

THE EFFECT OF FINANCIAL LITERACY ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MUKONO

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**UGANDA CHRISTIAN
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DECLARATION

I, OMARA MARK OCHAN hereby declare that this report is my original work that has never been submitted by anyone to any institution of learning and that it is based on my experience, skills gained and research carried out.

OMARA MARK OCHAN

S22B05/031

my jaw

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APPROVAL

This is to certify that OMARA MARK OCHAN has done this research under my supervision. This is to certify that this report was written and compiled while carrying out research by OMARA MARK OCHAN, a student of Uganda Christian University, registration number S22B05/031 under the supervision of;

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SIGNATURE; 

DATE; 15 / 09 / 25

DEDICATION

I dedicate this research report to my beloved mother, brothers, siblings, lecturers, academic supervisor and friends for their support and guidance that has enabled me to reach this far. May the almighty God bless them abundantly.

ACKNOWLEDGEMENT

I acknowledge the almighty God for his guidance, provision and protection throughout this research. Sincere thanks to my supervisor DR. MAURICE OLOBO for the guidance and support he has given me in accomplishing this research. Lastly, I thank my mother, siblings and friends for their continuous support and prayers.

ABSTRACT

The small and medium enterprises sector has a crucial role in the economy of Uganda and highly contributing to employment, economic growth and income generation. Small and medium enterprises in mukono operate in sectors like retail, manufacturing, agriculture and services though most of them face challenges that hinder their growth and sustainability. Low financial literacy among small and medium enterprises owners and managers is one of the key blocks affecting budgeting, recordkeeping, investment decision, debt management and the whole financial planning aspect. This study investigated the effect of financial literacy on performance of small and medium enterprises in mukono district between 2019 to 2024. A research (descriptive) was conducted targeting 150 small and medium enterprises, with a random stratified random sampling of 109 owners and managers. All the data was collected using questionnaires and analysed using descriptive and inferential statistics. The study indicates a moderate financial literacy among small and medium enterprise owners and managers with strong knowledge of budgeting and planning but moderate financial behaviours and attitudes. Small and medium enterprises performance was also relatively moderate and the sustainability is rated higher than profitability and growth. Nevertheless, a positive relationship was observed between financial literacy and business performance which shows that higher financial knowledge enables managers and owners to make informed decisions, manage resources effectively, access finance and improve overall outcomes. The study summarizes that enhancing financial literacy is important for improving small and medium enterprise profitability, growth and sustainability. Recommendations basically include practical training workshops, targeted financial education programs and policy interventions by government and financial institutions. The research highly contributes to the understanding of financial literacy's importance in small and medium enterprise performance and the countries development.

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- (please fill the correct response) 24
- 1. Gender * 24
 - Mark only one oval.* 24
- 2. Age * 24
 - Mark only one oval.* 24

3.	Level of Education *	25
	<i>Mark only one oval.</i>	25
4.	Position in the business *	25
	<i>Mark only one oval.</i>	25
5.	Type of small and medium enterprise *	25
	<i>Mark only one oval.</i>	25
6.	Years in business operation *	25
	<i>Mark only one oval.</i>	26
(Indicate your level of agreement: 1=Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)		27
7.	Budgeting and Planning: I prepare a business budget before making financial *	27
	<i>Mark only one oval.</i>	27
8.	Budgeting and Planning: I regularly review and update my business budget. *	27
	<i>Mark only one oval.</i>	27
9.	Budgeting and Planning: Budgeting helps me control business expenses and *	27
	<i>Mark only one oval.</i>	28
10.	Record keeping: I keep accurate and up to date financial records (e.g. sales, *	29
	<i>Mark only one oval.</i>	29
11.	Record keeping: I use these records to evaluate the financial performance of *	29
	<i>Mark only one oval.</i>	29
12.	Record keeping: Poor record keeping negatively affects my decision making. *	29
	<i>Mark only one oval.</i>	29
13.	Savings and Investment: I save part of my business income for reinvestment or *	31
	<i>Mark only one oval.</i>	31
14.	Savings and Investment: I reinvest profits to expand my business. *	31
	<i>Mark only one oval.</i>	31
15.	Savings and Investment: I understand the risk and returns of different *	31
	<i>Mark only one oval.</i>	31
16.	Debt and Credit Management: I clear understand loan terms and repayment *	33
	<i>Mark only one oval.</i>	33
17.	Debt and Credit Management: I manage business loans effectively to avoid *	33
	<i>Mark only one oval.</i>	33
18.	Debt and Credit Management: Access to credit has helped me improve the *	33
	<i>Mark only one oval.</i>	33
(Indicate your level of agreement: 1=Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)		34
19.	My business generates sufficient profits compare to expenses. *	35
	<i>Mark only one oval.</i>	35
20.	My business has grown in terms of sales; customers or market share in the last *	35
	<i>Mark only one oval.</i>	35
21.	My business has been able to sustain operations despite challenges like *	35

	<i>Mark only one oval.</i>	35
22.	I have been able to access external financing (like, bank loans, SACCO, micro *	37
	<i>Mark only one oval.</i>	37
23.	Financial literacy has helped improve the performance of my business. *	37
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CHAPTER ONE

1.0 Introduction

This chapter presents the background of the study, statement of the problem, purpose of the study, objectives, research questions, scope of study, justification of the study and significance of the study.

