

**Digital financial inclusion and the sales performance of small and medium enterprises in  
Mukono municipality**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I Atuhaire Annmarie declare that this research report is my original work and has not been submitted to any institution of learning for any academic award.

Signature.....

Date .....21st-09-2023.....

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S20B34/001

**APPROVAL**

This dissertation has been submitted with the approval of the supervisor.

Signature..... *E. Nsiyona*.....

Date ..... *19/09/23*.....

Name: Mrs. Elsie Nsiyona

## **DEDICATION**

I dedicate this research to my parent Mr. Nyakoojo.B.S Akiiki and Ms. Babirye. Fauzia, my sister Mrs. Kemigisa Auleria Asimwe, and my siblings Doreen, Benjamin, Winnie and Rayan who advised, supported and mentored me throughout my education up to university level. Above all, I thank God for guidance and provision towards completion of this dissertation.

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**ABSTRACT**

The study sought to examine the effect of digital financial inclusion on the sales performance of small and medium enterprises in Mukono Municipality. The study was guided by three objectives: examining the contribution of mobile phone banking on the performance of SMEs, establishing the contribution of internet banking on the sales performance of SMEs and finding out the contribution of agency banking on the performance of SMEs in Mukono Municipality.

The study was carried out using cross-sectional survey research design where quantitative research approach was utilized. Stratified sampling method was used to get a sample of 44 respondents who were SME owners of the selected businesses dealing in boutiques, saloons, stationary bureaus, garages, restaurants, bars groceries and agricultural products in Kauga, Mukono Municipality and these responded to the questionnaires that were used to collect data.

The findings of this study collectively emphasize the significant and positive impact of digital financial inclusion, including mobile phone banking, internet banking, and agency banking, on the sales performance of SMEs in Mukono Municipality. Business owners in the region recognize the convenience, efficiency, and security offered by these banking channels, which not only streamline financial operations but also reduce costs. The strong and positive correlations between each form of digital banking and SMEs’ sales performance, as evidenced by Pearson's

correlation analysis, underscore the vital role these services play in enhancing business performance. These findings emphasize the growing importance of enhancing digital financial inclusion in supporting the growth and sustainability of small and medium-sized enterprises in the Mukono Municipality and potentially in similar contexts elsewhere.

Finally, the study recommended that policymakers and financial institutions should actively promote digital financial services through awareness campaigns and incentives. Investing in financial literacy programs is crucial to empower SMEs in effectively using these services. Collaboration between stakeholders, including government and telecom providers, should focus on improving network infrastructure.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This study was about examining the effect of digital financial inclusion on the sales performance of small and medium enterprises in Mukono Municipality. This chapter presents background of the study, problem statement, purpose of the study, objectives, research questions, justification, significance of the study and theoretical framework.

### 1.1 Background of the study

Digital financial inclusion, which involves providing access to financial services through digital technologies, has emerged as a potential solution to address the financial needs of underserved populations, including SMEs (Parker & Sachdev, 2015). Digital financial services encompass mobile banking, digital wallets, online payment platforms, and other digital tools that enable faster, cheaper, and more convenient financial transactions (Njuki et al., 2019). Digital financial inclusion is defined as the use of cost-effective digital means to reach currently financially excluded and underserved communities with a variety of formal financial services tailored to their needs that are responsibly provided at a cost that is affordable to consumers and sustainable for providers (Kapadia, 2019).

Globally, in developed countries like the USA and UK, digital financial inclusion has gained significant momentum over the past decade. Technological advancements, widespread internet penetration, and the proliferation of mobile devices have facilitated the growth of digital financial services (Honecker et al., 2022). SMEs in these countries have increasingly adopted digital payment systems, mobile banking, and online financing platforms, which have led to improved efficiency, reduced transaction costs, and expanded access to credit. The integration of digital financial services has played a crucial role in supporting SME growth, encouraging entrepreneurship, and enhancing overall economic productivity (Chakravarty, 2023).

In Africa, the landscape of digital financial inclusion varies across countries. Some nations have made substantial progress in embracing digital financial services, while others are still in the

early stages of adoption. Countries like Kenya and Nigeria have witnessed successful mobile money initiatives, such as M-Pesa and Paga, which have revolutionized financial services and significantly impacted SMEs (Bille et al., 2018). In these countries, SMEs have been able to access credit, conduct cashless transactions, and tap into a broader market using mobile payment systems. However, challenges such as limited internet connectivity, low financial literacy, and regulatory barriers have hindered progress in other African countries (Koblanck, 2018).

Uganda, like many other African countries, has experienced a growing interest in digital financial inclusion. Initiatives like mobile money services have gained popularity, with a significant portion of the population utilizing mobile wallets for transactions (Mindra & Moya, 2017). However, challenges persist, especially in rural areas, where access to formal financial services remains limited. Many SMEs in Uganda still rely on cash transactions, which can be inefficient and restrict their growth potential. The government and various stakeholders have been working to promote digital financial inclusion by developing a supportive regulatory environment and collaborating with telecom operators and financial institutions to extend services to underserved areas (Yang & Zhang, 2020).

Mukono Municipality, located in Uganda, represents a microcosm of the country's SME ecosystem. While SMEs play a vital role in the local economy, they face challenges related to access to finance and formal financial services. In recent years, there has been a push to promote digital financial inclusion in the region. More so, research has shown that digital financial inclusion can have transformative effects on the growth and performance of SMEs (Awinja & Fatoki, 2021). By integrating digital financial services into their operations, SMEs can streamline payment processes, access credit more easily, manage cash flows efficiently, and reach a broader customer base through e-commerce platforms. Given the potential benefits of digital financial inclusion, it is crucial to assess its impact specifically on the performance of SMEs in Mukono Municipality (Kambi & Onyiego, 2022). This study aims to explore how SMEs in this region have adopted digital financial services and whether this adoption has resulted in tangible improvements in their performance indicators, such as revenue growth, profitability, and productivity.

## **1.2 Problem statement**

Despite the increasing global focus on digital financial inclusion and its potential to drive economic growth and empower small and medium enterprises (SMEs), the issue remains a pressing concern in many developing countries, Uganda inclusive. According to the World Bank's Global Findex Database (2017), only 26% of adults in Uganda had a bank account. Furthermore, despite mobile money services gaining popularity in Uganda, the World Bank report highlighted that only 22% of adults used mobile money accounts. More so, a study conducted by FSD Uganda in 2019 revealed that up to 90% of businesses in Uganda operated on a cash-only basis, indicating a prevalent reliance on physical currency for transactions. In addition, the Global Microscope on Financial Inclusion (2020) ranked Uganda 38th out of 55 countries in terms of overall digital financial inclusion performance. This ranking indicates that there is ample room for improvement in promoting digital financial services and expanding access to formal financial products for SMEs. This discrepancy in digital financial inclusion is likely to pose significant challenges for SMEs, hindering their ability to thrive and contribute fully to the local economy (Rasheed et al., 2019).

For example according to a report by the Uganda Registration Services Bureau (URSB), an estimated 70% of small businesses in Uganda fail within their first year of operation (Honecker et al., 2022). More so, as of 2020, SMEs accounted for only about 28% of Uganda's GDP, despite constituting a substantial portion of the business landscape. This indicates that SMEs are not fully tapping into their potential as significant drivers of economic growth (Kambi & Onyiego, 2022). However, it has not been empirically proven whether the limited rates of digital financial inclusion have had a great influence on the performance levels of these SME which creates a gap that necessitated the need to conduct a study examining the effect of digital financial inclusion on the sales performance of small and medium enterprises in Mukono Municipality.

## **1.3 Purpose of the study**

The purpose of the study was to examining the effect of digital financial inclusion on the sales performance of small and medium enterprises in Mukono Municipality.

## **1.4 Objectives of the study**

i. To examine the contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality. ii. To establish the contribution of internet banking on the sales performance of SMEs in Mukono Municipality. iii. To find out the contribution of agency banking on the sales performance of SMEs in Mukono Municipality.

## **1.5 Research questions**

i. What is the contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality? ii. What is the contribution of internet banking on the sales performance of SMEs in Mukono Municipality?  
iii. What is the contribution of agency banking on the sales performance of SMEs in Mukono Municipality?

