

**MOBILE MONEY ADOPTION ON FINANCIAL PERFORMANCE OF SMALL
BUSINESS ENTERPRISES IN LIRA CITY**

VIVIAN NELLISHA AKECH

S23B05/007

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

April, 2026



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

I, Akech Nellisha Vivian, hereby declare that the work presented in this report is my original work and has not been submitted to any other university or institution for the award of any academic qualification.

Signed: 

Date: ... 14/04/2026

Name: AKECH NELLISHA VIVIAN

APPROVAL

This is to certify that I have supervised this research report of AKECH NELLISHA VIVIAN REG NO. S23B05/007. The report is now ready for submission to the School of Business of Uganda Christian University with my approval.

Signed: 

Date: 14/4/2026

DR. HENRY MUGISHA

DEDICATION

I dedicate this research report to God Almighty for His divine grace, guidance, and for granting me the gift of life, strength, wisdom, and perseverance throughout the course of this research.

I further dedicate this work to my family, with special recognition to Mrs. Achana Christine, for their unwavering support, encouragement, and sacrifices made towards the successful completion of my academic journey. Their contribution has been invaluable to my success.

ACKNOWLEDGEMENT

I extend my sincere gratitude to God Almighty for granting me the grace, strength, and wisdom that enabled me to successfully complete this internship.

I am deeply indebted to my mother, Mrs. Achana Christine, and my uncle, Mr. Orech Richard, for their unwavering support, encouragement, and financial assistance throughout my academic journey.

I also wish to express my appreciation to Uganda Christian University for granting me the opportunity to pursue this course. I am particularly grateful to the Dean of the School of Business and all the lecturers for their dedication, guidance, and commitment throughout my period of study. Furthermore, I would like to convey my heartfelt appreciation to my supervisor, Dr. Henry Mugisha, for his invaluable guidance, support, and mentorship during the course of my research. His contribution has greatly enhanced my professional development.

May God Almighty bless you all.

ABSTRACT

Mobile money services have revolutionized financial landscapes in developing economies by providing efficient, accessible, and cost-effective digital tools for small-scale operations. This study investigated the relationship between the dimensions of mobile money services specifically mobile payments, mobile credit, and merchant payment systems and the financial performance of small enterprises (SEs) in Lira City. Despite the rapid growth of digital transactions in Uganda, many SEs continue to face high operational risks and financial instability, creating a need to determine how specific mobile money dimensions contribute to firm-level performance.

The research employed a quantitative cross-sectional design, targeting a population of 1,200 SEs in Lira City. Using stratified random sampling, a sample size of 300 enterprises was selected. Primary data was collected through structured five-point Likert-scale questionnaires and semi-structured interviews. The collected data were analyzed using descriptive statistics and regression analysis to establish the predictive power of mobile money services on financial indicators such as profitability, liquidity, revenue growth, and cost efficiency.

The findings revealed a statistically significant positive relationship between mobile money adoption and financial performance, with the model explaining 42% of the variation in performance. Mobile payments had the most substantial impact by enhancing sales turnover and reducing cash leakages, followed by merchant payment systems, which streamlined revenue tracking. Mobile credit, while significant, primarily served as a liquidity buffer for working capital. The study concludes that mobile money is a critical driver of operational efficiency and financial discipline. Consequently, it is recommended that SE owners transition toward integrated merchant systems (like MoMo Pay) and that policymakers strengthen digital literacy and regulatory frameworks to protect transactions. These practices are essential for ensuring the long-term sustainability and digital integration of small businesses in emerging urban centers.

Table of Contents

DECLARATION.....	i
APPROVAL.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Background of the study.....	1
1.1.1 Global perspective.....	1
1.1.2 African perspective.....	1
1.1.3 Ugandan perspective.....	2
1.1.4 Context of Lira City.....	2
1.1.5 Financial linkage between mobile money adoption and financial performance.....	2
1.2 Statement of the problem.....	3
1.3 Purpose of the study.....	4
1.4.0 General objective.....	5
1.4.1 Specific objectives.....	5
1.5 Research questions.....	5
1.6 Scope of the study.....	5
1.6.1 Content scope.....	5
1.6.2 Geographical scope.....	6
1.6.3 Time scope.....	6
1.7 Significance of the study.....	6

1.8 Justification of the study.....	7
1.9 Conceptual framework.....	7
1.9.1 Variables.....	7
1.9.2 Theoretical and financial explanation.....	8
1.9.3 Conceptual framework diagram.....	8
1.9.4 More explanation of the conceptual framework.....	8
1.10 Definition of key terms.....	9
Mobile money.....	9
Adoption.....	9
Financial performance.....	9
Lira City.....	10
CHAPTER TWO.....	11
LITERATURE REVIEW.....	11
2.1 Introduction.....	11
2.2 Global perspective on mobile money and financial performance.....	11
2.3 Sub-Saharan Africa perspective.....	11
2.4 Uganda perspective.....	12
2.4.1 Context of Lira City.....	12
2.5 Theoretical review.....	12
2.5.1 Technology acceptance model (TAM).....	12
2.5.2 Financial intermediation theory.....	13
2.5.3 Diffusion of innovation (DOI) theory.....	13
2.6 Empirical review.....	13
2.6.1 Impact on profitability and revenue growth.....	13

2.6.2	Liquidity improvement and cost reduction.....	14
2.7	Research gaps.....	14
2.7.1	Geographical gap.....	14
2.7.2	Indicator gap.....	14
2.7.3	Methodological gap.....	14
2.8	Summary.....	15
CHAPTER THREE.....		16
RESEARCH METHODOLOGY.....		16
3.1	Introduction.....	16
3.2	Research design.....	16
	Descriptive design.....	16
	Explanatory design.....	16
	Cross-sectional approach.....	16
2.7.4	Operationalization of variables.....	17
3.3	Population of the study.....	17
3.4	Sample Size and Sampling Technique.....	17
3.4.1	Sample Size Determination.....	17
3.4.2	Sampling technique.....	18
3.5	Data collection methods.....	18
3.5.1	Primary data.....	18
	Structured questionnaires.....	19
	Financial performance indicators.....	19
	Operational cost efficiency.....	19
	Administration method.....	19

Evidence generation.....	19
Key informant interviews (KIIs).....	20
Evidence generation.....	20
3.5.1 Secondary data.....	20
3.6 Research instruments.....	20
3.7 Validity and reliability.....	21
3.7.1 Validity.....	21
3.7.2 Reliability.....	21
3.8 Data analysis methods.....	21
3.8.1 Quantitative analysis.....	21
3.8.2 Qualitative analysis.....	22
3.9 Ethical considerations.....	22
Informed consent.....	22
Anonymity and confidentiality.....	22
Ethical approval.....	23
3.10 Limitations of the study.....	23
3.11 Summary.....	23
CHAPTER FOUR.....	24
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS.....	24
4.1 Introduction.....	24
4.2 Response rate.....	24
4.3 Demographic Characteristics of Respondents.....	24
4.3.1 Business Sector.....	24
4.3.2 Years of operation.....	25

4.3.3	Number of Employees.....	25
4.3.4	Education level of owner.....	26
4.4	Descriptive Statistics.....	26
4.4.1	Mobile Money Adoption.....	26
	Table 4.6: Descriptive Statistics for Mobile Money Adoption.....	26
4.4.2	Financial Performance Indicators.....	27
	Table 4.7: Descriptive Statistics for Financial Performance.....	27
4.5	Correlation analysis.....	27
	Table 4.8: Pearson correlation matrix.....	27
4.6	Regression analysis.....	28
4.6.1	Model summary.....	28
	Table 4.9: Model summary.....	28
4.6.2	ANOVA table.....	28
4.6.3	Coefficients table.....	28
4.7	Discussion of Findings.....	29
CHAPTER FIVE.....		30
5.1	Introduction.....	30
5.2	Summary of key findings.....	30
5.3	Discussion of findings.....	30
	Profitability.....	31
	Liquidity.....	31
	Revenue growth.....	31
5.4	Conclusion.....	31
5.5	Recommendations.....	32

5.5.1	Recommendations for SMEs.....	32
5.5.2	Recommendations for mobile money service providers.....	32
5.5.3	Recommendations for financial institutions.....	32
5.5.4	Recommendations for government and Lira City authority.....	32
5.5.5	Recommendations for policymakers.....	33
5.6	Areas for further research.....	33
REFERENCES.....		34
	<i>Awuah, E. (2025). Digital financial transactions and business performance: The role of mobile money in Ghana's SME sector: Evidence from the Sunyani Municipality. Asian Journal of Economics, Business and Accounting, 25(1), 362–373.....</i>	34
	Peer-Reviewed Journal Articles (Uganda & East Africa).....	34
	Dimensions of Mobile Services (Merchant Payments & Credit).....	34
	Reports & Policy Frameworks.....	35
	Books & Academic Texts.....	35

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

1.1.1 Global perspective

Financial innovations since 2010 have greatly revolutionized financial structures across the globe. Mobile banking, payment mechanisms, and Fintech innovations have facilitated financial inclusion of those who were previously excluded from the system and small businesses. Recent research conducted by the World Bank has shown that financial inclusion through mobile applications has witnessed great growth within the past ten years (World Bank, 2022). Mobile financial transactions have made transactions easier and eliminated the need for cash systems.