1.1 Background of the Study

The contribution of Small and medium enterprise (SMEs) is very important in the Ugandan economy, contributing over 90% of the private sector employment and greatly influence the national GDP (Uganda investment authority 2021). In mukono district a fast urbanizing area that is close to Kampala, Small and medium enterprise (SMEs) control the business environment a cross sector such as retail, agriculture, manufacturing and services. These enterprises provide essential goods and services, encourage innovation and generate income for many households.

On the other hand, though small and medium enterprises in mukono are important they face serious challenges that affect their growth and sustainability. some of the most essential issue is financial literacy among SMEs owners and managers. Financial literacy involves the understanding and application of financial principles such as budgeting, saving, investment, debt management and financial planning (Lusardi & Mitchell, 2014). Without this knowledge many entrepreneurs struggle to make informed decisions, maintain accurate financial records and strategically manage their resources.

Empirical evidence shows that financial literacy positively correlates with business outcomes. Adomako and Danso (2014) found that SMEs with higher financial literacy tend to have improved access to credit, more efficient cash flow management and stronger overall performance. Nevertheless, most of these studies focus on the national or urban centers like Kampala with limited research on districts such as mukono, where SMES operate in a more localized context with distinct economic and social characteristics.

Mukono districts business environment presents unique opportunities and constraints, including evolving markets, access to financial services and local support structures. Understanding the level of financial literacy among SME operators in mukono district and its impact on their business performance, is therefore very essential for designing targeted interventions that enhance business viability and contribution to economic development.

1.2 Statement of the problem

Small and medium enterprises SMEs are widely regarded as the backbone of Uganda's economy playing a key role in employment creation, income generation and innovation. In mukono district, SMEs are a major source of livelihood for thousands of residents and contribute significantly to the local economy. However, despite their critical importance many SMEs in the district struggle to survive and grow. Statistics from the Uganda bureau of statistic (UBOS, 2022) indicate that over 60% of SMEs in Uganda fail within their first three years of operation, with similar partners observed in mukono.

Poor financial management is a key factor contributing to high failure rate, which is often rooted in limited financial literacy among SMEs owners and managers. Many entrepreneurs lack the knowledge and skills to create budgets, manage cash flows, keep records or evaluate the financial viability of their business decisions. As a result, they make uninformed choices that lead to financial instability, reduce profitability and eventually lead to business collapse.

Although various institutions including government bodies and financial service providers have introduced financial literacy initiatives, their effectiveness at the local level particularly in districts like mukono remains largely unexplored. There is lack of empirical data showing whether enhanced financial knowledge among SMEs operators has translated into improved performance outcomes such as profitability, sustainability and business expansion.

Without a clear understanding of the relationship between financial literacy and SMEs performance in mukono district, the efforts to support entrepreneurship and economic development may fall short of their intended impact. This study therefore seeks to investigate the effect of financial literacy on the performance of SMEs in mukono, with the goal of identifying practical ways to strengthen business sustainability and growth in the region.

1.3 Purpose of the study

The purpose of the study is to examine the effect of financial literacy on the performance of small and medium enterprise in mukono, Uganda. The research specifically seeks to understand how financial knowledge and skills like budgeting, record keeping, saving, investment and debt management influence key business outcomes such as profitability, sustainability, growth and access to finance.

By investigating this relationship, the study aims to generate evidence based insights that can inform interventions by policy makers, financial institutions, development organisations and SMEs owners themselves. The ultimate goal is to identify strategies for enhancing financial literacy among entrepreneur's, thereby improving their decision making, strengthening business practices and reducing the failure rate of SMEs in mukono district.

1.4 Objectives of the study

1.4.1 General objective:

To investigate the effect of financial literacy on the performance of small and medium enterprises (SMEs) in mukono district.

1.4.2 Specific objectives:

- I. To access the level of financial literacy among SME owners and managers in mukono district.
- II. To evaluate the performance of SMEs in relation to their financial practices such as budgeting, record keeping and cash flow management.
- III. To determine the relationship between financial literacy and key indicators of SME performance such as profitability, growth and sustainability.
- IV. To identify financial literacy gaps that hinder effective decision making and financial management among SMEs in mukono.
- V. To recommend strategies for enhancing financial literacy to improve the performance and longevity of SMEs in mukono.

1.5 Research Questions

- I. What is the level of financial literacy among SME owners and managers in mukono district?
- II. How do financial management practices influence the performances of SMEs in mukono?
- III. What is the relationship between financial literacy and SME performance indicators such as profitability, growth and sustainability?
- IV. What financial literacy gaps exist among SMEs that may hinder effective decision making and business success?
- V. What strategies can be implemented to improve financial literacy and enhance SME performance in mukono district?

1.6 Scope of the study

1.6.1 Geographical scope

The study is geographically limited to mukono district located in central Uganda. The district is chosen due to its rapid urbanisation and growing number of small and medium enterprises (SMEs) operating across various sectors such as retail, agribusinesses, manufacturing, hospitality and services. Mukono's strategic location near the capital city Kampala and its emerging business environment make it an ideal setting for examining the effect of financial literacy on performance of SMEs.