## **1.6 Scope of the study**

The scope of the study covered three dimensions that is; content, geographical and time and these were discussed in detail below.

### **1.6.1 Content scope**

This study specifically focused on; examining the contribution of mobile phone banking on the performance of SMEs, establishing the contribution of internet banking on the sales performance of SMEs and finding out the contribution of agency banking on the performance of SMEs in Mukono Municipality.

### **1.6.2 Geographical scope**

This study was carried out in Kauga village, Mukono Municipality, Mukono District located in the Central region of Uganda. These SMEs in Mukono Municipality were selected because there have been high rates of failure of these SMEs in the area standing at 50% which could be partly attributed to the low levels of digital financial inclusion in these areas.

### **1.6.3 Time scope**

The study focused on scholarly material from the period 2018 to 2023. It was also carried out for a period of three months from June to August, 2023.

### **1.7 Significance of the study**

The study's findings will empower SMEs in Mukono Municipality by showing them the benefits of digital financial inclusion. It will help them improve financial management, access credit more easily, and streamline payment processes, resulting in enhanced overall performance, increased revenue growth, and improved profitability.

The research will aid policymakers in formulating targeted policies and initiatives to promote digital financial inclusion in Mukono Municipality. By creating an enabling environment that fosters the adoption of digital financial services among SMEs and facilitates their access to formal financing options, policymakers can support economic growth and development.

The study's insights will also enable financial institutions to understand the specific needs and preferences of SMEs in Mukono Municipality. They can design tailored financial products and services that cater to the unique requirements of SMEs, fostering greater financial inclusion and customer satisfaction.

Technology companies and digital payment providers will be identify market opportunities in Mukono Municipality for offering digital financial services and technological solutions to SMEs. This can lead to increased partnerships and collaborations with local businesses, driving technology adoption and expanding their customer base.

Finally, the study will also contribute to the existing body of knowledge on the impact of digital financial inclusion on SMEs, specifically in the context of Mukono Municipality, Uganda. Future researchers can build upon this foundation to conduct more in-depth studies, investigate related aspects, and explore different regions to gain a comprehensive understanding of the topic.

### **1.8 Conceptual framework**

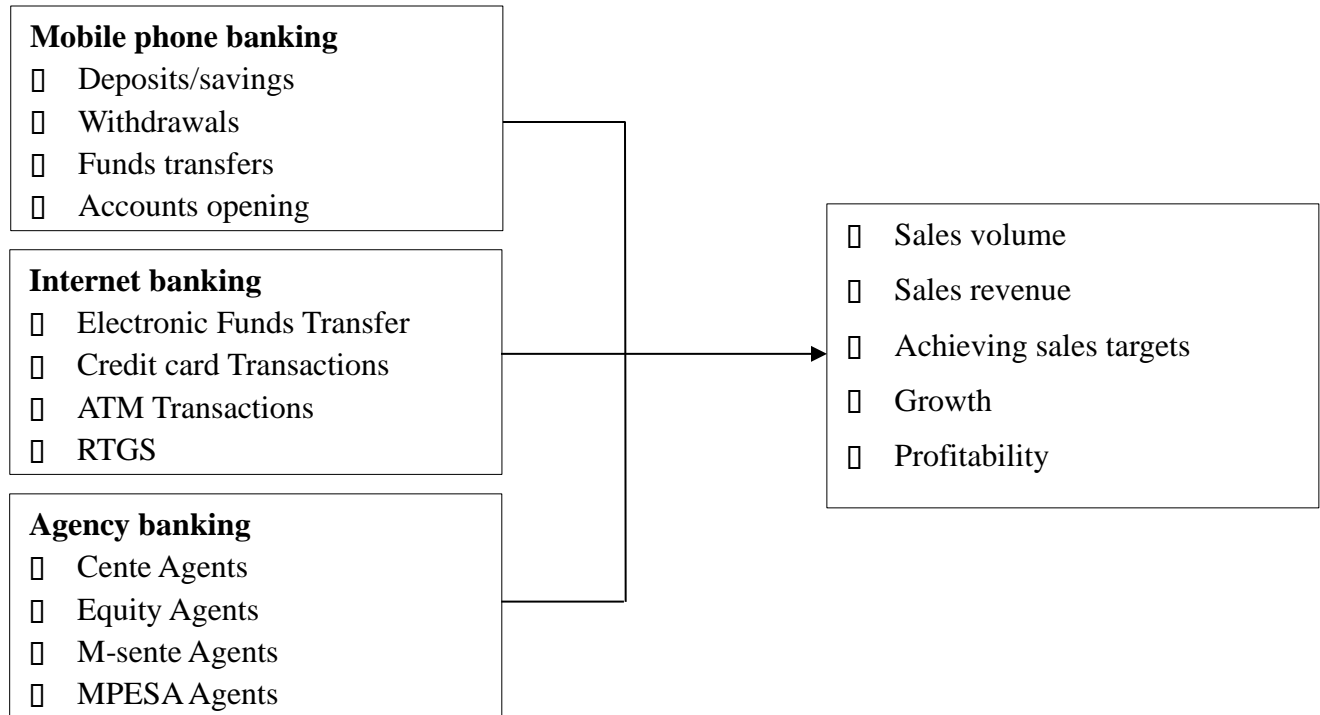
#### **Figure 1: Conceptual Framework**

## Independent variable

(Digital financial inclusion)

## Dependent variable

(Sales performance of SMEs)



**Source:** Adopted from, Kambi & Onyiego (2022) and modified by the researcher (2023)

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter discusses and reviews related researches and literatures published by journals, previous dissertations, text books, and authors' articles related to the research topic and its variables so as to give an insight of the study hence a better understanding to the readers of the research work. It was reasonable to first review the more comprehensive literature on the effect of digital financial inclusion on the performance of small and medium enterprises.

## **2.1 Concept of digital financial inclusion**

Digital financial inclusion involves bringing unbanked adults into the formal financial sector by offering financial services to unbanked adults using devices that have a digital interface such as a mobile phone or other digital devices. Digital financial inclusion involves offering digital financial services to the financially excluded and underserved populations, and using a mobile phone or other digital devices to increase access to digital financial services (Ozili, 2018). Digital financial inclusion involves providing access to affordable formal financial services to the excluded population using existing digital technologies. Digital financial inclusion is the sustainable provision of affordable digital financial services that bring the poor into the formal financial sector of the economy (Ozili, 2021).

The goal of digital financial inclusion is to offer financial services via digital channels to all individuals, households, firms and governments, thereby, contributing to poverty reduction, increase in financial intermediation, and contributing to the attainment of the sustainable development goals. Digital financial inclusion seeks to provide a range of digital financial services that provide opportunities to access funds, transfer funds, grow capital, save funds and reduce risk. Digital financial inclusion involves the deployment of the cost-saving digital means to reach currently financially excluded and underserved populations with a range of formal financial services suited to their needs that are responsibly delivered at a cost affordable to customers and sustainable for providers. Digital financial services may be provided by banks, non-bank financial institutions, financial technology (Fintech) companies and technology companies. The components of digital financial inclusion include the following: digital devices, retail agents, additional financial services, a digital transactional platform, the backend server, and the customers

## **2.2 Sales performance of SMEs**

Sales performance implies an increase of a company's sales when compared to a previous quarter's revenue performance (Scott, 2012). The current quarter's sales figure can be compared on a year-over-year basis or sequentially. This helps to give analysts, investors and participants an idea of how much an SMEs' sales are increasing over time. When looking at an SMEs' quarterly or annual financials, it is not enough to just look at the revenue for the current period.

When investing in a SME, an investor wants to see it grow or improve over time. Looking at the financials in comparison to a previous quarter will give participants a much better idea of how well an SME is doing (Kamya, 2016).

Sales performance is used to measure how fast a company's business is expanding. The figures give analysts, investors and participants an idea of how much a company's sales are increasing over time (Ongore & Kusa, 2013). While sales growth tends to fluctuate from fiscal year to fiscal year and fiscal quarter to fiscal quarter, investors look for trends in revenue growth as a means of gauging the company's growth over proscribed periods of time. All other things being equal, a company that is able to continually grow its revenue should see equivalent increases in net income (Kamya, 2016).