Small business establishments form about 90% of all firms and more than 50% of total employment around the world (World Bank, 2020). In spite of their significance, small businesses suffer from several constraints, such as difficulties accessing formal credit, expensive transactions, and poor financial management. Innovations in financial technology, specifically mobile finance, have proven to be effective methods in reducing expenses while improving transaction processes and liquidity management (Demirgüç-Kunt et al., 2018).

With regard to finance, digital financial services cut down on transaction expenses, eliminate the need for handling cash, and accelerate working capital cycles. Research shows that companies using digital payments benefit from higher sales and efficiency owing to greater convenience and efficient cash management (GSMA, 2023). It can thus be concluded that the use of mobile money can positively impact financial metrics including profit generation, liquidity, sales growth, and cost efficiency.

1.1.2 African perspective

Africa is widely regarded as being at the forefront in terms of adoption of mobile money. The Sub-Saharan region dominates in terms of the total number of mobile money accounts globally (GSMA, 2023). Constraints in the financial systems infrastructure in Africa created the ideal environment for the flourishing of mobile-based financial systems.

A wide body of research has documented the positive role that mobile money plays in enhancing financial inclusion in African economies, especially among informal businesses (Suri & Jack, 2016). In particular, adoption of mobile money services is linked to greater business resilience, more savings, and income growth (Aker & Mbiti, 2010; Batista & Vicente, 2020). Moreover, mobile money minimizes reliance on banks which means lower costs of business operations especially for entrepreneurs working in isolated locations.

Although the adoption rate is very high, the correlation between use of mobile money and the financial performance of small enterprises is not well established. There is some evidence of a beneficial effect of mobile money on business revenues and liquidity, while at the same time challenges include high cost of transactions and potential for fraud (Evans & Pirchio, 2015).

1.1.3 Ugandan perspective

In the past ten years, Uganda has made notable progress with regard to the utilization of mobile money. Based on the statistics provided by the Bank of Uganda, there has been a marked increase in the number and value of mobile money transactions. The introduction of regulations governing mobile money transactions is a reflection of the increasing popularity of mobile money transactions in the country (Bank of Uganda, 2023).

Small enterprises form a notable component of the private sector in Uganda and make significant contributions towards providing employment and generating economic outputs (UBOS, 2022). Small enterprises in the country encounter difficulties such as lack of access to credit facilities, inefficient record keeping of financial information, and unpredictable flow of cash. Mobile money services can be employed as means of overcoming these difficulties.

Previous studies in Uganda suggest that digital financial services help improve financial inclusion and enhance the efficiency of business transactions (Bongomin et al., 2018). Nonetheless, there is still scarce and unprecedented literature in finance that highlights the relationship between mobile money adoption and the profitability, liquidity management, and efficiency of small enterprises outside metropolitan areas.

1.1.4 Context of Lira City

Lira City situated in Northern Uganda is one emerging economic city and has a number of small businesses that include trading, accommodation, transport services, agricultural trading, hawkers' business, boda boda business, small shops popularly referred to as Duuka. The businesses in Lira are characterized by a small scale of operations with little capital base and extensive cash dealings in everyday activities.

The mobile money transactions in Lira City have greatly increased with increased telecommunication companies including MTN and Airtel among others. Many businesses now receive mobile money payments and make transactions through the same platform even with their suppliers as well as paying their bills. Despite the obvious acceptance of mobile money technology, there has been no empirical study showing the effect of adoption in terms of performance improvements in the businesses. It is therefore important to study how the adoption of mobile money influences financial performance.

1.1.5 Financial linkage between mobile money adoption and financial performance.

The use of mobile money can have an impact on the financial performance of small businesses due to several interconnected financial factors that influence the key performance metrics of the companies. Firstly, mobile money helps enhance liquidity by facilitating fast transaction processes, which increases the stability of the cash flow and minimizes delays connected to cash handling and physical banks (Demirgüç-Kunt et al., 2018). Instant transfers enable quick payment of bills and improve the working capital cycles of a business.

Secondly, the use of mobile money is linked to cost savings because of reduced transaction and transportation costs. Transactions done via cash require traveling to banks, higher security expenses, and a high risk of losses or theft. In such cases, digital transactions help minimize those costs and make businesses more cost-efficient, leading to larger net profits (GSMA, 2023).

Third, adoption of mobile money services could contribute to increased revenue generation from increased convenience of payments for customers. Accepting mobile money makes it possible for the company to attract more customers, especially those who use digital means of payments, which would avoid potential losses that might be experienced due to lack of cash to pay when making purchases. Accessibility and convenience would contribute to increased volume of sales and better turn over ratios (World Bank, 2022). Over time, improvements in sales performance will have a positive impact on revenue growth and financial performance.

Last but not least, mobile money services enable businesses to access digital micro-credit facilities that make it easier to borrow for short periods of time for the purpose of managing working capital. Improved access to borrowing makes it easy for small businesses to increase their inventories and grow their operations through improved continuity. This improves flexibility of the capital structure and enhances profitability (Bongomin et al., 2018). All this suggests that mobile money adoption will positively affect financial performance measures such as profitability, liquidity, revenue growth and cost efficiency.

In conclusion, mobile money adoption will positively influence profitability, liquidity, revenue growth and cost efficiency of small enterprises.

1.2 Statement of the problem

Small business organizations are the backbone of Uganda's private sector and a critical element in creating jobs, earning incomes, and fighting poverty. As per the Uganda Bureau of Statistics (UBOS), micro, small, and medium-sized enterprises make up more than 90 percent of the country's private sector economy and provide roughly 80 percent of total employment opportunities in the country (UBOS, 2022). Nonetheless, the sustainability of most small firms financially is quite fragile. Evidence shows that many small organizations in the country tend to collapse during the first five years of their operations owing to the poor management of finances, difficulties in securing credit facilities, unsteady cash flow, and insufficient profit margins (World Bank, 2020). Furthermore, the fact that many small businesses in the country operate informally leads to financial fragility.

On the other hand, Uganda has seen very quick adoption of digital financial products, especially mobile money. Based on data from Bank of Uganda, mobile money transaction worth trillions of Uganda shilling per year had been conducted, while millions of mobile money accounts have also been opened (Bank of Uganda, 2023). Sub-Saharan Africa is currently leading the globe in mobile money use and is responsible for more than 70 percent of the global number of mobile money accounts (GSMA, 2023). The mobile money product is the most widely used mode of financial transaction for personal and commercial purposes by Ugandans.

Despite the above impressive record in term of transaction volumes and account registration, research findings that correlate adoption of mobile money to firm level financial performance outcomes are still lacking. Current literature is more concerned with measuring financial inclusion through various means, including number of active mobile money users and the number of transactions made through mobile money, instead of using indicators like net profit margin, return on investment (ROI), liquidity, revenue growth rate, and efficiency cost among others for small enterprises (Demirgüç-Kunt et al., 2018). Financial inclusion has increased in the country, but not necessarily firm profitability or financial performance.

In addition, there is a trend in which the few existing studies in Uganda and other developing nations tend to focus more on major urban areas like Kampala, neglecting the secondary urban areas. Lira city, which is among the fastest-growing commercial cities in Northern Uganda, accommodates a myriad of microbusinesses that engage in retail business, tourism, transportation, and agricultural businesses. The microbusinesses rely greatly on cash flow and usually encounter liquidity problems, working capital constraints, and sensitivity to changes in income. While the use of mobile money appears to be widespread in Lira city, it is not clear whether this impacts their business positively.

There have been indications of an increase in mobile money adoption from national statistics; however, with the presence of high levels of business mortality rates and low average profits for small firms, it is unlikely that adoption alone can bring about positive financial performances (UBOS, 2022; Bank of Uganda, 2023). There is thus a need to understand, in the specific context, whether small firms in secondary cities like Lira are able to utilize mobile money as a tool for financial management and not simply transactional purposes.