1.6.2 Time scope

The study focuses on a period from 2019 to 2024, basically a time frame that allows the researcher to analyse recent trends and developments in SMEs performance in relation to financial practices. This five-year period captures both the pre- COVID- 19 and post- COVID- 19 business environment, offering valuable insight into the evolving financial behaviours of entrepreneurs.

1.6.3 Content scope

This content of the study is limited to examining financial literacy as an independent variable and SME performance as a dependent variable. Financial literacy in this context includes budgeting, saving, investment decision making, record keeping and debt management. SME performances is measured using indicators like profitability, business expansion, revenue growth and operational sustainability. The study does not focus on the other factors influencing SME performance such as marketing strategies, technological adoption or political influences.

1.7 Justification of the study

Small and medium enterprises (SMEs) are like the life blood of Uganda's economy highly providing employment, promoting innovation and also contributing significantly to the national income. However, their performance and sustainability are often hindered by poor financial decision making which is largely due to low levels of financial literacy. While national and regional strategies exist to support SME growth, there is limited empirical research that specifically examines the financial literacy of SME operators in mukono district, an area experiencing rapid business development and urbanization.

This study is justified on several grounds:

1. Local relevance:

Mukono has a high concentration of SMEs, yet limited academic focus has been given to how financial literacy influences their performance. Studying this district provides localized insights that national studies may over look, helping tailor financial education programs to the needs of mukono entrepreneurs.

2. Policy contribution:

The findings of the study can help inform government, NGOs and financial institutions on how to design effective policy and training programs that promote financial capability among SMEs. This aligns with Uganda's broader goals of enhancing financial inclusion and economics resilience.

3. Closing the knowledge gap:

Although prior studies like (Lusardi & Mitchell, 2014; Adomako & Danso, 2014) have demonstrated a positive link between financial literacy and business outcomes, many of these are conducted in developing economies or abroad national context. This study addresses the specific gap in evidence at the district level in Uganda.

4. SME empowerment:

Understanding the role of financial literacy in business performance empowers SME owners and managers with the tools to make better financial decisions. It promotes the shift from informal, intuition based management to structured, informed financial planning.

5. Academic value:

The research will contribute to the academic literature in fields of entrepreneurship, finance and development studies especially with in a sub-Saharan African context. It also fulfils part of the researcher's academic requirement for the award of Bachelor of Business Administration.

1.8 Significance of the study

This study is basically significant because it addresses an important critical factor affecting the sustainability and performance of small and medium enterprises (SMEs) which is financial literacy. The findings of this research will benefit a wide range of stakeholders in both practical and academic settings.

1. SME owners and managers:

The study will help SME owners and managers in Mukono district recognize the importance of financial literacy in business operations. It will raise awareness about how knowledge in budgeting, saving, recording keeping, debt management and investment decision making can directly improve profitability, reduce financial risk, and enhance long term business sustainability. The insights can motivate entrepreneurs to adopt better financial practices and seek relevant training.

2. Financial institutions and NGOs:

Banks, microfinance institutions and development organisations that work with SMEs can use the study's findings to design financial products and literacy training tailored to the actual needs of SME operators in Mukono. Understanding the specific financial knowledge gaps will

allow these institutions to provide more effective financial inclusion and capacity building services.

3. Policy makers and government agencies:

The research will offer valuable empirical evidence to policy makers at the local and national levels, including institutions like the ministry of trade, industry and the Uganda investment authority. The findings can inform the development and implementation of targeted policies and financial education programs aimed at strengthening the sector in Uganda.

4. Academic and research community:

This study will add to the growing body of literature on financial literacy and SME performance, especially within the context of developing countries. By focusing on mukono district, the research fills a gap in localized studies and provides a foundation for future comparative or longitudinal research on similar topics.

5. The researcher:

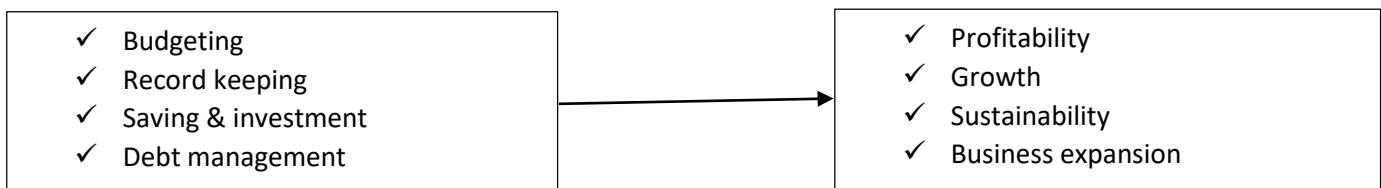
The study contributes to the academic and professional development of the researcher by enhancing skills in problem identification, data collection, analysis and reporting. It also fulfils part of the requirements for the award of bachelor of business administration degree.

1.9 Conceptual frame work.

The conceptual framework for this study illustrates the relationship between financial literacy (the independent variable) and SME performance (the dependent variable). It is built on the premise that an SME owner or managers financial knowledge influences their ability to make sound financial decisions, which in turn affects the success and sustainability of the business.

