared with 34% who state the opposite and 7.8% who show no interest in the practice. Over 65% of respondents state that they pay particular attention to detail when it comes to financial management. With regard to understanding contract terms, the scores obtained confirm a lack of cognitive ability among entrepreneurs (41%), with a significant proportion of entrepreneurs showing indifference (21.8%).

Table 4: Psychological Abilities (PsyAb) of the entrepreneurs studied

	5		4		3		2		1		Total	
	Eff	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**
Improves financial decision-making and changes financial behaviours and attitudes	32	25.0	47	36.7	20	15.6	15	11.7	14	10.9	128	100
Minimises the influence of emotions in interpersonal financial transactions	30	23.4	48	37.5	16	12.5	23	7.9	11	8.5	128	100
Financial and economic independence	15	11.7	18	14.0	25	19.5	40	31.2	30	23.4	128	100

Source: Results of our surveys

Most of the entrepreneurs surveyed demonstrate their psychological resilience through: (1) making financial decisions and changing their financial behaviours and attitudes (61.7% of respondents); (2) minimising the influence of emotions in interpersonal financial transactions (67.5%). For these two criteria, the remainder of the sample represents a significant proportion. 54.6% of the entrepreneurs surveyed do not have financial and economic independence, whilst 19.5% unfortunately attach no importance to it.

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Table 5: Moral Capacities (MoCap) of the entrepreneurs studied

	5		4		3		2		1		Total	
	Eff	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**
Honesty, integrity, accountability and discipline in financial matters	28	21.8	35	27.3	17	13.2	23	17.9	25	19.5	**128**	**100**
Reducing fraud and financial crime	18	14.0	22	17.1	28	21.8	34	26.5	26	20.3	**128**	**100**
Greater transparency in financial transactions	20	15.6	31	24.2	29	22.6	25	19.5	23	17.9	**128**	**100**
Increases the sense of guilt associated with the misuse of financial resources	12	9.3	20	15,6	43	33.5	28	21.8	25	19.5	**128**	**100**
Builds trust in financial transactions	17	13.2	23	17.9	30	23.4	38	29.6	20	15.6	128	100

Source: Results of our surveys

As shown in Table 5, entrepreneurs demonstrate certain moral qualities to a significant extent. These include honesty, responsibility and financial discipline (49.1%); and transparency in financial transactions (39.8%). The other criteria are slightly less prominent: reducing fraud and financial crime (31.1%), building trust in financial transactions (31.1%), and strengthening the sense of guilt associated with the misuse of financial resources (24.9%).

Table 6: Financial and Economic Culture (FECu)

	5		4		3		2		1		Total	
	Eff	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**	**Eff**	**%**
	Financial Culture											
Saving to benefit from financial advantages (interest, credit)	29	22.6	57	44.5	17	13.2	15	11.7	10	7.8	128	100
Repaying loans when they fall due	20	15.6	38	29.6	27	21.0	25	19.5	18	14.0	128	100
Effective management of savings and borrowing	30	23.4	43	33.5	16	12.5	18	14.0	21	16.4	128	100
Setting financial goals to achieve	18	14.0	27	21.0	26	20.3	30	23.4	27	21.0	128	100
Making good use of money and contributing to well-being	25	19.5	21	16.4	28	21.8	25	19.5	29	22.6	128	100
	Economic Culture											
Understanding the economy (markets, key players)	21	16.4	36	28.1	21	16.4	23	17.9	27	21.0	128	100
Acquiring and preserving limited financial resources	22	17.1	20	15.6	26	20.3	30	23.4	30	23.4	128	100

Source: Results of our surveys

With regard to the financial literacy of the entrepreneurs surveyed, Table 5 shows that three out of five criteria are most commonly cited. These include saving in order to benefit from financial advantages such as credit (67.1%) and the effective management of deposit and credit transactions (56.9%). Repaying loans on time (45.2%) is also cited by the entrepreneurs in the sample. The wise use of money (35.9%) and setting financial goals (35.0%) have the lowest percentages and are the least recognised skills. With regard to economic culture, knowledge of the economic world is the most frequently cited aspect by entrepreneurs (44.5%). The acquisition and preservation of limited financial resources is a rare practice (46.8%) or is ignored (20.3%).