The lack of finance-oriented empirical studies conducted within a local context means there is a knowledge gap that can hinder effective policy formulation, entrepreneur decision making, and financial products innovations. Without evidence on whether mobile money adoption can positively influence financial indicators, it will be difficult to establish whether financial technologies can contribute to sustainable business development in Lira City. This study attempts to address this gap by investigating the effects of mobile money adoption on financial performance in small firms within Lira City.

1.3 Purpose of the study

This research is intended to explore the impact of mobile money use on the financial performance of small businesses in Lira City. This will involve assessing the extent to which the introduction of mobile money technology in business transactions affects profitability, liquidity, sales, and operational costs among other relevant financial measures. The findings generated from this study will enable the researchers to develop a sound understanding of the potential role of digital finance in improving small business performance in the face of rapid urbanization in the secondary city environment. The study will also highlight some of the practical aspects of mobile money use and the associated strengths and weaknesses for small business owners, policy makers, and financial institutions in order to fill the existing research gap on the subject matter.

1.4.0 General objective

The generic objective of this research paper is to analyze the effect of adoption of mobile money by firms on their financial performance in Lira town.

1.4.1 Specific objectives.

Specific objectives of the research are as follows;

1. To measure the degree of adoption of different dimensions of mobile money use by small businesses operating in Lira City.
2. To find out the impact of mobile money payment services on the profitability of small businesses in Lira City.
3. To determine the influence of mobile money credit services on the management of liquidity in small businesses in Lira City.
4. To determine the association between different dimensions of mobile money and the financial performance of small businesses in Lira City.

1.5 Research questions

1. What are the levels of the various dimensions of mobile money use in small businesses in Lira City?
2. How does the use of mobile money for payments impact the profitability of small businesses in Lira City?
3. In what ways do mobile money credit facilities affect liquidity management in small businesses in Lira City?
4. What is the association between the dimensions of mobile money services and the financial performance of small businesses in Lira City?

1.6 Scope of the study

1.6.1 Content scope.

This study examines the adoption of mobile money as an independent variable and financial performance as a dependent variable, measured by profitability, liquidity, revenue growth, and cost efficiency.

1.6.2 Geographical scope

The research will involve a sample of small businesses operating in Lira City located in Northern Uganda. Lira City, in particular, the market area because a large number of individuals and mobile money agents can be found within the market, has been selected because it is a fast-growing center for commercial activities, hosting many small enterprises in areas such as retailing, hospitality, transport, and agriculture. Although mobile money usage is expanding and becoming more common in Lira, empirical data concerning the effect of such financial innovations on the performance of businesses in secondary urban areas is very scarce. This research will thus enable the gathering of information that is relevant to secondary urban development contexts.

1.6.3 Time scope

Data from 2020 to 2025 will be taken into account to examine current trends in mobile money usage and its influence on the financial performance of enterprises.

1.7 Significance of the study

Conducted research on the effect of the mobile money phenomenon on the performance of small enterprises in Lira City will be beneficial not only for the community itself but also for financial services companies, governmental institutions, and scientific scholars. The relevance of this study is determined by the need to fill the gaps in academic literature concerning this issue at the local level. The use of mobile money services will be analyzed in order to identify their impact on the operation of businesses in terms of their financial performance. It is expected that the study results will help small business owners to understand more about mobile money usage in practice and the possibilities it brings in enhancing their financial activities and growing revenues (Kikulwe et al., 2014). In addition, based on the study outcomes, local community leaders will be able to advocate for improvements in infrastructure and encourage financial education in order to reduce poverty in the region. The findings of the research present great market information to mobile network operators (MNOs) such as MTN and Airtel, with respect to the financial practices and needs of the small businesses operating in Lira City.

In as far as using mobile money for purposes other than remittance is concerned, such as savings, borrowing, insurance and payments of utility bills, knowledge from this research would be vital in the development of appropriate product and service offerings by MNOs. If it were to be found that many of the market traders require access to quick loans, then products like MoKash and Airtel Money Loans can be improved (Munyegera & Matsumoto, 2016).

The study is relevant to policymakers and regulatory agencies like Bank of Uganda and Lira City Council since it offers locally derived empirical data necessary for the formulation of well-informed policies. Even though there is a considerable amount of information at the national level, the situation within conflict-prone and rapidly urbanizing areas like Northern Uganda is distinct. This information can help policymakers in developing policies concerning the management of liquidity of agents, protecting consumers, ensuring transactional security, and making sure that various mobile money systems interoperate effectively. The results of the study can also help in the identification of particular demographics that have not been reached by the mobile money services even though they exist everywhere. The study will assist the government in developing policies that target women, young people, and other stakeholders in the small business sector in accordance with the goals of the National Financial Inclusion Strategy of Uganda (Bank of Uganda, 2022)

Lastly, the academic community will benefit from this study because it will contribute to existing literature on the relationship between the adoption of fintech solutions and enterprise performance in secondary city

1.8 Justification of the study

The increasing use of digital financial services, especially mobile money, has changed how people and organizations handle their finances in Uganda. Nevertheless, while adoption levels have been high, little empirical evidence exists about the effectiveness of mobile money services in enhancing the financial performance of small firms, which play key roles in contributing to economic development in the country. Small firms play major roles in creating incomes, reducing poverty levels, and boosting economic activities within the country; yet, most of them experience difficulties such as poor profits, low liquidity, and poor growth potential (UBOS, 2022).

The research is important because it offers contextually relevant and evidence-based information about the strengths and weaknesses of mobile money in relation to its contribution to the performance of small businesses in Lira City. Through the analysis of various indicators of financial performance such as profitability, liquidity, revenue growth, and cost efficiency, small business owners can be informed on ways of utilizing digital financial services more effectively. Moreover, the results obtained from the study will offer important recommendations for policy makers, banks, and mobile phone networks on what to do in order to promote economic inclusion. This research therefore seeks to address the disconnection between the widespread use of mobile money and improved financial performance of businesses (Demirgüç-Kunt et al., 2018; GSMA, 2023).

1.9 Conceptual framework

1.9.1 Variables

Mobile money adoption is the independent variable in the study, which is assessed by using metrics like the number of transactions, mobile payments, mobile savings, mobile credits, and merchant payment

systems. The above metrics gauge how far small businesses incorporate mobile money technology into their processes for streamlining transactions, accessing credits, and managing finances (GSMA, 2023; Demirgüç-Kunt et al., 2018).

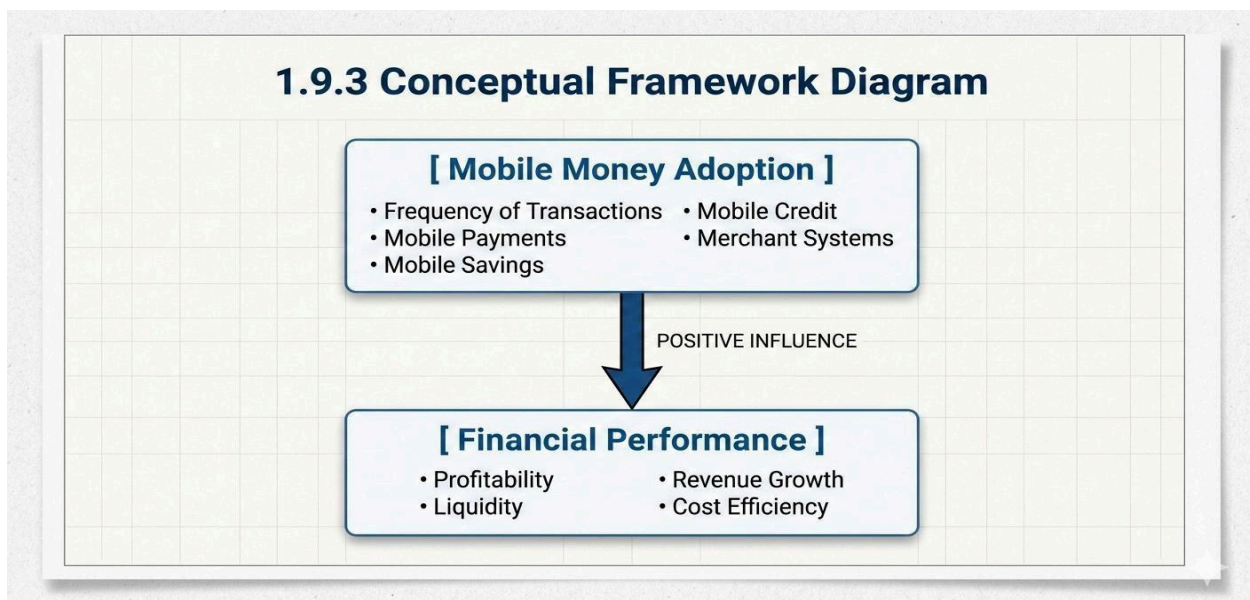
Financial performance is the dependent variable in the study, which is determined through profitability metrics, such as net profit margin and return on investment, liquidity metrics, including cash flow and working capital management, revenue growth, and cost-effectiveness. The above metrics measure the ability of small enterprises to generate profits from revenues, settle debts, grow revenues, and efficiently allocate resources, respectively (Bongomin et al., 2018; World Bank, 2022).