INDEPENDANT VARIABLE
(FINACIAL LITERACY)

DEPENDENT VARIABLE
(SME PERFORMANCE)



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive review of existing literature regarding the effect of financial literacy on performance of small and medium enterprises (SMEs). The review is organized according to the study objectives.

2.2 Theoretical review

Theories help explain how basically financial knowledge influence's small and medium enterprises decision making and outcomes. It also greatly helps entrepreneur's make smart financial decision's and handle their money well.

Human capital theory. Becker (1964) introduced the human capital theory. It basically focuses on the skills, knowledge and experiences and individual holds that can be used to create economic value. As per this theory, financial literacy is a form of human capital that equips small and medium enterprise owners and manager's capabilities needed to make financial decisions. The theory suggests that investment in training and education about financial literacy is very important because it improves productivity and performance. Entrepreneurs who highly invest their time in developing their financial skills are better able to budget well, manage cash flows, evaluate investment opportunities and access to credit where by all of which contribute highly to better business outcomes.

Theory of planned behaviour. Ajzen (1991) introduced the theory of planned behaviour. The theory is very essential in understanding the interrelation between the financial literacy and small and medium enterprise. The theory further proposes that an individual's behaviour is driven by their intention to perform a behaviour that is basically influenced by attitudes, subjective norms and perceived behavioural controls. In the context of this study, financial literacy affects attitude and confidence of small and medium enterprise owners towards financial management. Small and medium enterprise owners with better knowledge are more likely to adopt positive financial behaviours like regular budgeting and book keeping which actually affect behaviour and the ultimate business performance.

Resource based view theory. Barney (1991) lately developed the theory and argues that firm resources and capabilities are very important for achieving a high competitive advantage and superior performance. Financial literacy can literally be considered as a valuable intangible resource that enables small and medium enterprises to effectively manage their financial resources, reduce costs and make strategic decisions. From this perspective, small and medium enterprises that highly develop financial literacy possess unique resources that further separate them from less knowledgeable competitors and potentially leading to higher profitability and sustainability.

2.3 Empirical literature review.

This section reviews the empirical studies that have investigated the effect of financial literacy on the performance of small and medium enterprises. Basically the purpose is to try and understand how previous research has approach this topic, and the findings they have reported including the gaps that remain, in the context of particularly developing countries like Uganda.

Global context studies. Many international studied have shown a positive correlation between financial literacy and performance small and medium enterprises success. Just like Lusardi and Mitchell (2014) analysed data from many countries and found out that entrepreneurs with higher financial literacy were more likely to make better sound financial decisions, maintain better records and definitely improve business profitability and sustainability. Their study emphasized that financial literacy enhances the ability to plan, manage cash flow and access credit. In the same way, Cole, Sampson and Zia (2011) conducted a field experiment in Indonesia that showed training in financial literacy significantly improved business performance outcomes for micro entrepreneur's. Participants demonstrated better savings, better loan repayment rates and higher profits compared to a control group.

The African context. Within Africa empirical research on financial literacy and small and medium enterprises performance is growing but still so limited. Adomako and Danso (2014) examined Ghanaian small and medium enterprises and found a strong relationship between the financial knowledge of the owners and business performance with key Indicators like sales growth and profitability. They noted that small and medium enterprises with better financial literacy had greater access to formal financial services which highly supported their growth. Similarly, Akinbowale, Akinyomi and Akinlabi (2017) studied Nigerian small and medium enterprises and reported that financial literacy significantly influenced the ability of entrepreneurs to manage working capital and sustain their businesses. Their findings actually underscored the role of financial education in reducing the rate of small and medium enterprises failure in developing countries.

Ugandan context studies. In Uganda, limited but important studies have addressed financial literacy among small and medium enterprises. Bwisa and Njeru (2018) conducted a study in Kampala and found out that many small and medium enterprises lacked basic financial skills, leading to poor financial management and profitability. The study highly recommended enhancing financial literacy training programs among entrepreneurs. Another study by Kiggundu (2020) in central region which includes mukono district, showed that small and medium enterprises with higher financial literacy where more successful in obtaining back loans and managing debts which highly contributed to business growth. However, Kiggundu noted that access to training and financial services remains unevenly distributed.

Gaps in the literature. Even though the reviewed studies confirm the importance for financial literacy for small and medium enterprises performance, there is a shortage of research focusing specifically in mukono district. Additionally, many studies use broad regional data or focus on urban centres and

neglect the localized dynamics and unique challenges small and medium enterprises face like in mukono district. This study aims to fill the gap by providing empirical evidence on how financial literacy affects small and medium enterprises performance in mukono district, taking in account the districts social economic context and business environment.

2.4 The conceptual review

This section clarifies the key concepts and variables centred to the study of financial literacy and performance of small and medium enterprises. Explaining the meaning of these concepts provides clarity on the scope and operationalization of the variables used throughout the research.

2.4.1 Financial literacy

This is broadly defined as the ability to understand and effectively use the different various financial skills which include personal financial management, budgeting, saving, investing and debt management (Huston 2010). It covers knowledge of financial products and concepts as well as the confidence and skills to apply that knowledge in real life financial positions.