Sales performance has also been defined as an organization's ability to earn revenues in excess of expenses over a period. Pandey (2018) noted that, a company should earn profits to survive and grow over a long period. Firms must earn profits to maximize their shareholders wealth, to generate income for expansion and to finance their daily operations (Pandey, 2018). Performance entails profitability which can be defined as a company's ability, to generate revenue in excess of the cost in producing those revenues or is a measure of business success through comparing profits made with amount sold or invested (Hanson 2012). Poor profitability of small-scale enterprises can be attributed to inventory problems, which is caused by inadequate or poor management. Poor performance has also been attributed to general lack of inventory ethics (Michael 2018).

There is no generally agreed definition of a small scale enterprise globally. Different writers, researchers and policy makers (Kasekende & Brownbridge, 2011; Mwenda and Muuka, 2014; MoF, 2021 have used different definitions for a small scale enterprise. The number of persons employed, investment in plant and machinery and sales turn over are all used to define a small scale enterprise (Najjemba, 2010). In Uganda, a small scale enterprise is an enterprise or a firm employing less than 5 but with a maximum of 50 employees, with the value of assets, excluding land, building and working capital of less than Ug.shs 50 million (US\$ 30,000), and the annual income turnover of between Ugshs.10-50 million (US\$6,000-30,000). A Medium sized enterprise is considered a firm, which employs between 50-100 workers. Other characteristics have not

been fully developed (Kasekende, 2013). This study took Uganda's definition of small scale enterprises since this study was taken in Uganda.

The concept of SMEs is relative and dynamic (Olorunshola & Audu, 2013). SMEs are characterized by uncertainty, innovation and evolution. A firm understanding of SMEs would require a good knowledge of its features. Aderemi et al. (2013) noted that the SMEs in Uganda are usually small, owner or family managed business offering basic goods and services, which tend to lack organizational and management structures with the urban ones tending to be more structural than their rural counterparts. This is one of the most generic features of SMEs in Uganda.

### **2.3 Contribution of mobile phone banking on the sales performance of SMEs**

Mobile phone banking has gained significant attention in recent years due to its potential to impact the performance of Small and Medium-sized Enterprises (SMEs). Scholars have conducted empirical reviews to understand the multifaceted relationship between mobile phone banking and SME performance.

One of the key findings in the literature is the role of mobile banking in enhancing financial inclusion for SMEs. Research by Johnson et al. (2016) suggests that mobile banking platforms provide SMEs with access to formal financial services, allowing them to open bank accounts and access credit facilities that were previously unavailable. This inclusion is vital for SMEs, as it facilitates their financial stability and growth. Furthermore, mobile phone banking contributes to cost efficiency and convenience for SMEs. Ali et al. (2019) conducted a study highlighting that SMEs that adopt mobile banking experience significant cost savings. They no longer need to spend time and resources traveling to physical bank branches, and transaction costs are reduced. This efficiency is a significant boon for SMEs, as it allows them to allocate resources more strategically and focus on core business activities.

Access to credit is another area where mobile phone banking plays a pivotal role in SME performance. Amankwah-Amoah et al. (2020) found that SMEs utilizing mobile banking services tend to be more creditworthy in the eyes of financial institutions. Mobile banking data can be used to assess an SME's financial behavior, enabling lenders to make informed lending

decisions. This increased access to credit can be a game-changer for SMEs, as it allows them to invest in expansion and innovation. Moreover, the ability of mobile banking to streamline financial management cannot be underestimated. Research by Kinyanjui et al. (2017) reveals that mobile banking provides SMEs with a powerful tool to manage their finances effectively. Through mobile banking apps, SMEs can track income and expenses in real-time, helping them make informed financial decisions and avoid cash flow problems.

In addition to financial benefits, mobile phone banking also fosters trust and transparency in SME transactions. Mwangi (2017) discusses how the digital trail left by mobile banking transactions enhances transparency, reducing the risk of fraud and improving trust between SMEs and their customers and partners. Furthermore, mobile banking can catalyze innovation and diversification among SMEs. A study by Chen (2019) suggests that access to mobile banking services can inspire SMEs to explore new business models and products. This innovation can lead to increased competitiveness and overall improved performance in a rapidly changing market landscape.

On the operational front, mobile phone banking simplifies payment processes for SMEs. According to Karami et al. (2018), mobile banking enables SMEs to offer their customers flexible and convenient payment options. This not only enhances customer satisfaction but also facilitates quicker and more efficient transactions for SMEs, ultimately contributing to their performance. Furthermore, mobile banking has been found to mitigate the challenges of financial record-keeping for SMEs. In a study by Matama & Ngugi (2019), it was observed that mobile banking platforms often provide automated record-keeping features. This significantly eases the burden of manual bookkeeping for SMEs, reducing the risk of errors and improving financial management.

Lastly, mobile phone banking can be a catalyst for SME growth and expansion. Research by Ali et al. (2021) suggests that access to mobile banking services can bridge the geographical gap for SMEs, allowing them to reach customers in remote areas. This expanded market reach can fuel SME growth and ultimately improve their performance. The empirical evidence overwhelmingly supports the idea that mobile phone banking has a positive and multifaceted impact on the performance of SMEs. It enhances financial inclusion, improves cost efficiency, provides access

to credit, streamlines financial management, fosters trust, encourages innovation, simplifies payments, aids in record-keeping, and facilitates growth. However, it's important to note that the extent of these benefits can vary depending on factors such as the regulatory environment, technological infrastructure, and the specific needs and capabilities of SMEs. Nonetheless, mobile phone banking undoubtedly holds great promise as a tool for enhancing SME performance in the modern business landscape.

#### **2.4 Contribution of internet banking on the sales performance of SMEs**

Njoku, Nwadike, and Azuama (2020) conducted a study to examine the effect of electronic banking on the economic growth of Nigeria (2009-2018). Specifically this study aims to examines the impact of electronic banking on economic growth in Nigeria over the period of 2009 – 2018 using quarterly data. Method of data analyses used is distribution of questionnaires and secondary data were collected from the CBN statistical bulletin and the Nigerian Bureau of statistics. The study also adopted the Vector Error Correction Model (VECM) and the results of the analysis show that electronic banking has significantly impacted on the economic growth of Nigeria. The result of the analysis shows that Electronic Banking has a significant relationship with Nigeria's economic growth, while Point of Sales, Internet Banking and Mobile Banking, individually have no significant effect on Nigeria's economic growth, while Automated Teller Machine has significant effect on economic growth in Nigeria for the period under consideration.

Orga, Ibeme, and Ekwochi (2020) conducted a study to examine an overview of the Challenges and Survival Strategies of Small Scale Businesses in Enugu Metropolis (A Study of Selected Small Scale Businesses). Specifically this study aims to examine an overview of Challenges and Survival Strategies of Small Scale Businesses in Enugu Metropolis. Method of data analysis used is descriptive design. The findings of the study showed that despite some challenges faced by Small Scale Businesses that there are prospects through various strategies which has led to their survival.

Dedi, Agil, and Putri (2019) conducted a study to analyze the effect of internet banking on ECommerce. Specifically this study aims to analyze how internet banking can significantly influence the development of e-commerce, which can actually reduce or not change the development of e-commerce in Indonesia. The method used in this research was the Case Study

research method that aims to explain what is being investigated in this case and examine how this case can occur and develop in today's society. The findings of the study shows that internet banking can increase sales and expansion of research because with internet banking all customers experience difficulties such as far from nearby ATMs or banks and therefore can only be overcome with smartphones and a stable internet connection.

Masocha and Dzomonda (2018) studied the adoption of mobile money services and the subsequent performance of Small and Medium Enterprises (SMEs) in Zimbabwe. This contribution used the quantitative research method with a descriptive research design. The results indicated that benefits of mobile money and challenges in traditional financial services influenced firm adoption of mobile money services. Conclusively, the study established that subsequent adoption of mobile money services has an influence on the performance of SMEs.