1.9.2 Theoretical and financial explanation

The correlation between mobile money usage and financial performance may be analyzed using financial intermediation theory and transaction cost economics. Financial transactions that employ digital money are characterized by lower transaction costs, higher liquidity management, and better data accuracy in financial reporting (Evans & Pirchio, 2015). Lower transaction costs translate into higher profit margins, while better cash management results in higher liquidity ratios.

The use of digital payments also leads to greater customer convenience, resulting in higher sales turnover and increased revenues (GSMA, 2023). The availability of mobile credits contributes to better working capital management and higher profits (Bongomin et al., 2018).

1.9.3 Conceptual framework diagram



1.9.4 More explanation of the conceptual framework

The use of mobile money improves transaction efficiency and financial inclusion. This increases

revenue, reduces cost, and enables efficient management of liquidity. This contributes to increased profits and revenue growth. The direction of relationship between the two variables is positive.

1.10 Definition of key terms

Mobile money.

Mobile money can be defined as a financial system whereby individuals and organizations can carry out monetary operations via mobile devices such as smartphones. Through mobile money, it becomes possible to perform various financial functions such as payments, savings, loans, and even other monetary tasks without having to be physically present. For small enterprises in particular, mobile money is quickly turning out to be an important tool (GSMA, 2023).

Adoption.

Definition of Adoption in this research is based on the level of integration and regular utilization of mobile money services in the business activities of small enterprises. It entails making use of mobile money services in transactions with customers, suppliers, payroll, savings accounts, and credit facilities provided by mobile money service providers. The level of adoption in a business implies a business's willingness to adopt new technology in improving its operations.

Financial performance.

Financial performance is the outcome measured that shows how the business is performing in terms of attaining its financial goals. This is determined by profitability, which evaluates the company's capability to earn profit compared to the expense incurred, liquidity, which evaluates the company's capacity to pay bills promptly, revenue growth, which implies growth and increased sales over time, and cost effectiveness, which evaluates how effectively resources are utilized to reduce costs. Financial performance is the dependent variable in this research, impacted by mobile money usage (Bongomin et al., 2018; World Bank, 2022).

Small enterprises.

In this paper, small enterprises refer to businesses operating in Lira city, with a labor force of 5-50 workers and annual revenues ranging from 10 million to 100 million Ugandan Shillings (MoFPED, 2021).

Merchant payment systems.

These are technological services, such as MoMo Pay, that permit businesses to carry out transactions on behalf of their customers and receive payment from consumers using mobile money at the place of

service.

Small enterprises are enterprises with less than 50 workers and with relatively low capital investment. They may be found in the informal or semi-formal sector, such as retailing, agriculture, tourism, and other service-related sectors. Although small, they are crucial in developing local economies by creating jobs, promoting entrepreneurship, and increasing household income (UBOS, 2022).

Lira City.

Lira city is one of the ancient towns in Northern Uganda, surrounded by the district of Apac, Oyam, Alebetong, Kole, Kwania, and Amolatar. Lira town is a fast-growing urban settlement with many small business activities going on within the area. Lira town is an economic powerhouse with challenges like underdeveloped infrastructure and irregular banking transactions that make it a good location for exploring how mobile money can influence the financial performance of small enterprise.

CHAPTER TWO.

LITERATURE REVIEW

2.1 Introduction

This chapter offers a critical analysis of existing literature on the use of mobile money and the resulting impact on the financial performance of small businesses. In line with the Uganda Christian University (UCU) guidelines for conducting research in Finance, this chapter sets the academic background of the study by examining world, regional, and local developments. Specifically, this chapter examines the relationship between digital financial instruments and fundamental finance measures like profitability, liquidity, income growth, and cost-effectiveness. Finally, this chapter discusses the theoretical framework of the study and outlines gaps in empirical evidence that call for the current study.

2.2 Global perspective on mobile money and financial performance

In recent times, there has been a shift from the conventional financial services system to a more advanced technological environment in financial services worldwide. The GSMA (2025) reported an all-time high value of mobile money transactions globally at \$1.68 trillion in 2024, representing a growth of 16% from the previous year. This growth is mainly attributed to the digitization of B2B and C2B payments.

Worldwide, the major financial advantage resulting from adopting mobile money services is cost efficiency. Pazarbasioglu et al. (2023) carried out a study in 105 nations and established that firms using digital payment systems enjoyed a rise in efficiency by up to 22%, attributed to reduce "shoe-leather costs." For instance, in developing economies, Aron (2022) reviewed studies on mobile money services and observed that adopting such systems enhanced cash flow efficiency (liquidity) through immediate settlement and the ability to operate with less stock, hence increased turnover.

2.3 Sub-Saharan Africa perspective

Sub-Saharan Africa continues to be the hub of the mobile money revolution, with more than 1.1 billion account registrations that account for nearly two-thirds of the world's total mobile money users (GSMA, 2025).

The story of Africa has evolved from mere remittance capabilities to advanced merchant services and microfinance solutions. Evidence from the region shows that there is a clear connection between mobile money adoption and business success. In West Africa, it was reported by Ledi et al. (2023) that SMEs in Ghana adopting mobile money saw a rise in their revenues by 12.4% on account of the benefit of ease to the customers via merchant codes. In Kenya, the leader in mobile finance solutions, studies have shown that availability of mobile-based credit (M-Shwari) enabled micro-enterprises to invest 30% more and thus hedge against any supply-side risks (Jack

& Suri, 2014; Suri, 2017). Nonetheless, there is also evidence regarding the "tax burden" that has emerged recently. According to the IMF (2024), the implementation of electronic transaction fees in countries such as Tanzania and Cameroon has somewhat reduced the efficiency benefits for smaller firms, which may have to incur costs or raise prices and lose clients.

2.4 Uganda perspective

Within the territory of Uganda, mobile money stands out as the main financial system. By the end of 2024, the transaction value amounted to UGX 156 trillion, with an annual growth rate of 25.7% (IMARC Group, 2024). According to the Bank of Uganda (2023), mobile money acts as the main factor behind the spread of financial inclusion since, out of all city residents, 73.4% use the mentioned services while only 22.6% possess formal bank accounts. Reports regarding mobile money can also be found in the UCC websites in the form of quarter reports.

In Ugandan social enterprises (SEs), mobile money will be used increasingly to perform tasks associated with merchants. According to Alex and Julius (2024), in urban and peri-urban areas, mobile money leads to increased transaction efficiency by 71.9% ($r = 0.719$), minimizing the risks of money theft or fraud. Some of the recent developments include the launching of XtraCash offered jointly by Post Bank and MTN in October 2024 and Lets Go Pesa offered by Airtel in September 2024, making it possible for merchants to receive collateral-free micro-loans. Such initiatives are crucial for the Ugandan SEs since they tend to experience a credit gap worth UGX 10 trillion.

2.4.1 Context of Lira City

Lira City creates an interesting economic landscape as a strategically important post-conflict business center in Northern Uganda. Research conducted in Lira revealed that whereas mobile money use is widespread among agricultural produce sellers, it remains largely underexploited as a tool for financial planning. As noted by Eton et al. (2024), there is a notable positive correlation between the use of mobile money and financial inclusion in Lira City; however, several farmers experience difficulties related to digital literacy and high taxations. As a result, Lira City, whose economy depends heavily on high-volume agribusinesses, serves as an intriguing case to explore whether costs of using mobile money (e-levies) may override its advantages in net profitability.

2.5 Theoretical review

The research is based on theories that connect the adoption of technology with financial economics.

2.5.1 Technology acceptance model (TAM)

According to the TAM, as per Venkatesh & Davis (2000), adoption will be based on PU and PEOU. In the realm of finance, PU indicates the enterprise's view that mobile money usage will

result in profit improvement. According to new research, usability of a mobile money application (PEOU) emerges as the sole reason why rural-urban traders in Northern Uganda have moved away from cash towards digital wallets (Eton et al., 2024).