According to the small and medium enterprises context, financial literacy involves the entrepreneur's ability to prepare and manage budgets, maintain accurate financial records and book keeping, manage cash flow effectively, understand credit and debt instruments, make informed investment decisions, plan for future financial needs and risks. The level of financial literacy can be measured through assessment of knowledge, behaviour and attitudes towards financial management practices.

2.4.2 Small and medium enterprises performance.

This is a multidimensional concept usually assessed through quantitative and qualitative indicators that show the business success and sustainability. The key dimensions basically include:

Profitability: the ability of small and medium enterprises to generate relative to their expenses and investment's.

Growth: this is basically measured through the increase in sales, revenue, customer base or market share over time.

Sustainability: this is the capacity of small and medium enterprises to maintain operations and adopt to challenges in the long run.

Access to finance: this is the ability of small and medium enterprises to secure loans, credit or investment capital to support expansion or growth.

Operational efficiency: this is the effective management of resources to maximize output and minimize waste.

2.4.3 The relationship between financial literacy and small and medium enterprises performance.

The main argument of this study is that financial literacy positively influences small and medium enterprises performance. Entrepreneurs with high financial literacy are better equipped to make strategic decisions, manage risks and manage resource use greatly leading to improved profitability and growth. On the other hand, low financial literacy often leads to poor budgeting, mismanagement of funds, inability to access credit hence leading to business failure. The relationship is also influenced by mediating factors such as access to financial services, market conditions and support infrastructure.

2.5 Summary of the literature review

The reviewed literature indicates the effect of financial literacy on the performance of small and medium enterprises. The empirical review, theoretical review and conceptual review together all these insights establish a solid foundation for this study reinforcing the importance of exploring financial literacy's role in the mukono small and medium enterprises sector. The next chapter will detail the methodology employed to empirically investigate these relationships with in the district.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the methodology that will be used to carry out the study. It outlines the research design, study population, sample size, sampling techniques, data collection methods, validity, reliability, data collection procedures, data management and analysis, ethical consideration. The methodology is structured to ensure that the researcher objectives are systematically and comprehensively addressed.

3.2 Research Design

The study will adopt a descriptive correlation research design to find out the effect of financial literacy on performance of small and medium enterprise in mukono district. The design is suitable because it allows the collection of quantitative data to explain the current state of financial literacy and performance of small and medium enterprises while analysing the relationship of the two variables. The descriptive research provides an overview of the attributes of the population like the levels of financial knowledge and business outcomes among the small and medium enterprise owners.

It is a non-experimental design and highly enables the use of questionnaires which are great for gathering large amounts of data from a broad sample. It will also enable both the description of financial literacy and performance indicators and also testing the hypothesis concerning their relationship which enables the study to generate findings that are applicable and broadly valid with in the small and medium enterprises context in mukono.

3.3 Study Population

The study will basically target owners or managers of small and medium enterprises operating in mukono district, basically the reason to focus on the small and medium enterprises owners or managers is deliberately because these individuals are primarily responsible for financial decision making and day to day business operations. Therefore, their level of financial literacy is very important in understanding the impact on the performance of the enterprise.

These small and medium enterprises will include restaurants, fashion design workshops, agro-processors, welding and carpentry workshop, pharmacies and drug shops, SME manufacturing like bakeries, printers etc. therefore will randomly focus on about 150 registered small and medium enterprise operating across various sectors with in the district.

3.4 Sample Size

The sample size will be determined from the 150 registered small and medium enterprises randomly selected to ensure that the findings are statistical, significant and respective according to the chosen

small and medium population. Basically and appropriate sample size is calculated using the Yamane formula for the determination of the sample size.

$$n = \frac{N}{(1+N(e)^2)}$$

Where:

n = sample size

N = population size (150)

e = margin of error (0.05)

Application of the formula

$$n = \frac{150}{(1+150(0.05)^2)}$$

$$n = \frac{150}{(1+150*0.0025)}$$

$$n = \frac{150}{(1+0.38)}$$

$$n = \frac{150}{1.38}$$

$$n = 109$$

Therefore, the study will target a sample size of 109 small and medium enterprise owners and managers.

3.5 Sampling Techniques

The study will use a stratified random sampling technique to select respondents from the population of small and medium enterprises in mukono. It is an appropriate technique because the population of small and medium enterprises mixed including different sectors such as trade, manufacturing, services and agriculture etc. Therefore, the population will be divided into strata based on the type of business and this will help minimize sampling bias and increase the accuracy of the findings by capturing all sectors of across the small and medium enterprises categories.

3.6 Data Collection Method

The study will use a combination of both primary and secondary sources of data. The Primary data will be directly gotten from the small and medium enterprise owners and managers in mukono district using the different methods below:

Questionnaires

Basic structured questionnaires will be used as the main tool to collect the quantitative data and will include structured questions focusing on the respondent's level of financial literacy, financial business practices and performance indicators like profitability, access to finance and growth.

The secondary data will basically be gathered from existing sources like previous research studies and academic journals.

3.7 Data Collection Procedures

Primarily questionnaires will be distributed to sampled small and medium enterprise owners and managers and the secondary will mostly be gathered from existing sources like previous studies and academic journals

3.8 Data management and Analysis

The data will be managed upon collection of all questionnaire responses and will be reviewed for competence and consistency. The quantitative data from questionnaires will be coded and entered into statistical software as SPSS for analysis. The electronic data will be securely stored with password protection to ensure confidentiality.

