

**THE IMPACT OF FINANCIAL LITERACY ON THE GROWTH OF SMALL
SCALE BUSINESSES IN IGANGA DISTRICT CENTRAL DIVISION**

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**UGANDA CHRISTIAN
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DECLARATION.

I Akolla Justine Cathy declare that this dissertation titled “The impact of financial literacy on the growth of small scale enterprises in Iganga district, central division,’ is my original work and has not been presented to any university for the award of a bachelor’s degree and the material that is not my original has been dually acknowledged.

Sign..........

Date...10/09/2024.....

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APPROVAL

This is to certify that this dissertation titled “The impact of financial literacy on the growth of small-scale businesses in Iganga district, central division, has been written by Akolla Justine Cathy under my supervision.

Sign.....

Date.....

Madam Abiyar Jennifer

University Supervisor

DEDICATION

I dedicate this research to my parents, Mr. Omoli Adede and Mrs. Awebwa Susan who advised, supported and mentored me throughout my education up to university level.

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ABSTRACT

The study looked at how financial literacy affects the growth of small-scale enterprises (SSEs) in Iganga District, Uganda. SSEs are vital to the local economy. Their growth is often stunted due to inadequate financial literacy among business owners. The primary objective of the research was to examine the impact of financial literacy on the growth of SSEs. It sought to achieve the following objectives, to examine how financial knowledge influences the growth of small-scale enterprises, to examine the effect of financial attitude on the growth of small-scale enterprises in Iganga district, to examine the effect of financial behavior on the growth of small-scale enterprises in Iganga district. The study was limited to Iganga District, specifically its Central Division, where a variety of SSEs operate.

The study used a mixed-methods design to achieve these goals. It combined quantitative and qualitative approaches. Stratified sampling was used to select a sample of 67 small-scale firms from 80 registered in Iganga Municipality. Data was collected using structured questionnaires, interviews, and document reviews. This gave both quantitative data and qualitative insights into the study topic. Descriptive statistics analyzed the data. They summarized financial literacy and business growth. The results were presented through detailed tables and descriptive narratives.

The study shows that financial literacy boosts the growth of SMEs. Entrepreneurs with strong financial knowledge have better growth. This is true, especially for budgeting, cash flow, and planning. Positive financial behavior, like reinvesting profits and managing cash flow, improves business performance. However gaps in financial attitude, especially in credit management and risk assessment, may hinder SSEs' growth.

The study shows that financial literacy is vital for small businesses in Iganga District. It is vital for their growth and survival. It recommends targeted financial education programs. They should address gaps in knowledge about credit management, interest rates, and risk assessment. Standardized financial tools can help entrepreneurs improve their finances. These include budgeting templates and risk assessment frameworks. Peer learning and mentoring programs can also help the region's economic development.

CHAPTER ONE

1.0 Introduction

The chapter presents the background to the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study and the conceptual framework.

1.1 Background of the study

The growth of small-scale enterprises (SSEs) plays a crucial role of economic development particularly in developing countries like Uganda. “SSEs contribute a great deal to employment generation, poverty reduction and economic diversification” (World Bank ,2018). These enterprises are all small businesses. They are entities engaged in an economic activity. This includes self-employed and family-run businesses, partnerships, and associations. They must regularly engage in an economic activity. (Leopairate, 1997). SSEs are established to fulfill several objectives and needs. The main goal of the SSEs Development Policy is to plan a convenient environment to develop SSEs activities. TSupporting small-scale enterprises boosts job growth and incomes. By enhancing SSE competitiveness and expansion, we maximize value creation. This focused approach drives economic development and prosperity for communities. (Brush et al, 2009) “Economic growth thrives on Small Scale Enterprises. These nimble businesses drive innovation, create jobs, and boost local economies. SSEs adapt quickly to market changes, filling niche demands larger firms overlook. Their lean operations foster efficiency and entrepreneurship. By supporting SSEs, nations cultivate a diverse, resilient economic landscape. These enterprises form the backbone of sustainable development, empowering communities and fueling progress.” (Tarash, M., Hanks, B., & Koff, P. (2011). Poverty reduction and economic growth hinge on their crucial contributions. These efforts uplift communities and drive progress. SSEs are labor-intensive and mainly employ low-skilled labor from the rural sector. Thus, Small Scale Enterprises (SSEs) help reduce poverty. They do this by generating income, creating jobs, and increasing investments. They also raise government revenue. They change the capital formation entity engaged in economic activity, regardless of its legal form.

Small Scale Enterprises (SSEs) drive financial growth and jobs. They are vital to both industrial and emerging economies (Lockea, 2012). Most countries constrain SSEs in several areas. They lack access to finance, face complex technology, and have managerial limits. Their low output and oppressive rules also hinder them. Developed and developing economies rely on small businesses to drive growth. SSEs play a key role in keeping the currency circulating. "Estimates show that SSEs make up over 90% of the private sector and over 50% of GDP in most African countries." African Development Bank (2017).

Financial Literacy is the mastery of a set of knowledge, attitudes, and behaviors. Danes and Hira (1997) define it as "the ability to make informed judgments and effective decisions about using and managing money." These authorities added that such a person also has a positive attitude. It should help in effectively managing financial affairs. They should be able to manage and communicate their personal finances, as they affect well-being. They should also be able to read, analyze choices, and discuss money without discomfort.

Entrepreneurs need financial literacy to thrive in a competitive market. It helps them make decisions and grow their businesses. Therefore, the SSEs' poor performance may be due to low financial literacy. Most in Uganda do not know how to budget or why it's important to keep proper records. They also lack knowledge of responsible borrowing to avoid over-indebtedness. Many are unaware of the need to reinvest profits into their businesses, or how to choose between financial products. (BOU Annual Report, 2012).

Financial literacy helps people make responsible choices. It is key to achieving financial well-being (Abiodun, 2016). It has become essential in the running of SSEs in the complex and dynamic environment today. Atkinson and Messy (2005) define financial literacy as the ability to use facts to make good financial decisions with available resources. Fiscal decisions affect finance costs in the long term. So, it's vital for individuals and businesses to make the right choices. Managing a firm's finances is tough. SMEs must choose from many complex financial options. Mutegi et al., (2015) affirm that financial literacy helps firms meet their short- and long-term obligations. It does this through informed decisions, like settling bills on time, keeping

proper books, and better budgeting. These skills position the business in a favorable location within the market.

The BOU's 2012/2013 report says there is need to greatly improve financial literacy. To achieve this, we must expand and enhance our efforts to boost Financial Literacy. The Strategy for Financial Literacy in Uganda will improve programs. They will be more comprehensive, sustainable, and effective. It will also avoid gaps and overlaps. It will focus efforts, boost coordination, and build support from all stakeholders.

Iganga District, located in Eastern Uganda, is home to numerous SSEs that form the backbone of the local economy. Growth and competitiveness elude many enterprises, blocked by a maze of obstacles. These businesses struggle against an array of hurdles, limiting their potential to expand and thrive in today's dynamic marketplace. Financial literacy has been identified as crucial enablers of SSE growth (IFC, 2019). This study aims to look into the impact of financial know-how on the growth of SSEs in Iganga District.

1.2 Statement of the problem

Despite the significance of small scale enterprises in promoting economic advancement and development, many of these businesses in Uganda face challenges in accessing financial services, managing finances and making informed financial decisions leading to high rates of stunted growth (Kibuuka 2020). "Low financial literacy among small-scale entrepreneurs partly causes this. It hinders their ability to manage finances, make smart investments, and navigate complex financial systems" (Gwokto, 2019). Wanjohi (2011) says a lack of financial skills hinders SSE growth. A major cause of these challenges is poor financial education and bad business records. Some small enterprise owners lack financial literacy. They need it to sustain business growth over time. As a result, they are not able to portray the exact financial position of their businesses. Small scale enterprises have failed to sustain their businesses due to a lack of financial literacy. This absence of knowledge stunts their growth, cuts profits, and hinders development.

1.3 Main objective of the study

The main objective was to examine the impact of financial literacy on the growth of small scale enterprises.

1.4 Specific objectives of the study

To examine how financial knowledge affects the growth of small-scale enterprises in Iganga district.