Muchiri et al. (2018) conducted a study to determine the effect of mobile banking adoption on the performance of small and medium enterprises in Nairobi country. Specifically this study aims at determining the magnitude to which small and medium enterprises have adopted mobile banking in Nairobi County, to establish the magnitude to which SMEs utilize the different services offered by the mobile banking and to establish the association between usage of mbanking services and SME performance. The method of data analysis used in this study is descriptive type of survey design. The targeted population of the study is 176. The findings of the study show that ease of use, cost effectiveness, convenience; security of the service, accessibility and diversity has enabled SMEs to continue to use mobile banking services. The finding also shows that mobile banking has increased customer base because of easy method of payments, more time to carry out other business activities, easy access to funds in the bank, increased business transactions, increased profits and increased business efficiency. The finding also shows that mobile banking adoption positively influences SME spar for mince in the county of Nairobi.

## **2.5 Contribution of agency banking on the sales performance of SMEs**

Agency banking refers to branchless banking which gives the customer the benefits of risk management, product availability, improving financial inclusion and ensuring a wider customer base (CrowdForce, 2018). Agency banking and mobile phone applications have enabled financial institutions to reach SSBEs in remote areas in a secure and cost-effective manner (World Bank,

2014). The participants in agency banking include; agent banking service providers, banks, financial institutions, banking agents, and mobile banking operators.

Rahman (2016) determined the impact of agency-banking on the development of SME sector of Bangladesh. The study focused on SME clients who are unable to get banking services by creating banking accounts and agents and applying appropriate tools. The study adopted both primary and secondary data. Questionnaire and face to face interview were used to collect primary data, while websites and articles were used for secondary data. Respondents were selected from 70 SMEs clients and 70 agency banking providers. The findings revealed that there was significant relationship between the independent variables and the dependent variable, hence the null hypotheses were rejected.

Lotto (2016) in his study to assess the leverage provided by agency banking in promoting the financial inclusion in Tanzania, found that agency banking has made banking easy and convenient, cash shortage and security problems are minimal, and banking services costs are lower. Agency banking significantly promotes financial inclusion. The study was descriptive and collected primary data using questionnaires from bank agents' outlets in Dar es Salaam. The study recommends enhancement of risk management, increase coverage by increasing number of agencies, and reduce operation cost, increase the number of outlets providing bank agency services so as to achieve a greater geographical coverage. Apart from that all commercial banks offering agency banking services should reduce operational costs.

Muthengi and Musau (2021) conducted a study to establish the effect of financial technology and financial inclusion of SMEs in Kabati market Kitui County. The study found that despite increased services offered by financial technology and financial institutions, access to formal financial services like Agency banking, MPesa services, online banking and Google play store services (Loan Apps) in SMEs is still low. The study also established that financial technology has significant effect on financial inclusion of SMEs. The study recommended that the government should increase Agency banking, M-pesa services, online banking and Money Lending Apps.

Afande and Mbugua (2015) in a study on the role of agent banking services and promotion of financial inclusion in Nyeri, found that customers were willing to forego the extra charge to

procure banking services through agent banking outlets. Regression analysis indicated that the four factors (availability of liquidity, geographical coverage, costs and security of agent banking services) have a positive significant relationship to financial inclusion. The study concluded that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion.

Otieno (2010) conducted study was premised on how agency banking is used to extend financial inclusion to unbanked population at affordable costs. The study sought to determine factors influencing the adoption of agency banking by KCB Bank Kenya Limited. This was qualitative case study design. The study found a positive relationship between cost reduction, expansion strategy, diversification and ICT and adoption of agency banking at KCB. The study target population comprising of 6 staffs of the bank selected from various departments.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology that was used in conducting the research. It described how this study was conducted. It includes the study design, the study setting, study population and the sample size. It also describes the sampling procedure definition of variables, research instruments, data analysis and management, ethical considerations, and the proposed limitations of the study.

### **3.1 Research design**

This study used a cross-sectional survey research design where data on digital financial inclusion (mobile banking, internet banking and agency banking) and the sales performance levels (sales volume, sales revenue and achieving target sales of the SMEs) from respondents were collected at a single point in time without repetition from the representative population. The design was chosen because of being economical to conduct in terms of time (Patrik & Ugo, 2019). It was also used because it helped the researcher to capture information based on data gathered for a specific point in time. More so, through the use of the cross-sectional research design, the research findings helped in removing assumptions and replace them with actual data on the specific variables studied during the time period accounted for.

Furthermore, quantitative research approach was used in this study (Bhawna & Gobind, 2015). Quantitative research approach was used because it is more reliable and objective, it helped the researcher in use of statistics to generalize the findings and also help in testing theories/hypotheses and lastly, it helped in determining the relationship between the two variables (Haradhan, 2021). Therefore quantitative research approach was used to gather statistical data from the selected SMEs in Kauga village, Mukono Municipality with the help of researcher administered questionnaires.

### **3.2 Study area and population**

This study was carried out in Kauga village, Mukono Municipality, Mukono District located in the Central region of Uganda. These SMEs in Mukono Municipality are selected because there have been high rates of failure of these SMEs in the area standing at 50% that could be partly attributed to the low levels of digital financial inclusion in these areas. According to statistics from Mukono Municipal Council (2021), there are 50 SMEs in Kauga, Mukono Municipality which are categorized according to segmented businesses and those that deal in assorted merchandize and these were included in the study as the population. Therefore the study population or the unit of analysis in this study was the selected SMEs in Kauga village, Mukono Municipality totalling to 50 SMEs where the owners represented each business selected.

### 3.3 Sample size determination

A sample is a section of the wider population that was engaged in the survey (Stuart, 2016). According to Creswell (2012), a sample is a subgroup which is representative of the target population from whom findings can be generalized about the population. Therefore sample size was determined by the sample calculation formula by Taro Yamane's (1970) formula as follows;

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

“n” is sample size, “N” is population, “e” is error (0.05) or level of confidence 95%

“N” (population) = 50 SMEs in Kauga village, Mukono Municipality

$$n = \frac{50}{1 + 50(0.05)^2}$$

$$n = \frac{50}{1 + 50(0.0025)}$$

$$n = \frac{50}{1 + 0.125}$$

$$n = \frac{50}{1.125}$$

**n = 44** SMEs in Kauga village, Mukono Municipality

Therefore, from the sample size calculation above, the sample size was 44 SMEs in Kauga village, Mukono Municipality.

### 3.4 Sampling method

The sampling methods provide information required about the selection of the samples. It also provides a detailed foundation where the research sample can be drawn, and for a population that is enough for a high quality selection of the participants (Lewis and Ritchie, 2003). The study was also carried out using the stratified sampling method whereby samples were selected from

the SMEs which included; boutiques, saloons, groceries, garages, bars, restaurants, and those dealing in agricultural produce. This was due to their convenience about the topic and area under study hence they were expected to represent each element in the population. This technique helped in reducing on the costs of collecting and analyzing data. The table below shows how stratified sampling was used by the researcher;

### **3.5 Sources of data**

While carrying out the research study, both primary and secondary data was used by the researcher.

#### **3.5.1 Primary source**

Primary data are important for all areas of research because they are accurate information about the results of an experiment or observation. Primary data from the field was obtained through questionnaires to selected respondents in order to get their opinions. Primary data helped the researcher in collecting information for the specific purposes of their study. The researcher collected the data herself, using questionnaires.

#### **3.5.2 Secondary source**

Secondary data refers to handling, collecting and possibly processing data by people other than the researcher in question. Secondary data was used to collect data from already written literature for example e-books, journals, published articles and periodicals. Documentary resources are classified in order to facilitate the data collection and textual analysis (Mubazi 2008).

### **3.6 Data collection methods**

The researcher of this study used one type of data collection instruments. This includes questionnaire survey which is briefly explained in the following subsection.