2.5.2 Financial intermediation theory

According to modern financial intermediation theory, there is an existence of the need for intermediation to reduce information asymmetry and transactions cost (World Bank, 2022). In this regard, the mobile money model plays a role of a digital intermediary through creation of a digital footprint of the enterprise. The digital footprint acts as collateral, whereby fintech algorithms are able to give loans to the enterprise.

2.5.3 Diffusion of innovation (DOI) theory

According to Rogers (2003), the process of adopting innovations happens when the innovation itself moves along particular channels in a given social system. The process of diffusion is dependent on some characteristics of the innovation, such as relative advantage, compatibility, complexity, trialability, and observability. In the case of small businesses (SEs) in Lira City, mobile money is a relatively greater advantage compared to banking systems since it enables the entrepreneur to perform transactions all day long without having to visit the banks due to limited working hours and long queues (GSMA, 2023).

Moreover, the adoption of mobile money services by the early adopters in Lira allows others to observe the positive results in terms of improved efficiencies and benefits to consumers, encouraging others to adopt the innovation as well. Thus, the use of mobile money becomes self-reinforcing in the sense that its successful use among some businesses encourages others to embrace it, thereby creating a domino effect in terms of innovation diffusion. Thus, it is evident that DOI Theory is quite applicable to the analysis of mobile money adoption and diffusion in Lira City, allowing for an evaluation of the possible reasons behind different SEs being able to take advantage of mobile money.

This theoretical framework is useful for understanding the diffusion dynamics related to mobile money and, more specifically, for determining the relationship between adoption patterns and their impact on certain financial performance indicators of SEs (e.g., profitability, liquidity, growth, etc.). Using DOI Theory in this research will help understand the adoption dynamics of mobile money and determine whether or not they have any implications for financial performance.

2.6 Empirical review

This section presents an evaluation of the research works associating mobile money usage with specific financial performance indicators.

2.6.1 Impact on profitability and revenue growth

The use of mobile money is positively correlated with the increase in revenues. Ngaruiya et al.

(2014), followed by Phiri and Tembo (2023), prove that small and medium-sized enterprises using mobile money for collection of revenues expanded their consumer base by 25% due to the ability to receive payments remotely. Nonetheless, Njinyah et al. (2023) present a critical view by pointing out that in highly taxed economies, the "cost of digital business" may cut into the bottom line of micro-businesses by 5% due to low margins.

2.6.2 Liquidity improvement and cost reduction

Mobile money enhances liquidity by decreasing the amount of time funds remain "in transit." According to Faridah et al. (2023), use of mobile wallets to pay suppliers by Ugandan SEs increased their cash conversion cycles by 10 days. Regarding cost considerations, according to Suri and Jack (2016), the major advantage of mobile money is the savings on transaction-related costs (travel costs) and minimizing cases of internal fraud/leakages. Traders based outside CBD in Lira City may benefit more from the cost advantages of mobile money.

2.7 Research gaps

Although there is a large amount of research into the topic of mobile money adoption and its financial effects on businesses, there are many important gaps in the literature, especially concerning Uganda and, specifically, the city of Lira.

2.7.1 Geographical gap.

While most existing researches in Uganda (such as Kazaara et al., 2024, and Alex & Julius, 2024) are concerned with major cities like Kampala and Wakiso, which have better-established financial institutions, stronger connectivity of mobile networks, and easier access to banking, other cities like Lira have a different socio-economic background based on their agro-business activities, trade, and border trading. This makes their mobile money adoption rate and financial effects different from others. Due to the absence of specific studies for this city, policymakers and banks do not have enough data to formulate proper intervention policies.

2.7.2 Indicator gap.

In the existing literature, the focus is mainly on the aspect of financial inclusion, which means access to mobile money services, as opposed to measuring the actual impact of using the technology on the financial performance of the firms. It is surprising how few studies have actually measured aspects like profitability, liquidity, growth, and cost effectiveness of small firms.

There is not enough empirical data to show how mobile money usage impacts financial performance of small firms in Uganda, especially in smaller cities such as Lira.

2.7.3 Methodological gap.

However, there is a large number of past works that utilize descriptive statistics and/or

cross-sectional research design. As a result, these studies fail to determine any causal effect between the adoption of mobile money services and business performance. Moreover, the contribution of various aspects of mobile money such as micro-credit, mobile savings, and merchant payments towards the ability of investment and effective functioning have not been studied properly yet. Thus, one of the most appropriate research approaches could be either regression analysis or another one that could help determine the nature and magnitude of the effect of mobile money on business financial performance in Northern Uganda.

With this in mind, this study will not only contribute to scientific knowledge of this field but also will provide local entrepreneurs and policy makers with useful information related to the use of mobile money in Lira City.

2.8 Summary

The literature review suggests that mobile money has become a fundamental component of the financing strategies of small enterprises all around the world and especially in Sub-Saharan Africa. The theoretical underpinnings, such as the Theory of Acceptance Model and the Financial Intermediation, give clear rationales for adopting such technologies and thereby achieving economies of scale and obtaining loans. Although empirical data suggest that there is a strong correlation between the use of these technologies and improved financial performance, there is still an ongoing discussion about the issue of cost-efficiency brought about by transaction charges.

CHAPTER THREE.

RESEARCH METHODOLOGY

3.1 Introduction

This chapter identifies the methodologies that will be used in conducting the research on the various dimensions of mobile money services and the performance of small enterprises (SEs) in Lira City. This methodology has been formulated in order to make sure that the research is carried out with a high degree of accuracy and integrity. It offers a framework through which data will be collected, analyzed, and interpreted, in relation to the various dimensions of mobile money services and how they affect business performance factors like profitability, liquidity, growth, and cost-effectiveness.

Through this chapter, we present the research design, target population, sample framework, methods of data collection, instruments, analysis, and ethical issues involved in the research.

3.2 Research design

The research methodology will include cross-sectional, descriptive, and explanatory designs, which are ideal for capturing an overview of how various aspects of mobile money services dimensions are being used at a particular point in time as well as measuring their effect on financial performance.

Descriptive design

The descriptive aspect of the research method will seek to describe the current trends in relation to different mobile money services dimensions, including mobile transaction, mobile credit, merchant payment, and savings. The focus is on how these dimensions of mobile money services are utilized by small businesses in Lira City.

Explanatory design

Under the explanation segment, there will be an analysis of cause-and-effect link between the dimensions of mobile money services and the performance of finances. It will aid the research in identifying the dimensions of mobile money services that have significant effects on the profitability, liquidity, revenue, and efficiency of the small businesses.

Cross-sectional approach

The data will be obtained from one-time measurement in the selected SMEs in Lira city. The strategy ensures an effective yet detailed view of the usage of various aspects of mobile money services and the relationship between them and the financial results of business operations. Cross-sectional research designs are suitable for conducting research in situations where time and other resources are limited.

2.7.4 Operationalization of variables

Variable	Nature	Operational indicators
Dimensions of mobile money services	Independent	Frequency of mobile payments, access to mobile credit services (e.g., MoKash, Wewole), use of merchant payment systems, and mobile savings usage
Financial performance	Dependent	Revenue growth, Net profit margin, Liquidity (cash flow stability), Cost efficiency

Measurement of the proposed independent variables makes it possible to measure and analyze the effects that various aspects of mobile money services have on the financial performance of small firms in Lira City.

3.3 Population of the study

The population of the study consists of all the registered and operating small enterprises in Lira City, which are defined as enterprises with 5 to 49 employees whose assets do not exceed UGX 100 million, according to UBOS (2024) and the Ministry of Trade, Industry, and Cooperatives (2025).

Small enterprises involved in trading activities in Lira Main Market, retailing in Obote Avenue, and agricultural processing activities in Lira East and Lira West industrial estates are included.

The accessible population, based on licensed enterprises available at Lira City Council (2025), is about 1,200 small enterprises.

The selected population will be appropriate because small enterprises are significant users of mobile money services in Uganda. These enterprises use mobile money services for conducting day-to-day business and performing financial activities.

3.4 Sample Size and Sampling Technique

3.4.1 Sample Size Determination

In the explanation section, the researcher will carry out the cause-and-effect relationship analysis between the dimensions of mobile money services and the financial performance of the businesses. This will help the researcher to determine the important dimensions of mobile money services that affect the financial performance of the businesses in terms of profitability, liquidity, revenues, and efficiency.

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

Where.

n - Sample size needed in conducting the study.

N- Population size; In this case, 1,200 small firms operating in Lira City.

e- Margin of error which is 0.05 in this study.