3.1.2 Assessment of the Profitability of Entrepreneurial Projects

We measured the profitability of entrepreneurial projects using two variables: Economic profitability (Ep) and Financial profitability (Fp). A three-point scale (increasing, stable and decreasing) was used.

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Table 7: Assessment of the Ep[5] of entrepreneurial projects

	Operating Income (OI)		Equity (E)		Financial Liabilities (FL)	
	Eff	%	Eff	%	Eff	%
Increasing	46	35.9	37	28.9	40	31.3
Stable	30	23.4	45	35.2	41	32,0
Decreasing	52	40,6	46	35.9	47	36,7
Total	**128**	**100**	**128**	**100**	**128**	**100**

Source: Results of our surveys

The table above shows that nearly half (40.6%) of the entrepreneurs surveyed report that their results have fallen over the last three years, compared with 35.9% who report an increase. For 23.4%, operating profit has remained stable. As regards equity, 35.9% of respondents report a downward trend, compared with 35.2% whose equity has remained constant. Financial debt shows very narrow proportions, with a 31.3% increase compared to a 36.7% decrease over the three years studied. These statistics reveal that the economic profitability of the entrepreneurial projects studied has generally declined over the period.

Table 8: Assessment of the Fp[6] of entrepreneurial projects

	Net Profit (NP)		Equity (E)	
	Eff	%	Eff	%
High	49	38.3	60	46.9
Constant	58	45.3	48	37.5
Low	21	16.4	20	15.6
Total	**128**	**100**	**128**	**100**

Source: Results of our surveys

This table shows that 38.3% of the entrepreneurs surveyed state that their net profits have fallen over the last three years. 45.3% report stable profits, whilst around 16.4% report a downward trend in profits. As for equity, 46.9% of entrepreneurs state that it has increased, compared with 15.6% who report a decrease. For approximately 37.5% of the sample, equity has remained stable over the period. In contrast to the previous case, the financial profitability of the entrepreneurial projects studied has increased moderately.

3.2 Impact of cognitive, psychological and moral capacities on the economic and financial profitability of the entrepreneurial projects in the sample

Analysis of the validity of the measurement scales for the variables, following the removal of irrelevant items, revealed partial correlations between the variables studied (KMO values greater than 0.5) and highly significant Bartlett's tests at the 5% level. We used Principal Component Analysis (PCA) to assess the validity of the constructs, and the items were grouped into factors providing the maximum amount of information. Examination of the eigenvalues allowed us to retain all axes with an eigenvalue greater than 1, with a threshold corresponding to the percentage of total variance explained set at a minimum of 0.6 (Evrard and al., 2003). The factor analyses allowed. Factor analyses identified a statistically significant factor to replace the measurement items for each variable in our model. Each sub-hypothesis was broken down into two components, which we tested using multiple linear regression.

3.2.1 The effect of cognitive, psychological and moral capacities on the economic profitability of projects

We chose to estimate a model of economic profitability based on cognitive (CapCo CoCap), psychological (CapSy PsyAb) and moral (CapMo MoCap) abilities and their effect on the economic profitability (Ep) of entrepreneurial projects. The main variables used and the test results are presented in the table below.