To examine the effect of financial attitude on the growth of small-scale enterprises in Iganga district.

To examine the effect of financial behaviour on the growth of small-scale enterprises in Iganga district.

1.5 Research questions

How does financial knowledge affects the growth of small-scale enterprises in Iganga district.

How does financial attitude on the growth of small-scale enterprises in Iganga district.

How does financial behaviour on the growth of small-scale enterprises in Iganga district.

1.6 Scope of the study

The scope of the study covered mainly the content scope, geographical scope and time scope

1.6.1 Geographical scope

This study was done in the central division of Iganga Municipality, around Wagoina and Ngobi roads. It focused on small-scale enterprises. They have few employees and low capital. These businesses are usually privately owned. They often operate as single-owner enterprises, firms, or cooperatives. This area was chosen because the researcher hoped SSEs could benefit from the findings.

1.6.2 Time scope

The study took a period of three years, from September 2022 to September 2024. The period suffices to gauge how financial know-how shapes small business growth in Iganga's core. This timeframe reveals clear trends in local enterprise development.

1.6.3 Content scope

The research centered on financial literacy as an independent variable. It aimed to see if it affected the growth of SSEs in a community of traders in Iganga district. It also strived to find the influence of financial knowledge, behavior, and attitudes on the growth of SSEs in that community

1.7 Significance of the study

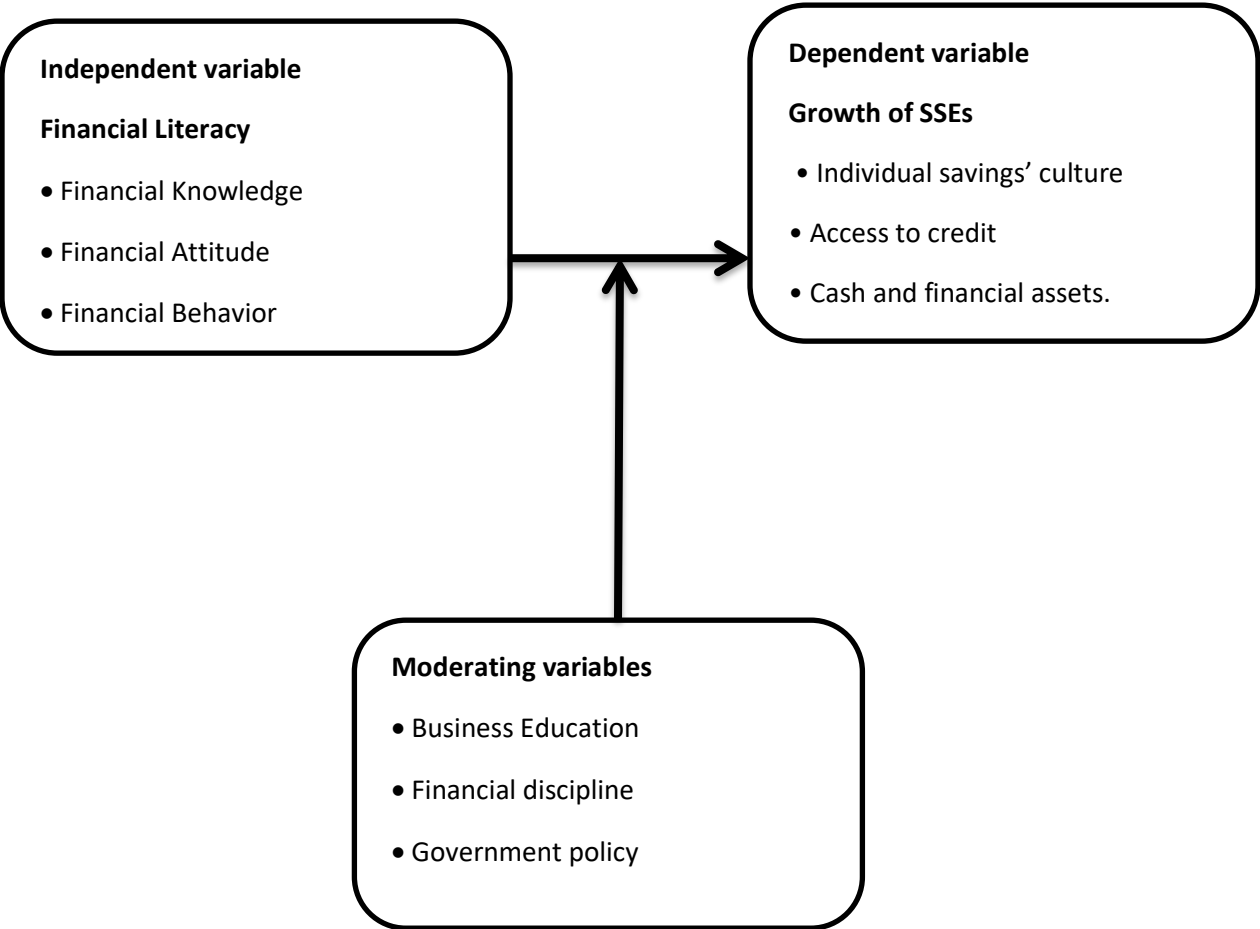
The study of the impact of financial services on the growth of small scale enterprises in Iganga District holds significant importance for various stakeholders;

The study can help SSE managers. It shows how financial literacy affects their businesses' growth and sustainability. With this knowledge, managers can make better decisions. They can manage finances, invest, and reduce risks. If managers grasp the value of financial literacy, they can improve their skills. This will lead to better budgeting, cash flow, and financial health for their firms. Lenders and investors often value financial literacy when reviewing loan apps or partnership proposals. Managers who understand finance are more likely to get funding for expansion or operational needs.

The study's insights can help policymakers. They can create programs to boost financial literacy in small business owners in Iganga District. This can lead to policies that boost growth, jobs, and reduce poverty. Financial literacy affects small-scale entrepreneurs. Policymakers can use this to design support programs. These should offer training, resources, and mentorship. This will foster a better environment for business development. Policymakers should prioritize financial literacy to boost business growth. It can empower entrepreneurs to navigate financial challenges.

The study is a basis for future researchers. They should explore the link between financial literacy and small-scale enterprise growth. It provides a framework for future studies. They should explore specific factors that affect this relationship. Future researchers can use this study's findings. They can identify gaps in current knowledge. Then, they can propose new research questions or methods to expand understanding in this area. Research outcomes can guide policies to improve financial literacy in small-scale entrepreneurs. They can also direct future research and practical interventions.

1.8 conceptual framework



Source: Mukasa (2010) and modified by the researcher.

The conceptual Framework explained a diagram. Small firm growth hinges on financial literacy. Entrepreneurs who master money concepts see their businesses expand. This knowledge-growth connection reveals literacy's crucial role in business development. Financial literacy is the independent variable. The growth of small firms is the dependent variable. There are moderating variables too. The framework assumed that, if traders are financially literate, they would make money. They would gain this through: access to credit, their savings, wise credit use, and good money management. They would also expand their businesses. This is if they had support from business, financial discipline, and favorable government policy.

CHAPTER 2:

LITERATURE REVIEW

2.0 Introduction

The chapter presents the definitions of the key concepts, theoretical review and literature review.

2.1 Definitions of the key Concepts

2.1.1 Financial literacy

Lusardi and Messy (2023) assert that grasping financial concepts is essential. It enables sound decision-making, enhances global comprehension, and cultivates civic responsibility. These benefits prove that money skills matter in today's world. They show that financial literacy is vital. It is key to financial health and resilience in a tough economy with complex financial tools. Lusardi, A. (2019) says financial literacy is more than financial knowledge. Skills, motivation, and confidence turn knowledge into action. Without these catalysts, information remains inert, its potential unrealized. Wisdom can flourish only when their synergy is present. It helps people make good decisions in various financial situations. Financial empowerment fuels economic engagement. By boosting fiscal health, we unlock doors to broader market involvement and prosperity for all.

The OECD defines financial literacy as "a mix of awareness, knowledge, skill, attitude, and behavior." Financial well-being hinges on savvy choices. Each decision shapes your economic future. Make them count. (OECD, 2011) So, financial literacy is a set of skills. They help a person make informed decisions. This improves their welfare and reduces time and money losses.