Using the values within the formula proposed by Slovin,

$$n = \frac{1200}{1 + 1200(0.05)^2}$$

$$n = \frac{1200}{1 + 1200(0.0025)}$$

$$n = \frac{1200}{1 + 3}$$

$$n = \frac{1200}{4}$$

$$n = 300$$

The sample size for the study, therefore, will be 300 small businesses from the population of 1,200 businesses in Lira City.

3.4.2 Sampling technique

Stratified random sampling will be employed to ensure proportional representation of SE types where the population will be divided in to strata this will ensure accuracy in the data and the information that will be collected.

Strata. Wholesale/retail trade, agribusiness/processing, services (salons, Cafés).

Random selection. Within each stratum, individual SEs will be randomly selected from the City Council registry, minimizing selection bias and ensuring fair coverage across sectors.

3.5 Data collection methods

3.5.1 Primary data

Primary data entails information gathered first-hand from respondents to serve the aims of the study. This study will collect primary data from small business owners, managers, mobile money service providers, and banking personnel working within Lira City.

The main aim of gathering primary data in the study entails getting first-hand experience on how companies use mobile money services and the effect of these services on the performance of firms.

Structured questionnaires.

Quantitative data will be obtained using structured questionnaires among the owners/managers of small enterprises. Questions in the survey will address the following aspects:

Dimension of mobile money services

Mobile payment transactions access

Mobile credit services access

Merchant payment system use for customers

Mobile savings use for businesses

Financial performance indicators

Growth in revenues over time Profitability levels

Managing liquidity and stability of cash flows

Operational cost efficiency

The survey will mainly comprise closed questions, adopting the Likert scale of five to evaluate the level of use and benefits from mobile money services. Physical distribution of questionnaires will be done to respondents.

Administration method.

The questionnaires shall be administered personally to maximize the chances of getting responses while at the same time addressing any issues that might arise. The respondents shall be instructed on the reporting of figures that relate to their finances for consistency and accuracy.

Evidence generation.

By collecting the responses and analyzing them, it would be easy to obtain some descriptive statistics that show the use and benefits accruing from mobile money transactions. This would include computing statistics such as the mean number of mobile transaction times per day, the mean rate of revenue growth, and the liquidity ratios.

Key informant interviews (KIIs).

The KIIs will be carried out with the mobile money agents and bank managers, providing qualitative information to complement the quantitative analysis. The informants will give opinions regarding:

1. The level and patterns of mobile money uptake by the SEs in Lira City
2. Hardships faced, including network coverage, liquidity of the agents, transaction limit, and fees
3. The use of digital credit facilities in managing working capital
4. The observed impacts of mobile money uptake on profitability and cost efficiency as well as revenue generation

The interviews will be semi-structured in nature and allow the researcher an opportunity to delve further into certain themes that arise, while ensuring that the discussion relates back to the research problem being explored. Interviews will be audio-recorded with permission and transcribed; thematic analysis will then be done, highlighting key patterns, contextualizing quantitative data, and offering best practices or hardships encountered.

Evidence generation.

KIIs' insights will complement the results of the quantitative analysis through demonstrating the practical application of the research findings. For instance, where financial data suggests that companies with high mobile credit utilization have improved liquidity, KIIs can help explain the reasons for improved liquidity in terms of fast payment of suppliers or buying stocks on credit.

3.5.1 Secondary data

The secondary data shall be sourced from existing documentation and reports to complement the primary data, offering verifiable, historical data on mobile money usage and financial performance among the SEs in Lira City. This includes obtaining past financial statements and transaction history of the SEs, if available, to objectively analyze the trends in revenue generation, profitability, liquidity, and operational costs. The use of secondary data helps in validating any figures reported by respondents in questionnaire surveys, thus increasing the validity of the results of the study.

Moreover, secondary sources of institutional reports of reputable organizations including the Bank of Uganda, UBOS, and GSMA State of the Industry Reports shall be sought in order to get macroeconomic information about mobile money adoption and its performance in terms of adoption rate, volume of transactions, account penetration rate, and regulatory landscape. This is necessary as it will help to understand the trends in the country in general and in particular Lira city regarding digital financial services usage and success.

3.6 Research instruments

Likert scale questionnaire. Scale from 1 (Strongly Disagree) to 5 (Strongly Agree).

Interview guide: Semi-structured questions relating to obstacles faced, reliability of the network, and the availability of credit.

Extracting financial data worksheet: A structured way of collecting quantitative measures such as annual revenues, costs, and liquidity.

These will ensure that consistency is maintained in all data collection processes.

3.7 Validity and reliability

3.7.1 Validity

The instruments will be evaluated by academic supervisors at UCU and finance specialists. CVI will be computed, aiming for an index ≥ 0.7 to validate validity.

3.7.2 Reliability

Pilot testing will involve 10 SEs in Lira City.

Reliability will be established using Cronbach's Alpha ($\alpha \geq 0.7$).

Instruments meeting this criterion will be considered reliable.

3.8 Data analysis methods.

3.8.1 Quantitative analysis.

Regression analysis will be employed to establish the degree to which the different aspects of adoption of mobile money determine financial performance. Through regression analysis, we shall establish how the independent variables such as mobile payment, mobile credit, and merchant payment system affect the dependent variable that is financial performance. In other words, regression analysis does not only establish whether there is causality but it also measures the degree to which one variable determines another variable. Hence, regression analysis shall help us prove more convincingly how mobile money adoption impacts profitability, liquidity, revenue growth, and cost efficiency of SEs in Lira City.

$$FP = \beta_0 + \beta_1MP + \beta_2MC + \beta_3MS + \beta_4MSV + \epsilon$$

Where:

FP = Financial Performance

MP = Mobile Payment Services

MC = Mobile Credit Services

MS = Merchant Payment Systems

MSV = Mobile Savings Usage

β_0 = Constant

β_1 – β_4 = Regression coefficients

ϵ = Error term

This model shall be used to measure the extent to which each dimension of mobile money services affects the performance.

3.8.2 Qualitative analysis.

Thematic analysis: Coding of interview data will be conducted in order to derive common themes regarding mobile money usage, operational difficulties, and business advantages.

The findings will complement those generated using quantitative measures.

3.9 Ethical considerations.

Informed consent.

The full information about the purpose of the research, its goals, and methods will be provided to all participants before the data collection process starts. It will be made clear to all respondents what their participation entails and what information they are expected to provide. All participants will be guaranteed that their participation is completely voluntary, and that they can refuse to participate or withdraw from the research whenever they wish, without suffering any repercussions.

Anonymity and confidentiality.

In order to guarantee that no harm comes to the subjects, anonymity and confidentiality of the participants will be guaranteed. No information regarding the name of the individual business or any personal identification will be revealed in the final outcome of the research. Data will only be provided in a coded and aggregated format such as average or percentage, thus eliminating the possibility of identifying a particular business from its responses.

Ethical approval.

The formal approval for the ethical clearance shall be obtained from the Research Ethics Committee (REC) of the Uganda Christian University before the commencement of data collection. Furthermore, the permission for conducting the research shall be obtained from the Lira City Authority for conducting the research on small firms in its jurisdiction.

3.10 Limitations of the study

Some limitations in data collection may include possible inaccuracies due to the use of self-reporting bias. For instance, the owners of SEs may overstate their profits or understate their losses, and this can be countered by cross-checking the self-reported information with the financial statements of the enterprises. Another issue may involve data sensitivity since some enterprises may be reluctant to release their financial statements for fear of being taxed or regulated. The researcher will assure them that the study is for academic purposes only and that no information will be revealed. Finally, some operational problems may arise from limited time frames, inaccessibility of some SEs, and even poor Internet connectivity; such challenges will be overcome through strategic planning and resource allocation.

3.11 Summary

In this chapter, a sound methodology has been described to examine the impact of the uptake of mobile money on the financial performance of small businesses operating in Lira City. By employing an explanatory cross-sectional study design, stratified random sampling, and mixed methods data gathering techniques, the research guarantees the production of reliable and valid findings. The quantitative aspect will be carried out through regression analysis and will help to determine the impact of digital money on profit, liquidity, growth in revenue, and cost-effectiveness, while thematic analysis will provide an insight into the matter.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter provides an analysis and interpretation of the findings of the research study entitled “Dimensions of mobile money services and financial performance of small enterprises in Lira City.” Information was gathered from 300 small businesses that have been registered in Lira City by means of a questionnaire. Among the total number of 300 copies of questionnaires that were distributed, 270 were successfully answered and retrieved.

The quantitative information was then analyzed through the Statistical Package for Social Sciences (SPSS) Version 28. Tables are used to present the findings of the study, along with some selected graphs to help visualize certain important concepts. This chapter covers the following analyses based on the stated objectives of the research study: descriptive statistics; correlation analysis; and multiple regression analysis.