#### **3.6.1 Questionnaire survey**

A questionnaire survey is a research method for collecting information from respondents using standardized questionnaires (Mugenda & Mugenda, 2003). This method involved collecting information from a sample of respondents from the employees of the selected SMEs in Kauga

village, Mukono Municipality in a systematic way. A questionnaire survey was used because it provides a high level of general capability in representing a large population. Due to the usual huge number of people who answers survey, the data being gathered possess a better understanding of what is being studied. Because of the high representativeness brought about by the questionnaire survey method, it is often easier to find statistically significant results than other data gathering methods. Questionnaire survey was also used for these categories of respondents to save on time because their number was big to interview (Amin, 2005).

### **3.7 Validity and Reliability of the data collection instruments**

In order for the study to be sound, it must be free of bias and distortion. Reliability and validity are two concepts that are important for defining and measuring bias and distortion. The following subsections explain how validity and reliability was determined in this study.

#### **3.7.1 Validity**

According to Cohen, Manion and Keith (2007), Validity is ensured by; choosing an appropriate scale, ensuring that there are adequate resources for the required research to be undertaken, selecting an appropriate methodology for ensuring the research questions, avoiding having too long or too short an interval between pre-test and post-test, ensuring standardized procedures for gathering data or for information administering tests, and tailoring the instruments to the concentration span of the respondents.

Validity was done in order to find out whether the questions are capable of capturing the intended data. Experts in research reviewed the questions to see whether they were capable of capturing the intended response. A Content Validity Index (CVI) was calculated in order to establish the validity of the research instrument.

#### **3.7.2 Reliability**

Mugenda and Mugenda (2003) defined reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability of the questionnaire instrument was assessed using Cronbach's coefficient alpha. A pilot study was carried out on 10 respondents and the reliability results were computed using the Statistical Package for the Social

Sciences (SPSS). The following formula was used to calculate the Cronbach's coefficient alpha

### **3.8 Procedure of data collection**

After approval of the proposal from Uganda Christian University, the researcher was given a letter of introduction to the selected SMEs in Kauga village, Mukono Municipality. This served to secure permission in order to carry out the study in this organization. The researcher presented a letter of consent to the respondents, after which, questionnaires were distributed. The respondents were given time within which they should have returned the fully filled questionnaires. After the questionnaires had been filled, the researcher collected them, sorted them and coded them.

### **3.9 Data analysis**

#### **3.9.1 Quantitative data analysis**

Data analysis was done with the aid of the package (SPSS) which besides being user friendly, is appropriate for handling the correlations between the variables plus regressions in the study. All variables were assigned with names and coded for computer entry. Secondly all the responses were coded to facilitate computer data in-put. Thirdly, after data entry was completed, negatively worded scales were recorded and assigned with new values. Fourthly, in order to get composite scores for items on a scale, target variables were computed. Fifthly, data was screened in order to minimize data entry errors. Quantitative data was analyzed using descriptive statistics and Pearson Correlation to examine the relationship between the independent and the dependent variable in the study.

### **3.10 Ethical considerations**

Ethics are the norms or standards for conduct that distinguish between right and wrong. They help to determine the difference between acceptable and unacceptable behaviors (Devlin, 2006). Ethical standards prevent against the fabrication or falsifying of data and therefore, promote the pursuit of knowledge and truth which is the primary goal of research (May, 2011). Ethical behavior is also critical for collaborative work because it encourages an environment of trust,

accountability, and mutual respect among researchers. The handling of these ethical issues greatly impact the integrity of the research results.

Honesty, objectivity, respect for intellectual property, social responsibility, confidentiality, nondiscrimination and many others (May, 2018). Voluntary participation and informed consent was catered for. The purpose of the survey was fully explained and the respondents politely requested to participate in the study.

Sensitivity of the organization records, no harming of the respondents especially patients was ensured. According to Cohen et al. (2000), it is very important that the participants have the option to refuse to participate in the study and the researcher has to provide this option. This was provided for in the introduction part of the questionnaire and consent form.

Anonymity was another concern as described by Deniscombe (2018). To this end, promise and principle of anonymity together confidentiality was assured, after, the names of the respondents were not requested, and emphasis was noted that the information would be treated in aggregate and purely for research purposes. Appreciation was ensured to the respondents after participation for ethical considerations. The researcher shared the findings of the study with the respondents since these findings would be useful to the entity where the study was carried out.

### **3.11 Limitations of the study**

There was lack of enough reliable data to this study. This was because there some respondents were conscious of the training concept. However, the researcher limited the scope of the analysis for the information to be meaningful.

Since the study was cross sectional in nature, this limited the researcher in terms of collecting enough data. This was because data was collected in a short period of time hence does not help to determine cause and effect relationship.

## **CHAPTER FOUR**

### **PRESENTATION, INTERPRETATION AND DISCUSSION OF RESULTS**

#### **4.0 Introduction**

This chapter presents and discusses the results of analysis that has been done to look at the specific objectives of the study and in relation to the reviewed literature. The study was carried out using questionnaires with SME owners located in Kauga village, Mukono Municipality totaling

to 44 respondents. The findings are presented with the help of tables for purposes of clarity and interpretation.

#### 4.1 Findings on demographic characteristics of respondents

This section presents the general background information about the respondents in relation to their gender, age, education level, category of business and period spent operating the business as shown in the table below;

##### 4.1.1 Gender of the respondents

The table below summarizes the gender of the respondents that are SME owners in Kauga and the data in the table was interpreted below.

**Table 1: Gender**

	Frequency	Percent	Cumulative Percent
Male	25	56.8	56.8
Female	19	43.2	100.0
Total	44	100.0	

**Source:** *Primary data*

Findings in the table 1 above show that the majority of respondents, represented by 56.8% are male while female constituted the minority, 43.2% of the total respondents. Therefore there were more males involved in the study compared to their female counterparts. However, the inclusion of both male and female in the survey was to get a different view from the respondents about the topic under study.

##### 4.1.2 Age of the respondents

The table below summarizes the gender of the respondents that are SME owners in Kauga and the data in the table is interpreted below.

**Table 2: Age**

	Frequency	Percent	Cumulative Percent
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21-30 years	13	29.5	29.5
31-40 years	18	40.9	70.4
41-50 years	9	20.5	90.9
Above 50 years	4	9.1	100.0
Total	44	100.0	

**Source:** *Primary data*

Findings in the table 2 above show that the vast majority of the respondents fell between the age group of 31-40 years represented by 40.9%, followed by the respondents who fell between the age group of 21-30 years represented by 29.5%, followed by those between 41-50 years represented by 20.5% and lastly, 9.1% of the respondents were above 50 years.

#### **4.1.3 Education level of the respondents**

The table below summarizes the education level of the respondents that are SME owners in Kauga and the data in the table was interpreted below.

**Table 3: Level of education**

	Frequency	Percent	Cumulative Percent
Primary	8	18.2	18.2
Secondary	14	31.8	50.0
Tertiary	16	36.4	86.4
Others	6	13.6	100.0
Total	44	100.0	

**Source:** *Primary data*

Findings in the table 3 above revealed that majority of respondents represented by 36.4% have at least attained tertiary level of education, followed by 31.8% who have at least attained secondary level of education, followed by 18.2% who have at least attained primary level of education, whereas 13.6% have no education background. It can therefore be noted that most of the

respondents were able to read and understand the questionnaire with ease although questionnaire interpretation was done for those with no education background.

#### 4.1.4 Category of business respondents operate in

The table below summarizes the category of business the responds that are SME owners in Kauga operate in and the data in the table was interpreted below.

**Table 4: Category of business**

	Frequency	Percent	Cumulative Percent
Boutiques	7	15.9	15.9
Saloons	6	13.6	29.5
Groceries	8	18.2	47.7
Garages	2	4.5	52.2
Bars	4	9.1	61.3
Restaurants	5	11.4	72.7
Stationary Bureaus	5	11.4	84.1
Market stalls for agricultural produce	7	15.9	100.0
Total	44	100.0	

**Source:** *Primary data*

Findings in the table above revealed that 18.2% of the respondents operate groceries, followed by 15.9% who operate market stalls for agricultural produce, followed by 15.9% who also operate boutiques, followed by 13.6% who operate saloons, followed by 11.4% who operate stationary bureaus, followed by 12.4% who also operate restaurants, followed by 9.1% who operate bars, whereas 4.5% operate garages. This implies that the researcher was able to get different views from the respondents concerning the topic under study. This further helped in reducing bias and getting biased answers from the respondents hence being able to collect valid and reliable information.