Financial literacy helps people make responsible choices. It is key to achieving financial well-being (Abiodun, 2016). In today's complex, fast-changing world, businesses must run well. Atkinson and Messy (2012) say that many governments want to improve their people's financial literacy. They seek effective ways to educate the public and provide more learning opportunities.

As a result, (Abiodun, 2016) defines Financial Education as a process. It aims to develop people's abilities to make good financial decisions. Thus, Financial Education is a key part of Financial Literacy. It is knowledge, among other factors. A study from Trenggalek Regency, Indonesia (Fitriyah et al., 2023) emphasizes the role of financial behavior and literacy in the growth of Small Scale Enterprises (SSEs). Financial savvy shapes small business fortunes. Knowledge drives actions, fueling growth. Yet this interplay remains intricate, its impact on entrepreneurial success profound and multifaceted. These findings highlight the critical need for small business owners to develop strong financial knowledge and behaviors in order to leverage financial literacy for long-term growth and success

2.1.2 Small scale enterprises (SSES).

Small scale enterprises (SSEs), or small businesses, employ 5 to 49 people. Their annual sales or total assets are between UGX 10 million and 100 million. They are vital to the economy. They create jobs, spark innovation, and drive growth. The definition of SSEs varies by country and industry, but they all share some characteristics. The Small Business Administration (SBA) defines a small business in the U.S. as one that is independently owned and operated, is not dominant in its industry, and meets specific size standards based on employee count or average annual revenue.

In manufacturing and mining, a small business has 500 or fewer employees. In wholesale trade, it is 100 or fewer (U.S. Small Business Administration, 2021).

In the EU, the definition depends on staff count and financials. The EU defines a small enterprise as having fewer than 50 employees and under €10 million in annual turnover or balance sheet total (European Commission, 2021).

Small-scale businesses are usually privately owned and run. They're often owned by one person or a small group of partners. This close ownership structure means the owners are involved in daily operations and decisions. These businesses operate on a smaller scale in terms of production volume, sales, and overall market presence. In comparison to larger corporations, this smaller scale often allows for more flexibility and faster decision-making. SSEs typically have

lower capital investment than medium and large businesses. Their financial resources are frequently limited, which limits their ability to scale up or invest in extensive research and development (R&D). Small businesses frequently have a limited market reach.

However, thanks to technological advancements and e-commerce, many SSEs can now expand their reach both nationally and internationally.

Regardless of size, SSEs play an important role in job creation. They are frequently more labor-intensive than larger enterprises and employ a sizable proportion of the workforce. According to the International Labor Organization (ILO), small and medium-sized enterprises (SMEs), including SSEs, account for two-thirds of all jobs worldwide (ILO, 2021). Small businesses are often more agile and innovative than larger corporations. Their smaller size enables them to respond quickly to market changes and test new ideas and business models. This innovation is critical to economic growth and competitiveness.

SSEs drive economic growth and alleviate poverty. (Tarash et al, 2011). These small enterprises fuel development, acting as vital cogs in the economic machine. They create jobs and boost prosperity in needy communities. SSEs are labor-intensive and mainly employ low-skilled labor from the rural sector. Thus, Small Scale Enterprises (SSEs) help reduce poverty. They do this by generating income, collecting tax revenue, and creating jobs. They also boost new investments and change capital formation. This affects all economic activities, regardless of their legal form.

2.2 Theoretical review

Theories say financial literacy helps SSEs grow. It helps entrepreneurs make smart financial decisions and manage their money. It also lets them access financial services.

2.2.1 Transaction Cost Theory

Coase (1937) introduced Transaction Cost Theory. It focused on the costs of economic transactions. In small businesses, this theory suggested that better financial literacy can cut costs. Financial literacy helps entrepreneurs make better decisions about investments, financing, and risk management. This results in more efficient transactions within the company, which

contributes to growth. Financial literacy lowers costs. It helps entrepreneurs manage finances, make decisions, and cut red tape (Williamson, 1979; Eisenhardt, 1989). Williamson (1985) expanded on this theory. He argued that uncertainty and bounded rationality cause transaction costs. Financially literate entrepreneurs can better navigate uncertainties. They can make rational decisions, which reduces transaction costs in their business. Transaction cost economics has many variations. It is a theory of transaction coordination within and between businesses. The theory assumes that organizations incur costs. These include those of contract writing, supervision, opportunistic behavior, and specific assets. Markets, common law, and regulations reduce transaction costs (Winnie, 2015). They are governance mechanisms.

2.2.2.Resource-Based Theory

Penrose (1959) introduced the Resource-Based Theory. Barney (1991) later developed it. It explains how firms can gain a long-term edge by using their unique resources and capabilities. In small businesses, financial literacy is a key growth driver. It helps them manage finances, allocate capital, and spot growth opportunities. Entrepreneurs can boost their edge by learning about budgeting, cash flow, and financial planning.

Barney (1991) says resources of a firm must be precious, uncommon, unreplicable, and irreplaceable. Their indispensability fuels lasting market dominance. Financial literacy meets these criteria. It gives small businesses an edge over competitors. It can speed up their growth. Financial literacy is vital for entrepreneurs. It helps them acquire and manage resources like capital, labor, and technology (Wernerfelt 1984; Barney 1991). Wernerfelt (1984) says financial literacy is a valuable resource. It helps SSEs acquire and manage capital, labor, and technology. Financially literate entrepreneurs can optimize resources, cut costs, and boost productivity. This will increase growth and competitiveness. Financially literate entrepreneurs can use their knowledge to invest in growth. This will improve their competitiveness and give them an edge (Lusardi & Mitchell, 2011), (Ramani et al., 2017).

2.3.1 The effect of financial Knowledge on the Growth of SSEs

Financial knowledge is the understanding of financial concepts. Knowledge fuels decisions, driving small-scale enterprise growth. This vital skill transforms information into action, propelling SSEs forward. Savvy entrepreneurs harness their expertise, making choices that shape success. By applying insights wisely, even modest ventures can thrive and expand. Financial knowledge emerges through stages, as Cude and colleagues (2006) illustrate. This process shapes one's fiscal understanding over time. It is where individuals use a mix of resources, skills, and knowledge. Financial literacy drives decision-making. Managers wield data to steer choices, always mindful of monetary impacts. Understanding fiscal ripple effects is crucial for effective leadership and information management.

Tarfasa et al (2016) adds that financial knowledge means to, distinguish between financial options, discuss money and finance without discomfort, plan for the future, respond wisely to life events that affect daily financial decisions, including changes in the economy.

Lusardi and Mitchell (2014) assert that financially savvy entrepreneurs are better at using financial markets and tools. This boosts their business performance and growth. Van Nieuwenhuyzen (2009) says financial knowledge is to read, manage, and analyze one's finances. It also means to communicate about them. This knowledge affects one's material well-being. Without the necessary financial knowledge, managing money can be tough. It often leads to poor financial choices (Boon, Yee & Ting, 2011).

Also, Fatoki (2014) found that low financial knowledge blocks access to external funding. This hinders the growth and sustainability of SSEs. Entrepreneurs gain crucial fiscal know-how through targeted programs, as Wise (2013) research demonstrates. Such education sharpens their financial acumen. This, as a result boosts their business practices and growth outcomes. The study found that financially literate entrepreneurs are more profitable. They can also grow their businesses. They have better financial planning, management, and control.

Eniola and Entebang (2016) also argue that financial knowledge is key in strategic decision-making. It helps small business owners to allocate resources and improve efficiency.

Van Nieuwenhuyzen (2009) defines financial knowledge as the ability to read, manage, analyze, and discuss one's finances and their impact on well-being. Financial knowledge empowers individuals to weigh options effectively. Arfasa et al. (2016) recognize this crucial ability in their research. It is to discuss money and finances without discomfort. It includes making future plans and wisely reacting to events, like the economy, that affect daily financial decisions. Hogarth (2002) says that, people with strong finance skills know a lot. They understand banking, investments, credit, insurance, and taxes. They also know about financial management.