4.2 Response rate.

Table 4.1: Response rate.

Questionnaires distributed	Questionnaires returned	Response rate (%)
300	270	90%

Source of Data: (*Primary data*)

As seen in Table 4.1, 300 questionnaires were sent to small businesses in Lira town, of which 270 were completed and sent back, providing a response rate of 90%. The response rate is statistically sound and can be used in quantitative studies. Having a response rate of more than 70% ensures minimal non-response bias and increases representativeness.

4.3 Demographic Characteristics of Respondents.

Having information about the demographic details of respondents’ enables better comprehension of financial performance and the use of mobile money services.

4.3.1 Business Sector.

Table 4.2: Distribution of Respondents by Business Sector.

Sector	Frequency	Percentage (%)
Retail	120	44.4%
Agribusiness	70	25.9%
Services	80	29.7%
Total	270	100%

Source of Data: *(Primary data)*

It was found that the largest group of respondents (44.4%) comprises firms involved in retail trade, while those offering services represent 29.7% and agribusiness, 25.9%. It can be assumed that mobile money services are important for retail companies because of a great number of transactions.

4.3.2 Years of operation.

Table 4.3: Years of business operation.

Years in operation	Frequency	Percentage (%)
1-3 Years	85	31.5%
4-6 Years	95	35.2%
7-10 Years	60	22.2%
Above 10 Years	30	11.1%

Source of Data: *(Primary data)*

The majority of businesses (35.2%) are between four and six years old, showing enough stability to foster acceptance of electronic financial management. Businesses with some years under their belt will be more willing to adopt mobile payments systems to increase efficiency and sustain growth.

4.3.3 Number of Employees.

Table 4.4. Number of Employees.

Employees	Frequency	Percentage (%)
1-5	150	55.6%
6-10	80	29.6%
11-20	40	14.8%

Total	270	100%
-------	-----	------

Source of Data: (*Primary data/field data*)

Most small businesses have between 1 and 5 employees, making them categorized as small-scale enterprises. It is highly beneficial for smaller businesses to use mobile money services since they will enjoy easy money management and accounting.

4.3.4 Education level of owner.

Table 4.5: Education level of business owners.

Education Level	Frequency	Percentage (%)
Primary	40	14.8%
Secondary	120	44.4%
Diploma	70	25.9%
Degree	40	14.8%
Total	270	100%

Source of Data: (*Primary data*)

Majority of the interviewees have completed secondary school education (44.4%), implying that they have reasonable knowledge of finance. Education is one of the factors that determine whether the owners would be open to using digital financial tools.

4.4 Descriptive Statistics.

4.4.1 Mobile Money Adoption.

Measurement of mobile money services in this research was conducted based on three criteria: mobile payment activities, mobile credit use, and merchants' payment methods using a Likert Scale from 1 (very low) to 5 (very high).

Table 4.6: Descriptive Statistics for Mobile Money Adoption

Variable	Mean	Std. Deviation
Mobile Payments Frequency	4.12	0.84
Mobile Credit Usage	3.58	0.97
Merchant Payment Systems	3.76	0.91

Source of Data: (*Primary data*)

The findings suggest that there is an extensive use of mobile payments by SMEs (Mean = 4.12), implying the use of digitalized means for making customer payments and payments to suppliers. The use of mobile credit indicates a fair level of integration by the firms (Mean = 3.58). It implies that even though SMEs have access to digital credit, it is not used as effectively as digital payments are used.

4.4.2 Financial Performance Indicators.

Table 4.7: Descriptive Statistics for Financial Performance

Indicator	Mean	Std. deviation
Revenue Growth	3.89	0.88
Net Profit Margin	3.72	0.93
Liquidity Position	3.95	0.81

Source of Data: (Primary data)

The cost efficiency dimension displays the highest mean value (4.05). This implies that mobile money transactions have resulted in lower costs of business operations. The liquidity dimension displays a mean value of 3.95, implying better cash flow management. The revenue growth and net profit margin dimensions display moderate mean values.

4.5 Correlation analysis.

The Pearson correlation test was employed to measure the association between the dimensions of mobile money services and financial performance.

Table 4.8: Pearson correlation matrix.

Variables	Financial performance	Sig. (2-tailed)
Mobile Payments	0.56	0.000
Mobile Credit	0.43	0.000
Merchant Payment Systems	0.491	0.000

Source of Data: (Primary data)

Mobile payments have a high positive correlation ($r = 0.562$, $p < 0.01$) with financial performance, which implies that the more mobile transactions there are, the more profitable and liquid the business is. Mobile credit also displays a significant positive correlation ($r = 0.438$). This means that obtaining digital credit facilities positively affects the financial performance of the business, although not as strongly as mobile payments do. Merchant payment systems also display a high positive correlation ($r = 0.491$) with financial performance, signifying that having a payment platform facilitates performance

4.6 Regression analysis

A multiple linear regression equation was established as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where.

Y = Financial performance

X₁ = Mobile payment systems

X₂ = Mobile credit

X₃ = Merchant payment systems

4.6.1 Model summary

Table 4.9: Model summary

R	R²	Adjusted R²
0.648	0.420	0.413

The value of $R^2 = 0.420$ shows that there is 42% variation in the performance of finances that can be attributed to the three dimensions of mobile money services. This proves that digital financial systems contribute greatly to SME performance.

4.6.2 ANOVA table.

Table 4.10. ANOVA.

F	Sig.
63.742	0.000

This regression analysis is statistically significant (p-value < 0.001), meaning that the dimensions of mobile money services, taken together, can significantly predict the financial performance.

4.6.3 Coefficients table

Table 4.11. Regression coefficients

Variable	Beta (β)	t-value	p-value	Significance
----------	------------------	---------	---------	--------------

Mobile Payments	0.381	5.214	0.000	Significant
Mobile Credit	0.214	2.785	0.006	Significant
Merchant Payment Systems	0.296	3.467	0.001	Significant

According to the findings of this analysis, all the variables are positively and significantly correlated with financial performance (p-value < 0.05). This means that adopting mobile money contributes to improving the financial performance. Mobile payments have the greatest impact on the financial performance ($\beta = 0.381$), then come merchant payment system ($\beta = 0.296$), whereas the least impact is produced by mobile credits ($\beta = 0.214$).

4.7 Discussion of Findings

The results suggest that the mobile money services’ dimensions mobile payments frequency, mobile credit utilization, and merchant payment systems have a positive effect on the financial performance of small enterprises in Lira City. Increased use of mobile payments is associated with better performance in terms of income, cost-effectiveness, and liquidity. Merchant payment systems play an equally significant role by simplifying processes and minimizing inefficiencies, while the utilization of mobile credit provides some gains.

In essence, this study reveals that the use of mobile money services by small enterprises improves profitability, liquidity, income generation, and cost-effectiveness. The findings of the study are consistent with the study's objectives of exploring the impact of mobile money services' dimensions on SME financial performance

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter contains the discussion, summary, conclusion, and recommendations on the research entitled “Mobile money adoption and the financial performance of small enterprises in Lira City.” This chapter analyzes the empirical results from the data analysis section as well as the results of Chapter Four and discusses their implications with respect to financial performance in terms of profitability, liquidity, growth, and cost-effectiveness. Conclusions and recommendations are also provided based on the findings of the study, which can serve as a guide for making effective decisions among SMEs, financial organizations, local governments, and other stakeholders.

5.2 Summary of key findings.

Findings from the study can be described as follows:

1. SMEs in Lira city have adopted mobile money usage, especially in mobile payments.
2. There is a positive and significant association between mobile money adoption and financial performance.
3. Mobile money adoption accounts for 42% of the variability in SME financial performance, suggesting considerable predictive capacity.
4. Mobile payments have a more significant impact on financial performance than mobile credit and merchant services.
5. Mobile money adoption has a positive effect on profitability, liquidity management, income generation, and cost efficiency.

These findings support the idea that the integration of digital financial tools has a considerable influence on SME financial performance.

5.3 Discussion of findings.

5.3.1 Mobile money adoption and financial performance.

The results of the study show that there is a statistically significant and positive association between the adoption of mobile money and the financial performance of small enterprises operating within Lira City. According to the correlation results, there is an indication of a positive relationship between mobile

payments, mobile credit, and merchant payments and the variables related to the financial performance of businesses. However, the regression analysis indicated that the adoption of mobile money explains a significant amount of variance in the financial performance of small enterprises, indicating that it plays a crucial role in their sustainability.