#### 4.1.5 Period spent operating the business

The table below summarizes the period respondents that are SME owners in Kauga have spent operating their businesses and the data in the table was interpreted below.

**Table 5: Period spent operating the business**

	Frequency	Percent	Cumulative Percent
1-5 years	14	31.8	31.8
6-10 years	21	47.7	79.5
Above 10 years	9	20.5	100.0
Total	44	100.0	

**Source:** *Primary data*

Findings from the table 5 above show that majority of respondents, 47.7% have spent 6-10 years operating their respective businesses, followed 31.8% who have been operating their respective businesses for a period of 1-5 years, where those who have spent more than 10 years operating their respective businesses constituted the minority represented by 20.5%. The findings imply that the respondents have the necessary information about the topic under study since majority of them have spent reasonable time operating different businesses in Kauga, Mukono district.

#### 4.2 The contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality

Table 6 summarizes respondents' responses on the contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

**Table 6: The contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
I find using mobile banking services for my company's financial needs to be convenient	19 43.2%	13 29.5%	8 18.2%	2 4.5%	2 4.5%	4.02	0.552
My company's financial activities are now completed more quickly thanks to mobile phone banking	10 22.7%	20 45.5%	7 15.9%	4 9.1%	3 6.8%	3.68	0.505
Access to financial services for my business has improved thanks to mobile phone banking	10 22.7%	24 54.5%	8 18.2%	2 4.5%	00	3.95	0.401
The financial security of my company has enhanced thanks to mobile phone banking	13 29.5%	23 52.3%	3 6.8%	5 11.4%	00	4.00	0.495
The prices of banking for my business have decreased thanks to mobile phone banking	15 34.1%	12 27.3%	13 29.5%	1 2.3%	3 6.8%	3.79	0.596
My business's financial operations are now more accurately thanks to mobile phone banking	18 40.9%	23 52.3%	3 6.8%	00	00	4.34	0.491

**Source:** *Primary data*

Table 6 above shows analysis concerning the contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality using means and standard deviations which was gotten from use of a Likert scale which was represented as: Strongly Agree (5), Agree (4), Not sure (3), Disagree (2) and Strongly Disagree (1). The scores of Strongly Disagree and Disagree have been taken to present a variable which mattered to a Small Extent (equivalent to mean score of 0 to 2.4 on the continuous Likert scale). The score of Not sure has been taken to represent a variable that mattered to a moderate extent (equivalent to a mean score of 2.5 to 3.4 on the continuous Likert scale). The score of Strongly agree and Agree have been taken to represent a variable that mattered to a Large Extent (equivalent to a mean score of 3.5 to 5.0 and on a

continuous Likert scale). A standard deviation of  $>1.5$  implies a significant difference concerning the contribution of mobile phone banking on the sales performance of SMEs in Mukono Municipality.

Findings in the table above showed that on average, respondents strongly agreed to the fact that they find using mobile banking services for their companies' financial needs to be convenient represented by mean of 4.02, standard deviation of 0.552. It further shows that on average, respondents strongly agreed to the fact that their companies' financial activities are now completed more quickly thanks to mobile phone banking represented by mean of 3.68 and a standard deviation of 0.505. Furthermore, on average, a big number of respondents agreed to the fact that access to financial services for their businesses has improved thanks to mobile phone banking represented by mean of 3.95 and standard deviation of 0.401.

The table further shows that on average, respondents agreed to the fact that the financial security of their companies has enhanced thanks to mobile phone banking represented by mean of 4.00 and a standard deviation of 0.495. In addition, on average, respondents agreed to the fact that the prices of banking for their businesses have decreased thanks to mobile phone banking represented by mean of 3.79 and a standard deviation of 0.596. Lastly, on average, respondents agreed to the fact that their businesses' financial operations are now more accurately thanks to mobile phone banking represented by mean of 4.34 and standard deviation of 0.491.

Therefore the major findings of the study illustrated that mobile phone banking greatly contributes to the sales performance of SMEs in Mukono Municipality since the business owners find using mobile banking services for their companies' financial needs to be convenient and given that access to financial services for their businesses has improved thanks to mobile phone banking. The findings of the study concerning the relationship between mobile phone banking and the sales performance of SMEs in Mukono Municipality were further determined using

Pearson's correlation that was conducted as shown below;

**Table 7: Pearson's correlation on mobile phone banking and sales performance of SMEs**

<b>Correlations</b>	
	Mobile phone banking
	Sales performance

Mobile phone banking	Pearson Correlation	1	.663**
	Sig. (2-tailed)		.000
	N	44	44
Sales performance	Pearson Correlation	.663**	1
	Sig. (2-tailed)	.000	
	N	44	44
**. Correlation is significant at the 0.05 level (2-tailed).			

**Source:** *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between mobile phone banking and the sales performance of SMEs in Mukono Municipality. This relationship is affirmed by ( $r = .663^{**}$ ,  $p < .05$ ). This means that mobile phone banking greatly contributes to the sales performance of SMEs in Mukono Municipality.

The findings relate with the literature by Amankwah-Amoah et al. (2020) who found that SMEs utilizing mobile banking services tend to be more creditworthy in the eyes of financial institutions. Mobile banking data can be used to assess an SME's financial behavior, enabling lenders to make informed lending decisions. This increased access to credit can be a gamechanger for SMEs, as it allows them to invest in expansion and innovation. Moreover, the ability of mobile banking to streamline financial management cannot be underestimated.

#### **4.3 The contribution of internet banking on the sales performance of SMEs in Mukono Municipality**

Table 8 summarizes respondents' responses on the contribution of internet banking on the sales performance of SMEs in Mukono Municipality by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

**Table 8: The contribution of internet banking on the sales performance of SMEs in Mukono Municipality**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
I find using internet banking services to handle financial transactions for my business to be convenient	15 34.1%	25 56.8%	1 2.3%	3 6.8%	0	4.18	0.567
The effectiveness and speed of financial transactions in my firm have increased thanks to internet banking	19 43.2%	14 31.8%	10 22.7%	1 2.3%	0	4.16	0.450
My company now has more access to a wider range of financial services thanks to internet banking	18 40.9%	21 47.7%	2 4.5%	3 6.8%	0	4.22	0.387
Internet banking has improved the financial transaction security for my company	21 47.7%	18 40.9%	3 6.8%	2 4.5%	0	4.36	0.476
The overall financial expenditures for my business have decreased thanks to the adoption of internet banking	13 29.5%	16 36.4%	10 22.7%	3 6.8%	2 4.5%	4.02	0.498
The accuracy of my company's financial records and reporting has improved thanks to internet banking	14 31.8%	22 50.0%	2 4.5%	6 13.6%	0	4.00	0.406

**Source:** *Primary data*

Table 8 above shows analysis concerning the contribution of internet banking on the sales performance of SMEs in Mukono Municipality using means and standard deviations which was gotten from use of a Likert scale which was represented as: Strongly Agree (5), Agree (4), Not sure (3), Disagree (2) and Strongly Disagree (1). The scores of Strongly Disagree and Disagree have been taken to present a variable which mattered to a Small Extent (equivalent to mean score of 0 to 2.4 on the continuous Likert scale). The score of Not sure has been taken to represent a variable that mattered to a moderate extent (equivalent to a mean score of 2.5 to 3.4 on the

continuous Likert scale). The score of Strongly agree and Agree have been taken to represent a variable that mattered to a Large Extent (equivalent to a mean score of 3.5 to 5.0 and on a continuous Likert scale). A standard deviation of  $>1.5$  implies a significant difference concerning the contribution of internet banking on the sales performance of SMEs in Mukono Municipality.

Findings in the table above showed that on average, respondents strongly agreed to the fact that they find using internet banking services to handle financial transactions for their businesses to be convenient represented by mean of 4.18, standard deviation of 0.567. It further shows that on average, respondents strongly agreed to the fact that the effectiveness and speed of financial transactions in their firms have increased thanks to internet banking represented by mean of 4.16 and a standard deviation of 0.450. Furthermore, on average, a big number of respondents agreed to the fact that their companies now have more access to a wider range of financial services thanks to internet banking represented by mean of 4.22 and standard deviation of 0.387.