[5] Operating Profit/Current Assets + Current Liabilities
[6] NP/E

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Table 9: Effect of cognitive, psychological and moral capabilities on the economic profitability of projects

Model	**Sum of squares**	**Ddl**	**Average square**	R	0.988[a]
				R-two	0.976
				R-two justified	0.976
Regression	118.990	3	39.663	Standard error of estimation	0.15262
Of Student	2.889	124	0.023	F	1702.664
Total	**121.879**	**127**		**Sig.**	**0.000[b]**

Coefficients							
Model	**Non standardise Coefficients**		**Standardise Coefficients**			**Confidence Interval at 95% for B**	
	B	Standard Error	Beta	t	Sig.	Lower limit	Upper limit
(Constant)	0.004	0.013		0.289	0.773	-0.023	0.031
CoCap	0.970	0.014	0.991	71.009	0,000	0.943	0.997
PsyAb	-0.019	0.014	-0.019	-1.330	0.186	-0.046	0.009
MoCap	0.012	0.014	0.012	0.855	0.394	-0.016	0.039

a. Dependant Variable : Ep
b. Predictor: (Constant) CoCap, PsyAb, MoCap
Source: Survey results

The table above presents the estimated regression model. An analysis of the model's significance, using the Fisher's exact test, determines whether at least one of the independent variables explains the economic profitability of the projects. The Fisher's exact test statistic (less than 1%) confirms that the model is statistically significant overall. This is confirmed by the coefficient of determination R^2, the level of which indicates that cognitive, psychological and moral abilities explain 97.6% of the variation in the dependent variable (economic profitability of projects). This means that the regression line equation accounts for 97.6% of the data points; our model is therefore of good quality. An examination of the significance of the explanatory variables reveals that one of the three variables is significant at the first-order threshold (less than 5%). This is confirmed by the Student's t-test (1.96) and the values at the limits of the confidence intervals (only one explanatory variable shows the same signs at both limits). Only the 'Cognitive abilities' variable has a significant effect on the economic profitability of the projects. The other two explanatory variables have no effect (Student's t-value less than 1.96). We can conclude that psychological and moral abilities do not affect the economic profitability of the entrepreneurial projects studied.

3.2.2 The effect of cognitive, psychological and moral abilities on the financial profitability of projects

We tested the effect of cognitive, psychological and moral abilities on financial profitability. The results of the tests are presented in the table below.

Table 10: The effect of cognitive, psychological and moral abilities on the financial profitability of projects

Model	**Sum of squares**	**Ddl**	**Average square**	R	0.931[a]
				R-two	0.867
				R-two justified	0.864
Regression	110.104	3	36.701	Standard error of estimation	0.36912
Of Student	16.896	124	0.136	F	269.355
Total	**127.000**	**127**		**Sig.**	**0.000[b]**

Coefficients							
Model	**Non standardise Coefficients**		**Standardise Coefficients**			**Confidence Interval at 95% for B**	
	B	**Standard Error**	**Beta**	**t**	**Sig.**	**Lower limit**	**Upper limit**
(Constant)	0.000	0.033		-0.003	0.998	-0.065	0.064

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CoCap	0.936	0.033	0.936	28.309	0.000	0.870	1.001
PsyAb	-0.039	0.034	-0.039	-1.163	0.247	-0.106	0.028
MoCap	0.020	0.033	0.020	0.593	0.554	-0.046	0.086

a. Dependant Variable : Fp
b. Predictors: (Constant) CoCap, PsyAb, MoCap
Source: Survey results

The table above presents the results of the regression analysis. As the Fisher's exact test p-value is less than 1% and given the value of the coefficient of determination R^2, we can confirm that our model is statistically significant overall. The R^2 value indicates that cognitive, psychological and moral abilities account for 86.7% of the variation in the dependent variable (the financial profitability of projects). The regression line equation accounts for 86.7% of the data points, confirming the high quality of our model. An examination of the significance of the explanatory variables reveals that at least one of the three variables in the model is significant at the 5% level. This is confirmed by the Student's t-test and the values at the limits of the confidence intervals. The variable 'Cognitive abilities' therefore has a significant effect on the financial profitability of entrepreneurial projects. This variable remains unaffected by the effect of psychological and moral abilities, with a Student's t-value of less than 1.96. We can conclude that these abilities do not affect the financial profitability of the entrepreneurial projects studied.