According to Tarfasa et al. (2016), people with strong finance skills can optimize their investments. They understand the basics of money and asset management. Many economic actors, including large financial institutions, are interested in personal financial literacy. These include educational institutions, community groups, government agencies, and, above all, consumers.

Tarfasa et al (2016) state that many nations have low savings and high debt. This implies a lack of financial literacy. It is the reason for these role players' interest. Harvie and Lee (2005) suggest another reason for the interest. Some fear that a lack of financial expertise could hurt their decision-making.

Higher degrees of financial literacy are linked to good record keeping; claim Borden, Lee, Serido, and Dawn (2008). Also, in a financial decision test, those who understand finance were better at picking the best option than those who didn't. Lind (2005) says that high financial knowledge helps people make better decisions. This will likely help them achieve their long-term financial goals. Higher degrees of financial literacy are linked to good record keeping, claim Borden, Lee, Serido, and Dawn (2008). Also, in a financial decision scenario, people who know finance are more likely to choose the best option than those who don't. Lind (2005) says that high financial knowledge can improve decisions. This will likely help people achieve their long-term financial goals.

In 2012, Atkinson and Messy reshaped financial literacy's landscape with their comprehensive definition, now a cornerstone in the field. Financial literacy encompasses knowledge, skills, and mindsets. It blends understanding, perspectives, and actions. This holistic concept shapes how people manage money, make decisions, and navigate economic realities. Mastery requires grasping core principles, developing healthy attitudes, and practicing sound financial behaviors. These three pillars now fully characterize financial literacy: awareness, knowledge, skill, attitude, and behavior that are required to make wise financial decisions and ultimately achieve individual financial wellbeing (Atkinson and Messy, 2012).

Hung, Parker, and Yoog (2009) define financial literacy as the awareness, knowledge, skills, attitude, and behavior needed to make smart financial decisions. It is key to achieving financial well-being. The writers discuss three aspects of financial literacy: financial behavior, attitude, and knowledge. This explanation uses the definition. It says that financial literacy comes from financial behavior, knowledge, and attitude. This concept is well-used in the literature. It covers the most dimensions, so this choice is justified.

Knowledge is the comprehension of how to measure SSEs' growth and business condition using the mental model (Lusardi & Michell, 2007; Moore, 2003). It supports, enhances, or facilitates decision-making. Lusardi and Michell (2006) say that financial literacy is vital. It maintains financial knowledge and develops a measure of financial competence. These financially literate people are more active in the markets. They understand the issues. Njoroge and Gathungu (2013) studied Kenya. They found a link between financial literacy and business growth. Financially literate entrepreneurs performed better. Atkinson and Messy (2012) found that financial knowledge helps SSEs survive longer. Businesses with financially literate owners are less likely to fail in their first few years. Wise (2013) found that financially literate small business owners are more profitable. This is attributed to improved financial management and informed decision-making.

2.3.2. The effect of Financial attitude on Growth of SSEs

An individual's financial attitude affects SSE growth. It includes their risk tolerance, saving habits, and investment preferences. Financial attitude shapes how entrepreneurs perceive and

react to financial opportunities and challenges. (Latif et al., 2011) defined financial attitude as using financial principles to enhance decision-making and resource management.

Hudon, (2004) defined financial attitude as a "psychological tendency to favor or disfavor a particular entity." It is a bias for or against certain financial management practices. Attitudes shape intentions, according to Ajzen's (1991) Theory of Planned Behavior. Intentions then affect actual behavior. This theory applies to financial attitudes. Positive attitudes can lead to proactive behaviors. These behaviors can help businesses grow. Njoroge (2013) found that a positive financial attitude helps small business owners. They are more likely to keep financial records, stick to budgets, and invest wisely. Proactive financial management is key for business growth. It ensures efficient use of resources and improves the ability to respond to market changes. Also, Robb and Sharpe (2009) found that a risk-averse attitude can limit SSEs' growth. It can discourage entrepreneurs from pursuing expansion or investing in innovative projects. Procuring adequate information improves financial attitude (Abiodun, 2016).

(Aboidun, 2016) noted that SSEs' managers' financial attitudes affect their access to finance and capital. He noted that financially savvy individuals achieve success. They have long-term, future-oriented savings and investments. SSEs often face high risks from limited resources and market uncertainties. So, effective risk management is critical for them. Proactive risk management in finance boosts entrepreneurs' chances to diversify. It helps them buy insurance and keep emergency funds (Kraus et al., 2012). Brinckmann, Grichnik, and Kapsa (2010) found that SSEs with strong risk management grow and stabilize better. They stressed the need for a positive attitude toward financial risk.

Risk and uncertainty influence nearly all key business decisions (Dohmen et al., 2011). Thus, knowing individual attitudes towards risk is key. Linking it to predicting economic behavior is important. Business people have a financial attitude. It affects how they commit resources to high-risk projects, hoping for big returns. Abiodun (2016) argues that most successful entrepreneurs take risks.

Risk attitudes span a spectrum, according to Thompson and David's (2010) research. Pragmatists embrace uncertainty as life's constant. Surprisingly, conservators leap into high-stakes gambles.

Maximizers trust in the world's self-correcting nature. These views shape how people make decisions in an unpredictable world. Family business owners' risk-taking habits reveal managerial tendencies. Research by Jing et al. (2001) found executives generally strike a balance in decision-making. They are neither overly cautious nor reckless. Risky decisions by these businesses harm families and other stakeholders. Family firms' leaders display a surprising appetite for risk, contrary to common assumptions about their conservatism. Age, race, net worth, and number of employees affect managers' risk-taking attitudes.

For SMEs to manage strategically, financial planning and control systems are critical. According to Gibson and Cassar (2005), adopting performance monitoring, financial forecasting, and detailed budgeting systems is made easier by having a positive financial attitude. Good financial planning helps SMEs. It lets them allocate resources, anticipate needs, and adapt to market changes. Hyytinen and Toivanen (2005) found that SMEs with strict financial controls grow faster. This shows the importance of behavioral finance. It says cognitive biases and heuristics affect SMEs' financial attitudes and decisions. Entrepreneurial biases like optimism, overconfidence, and anchoring can affect financial decisions. For example, overconfident businesspeople may overestimate returns and underestimate risks. This can lead to poor investment decisions (Cassar, 2006). SMEs can create better financial strategies by knowing these biases. They affect attitudes toward money.

Gender and cultural backgrounds influence SMEs' financial attitudes and behaviors. Carter, Anderson, and Shaw (2001) found that female entrepreneurs are more cautious with money. This can lead to risk-averse investing and risk-management strategies. Cultural factors also influence financial attitudes. Hofstede's theory says that high uncertainty avoidance cultures may prefer cautious financial practices. We must understand these factors. Financial education for small and medium enterprises will be refined through their input, shaping tailored programs to meet specific needs. SSE leaders' fiscal outlook steers their ventures. Smart money choices propel success. Poor ones spell trouble. Financial savvy proves crucial in navigating these social enterprises through uncertain waters. It greatly affects the growth and sustainability of their businesses.

Financial attitude is important in many areas, including financial planning, investment decisions, risk management, and financial literacy. Policymakers and support organizations can improve the growth prospects of SSEs by promoting positive financial attitudes through education, training, and awareness.

Future research should focus on interventions to fix cognitive bias and cultural influences in financial decision-making. Also, longitudinal studies are needed to understand the link between financial attitudes and SME growth. Making wise investment choices is essential to SSE growth and sustainability. Entrepreneurs' financial attitudes influence how they evaluate and prioritize investment opportunities. Van Auken (2005) claims that SSEs with an aggressive financial stance may overleverage, raising the risk of instability. In contrast, those with a conservative stance typically underinvest, missing growth opportunities.

A balanced approach to finances promotes wise investments that support the company's strategic objectives and the state of the market. For instance, research by Abor and Quartey (2010) suggests that SSEs are more likely to see sustained growth if they have balanced financial attitudes towards investment decisions.