The table further shows that on average, respondents agreed to the fact that internet banking has improved the financial transaction security for their companies represented by mean of 4.36 and a standard deviation of 0.476. In addition, on average, respondents agreed to the fact that the overall financial expenditures for their businesses have decreased thanks to the adoption of internet banking represented by mean of 4.02 and a standard deviation of 0.498. Lastly, on average, respondents agreed to the fact that the accuracy of their companies' financial records and reporting has improved thanks to internet banking represented by mean of 4.00 and standard deviation of 0.406.

Therefore the major findings of the study illustrated that internet banking greatly contributes to the sales performance of SMEs in Mukono Municipality since the SME owners find using internet banking services to handle financial transactions for their businesses to be convenient and given that the effectiveness and speed of financial transactions in their firm have increased thanks to internet banking. The findings of the study concerning the relationship between internet banking and the sales performance of SMEs in Mukono Municipality were further determined using Pearson's correlation that was conducted as shown below;

**Table 9: Pearson's correlation on internet banking and sales performance of SMEs**

### Correlations

		Internet banking	Sales performance
Internet banking	Pearson Correlation	1	.587**
	Sig. (2-tailed)		.000
	N	44	44
Sales performance	Pearson Correlation	.587**	1
	Sig. (2-tailed)	.000	
	N	44	44

\*\* . Correlation is significant at the 0.05 level (2-tailed).

**Source:** *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between internet banking and the sales performance of SMEs in Mukono Municipality is affirmed by ( $r = .587^{**}$ ,  $p < .05$ ). This means that internet banking greatly contributes to the sales performance of SMEs in Mukono Municipality.

The findings relate with the literature by Dedi et al. (2019) who conducted a study to analyze the effect of internet banking on E-Commerce. Specifically this study aims to analyze how internet banking can significantly influence the development of e-commerce, which can actually reduce or not change the development of e-commerce in Indonesia. The method used in this research was the Case Study research method that aims to explain what is being investigated in this case and examine how this case can occur and develop in today's society. The findings of the study shows that internet banking can increase sales and expansion of research because with internet banking all customers experience difficulties such as far from nearby ATMs or banks and therefore can only be overcome with smartphones and a stable internet connection.

#### **4.4 The contribution of agency banking on the sales performance of SMEs in Mukono Municipality**

Table 10 summarizes respondents' responses on the contribution of agency banking on the sales performance of SMEs in Mukono Municipality by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

**Table 10: The contribution of agency banking on the sales performance of SMEs in Mukono Municipality**

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
In order to meet the financial needs of my company, I find agency banking services to be practical and accessible	13 29.5%	19 43.2%	8 18.2%	2 4.5%	2 4.5%	4.02	0.552
The speed and effectiveness of financial transactions for my business have increased thanks to agency banking	20 45.5%	10 22.7%	7 15.9%	4 9.1%	3 6.8%	3.68	0.505
My company's access to financial services in Mukono Municipality has increased thanks to agency banking	24 54.5%	10 22.7%	8 18.2%	2 4.5%	00	3.95	0.401
The security of my company's financial transactions has improved as a result of using agency banking	23 52.3%	13 29.5%	3 6.8%	5 11.4%	00	4.00	0.495
Agency banking has assisted in lowering the overall costs of banking for my firm	12 27.3%	15 34.1%	13 29.5%	1 2.3%	3 6.8%	3.79	0.596
I rely on agency banking services to conduct my business's financial transactions in a precise and trustworthy manner	23 52.3%	18 40.9%	3 6.8%	00	00	4.34	0.491

**Source:** *Primary data*

Table 10 above shows analysis concerning the contribution of agency banking on the sales performance of SMEs in Mukono Municipality using means and standard deviations which was gotten from use of a Likert scale which was represented as: Strongly Agree (5), Agree (4), Not sure (3), Disagree (2) and Strongly Disagree (1). The scores of Strongly Disagree and Disagree have been taken to present a variable which mattered to a Small Extent (equivalent to mean score of 0 to 2.4 on the continuous Likert scale). The score of Not sure has been taken to represent a variable that mattered to a moderate extent (equivalent to a mean score of 2.5 to 3.4 on the

continuous Likert scale). The score of Strongly agree and Agree have been taken to represent a variable that mattered to a Large Extent (equivalent to a mean score of 3.5 to 5.0 and on a continuous Likert scale). A standard deviation of  $>1.5$  implies a significant difference concerning the contribution of agency banking on the sales performance of SMEs in Mukono Municipality.

Findings in the table above showed that on average, respondents strongly agreed to the fact that in order to meet the financial needs of their companies, they find agency banking services to be practical and accessible represented by mean of 4.02, standard deviation of 0.552. It further shows that on average, respondents strongly agreed to the fact that the speed and effectiveness of financial transactions for their businesses have increased thanks to agency banking represented by mean of 3.68 and a standard deviation of 0.505. Furthermore, on average, a big number of respondents agreed to the fact that their companies' access to financial services in Mukono Municipality has increased thanks to agency banking represented by mean of 3.95 and standard deviation of 0.401.

The table further shows that on average, respondents agreed to the fact that the security of their companies' financial transactions has improved as a result of using agency banking represented by (mean of 4.00 and a standard deviation of 0.495). In addition, on average, respondents agreed to the fact that agency banking has assisted in lowering the overall costs of banking for their firms represented by mean of 3.79 and a standard deviation of 0.596. Lastly, on average, respondents agreed to the fact that they rely on agency banking services to conduct their businesses' financial transactions in a precise and trustworthy manner represented by mean of 4.34 and standard deviation of 0.491.

Therefore, the major findings of the study illustrated that agency banking greatly contributes to the sales performance of SMEs in Mukono Municipality since the speed and effectiveness of financial transactions for SME owners' businesses have increased thanks to agency banking and given that the security of their companies' financial transactions has improved as a result of using agency banking. The findings of the study concerning the relationship between agency banking on the sales performance of SMEs in Mukono Municipality were further determined using Pearson's correlation that was conducted as shown below;

**Table 11: Pearson's correlation on agency banking and sales performance of SMEs**

### Correlations

		Agency	Sales performance
Agency banking	Pearson Correlation	1	.645**
	Sig. (2-tailed)		.000
	N	44	44
Sales performance	Pearson Correlation	.645**	1
	Sig. (2-tailed)	.000	
	N	44	44

\*\* . Correlation is significant at the 0.05 level (2-tailed).

**Source:** *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between agency banking and the sales performance of SMEs in Mukono Municipality. This relationship is affirmed by ( $r = .645^{**}$ ,  $p < .05$ ). This means that agency banking greatly contributes to the sales performance of SMEs in Mukono Municipality.

The findings relate with the literature by Rahman (2016) who determined the impact of agencybanking on the development of SME sector of Bangladesh. The study focused on SME clients who are unable to get banking services by creating banking accounts and agents and applying appropriate tools. The study adopted both primary and secondary data. Questionnaire and face to face interview were used to collect primary data, while websites and articles were used for secondary data. Respondents were selected from 70 SMEs clients and 70 agency banking providers. The findings revealed that there was significant relationship between the independent variables and the dependent variable, hence the null hypotheses were rejected.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

The chapter presents discussions of results that were presented in chapter four. It also relates these results to similar studies which were carried out elsewhere as revealed by different

scholars. This chapter also provides recommendations and conclusions basing on findings of the study and suggests areas for further research.

## **5.1 Summary of findings**

The study examined the impact of mobile phone banking on the sales performance of SMEs in Mukono Municipality using a Likert scale to measure respondents' agreement. The findings indicate that mobile phone banking plays a substantial role in enhancing SMEs' sales performance. Business owners largely find mobile banking services convenient, with a significant number agreeing that it accelerates financial activities, improves access to financial services, enhances financial security, and reduces banking costs for their businesses. Moreover, respondents also reported that mobile phone banking leads to more accurate financial operations. Pearson's correlation analysis confirmed a strong and positive relationship between mobile phone banking and SMEs' sales performance ( $r = .663^{**}$ ,  $p < .05$ ), further emphasizing the significant contribution of mobile banking services to the business performance of SMEs in Mukono Municipality.