3.3 The impact of financial and economic culture on the profitability of entrepreneurial projects

The aim here is to assess the impact of financial culture (FiCul) and economic culture (EcoCul) on project profitability. This hypothesis was tested using the following categorisation.

3.3.1 Impact of financial and economic culture on the economic profitability of entrepreneurial projects

Testing the economic profitability model using cultural variables yielded the results shown in the table below.

Table 11: Impact of financial and economic culture on the economic profitability of entrepreneurial projects

Model	**Sum of squares**	**Ddl**	**Average square**	R	0.803[a]
				R-two	0.653
				R-two justified	0.625
Regression	98.096	2	28.699	Standard error of estimation	0.22847
Of Student	19.782	125	0.966	F	226.723
Total	**117.878**	**127**		**Sig.**	**0.000[b]**

Coefficients							
Model	**Non standardise Coefficients**		**Standardise Coefficients**			**Confidence Interval at 95% for B**	
	B	**Standard Error**	**Beta**	**t**	**Sig.**	**Lower limit**	**Upper limit**
(Constant)	0.004	0.087		0.045	0.964	-0.168	0.176
FiCul	0.855	0.022	0.564	24.268	0.001	0.396	0.872
EcoCul	0.120	0.119	0.123	1.012	0.313	-0.115	0.355

a. Dependant Variable : Ep
b. Predictors : (Constant) FiCul, EcoCul
Source: Survey results

The results above show that the Fisher's exact test p-value is less than 1%, confirming that the model is statistically significant overall. The value of the coefficient of determination R^2 indicates that financial literacy explains 65.3% of the variation in the dependent variable (economic profitability). In other words, the regression line equation accounts for 65.3% of the distribution of the data points. An examination of the significance of the explanatory variables reveals that at least one of the two variables in the model is significant at the 5% level. This is confirmed by the Student's t-test and the confidence interval limits. The 'Financial

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Culture' variable has a positive and significant influence on the economic profitability of entrepreneurial projects. This variable is hardly dependent on economic culture, given that the Student's t-value is less than 1.96. It appears that entrepreneurs' economic culture does not affect the economic profitability of their projects.

3.3.2 Impact of financial and economic culture on the financial profitability of entrepreneurial projects

Testing the financial profitability model using cultural variables yielded the results shown in the table below.

Table 12: Impact of financial and economic culture on the financial profitability of entrepreneurial projects

Model	**Sum of squares**	**Ddl**	**Average square**	R	0.706[a]
				R-two	0.565
				R-two justified	0.575
Regression	110.608	2	38.536	Standard error of estimation	0.24255
of Student	8.392	125	1.011	F	230.526
Total	**119.000**	**127**		**Sig.**	**0.001[b]**

Coefficients							
Model	**Non standardise Coefficients**		**Standardise Coefficients**			**Confidence Interval at 95% for B**	
	B	**Standard Error**	**Beta**	**t**	**Sig.**	**Lower limit**	**Upper limit**
(Constant)	0.002	0.089		0.000	1.000	-0.176	0.176
FiCul	0.105	0.011	0,795	21.943	0.000	0.915	0.125
EcoCul	0.032	0.121	0.032	0.260	0,795	-0.209	0.272

a. Dependant Variable : Fp

b. Predictors : (Constant) FiCul, EcoCul

Source: Results of our surveys

The regression analysis shows a fairly satisfactory overall level of significance. As shown in the table, Fisher's exact test indicates a significance level at the 1% threshold. Furthermore, the value of the coefficient of determination R^2 shows that financial literacy explains 56.5% of the variation in the dependent variable (financial profitability). In other words, the regression line equation accounts for 56.5% of the distribution of data points and confirms the high quality of the model used. An examination of the significance of the explanatory variables reveals that one of them is significant at the 5% level. This is confirmed by the Student's t-test and the values at the limits of the confidence intervals. In conclusion, the variable 'Financial Culture' significantly influences the financial profitability of entrepreneurial projects. However, this profitability is not influenced by economic culture, as the value of the Student's t-test is less than 1.96. We can also conclude that the economic culture of entrepreneurs does not affect the financial profitability of their projects.