2.3.3. The effect of Financial Behaviour on Growth of SSEs

Financial behavior means the financial practices of entrepreneurs. It includes budgeting, saving, investing, and debt management. These are the core of financial planning. These interconnected elements shape one's fiscal health and future prosperity. Briozzo and Vigier (2016) stress that sound financial behavior is vital. This includes careful financial planning and monitoring. They are key to maintaining liquidity and ensuring a business's long-term survival. Drexler, Fischer, and Schoar (2014) found that financial training helps small business owners. It improves their financial behavior, boosting revenues and growth. The study found that training in practical financial skills improves financial behavior. These include regular cash flow monitoring and managing debt. (Gugerty, 2007) argues that good financial behavior is to diversify investments. Each type has its own risk profile. They are affected by different risks.

Furthermore, Mazzarol et al. (2015) argue that financial behavior is key to business performance. It is shaped by financial knowledge and attitude. Their research suggests that good financial habits can help small businesses. Regularly reviewing financial statements and planning can lead to growth. They also note that poor financial behavior can lead to business failure. Neglecting financial planning and mismanaging debt are examples of this. Sullivan (2012) said good financial behavior means making smart money decisions. These should increase wealth and reduce risks for businesses and individuals. Financial wizards, these savvy planners build wealth and avoid debt. They secure retirement and protect against life's surprises. Their foresight turns uncertainty into stability. It paves the way for a brighter economic future.

Financial literacy can predict some financial behaviors (Hung et al., 2009). Financial savvy breeds smart choices. Knowledge shapes attitudes, guiding wiser money moves. Research backs this commendable cycle of economic wisdom.(2016), who developed a number of models that could be used to measure financial literacy. Sullivan (2012) said sound financial behavior means to grow wealth. It also means to reduce risks for individuals and businesses. It requires making choices. These activities can help one to grow their wealth. They can also avoid excessive debt, fund retirement, and buy insurance for major life events. Gurty (2007) says it's good to diversify assets across different investments. Each type of investment has its own risks.

(Beal and Delpachitra, 2003) noted that debt management skills are key to financial literacy. They help one obtain capital at the lowest cost. Research shows most small entrepreneurs lack financial literacy. They struggle to obtain financing for their businesses (Attanasio and Banks, 2001).

Staying within budget defines effective debt management for businesses. It requires balancing income and expenses while meeting financial obligations. Debt management plans emerge as crucial tools when borrowers struggle. These strategies help people with overwhelming debts. They provide a roadmap to regain control and stability. Beal and Delpachitra (2003) describe a common strategy for tackling financial challenges: the debt management plan. Lusardi and Mitchell (2011) studied how literacy affects entrepreneurs. They found that people with low financial literacy are more vulnerable to exploitation in debt management, savings, and credit.

They also struggle to invest in the money and stock markets and to select good portfolios. This leads to poor planning. Financially savvy individuals craft lean, effective portfolios. Their knowledge empowers smarter investment choices.

Americans' grasp of debt concepts and their propensity for over-borrowing formed the core of Lusardi and Tufano's (2009) investigation. The study found that 75% of the target group did not understand interest compounding. They could not apply it to their daily business or use a credit card effectively. They noted that the most affected are women, the marginalized, the elderly, and single parents. Their limited resources and poor financial oversight are to blame.

according to Beal and Delpachitra (2003), businesses thrive on meticulous records. Savvy owners recognize this essential skill, embracing it as a cornerstone of their success. It provides vital information for decision-making. Financial acumen gets put to the test. Most find it hard to recall every transaction. Daily minutiae often dull the memory. Record keeping involves entries from daily operations transactions. In particular, it includes receipts, expenditures, and profits. This includes collecting, organizing, storing, and analyzing an entity's financial data. Daily operations rely on meticulous bookkeeping. This practice yields crucial financial statements, tax returns, and reports, enabling businesses to function smoothly and meet regulatory requirements. Businesses require documentation. Managers use it to guide actions, decisions, and policies. They also help maintain stakeholder relationships (Lusimbo & Muturi, 2016). Assets and liabilities often feature in organizational records, providing a snapshot of financial health. Record keeping is the core foundation of a compliance program. Measures should capture the documents and events of a transaction. This starts from delivery and payment (Reed 2010).

Joshi et al. (2003) examined the financial planning method and organizational effectiveness. They found that large companies tend to excel at detailed budgeting. Researchers found that a company's size and complexity affect the budgeting process. These factors also affect its performance. Quantitative studies frequently employ company size as a crucial variable. This metric enables researchers to analyze organizational patterns and industry trends effectively. Wijewardena and DeZoysa (2011) studied SMEs' contributions to the budget process. They found that the budget is harmed by two aspects of the process: planning and control. They found

three types of firms. First, those that don't use budgets. Second, firms with some planning in operations, known as simple budgeting. Third, firms with detailed budgets that cover all operations. Budget oversight lies at the heart of administration, ensuring financial accountability and equilibrium within the organization.

Fatoki (2014) found that small businesses operate informally. They lack financial planning and measures for expected income and spending. Abanis, Sunday, Burani, and Eliabu (2013) back this up. Formal budgets, financial controls, and planning elude most small enterprises, despite their potential benefits. Warue and Wanjira (2013) studied Kenyan businesses. In Kenya, business collapses frequently stem from one root: flawed budgeting. Entrepreneurs struggle to manage finances effectively, dooming their ventures before they can flourish. This widespread skill gap threatens economic growth and stability.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher describes the methodology used in the study. Inclusive is the research design, study population, sample size, data sources, data collection methods, and data analysis methods.

3.1 Research design

The study employed a mixed-methods approach. It merged quantitative and qualitative data collection. It assessed how financial literacy affects small businesses in Iganga District.

The quantitative component of the study comprised a structured survey that was given to a sample that is representative of small business owners. The qualitative component involved conducting in-depth interviews with a chosen group of entrepreneurs to learn about their perspectives and experiences related to financial literacy and how it affects their business strategies and decisions. For the quantitative data, data analysis made use of statistical techniques, and for the qualitative interviews, theme analysis was employed. This comprehensive design sought to shed light on the ways that financial literacy supports the growth and sustainability of SSEs in the central division, Iganga district.

3.2 Study Population.

The survey targeted 80 SSEs registered in the Iganga municipality, central division as per the records of the Iganga municipality office.

3.3 Sample Size.

A sample size of 67 respondents was selected from a population of 80 SSEs in Iganga Municipality based on the statistics from the Iganga district local government. The sample was obtained using the Yamane's (1970) formula.

Table 3.1: showing population size and sample size.

Table 1 showing population size and sample size.

category	Target population	Sample size.
Stationery and bookshops	12	10
Boutiques	15	13
Salons	8	8
kiosks	10	8
Grocery shops	19	15
Ceramic tiles distributors	10	8
Retail shops	6	5
TOTAL	80	67

3.4 Sampling Design.

This study used simple stratified sampling to select a sample from small-scale traders. The strata were extracted by their characteristics and the businesses an enterprise is engaged in.

3.5 Data Sources

3.5.1 Primary data

The primary source of data collection method was used to get trustworthy data that aided in achieving the study's stated goals. This method of gathering data was selected because it offers an effective way to gather statistically significant data. The primary source provided firsthand and unique information on the study's variables.

3.5.2 Secondary Data

The data came from various secondary sources. These include journals, training manuals, the internet, reports, and unpublished research.

3.6 Data Collection Methods.

A questionnaire, interviews, and document reviews were used to gather data on financial literacy and SSE growth. The data was high-quality.

3.6.1 Questionnaire Survey

The study used questionnaires as a suitable data collection method. A series of questions printed in a logical order were used in the questionnaire approach. A questionnaire survey was the best method to gather data. The respondent can do it at their convenience and save time. Also, data was gathered from many respondents in their natural environment.

3.6.2 Interview Method

Respondents and the researcher met in person for interviews. The researcher collected qualitative data through structured interview questions. Interviews are an important tool for gathering the data needed to meet research objectives because they provide comprehensive information that questionnaires cannot.

3.6.3 Documentary Review

This was an additional technique that was employed to gather secondary data to support the primary data. This data was gathered by various researchers, and it may not have been analyzed or published. The researcher used documents on the impact of financial literacy on small business growth in the Iganga District.