The data collected will be summarized using descriptive statistics such as frequencies, percentages, mean and standard deviation to summarize demographic characteristics, levels of financial literacy and small and medium enterprise performance indicators.

3.9 Ethical consideration

The study will highly observe ethical standards to protect participants right and welfare it will basically follow key aspects like;

Informed consent where participants will be explained to the purpose of the study and give voluntary consent.

High avoidance of harm, basically no harm will happen to participants be it physical, emotional or socially.

The responses from the participants shall be confidential and safely stored and not disclosed.

Necessary ethical approvals will be followed from relevant institutional authorities.

All the above measures ensure that the research is conducted professional integrity, respect and transparency.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter deals with the presentation. Analysis and interpretation of the findings collected from small and medium enterprise owners and managers in mukono district basically regarding the effect of financial literacy on the performance of their enterprises. The findings are presented according to the research questions and objectives in chapter one, and the analysis is broken down in into descriptive and inferential sections. Where by the descriptive statistics focus on the respondent's demographic profiles, levels of financial literacy and business performance while the inferential statistics are used to test the relationship between financial literacy and performance of small and medium enterprise and also predict the effect of financial literacy on performance of small and medium enterprises.

4.2 Response rate

The response rate of this research was 74.31% which was fairly good, where by a total of 109 questionnaires were distributed to small and medium enterprise owners and managers across various sectors in mukono district. In line with the calculated sample size as shown in chapter three.

109 questionnaires were distributed to small and medium enterprise owners and managers and only 81 Reponses where received the rest did not respond.

Response rate calculation:

$$\text{Response rate} = \frac{\text{Number of valid response}}{\text{Total questionnaires distributed}} * 100\%$$

$$\text{Response rate} = \frac{81}{109} * 100\%$$

$$\text{Response rate} = 0.7431 * 100\%$$

$$\text{Response rate} = 74.31\%$$

A response rate of 74.31% is considered fairly good for questionnaire/survey research and suggest that the findings are based on a moderate representative sample of the small and medium enterprise population in mukono. It basically also shows a moderate level of engagement and interest from respondents, which moderately increases the validity and reliability of the data.

4.3 Demographic characteristics of respondents.

The demographic characteristics of respondents provides an understanding context for respondents which helps in interpreting the research findings. The demographic variables include gender, age, education level, type of business, and years of operation.

4.3.1 Gender of Respondents

Gender	Frequency	Percentage
Male	37	45.7%
Female	44	54.3%
Total	81	100%

The majority of the respondents were female (54.3%), suggesting a higher female dominance in small and medium enterprise ownership and management in mukono district, though besides that men participation remains significant and reflecting an active role of men in entrepreneurship.

4.3.2 Age of Respondents

Age Group	Frequency	Percentage
18-25years	23	28.4%
26-35years	56	69.1%
36-45years	2	2.5%
45years and above	0	0%
Total	81	100%

Basically most of the small and medium enterprise owners fall un the productive age bracket 18 – 35years (97.5%) which indicates that mukono small and medium enterprises is driven by economically active and energetic individuals.

4.3.3 Education Level

Education Level	Frequency	Percentage
No formal education	0	0%
Primary	0	0%
Secondary	2	2.5%

Tertiary	2	2.5%
University	77	95.1%
Total	81	100%

A majority of respondents (95.1%) have university level education which suggests a high level literacy and ability to manage financial matters but not necessarily formal financial literacy training.

4.3.4 Type of small and medium enterprise

Business Sector	Frequency	Percentage
Retail/Trade	41	50.6%
Agriculture	8	9.9%
Manufacturing	6	7.4%
Services	16	19.8%
Others	10	12.3%
Total	81	100%

Retail or Trade dominate the mukono small and medium enterprise followed by services, agriculture, others and manufacturing, therefore this most likely is because smaller share and possibly due to urbanization and limited land space in mukono.

4.3.5 Years in operation

Years of operation	frequency	percentage
1-3years	37	45.7%
4-6years	34	42%
6-9years	10	12.3%
9years and above	0	0%
Total	81	100%

Most small and medium enterprise have operated between 1 – 6years which basically shows relatively moderate growing land scape in mukono district.

4.4 Descriptive Statistics of Key Variables

The main two variables presented under here are financial literacy which is the independent variable and performance of small and medium enterprise which is the dependent variable. The analysis is basically based on the questionnaire responses from 81 Small and medium enterprise owners or managers using a 5-point scale ranging from 1. Strongly disagree to 5. Strongly agree.

4.4.1 financial literacy levels

In this study financial literacy is assessed through three dimensions which are financial knowledge (budgeting and planning), financial behaviour (record keeping and savings and investment) and financial attitude (Debt and credit management). The table below summarizes the respondents average score.