Furthermore, the study investigated the impact of internet banking on the sales performance of SMEs in Mukono Municipality using a Likert scale to gauge respondents' agreement. The results reveal that internet banking significantly contributes to the enhancement of SMEs' sales performance. Business owners overwhelmingly find internet banking services convenient for handling financial transactions, with a substantial majority agreeing that it has increased the effectiveness and speed of financial transactions in their firms. Additionally, respondents report that internet banking provides greater access to a wider range of financial services, improves financial transaction security, reduces overall financial expenditures for their businesses, and enhances the accuracy of financial records and reporting. Pearson's correlation analysis confirms a strong and positive relationship between internet banking and SMEs' sales performance ( $r = .587^{**}$ ,  $p < .05$ ), underscoring the significant role of internet banking services in bolstering the business performance of SMEs in Mukono Municipality.

Finally, the study examined the impact of agency banking on the sales performance of SMEs in Mukono Municipality using a Likert scale to measure respondents' agreement. The results demonstrate that agency banking significantly contributes to the enhancement of SMEs' sales

performance. Business owners find agency banking services practical and accessible for meeting their financial needs, and a substantial majority agree that it has increased the speed and effectiveness of financial transactions for their businesses. Additionally, respondents report that agency banking has expanded their companies' access to financial services in Mukono Municipality, improved the security of financial transactions, and lowered overall banking costs. SME owners also rely on agency banking services for conducting financial transactions in a precise and trustworthy manner. Pearson's correlation analysis confirms a strong and positive relationship between agency banking and SMEs' sales performance ( $r = .645^{**}$ ,  $p < .05$ ), underscoring the significant role of agency banking services in bolstering the business performance of SMEs in Mukono Municipality.

## **5.2 Conclusions**

In conclusion, the findings of this study collectively emphasize the significant and positive impact of digital financial inclusion, including mobile phone banking, internet banking, and agency banking, on the sales performance of SMEs in Mukono Municipality. Business owners in the region recognize the convenience, efficiency, and security offered by these banking channels, which not only streamline financial operations but also reduce costs. The strong and positive correlations between each form of digital banking and SMEs' sales performance, as evidenced by Pearson's correlation analysis, underscore the vital role these services play in enhancing business performance. These findings emphasize the growing importance of enhancing digital financial inclusion in supporting the growth and sustainability of small and medium-sized enterprises in the Mukono Municipality and potentially in similar contexts elsewhere.

## **5.3 Recommendations**

Basing on the study findings, the following recommendations were highlighted;

The study recommends that policymakers and financial institutions should actively promote the adoption and expansion of digital financial services, including mobile phone banking, internet banking, and agency banking, within Mukono Municipality. This can be achieved through targeted awareness campaigns and incentives to encourage SMEs to embrace these digital tools for their financial transactions.

The study also recommends that to ensure that SMEs can fully harness the benefits of digital financial inclusion; there is a need to invest in financial literacy programs. These programs should educate business owners and entrepreneurs in Mukono Municipality on how to effectively use digital banking services, manage their finances, and make informed decisions to optimize their sales performance.

The study recommends that the local government and telecommunications providers should collaborate to enhance network infrastructure, ensuring reliable and widespread access to digital financial services. A robust and accessible network will enable SMEs in remote areas of Mukono Municipality to fully utilize these services, thus improving their sales performance.

Furthermore, the study recommends that financial institutions offering digital banking services must prioritize data security and privacy. SMEs should have confidence that their financial information is safe and protected when using these platforms. Regulations and standards in this regard should be enforced and regularly updated to meet evolving cybersecurity threats and maintain trust among SMEs.

More so, the study recommends that collaboration between financial institutions, government agencies, and SME associations is essential to create an enabling environment for digital financial inclusion. These partnerships can facilitate the development of tailored financial products and services that meet the unique needs of SMEs in Mukono Municipality. Joint initiatives can also support the rollout of educational programs and outreach efforts to promote the benefits of digital financial inclusion.

In addition, the study recommends that efforts should be made to keep the costs associated with digital financial services accessible to SMEs, particularly smaller businesses. Financial institutions should explore innovative pricing models and fee structures that cater to the financial capacity of SMEs, ultimately enabling them to benefit from these services without straining their resources.

Finally, the study recommends that digital financial services should be designed with flexibility in mind, allowing SMEs to customize their financial interactions based on their unique requirements. This might include tailored lending options, flexible repayment schedules, and

easy integration with accounting and inventory management systems to further enhance the sales performance of SMEs in Mukono Municipality.

#### **5.4 Area for further research**

The study makes several suggestions for further researcher on areas which emerged during the study and require further research. This study recommends that further research could be focused on conducting a comparative study that examines the effect of digital financial inclusion on the financial performance of SMEs in other regions and districts of the country. This research could delve into the digital financial inclusion frameworks, strategies, and tools employed by different banks and investigate how these strategies of digital financial influence their respective financial performances. Analyzing the variations and similarities between SMEs in terms of mobile phone banking, internet banking and agent banking can provide valuable insights into best practices for optimizing financial performance within the business sector.

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## **APPENDICES**

### **Appendix 1: Questionnaire**

#### **For Selected Proprietors in Kauga village, Mukono Municipality**

Dear respondent,



**Note:** In these subsequent sections, use the scale provided to tick in the box of the relevant answer that describes your opinion. **NB: 5=Strongly Agree, 4=Agree, 3= Not Sure, 2= Disagree and 1=Strongly disagree.**

**Section B: Digital Financial Inclusion**

Statements		Responses				
No.	Mobile phone banking	5	4	3	2	1
1	I find using mobile banking services for my company's financial needs to be convenient					
2	My company's financial activities are now completed more quickly thanks to mobile phone banking					
3	Access to financial services for my business has improved thanks to mobile phone banking					
4	The financial security of my company has enhanced thanks to mobile phone banking					
5	The prices of banking for my business have decreased thanks to mobile phone banking					
6	My business's financial operations are now more accurately thanks to mobile phone banking					
No.	Internet Banking	5	4	3	2	1
1	I find using internet banking services to handle financial transactions for my business to be convenient					
2	The effectiveness and speed of financial transactions in my firm have increased thanks to internet banking					
3	My company now has more access to a wider range of financial services thanks to internet banking					
4	Internet banking has improved the financial transaction security for my company					
5	The overall financial expenditures for my business have decreased thanks to the adoption of internet banking					

6	The accuracy of my company's financial records and reporting has improved thanks to internet banking					
<b>No.</b>	<b>Agency Banking</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	In order to meet the financial needs of my company, I find agency banking services to be practical and accessible					
2	The speed and effectiveness of financial transactions for my business have increased thanks to agency banking					
3	My company's access to financial services in Mukono Municipality has increased thanks to agency banking					
4	The security of my company's financial transactions has improved as a result of using agency banking					
5	Agency banking has assisted in lowering the overall costs of banking for my firm					
6	I rely on agency banking services to conduct my business's financial transactions in a precise and trustworthy manner					

### Section C: Sales Performance of SMEs

<b>Statements</b>		<b>Responses</b>				
<b>No.</b>	<b>Sales Performance of SMEs</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Over the previous five years, my company's gross profit level has increased					
2	The profit margins I receive from my business have allowed me to increase my investments					
3	Over time, the business's operational expenses, such as paying its staff, have decreased					
4	Over a five-year period, the volume of sales I make in my business has risen					

5	Most of my customers have increased and remained with me in my business					
6	Due to growing sales in my business, I often make weekly purchases					

**Thank you very much for your cooperation**



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### TO WHOM IT MAY CONCERN

Name: *ATUHAIRE ANNMARIE* Reg. No. *520B34/001*

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

*"DIGITAL FINANCIAL INCLUSION AND THE SALES PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MUKONO MUNICIPALITY"*

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter  
Research coordinator