3.7 Data collection tools

The following data collection instruments were used:

3.7.1 Questionnaire.

An open-ended, structured questionnaire was created and given to the respondents to gather information about their perspectives on how financial literacy affects the expansion of small businesses in the Iganga District. This method of gathering data involved giving the respondent a written document, asking them about the events in the business, and using a structured questionnaire that allowed the respondent to respond to the researcher's questions and specify when they would like the questionnaire returned. The questionnaire was chosen because it is a cost-effective means of gathering data from a large geographic area, provides greater assurance of anonymity, can be completed at the respondent's convenience, increasing the likelihood of receiving valid information, and was a suitable method for gathering data on the relationship between financial literacy and growth of SSEs.

3.7.2 Interview guide

The informants were interviewed in person to collect data. This was conducted with people who are knowledgeable about small businesses in the Iganga district central division. The method was chosen because it allowed for interviews with respondents about the survey's variables. The interviewer used questions from the questionnaire during the interview.

3.7.3 Documentary checklist

The document checklist made it easier for the researchers to gather information from journals and other reports about financial literacy and the expansion of traders in the Iganga district.

3.8 Data Analysis and Data Presentation.

Using descriptive statistics, the researchers summarized small-scale enterprise owners' financial literacy levels and business growth indicators like expansion activities among others in Iganga District. This approach aimed at giving a brief of the data to identify any important patterns or trends within it. Next was correlation analysis examining the relationship between financial literacy and business growth. When there was a significant relationship between them, regression analysis was used to evaluate how much of the change in business growth could be attributed to changes in financial literacy keeping other potential factors constant. Additionally, quantitative

results were validated and supplemented by looking through enterprise records for evidence during the phase of research so as to ensure the comprehensiveness and reliability of the analysis.

3.9 Limitations

The findings of this study on financial literacy's influence on the development of small-scale businesses within the Iganga District might be affected by a number of limitations.

A reliance on self-reported data through questionnaires could elicit response bias because participants may overstate or understate their financial literacy and business performance. This will be solved by using multiple data collection methods such as interviews, observations, and financial document reviews to validate self-reported data.

Another limitation could be that while the sample size is representative, it might still limit the extent to which these findings can be generalized to all small scale enterprises in the area selected. Moreover, the precision with which such a document review can be undertaken depends upon the availability and completeness of business records among participants. To enhance generalizability, the researcher should aim to increase sample diversity by including businesses from various sectors, sizes, and geographical locations within the study area. Stratified sampling techniques can be employed to ensure that different subgroups are adequately represented.

The fact that some respondents could have limited language comprehension, as well as low literacy levels concerning survey questions, makes it possible for them to provide inaccurate information. To address this limitation, the researcher should simplify survey language and use clear definitions for technical terms related to finance and business performance. Offering surveys in multiple languages relevant to the participant population can also improve comprehension.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS.

4.0. Introduction.

This chapter presents the outcome of the investigation regarding the research objectives outlined.

4.1 response rate

A total of 67 questionnaires was issued and only 50 of them were returned as shown in table 4.1 below

Table 4.1 displayed an overall response rate of 74.62% that indicated that the survey results were representative. According to Fincham (2008), a response rate of 50% is appropriate for a survey.

Table 4.1; response rate

Table 2 response rate

category	No of questionnaires issued	No of questionnaires returned.	Response rate (%)
Retail	25	21	31.34
Manufacturing and textile distributors	6	2	2.98
Agriculture/ grocery shops	11	8	11.94
others	25	19	28.36
total	67	50	74.62

Source; primary data

4.2 Demographic information.

4.2.1 gender of respondents

Respondents were asked to state their gender and the findings in this are shown in table 4.2 below;

Table 4.2; Gender of respondents.

Table 3 Gender of respondents.

Gender	Frequency	Percentage. (%)
Male	22	44
Female	28	56
Total	50	100

Source; Primary data

Table 4.2 above showed that 44% of the respondents were male while 56% were female. This implies that females were more than males, meaning that most females in the area are involved in business as compared to male.

4.2.2 Age of the Respondents

The researcher computed the frequencies and percentages of the respondents' age distribution. Table 4.3 below shows the findings on this.

Table 4.3. Age of the Respondents

Table 4 Age of the Respondents

Age	Frequency	Percentage (%)
18-25	8	16

26-35	13	26
36-45	18	36
46-50	8	16
50 and above	3	6
Total	50	100

Source, primary data

The findings showed that most respondents, 36%, were aged 36 to 45. Next, 26% were 26 to 35. Ages 18 to 25 and 46 to 50 each had 16%. Lastly, 6% were over 50. This implied that SSEs are mainly run by people aged 36-45 and 18-25. This may be because most SSEs were started by people in their mid-years, seeking to grow their savings. This also meant that financial literacy was popular with this age group, as they were the majority.

4.2.3 Education Level of the Respondents

This was considered in the study because the researcher wanted to know the education levels of the respondents running SSEs. The findings on this are presented in Table 4.4 below;

Table.4.4. Education Level of the Respondents

Table 5 Education Level of the Respondents

Level of education	frequency	Percentage(%)
Primary	18	36
Secondary	13	26
Tertiary	10	20
University	9	18
Total	50	100

Source: primary data 2024

From table 4.4 above, the findings indicated that most of the respondents stopped at the primary level with a percentage of 36%, 26% stopped at the secondary level, 20% went to tertiary while only 18% went to university. This implies that the most of the respondents joined primary school while only a few attained another related education level. The implication here is that most of the SSEs are run by primary school dropouts thus the management skill of their businesses was limited. This also showed that financial literacy was mostly not understood by people who were in the primary level and had limited knowledge in answering the questions.

4.2.4. Marital status of the Respondents

Respondents were asked to state their marital status and the findings are shown in Table 4.5 below;

Table 4.5. Marital status of the Respondents

Table 6 Marital status of the Respondents

Marital status	frequency	Percentage (%)
Single	8	16
Married	28	56
Divorced	9	18
Widowed	5	10
Total	50	100

Source; Primary data

The findings showed that 56% of the respondents were married, 18% were divorced, 16% were single and 10% were widowed. This implies that SSEs were majorly run by married people. This could be attributed to the fact that most of the SSEs could have been started by married people as they sought to expand on their savings.

4.2.5 TYPE OF THE SSES

Table 4.6 below summarizes the responses given on the type of business the respondents deal in.

Table 4.6. Type of the SSEs

Table 7Type of the SSEs

Type Of Business	Frequency	Percentage.(%)
Retail	21	42
Manufacturing and textile distributors	2	4
Agriculture/ grocery shops	8	16
Others	19	38
Total	50	100

Source; Primary data

As regards to the business type of the enterprise, the results on the table indicate that 42% of these enterprises are retail shops, 4% are distributors, 16% detail in food staffs, and the remaining 38% detail in other businesses. This implies that the majority of the enterprises deal in assorted products.

4.3. Characteristics of the SSEs

4.3.1 No of years in business.

Respondents were asked to state how long their business has been running and the findings are shown in Table 4.7 below;

Table 4.7. No of years in business.

Table 8 No of years in business

No of years in business	frequency	Percentage (%)
Less than 1 year	4	8
1-5 years	18	36
6-10 years	18	36
Above 10 years	10	20
Total	50	100

Source; Primary data

The results from Table 4.7 shows that most of these enterprises have been in operations for close to 10 years with a percentage of 36% followed by 20% of enterprises that have been in operation for over 10 years and only 8% of the enterprises had been in operation for less than a year, Implying that most of these enterprises have been in operation for a long time but have remained small due to financial literacy issues.

4.4. Descriptive statistics of the study objective

4.4.1 The effect of financial knowledge on the growth of small-scale enterprises.

The first objective was to examine the effect of financial knowledge on the growth of small-scale enterprises in Iganga district, central division and it was measured using a 5 items score on a five point likely scale ranging from 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree and 5= strongly agree.the findings are presented in table 9

Table 4.8 .The effect of financial knowledge on the growth of small-scale enterprises.

Table 9 The effect of financial knowledge on the growth of small-scale enterprises.