Financially speaking, the results show that the association is statistically significant, indicating that it is not due to random factors. Instead, it indicates that the incorporation of mobile money plays a systematic role in improving the financial performance of businesses.

Profitability.

Mobile payments had the most significant impact on business finances. From the practical perspective, this indicates that companies that have adopted the system of mobile payments will be able to enjoy the benefits associated with higher turnover of sales, lower levels of cash loss, and enhanced record keeping of income flows. Instant payments allow for increased liquidity, which can be reinvested into further business development. Moreover, merchant payment systems help eliminate cash flows, which makes a business vulnerable to theft.

Liquidity.

The positive relationship between the usage of mobile money and liquidity is due to better cash flow management. The use of digital channels ensures instant payment, leading to better financial stability in the short term. SMEs utilizing mobile technology can effectively fulfill their financial obligations like paying suppliers and salaries. Moreover, easy access to mobile loans increases liquidity for the short term, enabling firms to cover any liquidity gaps without relying on high-interest informal channels.

Revenue growth.

Mobile money systems ensure increased access for consumers. Organizations that can accept mobile payments have access to consumers who enjoy making cashless payments, resulting in an increased consumer base. The convenience involved in executing transactions leads to higher transactions. Merchant systems ensure that organizations are able to engage in wider electronic commerce transactions.

5.4 Conclusion

The first research objective was to investigate the connection between the adoption of mobile money technology and the financial performance of SMEs in Lira City. As evidenced from the above analysis of the results, the study found that the adoption of mobile money technology has a positive influence on the financial performance of SMEs.

It has been revealed that SMEs that adopt mobile payment systems, digital credit products, and merchant facilities experience improved profitability, better liquidity ratios, improved growth revenues, and

reduced costs. It has been found through empirical evidence that mobile payments have the greatest effect on the financial performance of SMEs.

Thus, the use of mobile money can no longer be considered just a facilitation in transactions. This technology becomes an efficient tool for managing business finances.

The set objective was met, as empirical evidence confirms the significant connection between digital finance adoption and SMEs' financial performance.

5.5 Recommendations

The above recommendations emanate from the findings and conclusion of the study.

5.5.1 Recommendations for SMEs.

SMEs should incorporate the mobile payment system into their business transactions, as opposed to using it optionally. Firms need to embrace merchant payment solutions in order to ensure transparency of transactions and keeping digital records. Further, it is advisable for SMEs to apply mobile credit only in profitable ventures such as expanding stocks, in a way that will help earn enough money to cater to the cost of borrowing. Lastly, SMEs should use digital transaction data to assess sale trends and budget well..

5.5.2 Recommendations for mobile money service providers

Transaction costs for SMEs that conduct transactions in large numbers should be reduced in order to enhance the use of these services. Service providers need to create customized digital finance products for SMEs, which include low-cost loans and accounting services.

It is important to enhance the reliability of the system and minimize downtime within the network.

5.5.3 Recommendations for financial institutions

Collaboration between commercial banks and microfinance institutions is recommended to form hybrid financial products by partnering with mobile money providers in order to combine the services provided in both digital payment systems and conventional banking services.

Transaction data recorded digitally should be used by financial institutions as an alternative means of credit rating for SMEs.

5.5.4 Recommendations for government and Lira City authority

The Lira City Authority needs to encourage initiatives aimed at developing digital financial literacy among SMEs. The local government can also offer incentives for firms operating in the digital financial environment without unnecessary bureaucratic red tape.

Digital investments such as better internet connectivity would be beneficial for the financial landscape.

5.5.5 Recommendations for policymakers.

National governments should develop stronger regulatory regimes that safeguard digital transactions and promote innovations. Policies that encourage interoperability of the mobile money platforms and the banking sector will improve efficiencies and increase financial inclusion.

Furthermore, policies that promote consumer protections will guarantee transparency in transaction costs for the small enterprise.

5.6 Areas for further research.

Some directions for future research could be:

1. Longitudinal research to study the long-run financial effect of using mobile money on SME development.
2. Comparative research among SMEs operating in urban and rural locations with regards to their adaptation to digital technologies.
3. Research aimed at exploring how financial literacy might moderate the influence of using mobile money on financial performance.
4. Research focused on studying digital credit risk management and its effect on SME sustainability.
5. Regional comparative research within various cities of Uganda

REFERENCES.

Awuah, E. (2025). *Digital financial transactions and business performance: The role of mobile money in Ghana's SME sector: Evidence from the Sunyani Municipality*. *Asian Journal of Economics, Business and Accounting*, 25(1), 362–373.

Peer-Reviewed Journal Articles (Uganda & East Africa)

Abaho, E., Olomi, D. R., & Urassa, G. C. (2024). Mobile money adoption and business growth of micro-enterprises in Uganda. *African Journal of Business Management*, 18(2), 45–58.

<https://doi.org/10.5897/AJBM2023.9452>

Kabanda, R., Zikusooka, E., & Yaweri, K. (2025). *The impact of mobile money services on financial inclusion in Uganda*. (Working paper)

Kiconco, R., Rooks, G., & Sserwanga, A. (2019). Mobile money and financial inclusion in sub-Saharan Africa: The case of Uganda. *Heliyon*, 5(10), e02581.

<https://doi.org/10.1016/j.heliyon.2019.e02581>

Mugabi, E., & Nsubuga, J. (2023). Digital financial services and the efficiency of small business operations in Northern Uganda. *Journal of African Business Studies*, 15(4), 210–229.

<https://doi.org/10.1108/JABS-05-2023-0182>

Nakigozi, J. (2024). *The impact of mobile money services on the financial performance of small and medium enterprises (SMEs) in Mukono Municipality: A case study of Kikko Market* (Unpublished undergraduate thesis). Uganda Christian University.

Nanfuka, S., & Okello-Obura, C. (2022). Business information systems and the performance of SMEs in Lira City, Uganda. *Library Philosophy and Practice (e-journal)*, 7142.

<https://digitalcommons.unl.edu/libphilprac/7142>

Nanziri, E. L. (2020). Financial inclusion and welfare in Uganda: Is gender a factor? *Journal of African Development*, 21(1), 89–115. <https://doi.org/10.5325/jafrideve.21.1.0089>

Dimensions of Mobile Services (Merchant Payments & Credit)

Bara, A. (2023). Mobile money, mobile credit, and the financial performance of micro-enterprises. *Journal of Financial Economic Policy*, 15(2), 154–172.

<https://doi.org/10.1108/JFEP-08-2022-0210>

Dermish, A., & Kneiding, C. (2020). *Is there a business case for merchant payments? Evidence from Tanzania and Uganda*. CGAP Focus Note No. 115. World Bank Group. <https://www.cgap.org/research/publication/business-case-merchant-payments>

Jack, W., & Suri, T. (2021). Risk sharing and transaction costs: Evidence from Kenya's mobile money revolution. *The American Economic Review*, 104(1), 183–223. <https://doi.org/10.1257/aer.104.1.183>

Katusiime, L. (2021). Mobile money, financial inclusion, and stock market activity: Evidence from Uganda. *Economies*, 9(2), 64. <https://doi.org/10.3390/economies9020064>

Reports & Policy Frameworks

Bank of Uganda. (2023). *Annual Report 2022/2023: Promoting financial stability and digital innovation*.

<https://www.bou.or.ug/bou/bouwebsite/bouwebsiteadmin/Download.asp?f=AnnualReport2022-23.pdf>

Ministry of ICT and National Guidance. (2022). *The National Digital Acceleration Strategy (2022-2027)*. Government of Uganda. <https://www.ict.go.ug/strategies/digital-acceleration/>

United Nations Capital Development Fund (UNCDF). (2024). *Advancing digital financial inclusion for SMEs in Uganda's secondary cities*. <https://www.uncdf.org/article/8241/digital-finance-uganda-smes>

Books & Academic Texts

Dahlberg, S., & Holler, M. (Eds.). (2023). *Digital finance and development in Africa: Systems, users, and impacts*. Routledge.

Mader, P., Mertens, D., & van der Zwan, N. (Eds.). (2020). *The Routledge International Handbook of Financialization*. Routledge. (Specific chapters on "The Financialization of Poverty and Mobile Money").

Villasenor, J. D., West, D. M., & Lewis, R. J. (2018). *The 2017 Brookings financial and digital inclusion project report*. Brookings Institution Press. <https://www.brookings.edu/research/the-2017-financial-and-digital-inclusion-project-report/>

Elly, W. H. (2021). *Efficacy of mobile payment solutions on performance of small and medium enterprises in Kamukunji Trading Center, Nairobi County* (MBA project). USIU-Africa.