CONCLUSION

Research into financial literacy has seen a dramatic rise over the past decade due to the interest in behavioural finance within the process of individual decision-making. The main objective of this research was to examine the influence of financial literacy on the profitability of entrepreneurial projects. We chose the field of entrepreneurship due to the scarcity of research in sub-Saharan Africa on the financial education of entrepreneurs. The lack of a survey base led us to adopt the non-probability sampling method based on reasoned choice. The survey covered 128 entrepreneurial projects, most of which were established businesses. In the literature, the concept of financial education is broken down into several dimensions and components; we combined these to identify, on the one hand, cognitive, psychological and moral capacities and, on the other hand, financial and economic literacy. The profitability of the entrepreneurial projects was assessed using standard indicators of economic and financial profitability. Principal component analysis (PCA) of the relevant variables, together with the calculation of Cronbach's alpha, enabled us to extract the relevant items and verify their internal consistency. Several descriptive analyses and multiple regressions were applied to the data collected; the results obtained confirm some of our initial hypotheses.

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The descriptive analysis of the study's conceptual variables revealed several relevant findings. The cognitive abilities of entrepreneurs are characterised by self-confidence in financial management and the classification of financial products. The psychological abilities of the entrepreneurs surveyed are more mixed when it comes to financial decision-making and changing their financial behaviours and attitudes, as well as minimising the influence of emotions in interpersonal financial transactions. However, these entrepreneurs suffer from a very marked financial and economic dependence. The moral capabilities present in some entrepreneurs relate to: honesty, responsibility and discipline in financial matters, and transparency in financial transactions.

Testing the research hypotheses has led us to the following conclusion regarding the relationship between financial literacy and the profitability of entrepreneurial projects: cognitive abilities and financial literacy have a significant impact on the economic and financial profitability of entrepreneurial projects. These findings are consistent with those of Kundu and Katy (2003); Yen (2022); Touissate and Azdimousa (2021); Kaliappen and Kuppusamy (2019). Our research makes a dual theoretical and managerial contribution. On a theoretical level, although some studies have operationalised the concept of financial literacy, it remains nonetheless ambivalent and multidimensional. This study has the merit of having attempted to unpack it by incorporating under-explored dimensions such as cognitive, psychological and moral capacities, as well as financial and economic culture. Furthermore, our results show that financial literacy is a key driver of the profitability of entrepreneurial projects. Such a conclusion builds on certain previous studies and is of definite interest in the field of behavioural finance. From a managerial perspective, this study identifies the determinants of an entrepreneur's financial literacy, enabling them to manage their business more effectively through sound budget planning, cost reduction and effective cash flow management. Entrepreneurs with a good financial education make informed choices regarding spending, investment and borrowing.

This research has highlighted that financial education for entrepreneurs develops cognitive skills and a financial literacy that improve the economic and financial viability of their projects. This finding underscores the importance of developing these skills and this financial literacy among entrepreneurs. With regard to skills such as self-confidence in financial management, the correct labelling of financial products and sound financial management, two key approaches can be considered: (1) incorporating financial education into the training curriculum for future entrepreneurs, to empower them through budget management, saving, credit management and investment (De Witte et al., 2017; Lefrançois et al., 2023); (2) facilitating access to financial services and technologies (fintech) to promote greater financial inclusion (Mohe and Fokam, 2025, p. 29) among young entrepreneurs. However, this study has weaknesses related to the conceptualisation of financial education (its multidimensional nature) and to the sampling, which may serve as a starting point for future research.

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