Code	Statement.	1	2	3	4	5	Mean	Standard Deviation.
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1	I regularly create and follow a budget for my business.	4	18	3	15	9	9.8	6.61
2	I am aware of various financial products (loans, savings accounts) available for my business.	2	0	5	26	15	9.6	10.83
3	I understand how to manage cash flow effectively in my business.	1	4	10	23	11	9.8	8.47
4	I have a financial plan for my business's future growth.	0	3	8	24	14	9.8	9.55
5	I take records of my business daily activities.	2	10	5	15	14	9.2	5.63
6	I understand how interest rates affect the growth of my business	0	4	8	29	6	9.4	11.35
7	Knowing about investment opportunity helps my business grow.	2	0	11	20	13	9.2	8.23
8	Using and managing credit well helps my business grow.	21	5	9	19	15	13.8	6.72
9	Finding and handling financial risks helps my business to grow.	4	6	11	19	9	9.8	5.81
10	My knowledge about finance has positively influenced my decision	0	2	15	19	13	9.8	8.35

making process in my business.								
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Source; Primary data

The data showed participants' 1-5 ratings on questions about their business's financial management. The mean scores for all assertions range from 9.2 to 9.8. This showed moderate agreement on most financial management methods. The respondents were well aware and were experienced with, financial products, cash flow management, and business growth planning. This was shown by their high agreement ratings (4s and 5s). However, the standard deviations show some variation in the responses. This was true, especially for using credit responsibly and managing financial risks.

The high standard deviation showed varied answers and financial literacy. This was especially true for understanding financial products (10.83) and managing interest rates (11.35). Most respondents tend to follow good financial practices. However, their understanding and use of them varied in a few areas. Data showed that the participants' financial skills varied. Some regions have a high understanding, while others may lack it. The higher mean scores and lower standard deviation showed that most respondents agreed with the statements about cash flow and financial plans. This meant that many of the participants had a basic understanding of the ideas pertaining to financial management.

However, responses to the questions about financial risks and credit use differed. The higher standard deviations showed this. The statement, "Using and managing credit well helps my business grow," got the highest mean score of 13.8. Most participants believed credit management is important. However, many disagreed or were neutral. This suggested a need for more training or support. Also, the statement about maintaining daily records had a low standard deviation (5.63). In contrast, the claims about financial product awareness (10.83) and interest rates' impact on business growth (11.35) have high standard deviations. The gap implies that participants understand some financial processes. But, they lack knowledge of others.

Thus, business decision-making procedures and general financial literacy should be enhanced by targeted financial education programs on interest rates, financial goods, and credit management.

4.4.2. The effect of financial attitude on the growth of small-scale enterprises.

The second objective was to examine the effect of financial attitude on the growth of small-scale enterprises in Iganga district, central division and it was measured using a 5 items score on a five point likely scale ranging from 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree and 5= strongly agree. The findings are presented in table 10.

Table 4.9. The effect of financial attitude on the growth of small-scale enterprises..

Table 10The effect of financial attitude on the growth of small-scale enterprises

CODE	Statement.	1	2	3	4	5	mean	standard deviation.
1	I believe that saving a portion of business income is essential for growth.	2	4	2	22	18	9.6	9.633275663
2	I view taking on debt as a necessary part of business expansion.	3	8	7	23	8	9.8	7.661592524
3	I believe that networking with other business owners enhances my financial practices.	2	4	12	15	14	9.4	5.983310121
4	I think maintaining accurate records is important for business growth.	2	2	10	18	16	9.6	7.536577473
5	I consider budgeting as a good practice for my business.	2	13	4	14	13	9.2	5.718391382
6	I am willing to take calculated financial risks if they could help my business.	4	4	16	20	5	9.8	7.628892449

7	I believe borrowing money can be good for my business.	4	9	3	26	4	9.2	9.679876032
8	I am open to getting professional financial advice for my business.	1	2	10	23	13	9.8	8.983317873
9	I am open to learning new financial strategies to improve my business performance.	0	1	7	25	16	9.8	10.61602562
10	I believe that understanding finance is important for achieving my business goals.	0	1	5	27	15	9.6	11.39298029

Source; Primary data

The table showed those business owners' opinions on some financial strategies. It revealed both similarities and differences in their views. Research showed a widespread belief in key financial habits. These include saving, keeping accurate records, and a willingness to learn new skills. As an example, statement 1's mean score of 9.6 and standard deviation of 9.63 showed that opinions were largely mixed but generally positive. In the same way, statement 4 displayed a robust agreement among responders with a mean of 9.6 and a slightly lower standard deviation of 7.54.

When it came to more risk-related financial behaviors, like borrowing money or taking on debt, there was a noticeable difference in the replies. As an illustration, statement 7's (I believe borrowing money can be good for my business.) mean score of 9.2, but its large standard deviation of 9.68 indicated a wide range of perspectives. Statement 6 (I am willing to take calculated financial risks if they could help my business.) has a mean of 9.8 and a standard deviation of 7.63, suggesting variations in individuals' perspectives towards financial risk. This means that business owners varied in their comfort with these techniques. Some were more cautious than others.

The table showed that business owners agree on basic financial habits. It showed high means and moderate standard deviations in areas like saving and record-keeping. The higher risks in debt and finance highlighted differing views on these complex financial techniques. This diversity of views shows the many ways business owners manage their finances. It was due to factors like industry, company size, and personal financial experiences.

4.4.3. The effect of financial behavior on the growth of small-scale enterprises.

The third objective was to examine the effect of financial behavior on the growth of small-scale enterprises in Iganga district, central division and it was measured using a 5 items score on a five point likely scale ranging from 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree and 5= strongly agree.the findings are presented in table 11.

Table 4.10. The effect of financial behavior on the growth of small-scale enterprises.

Table 11The effect of financial behavior on the growth of small-scale enterprises.

CODE	Statement.	1	2	3	4	5	Mean	SD
1	I monitor market trends and adjust my financial strategies accordingly.	6	7	11	19	6	9.8	5.540758
2	I open to adopting new financial technologies to improve efficiency.	1	5	8	20	11	9	7.17635
3	I regularly reinvest profits back into my business rather than withdrawing it for personal use.	2	4	5	25	12	9.6	9.396808
4	I regularly evaluate the financial performance of my business to identify areas of improvement.	4	5	19	13	8	9.8	6.220932

5	I regularly monitor and manage my business cash flow to ensure liquidity.	4	2	5	29	8	9.6	11.05893
6	I negotiate favourable terms with creditors and lenders	2	4	5	21	18	10	8.803408
7	I set financial goals for my business and work to reach them.	0	7	10	21	10	9.6	7.569676
8	I make payments on time to avoid late fees on borrowed money.	2	6	9	24	6	9.4	8.532292
9	My spending habits are aligned with my business goals.	3	5	19	17	5	9.8	7.563068
10	I set aside money as an emergency fund for unexpected business expenses.	5	12	9	16	7	9.8	4.32435

Source; Primary data

The table showed that respondents usually have good behavior toward financial management techniques. The mean values, which range from 9 to 10, supported it. This means most respondents regularly do the financial behaviors mentioned. These included watching market movements, reinvesting earnings, and setting financial goals. Statement 1 exhibited a mean score of 9.8, which indicated a robust consensus regarding the significance of the practice. The standard deviation numbers show a lack of consistency in applying these principles. The replies varied. Many respondents agreed. But, there was a 5.54 standard deviation for this statement. It shows considerable variation in how closely it was followed.

The standard deviations showed intriguing trends in the behavior of the respondents. One example of a statement with a big difference in responses was about cash flow management. It

had the biggest standard deviation (11.06). This means that, while the idea was important, there were different views on it. This was due to the varying sizes of enterprises or their financial knowledge. On the other hand, statements like "I set aside money as an emergency fund for unexpected business expenses" (standard deviation of 4.32) have lower standard deviations. This suggests more consistent behavior, likely due to typical financial planning. This inconsistency in financial behaviors was signaled a need for specialized financial education or strategies.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction.

This chapter summarizes the study's findings, conclusions, and recommendations. The study aimed to find and improve the situation using relevant literature.

5.2 Summary of major findings.

This section summarizes the major findings. It aligns with the research objectives and questions.