Dimensions	Statement	1	2	3	4	5	Mean	Standard deviation
Budgeting and planning	I prepare a business budget before making financial decisions.	4.9	0	3.7	38.3	53.1	20	4.5
	I regularly review and update my business budget.	4.9	3.7	11.1	51.9	28.4	20	4.5
	Budgeting helps me control business expenses and allocate resources effectively.	7.4	0	4.9	33.3	54.3	20	4.5
Record keeping	I keep accurate and up to date financial records (e.g. sales, expenses, profit).	6.2	0	11.1	37	45.7	20	4.5
	I use these records to evaluate the financial performance of my business	6.2	2.5	3.7	45.7	42	20	4.5
	Poor record keeping negatively affects my decision making.	3.7	2.5	7.4	46.9	39.5	20	4.5
Savings and investment	I save part of my business income for reinvestment or emergencies.	2.5	3.7	16	54.3	23.5	20	4.5
	I reinvest profits to expand my business.	2.5	2.5	14.8	60.5	19.8	20	4.5

	I understand the risk and returns of different investment opportunities.	3.7	1.2	18.5	58	18.5	20	4.5
Debt and credit management	I clear understand loan terms and repayment schedules before borrowing.	2.5	2.5	13.6	53.1	28.4	20	4.5
	I manage business loans effectively to avoid default.	2.5	2.5	21	45.7	28.4	20	4.5
	Access to credit has helped me improve the performance of my business.	1.2	3.7	23.5	48.1	23.5	20	4.5

4.4.2 Small and medium enterprise performance

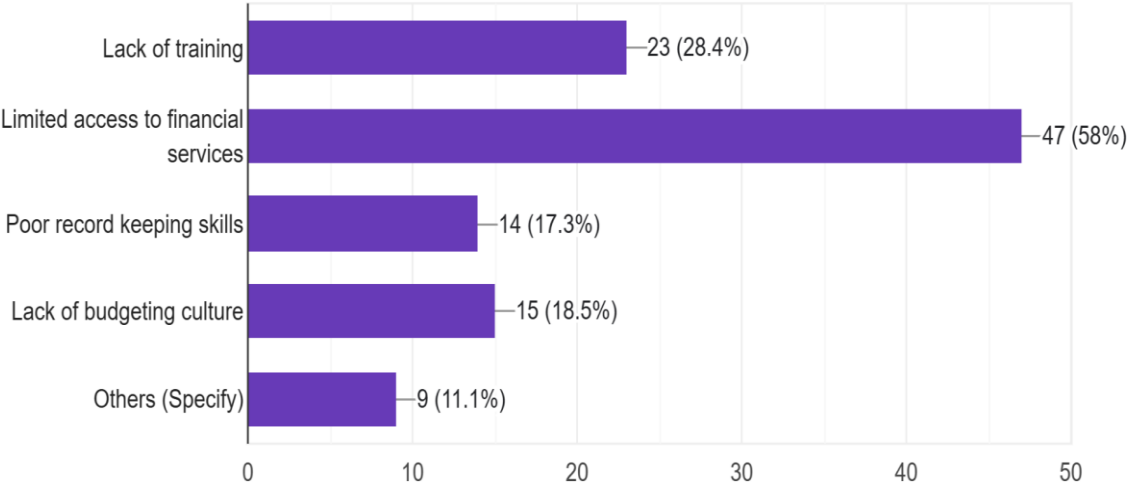
The performance of small and medium enterprise in mukono was measured using 5-point scale ranging from 1. Strongly disagree to 5. Strongly agree. The findings are presented below.

Code	Statement	1	2	3	4	5	Mean	Standard deviation
1	My business generates sufficient profits compare to expenses.	2.5	12.3	32.1	43.2	9.9	20	4.6
2	My business has grown in terms of sales, customers or market share in the last 3years.	1.2	4.9	22.2	53.1	18.5	20	4.5
3	My business has been able to sustain operations despite challenges like COVID-19.	8.6	11.1	23.5	45.7	11.1	20	4.5
4	I have been able to access external financing (like, bank loans, SACCO, micro finance).	6.2	16	14.8	38.3	24.7	20	4.5
5	Financial literacy has helped improve the performance of my business.	1.2	6.2	14.8	46.9	30.9	20	4.5

4.5 Financial challenges faced in managing business

What financial literacy challenges do you face in managing business?

81 responses



CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This chapter presents summaries of the findings of the effect of financial literacy on performance of small and medium enterprise and synthesis of the research findings in relation to the study objectives and existing literature. It all basically begins with major findings, drawing comparisons with the earlier studies and highlighting implications of the theories and practices. Then it presents the study's conclusion based on empirical evidence and statistical analysis.

5.2 Discussion of the findings

This section shows summary of the research results in the context of existing literature, theoretical frameworks and practical realities affecting small and medium enterprises in mukono district.

5.2.1 Financial Literacy levels among small and medium enterprise owners

Findings revealed that small and medium enterprise owners in mukono possess a moderate financial literacy, with relatively stronger financial knowledge but moderate financial behaviours and attitudes. This matches with the findings from Lusardi and Mitchell (2014), who observed that knowledge does not always translate into financial decision making. Therefore, the gap between knowledge and application may be due to limited access to practical training, low confidence or cultural attitudes toward money management and confirms the need for targeted financial educational programs that emphasis behavioural change alongside knowledge acquisition.