5.2.1 The effect of financial knowledge on the growth of small-scale enterprises.

The findings showed that financial knowledge is key to SSEs' growth in Iganga District. Most respondents had a basic grasp of financial concepts. This was especially true for cash flow management and business growth. Their average scores ranged from 9.2 to 9.8. However, there were gaps in knowledge. This was true in areas like credit management and risk assessment. The standard deviations in understanding financial products (10.83) and managing interest rates (11.35) show a wide variation in financial knowledge among the participants.

This is supported by earlier studies on the need for financial knowledge to grow a business. Fatoki (2014) says that poor financial knowledge can block access to external funding. This limits business growth. Lusardi and Mitchell (2014) say that savvy entrepreneurs excel at using financial markets and tools to grow their businesses. This study supports those claims. It found a strong grasp of basic financial practices. But, we need advanced financial education. It should fill gaps in knowledge, especially about credit and interest management.

5.2.2 The effect of financial attitude on the growth of small-scale enterprises.

Respondents had mixed views on financial management strategies. This was especially true for high-risk practices like borrowing and managing debt. While attitudes toward saving and record-keeping were positive, opinions on complex strategies varied. This supports Njoroge and Gathungu (2013). They found that positive financial attitudes lead to better record-keeping and budgeting. This, in turn, boosts business growth.

But, the diverse attitudes toward riskier financial practices support Robb and Sharpe (2009). They noted that risk-averse entrepreneurs may avoid investments or expansion opportunities, limiting business growth. Abiodun (2016) says financial attitudes affect business growth. Positive views on credit and risk could help. They drive long-term saving and investment.

5.2.3 The effect of financial behavior on the growth of small-scale enterprises.

Respondents had positive financial habits. These included setting goals, reinvesting earnings, and tracking market trends. Their mean scores were between 9.0 and 10.0. The cash flow

management practices show inconsistencies. A standard deviation of 11.06 suggests varying degrees of financial discipline among businesses.

This finding aligns with Drexler, Fischer, and Schoar (2014). They argue that financial management training improves small business owners' financial behavior. This, in turn, leads to better financial outcomes. Gugerty (2007) adds that financial behavior is key for growth. It is vital to diversify assets and manage debt.

This study's inconsistencies suggest a need for better financial education. While basic financial behaviors are well understood, they are not consistently practiced.

5.4 Conclusion.

Financial literacy fuels small business growth in Iganga District. Knowledge, attitude, and behavior all play crucial roles. Most owners grasp basic concepts but struggle with credit management and interest rates. These gaps hinder informed decisions, stunting business expansion. Regular financial tracking exposes opportunities to refine cash flow management. Enhancing financial literacy is vital for long-term success. Targeted education in credit, risk assessment, and financial products can bridge knowledge gaps. Fostering consistent financial habits is key. Peer learning and mentorship could improve decision-making. This would boost business success.

The study highlights how financial savvy drives small enterprise development. It underscores the importance of comprehensive financial understanding. Owners usually have basic knowledge. But, they lack expertise in areas like credit and interest analysis. These deficiencies limit growth potential and financial decision-making capabilities.

5.5 Recommendations

Implement targeted education programs to address the gaps in finance knowledge. They should focus on credit management, interest rates, and financial products. Workshops and practical guides can help business owners. They will better understand these critical areas and make better decisions.

Also, standardized resources, like cash flow templates and risk tools, should be available. They will ensure best practices across all businesses. Due to differing views on financial risk, improve risk management training.

Encourage the use of practical risk assessment tools. It can boost owners' confidence in managing financial risks, like debt. Regular reminders and success stories can encourage consistent behaviors. They can highlight the importance of maintaining emergency funds, for example.

Finally, using peer learning and mentorship can be an effective way to close knowledge gaps. Peer learning groups and mentorship programs will help. They will let more experienced business owners share their knowledge. This is especially important for complex areas like credit management and risk mitigation. Also, tailoring support by business size and industry make strategies relevant. This leads to better business outcomes.

5.5 Areas of future research

To the future researcher, more research should be done on the following areas; the effect of mobile banking on SMEs performance, the challenges faced in attaining financial literacy in SSEs, and the ways SMEs can widen their markets.

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APPENDICES

Appendix I: Questionnaire

UGANDA CHRISTIAN UNIVERSITY

School of Business

Department of undergraduate

A questionnaire for small enterprises owner in Iganga district central division.

I am Akolla Justine Cathy a student of Uganda Christian University conducting a research study on 'the impact of financial literacy on the growth of small scale enterprises in Iganga district, central division' 'as a partial requirement for the award of Bachelors of Business Administration of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SECTION A:

Demographic Information

1. Gender:

Male Female

2. Age

18-25 26-35 36-45 46-50 50 and above

3. Level of education

Primary Secondary Tertiary University

4. Marital status

Single Married Divorced Widowed

5. Number of Years in Business:

Less than 1 year 1-5 years 6-10 years Above 10 years

6. Type of Business

Retail Manufacturing Agriculture Other

SECTION B

The effect of financial knowledge on the growth of small-scale enterprises in Iganga district, central division.

Please indicate the level to which you agree or disagree with the following statements by ticking the appropriate box.

1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree and 5= strongly agree.

CODE	Statement.	1	2	3	4	5
1	I regularly create and follow a budget for my business.					
2	I am aware of various financial products (loans, savings accounts) available for my business.					
3	I understand how to manage cash flow effectively in my business.					
4	I have a financial plan for my business's future growth.					
5	I take records of my business daily activities.					
6	I understand how interest rates affect					

	the growth of my business					
7	Knowing about investment opportunity helps my business grow.					
8	Using and managing credit well helps my business grow.					
9	Finding and handling financial risks helps my business to grow.					
10	My knowledge about finance has positively influenced my decision making process in my business.					

SECTION C

The effect of financial attitude on the growth of small-scale enterprises in Iganga district, central division.

Please indicate the level to which you agree or disagree with the following statements by ticking the appropriate box.

1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree and 5= strongly agree.

CODE	Statement.	1	2	3	4	5
1	I believe that saving a portion of business income is essential for growth.					
2	I view taking on debt as a necessary part of business expansion.					
3	I believe that networking with other business owners enhances my financial					

	practices.					
4	I think maintaining accurate records is important for business growth.					
5	I consider budgeting as a good practice for my business.					
6	I am willing to take calculated financial risks if they could help my business.					
7	I believe borrowing money can be good for my business.					
8	I am open to getting professional financial advice for my business.					
9	I am open to learning new financial strategies to improve my business performance.					
10	I believe that understanding finance is important for achieving my business goals.					

SECTION D

The effect of financial behaviour on the growth of small-scale enterprises in Iganga district, central division.

Please indicate the level to which you agree or disagree with the following statements by ticking the appropriate box.

1= strongly disagree, 2= disagree, 3= neither agree nor disagree,4= agree and 5= strongly agree.

CODE	Statement.	1	2	3	4	5
1	I monitor market trends and adjust my financial strategies accordingly.					
2	I open to adopting new financial technologies to improve efficiency.					
3	I regularly reinvest profits back into my business rather than withdrawing it for personal use.					
4	I regularly evaluate the financial performance of my business to identify areas of improvement.					
5	I regularly monitor and manage my business cash flow to ensure liquidity.					
6	I negotiate favourable terms with creditors and lenders					
7	I set financial goals for my business and work to reach them.					
8	I make payments on time to avoid late fees on borrowed money.					
9	My spending habits are aligned with my business goals.					
10	I set aside money as an emergency fund for unexpected business expenses.					

Thank you for participating

Appendix II: Documentary review checklist

1. Financial reports
2. Journals
3. Websites
4. Textbooks.

Appendix iii: Data Collection Letter



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

19th Aug, 2024

TO WHOM IT MAY CONCERN

Name: AKOLLA JUSTINE CATHY Reg. No S21B05/049

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

THE IMPACT OF FINANCIAL LITERACY ON THE GROWTH OF SMALL SCALE ENTERPRISES IN IGANGA DISTRICT CENTRAL DIVISION.

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

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter'.

.....
Mukisa Simon Peter
Research coordinator

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