5.2.2 Small and medium enterprise performance in mukono district

The performance of small and medium enterprise was also moderate, with sustainability rated higher than profitability and sales growth. So basically many businesses are surviving but not expanding and consistent with findings by Beck et al. (2011), who noted that access to finance and managerial skills often constrain small and medium enterprise in developing countries.

5.2.3 Relationship between financial literacy and small and medium enterprise performance

There is a strong relationship shown that financial literacy positively affects small and medium enterprise performance and this shows earlier research by Atkinson and Messy (2012), which emphasised the importance of financial literacy in improving business performances and outcomes.

5.3 Conclusion

The study examined the effect of financial literacy on performance of small and medium enterprises in mukono district which basically drew conclusions based on the empirical and statistical analysis such as moderate financial literacy among small and medium enterprise owners and managers, moderate small and medium enterprise performance, highly positive impact of financial literacy on small and medium enterprises and high need for capacity building which are very essential for small and medium enterprise growth and contribution to economic development.

5.4 Recommendations

According to the findings of the study, some recommendations are proposed to increase financial literacy and improve performance of small and medium enterprises in mukono district.

5.4.1 For small and medium enterprise owners and entrepreneurs

Highly recommend owners and entrepreneurs to invest in financial education, adopt to the financial management tools such as accounting software's, budgeting templates and also engage with financial advisor to enhance decision making.

5.4.2 Policy makers and government agencies

I recommend government agencies and policy makers to implement financial campaigns targeting various small and medium enterprises of different levels, support capacity building programs and also improve access to finance to enable small and medium enterprises to invest and grow sustainably.

5.4.3 Development partners and NGOs

Recommend the NGOs and development partners to collaborate on financial literacy projects by working with local governments and small and medium enterprise associations to deliver financial literacy initiatives and also monitor and evaluate financial literacy programs effectiveness which will help maximize impact on small and medium enterprise growth.

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QUESTIONNAIRE.
UGANDA CHRISTIAN UNIVERSITY
SCHOOL OF BUSINESS

A questionnaire for small and medium enterprises owner or manager in Mukono. I am OMARA MARK OCHAN a student of Uganda Christian university conducting a research study on the effect of financial literacy on performance of small and medium enterprises in Mukono as a partial requirement for the award of bachelor of business administration of Uganda Christian university. I am kindly requesting for your assistance in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

Section A: Demographic information

(please fill the correct response)

1. Gender *

Mark only one oval.

male

Female

2. Age *

Mark only one oval.

18-25

26-35

36-45

46 and above

3. **Level of Education ***

Mark only one oval.

- No formal education
- Primary
- Secondary
- Tertiary
- University

4. **Position in the business ***

Mark only one oval.

- Owner
- Manager
- Both owner and manager

5. **Type of small and medium enterprise ***

Mark only one oval.

- Retail/Trade
- Agriculture
- manufacturing
- Services
- Others (specify)

6. **Years in business operation ***

Mark only one oval.

1-3years

4-6years

6-9years

Above 9years

Section B: Financial literacy

(Indicate your level of agreement: 1=Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)

7. **Budgeting and Planning: I prepare a business budget before making financial decisions.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

8. **Budgeting and Planning: I regularly review and update my business budget.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly Agree

9. **Budgeting and Planning: Budgeting helps me control business expenses and allocate resources effectively.** *

Mark only one oval.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

10. **Record keeping: I keep accurate and up to date financial records (e.g. sales, expenses, profit).** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly Agree

11. **Record keeping: I use these records to evaluate the financial performance of my business** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

12. **Record keeping: Poor record keeping negatively affects my decision making.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral

Agree

Strongly agree

13. **Savings and Investment: I save part of my business income for reinvestment or emergencies.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

14. **Savings and Investment: I reinvest profits to expand my business.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

15. **Savings and Investment: I understand the risk and returns of different investment opportunities.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral

Agree

Strongly agree

16. **Debt and Credit Management: I clear understand loan terms and repayment schedules before borrowing.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

17. **Debt and Credit Management: I manage business loans effectively to avoid default.** *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

18. **Debt and Credit Management: Access to credit has helped me improve the performance of my business.** *

Mark only one oval.

- Strongly disagree

- Disagree
- Neutral
- Agree
- Strongly agree

Section C: Small and Medium Enterprise Performance Indicators

(Indicate your level of agreement: 1=Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree)

19. My business generates sufficient profits compare to expenses. *

Mark only one oval.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

20. My business has grown in terms of sales; customers or market share in the last 3years. *

Mark only one oval.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

21. My business has been able to sustain operations despite challenges like COVID-19. *

Mark only one oval.

- Strongly disagree
- Disagree
- Neutral

Agree

Strongly agree

22. I have been able to access external financing (like, bank loans, SACCO, micro finance).

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

23. Financial literacy has helped improve the performance of my business. *

Mark only one oval.

- Strongly disagree
 Disagree
 Neutral
 Agree
 Strongly agree

Section D: Challenges and Recommendations.

(please tick)

24. What financial literacy challenges do you face in managing business? *

Tick all that apply.

- Lack of training
- Limited access to financial services
- Poor record keeping skills
- Lack of budgeting culture
- Others (Specify)

25. **What strategies do you think can help improve financial literacy and small and*? medium enterprise performance in Mukono?**

THANK YOU

For your responses