

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

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**M23B05/071**

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

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**DECLARATION**

I ATWANI RACHEAL declare that this dissertation titled "the impact of financial literacy on the growth of small scale business in Mukono 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 original has been duly acknowledged.

Sign..........

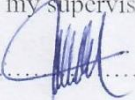
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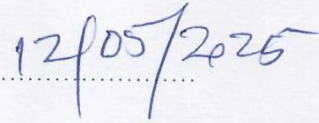
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M23B05/071

**APPROVAL**

This is to certify that this dissertation titled "the impact of financial literacy on the growth of small-scale businesses in Mukono district, central division, has been written by Atwani Racheal under my supervision

Sign. 

Date. 

Dr. Mugisha Henry

University supervisor

## **DEDICATION**

I dedicate this research to my parents, Mr ONGALA ENOCK and Mrs NABWAMI TEOPISTA who advised, supported and mentored me throughout my education up to university level.

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to thank the Almighty God for His grace, strength, and protection throughout my academic struggles.

I am grateful to the Mukono Central Division traders and small business owners for answering my survey questionnaires and interviews. Thank you so much.

I am deeply grateful to my supervisor, DR Mugisha Henry for her patience, support, and guidance which were vital to my study's success.

I also thank my family for their financial, moral, emotional, and spiritual support during my academic struggles.

## APPROVAL

The study investigate the impact of financial literacy on the growth of small scale enterprise in Mukono district division, Uganda. Financial literacy is increasingly recognised as a key driver of business success, particularly for small enterprise that operate in dynamic and resource constrained environments. The primary objective of research was to examine the impact of financial literacy on the growth of small-scale business. It sought to achieve the following objective, to examine how the financial knowledge influences the growth of small-scale businesses in Mukono district, to examine the effect of financial attitude on the growths of small-scale businesses in Mukono district, to examine the effect of financial knowledge on the growth of small-scale businesses in Mukono district. The study was limited to Mukono district specifically its central division, where a variety of small-scale businesses operates. 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 Mukono municipality. Data was collected using structured questionnaire, interviews, and document reviews. This gave both the quantitative data and qualitative insights into the study topic. Descriptive statistics analyse the data. They summarized financial literacy and the business growth. The results were presented through the detailed table descriptive narratives. The study shows that financial knowledge has better growth. This is true, especially for budgeting, cash flow, and planning positive financial behaviour like reinvesting profits and managing cash flow, improve business performance. However, gaps in financial attitude, especially in credit management and risk assessment, may hinders SSEs growth. The study shows the financial literacy is vital for small business in Mukono district. It is vital for their growth and suvivals.it recommends targeted financial education programs. They should address gaps in knowledge about credit management, interest rate and risk assessment. Standardized financial tools can help entrepreneurs improve their finance.

## **CHAPTER ONE**

### **1.0 Introduction**

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions scopes of the study, significance of the study and the conceptual frame work. The background to the study focused on historical, theoretical, conceptual and contextual perspective. The analysis of the background took these different perspectives

### **1.1 Background of the study**

Small-scale businesses have long been recognized as critical drivers of economic growth and employment in Uganda. In Mukono District, particularly within the Central Division, the rise of small-scale enterprises has been fueled by increasing urbanization, population growth, and a growing entrepreneurial spirit among residents. These businesses contribute significantly to the local economy by providing income-generating opportunities, especially for youth and women.

Despite their importance, small-scale businesses in Mukono face numerous challenges that hinder their growth and sustainability. Among the key issues is limited financial literacy—many business owners lack adequate knowledge in budgeting, saving, record keeping, loan management, and investment decision-making. This has led to poor financial planning, mismanagement of resources, and limited access to formal financial services.

In response to these challenges, several government and non-governmental organizations have introduced financial literacy programs aimed at improving the financial capabilities of entrepreneurs. However, the effectiveness and reach of these interventions remain uncertain, particularly at the grassroots level in areas like Mukono Central Division.

It is against this background that this study seeks to examine the relationship between financial literacy and the growth of small-scale businesses in Mukono District Central Division. Understanding this relationship will help in designing more effective financial education programs and policies that support the growth and development of these enterprises.

Small-scale businesses (SSBs) are the backbone of Uganda's economy, contributing about 20% of the Gross Domestic Product (GDP) and employing over 2.5 million people (Uganda Investment Authority, 2020). In Mukono District, particularly the Central Division, the establishment of small businesses has been fueled by the district's strategic location near

Kampala, rapid urbanization, and the entrepreneurial drive of the local population. SSBs range from retail shops, restaurants, and service providers, to small manufacturing units.

Historically, the growth of SSBs in Uganda has been constrained by various factors such as limited access to capital, poor infrastructure, and most importantly, low levels of financial literacy among entrepreneurs (Namatovu et al., 2012). Financial literacy, defined as the ability to understand and effectively use financial skills, including personal financial management, budgeting, and investing (OECD, 2016), is a crucial determinant of business success.

In Mukono Central Division, despite the visible growth in the number of small businesses, many owners lack essential financial management skills. A study by Asiimwe (2023) found that most SME managers in Mukono had low financial knowledge, particularly regarding banking services, investment options, and risk management, negatively impacting business sustainability and expansion. Similarly, Nassaka and Ssendagi (2024) emphasized that although financial literacy training programs exist, their effectiveness in improving financial performance remains limited due to poor content delivery and low engagement levels.

The Ugandan government, through initiatives such as the Financial Literacy Strategy (2013–2023) by the Bank of Uganda, has aimed to promote financial education. Programs like the Youth Livelihood Programme (YLP) and Operation Wealth Creation (OWC) have also tried to empower entrepreneurs with financial management skills (Bank of Uganda, 2017). However, studies continue to show that financial literacy levels, especially among small business owners, remain low, particularly in peri-urban areas like Mukono District.

Given the critical role financial literacy plays in business planning, accessing finance, risk management, and investment decisions, it is vital to understand its influence on the growth of small-scale businesses in specific local contexts like Mukono Central Division. This study, therefore, seeks to fill the knowledge gap by assessing how financial literacy affects business growth, aiming to inform policies and interventions targeted at strengthening small businesses for economic development.

In Sub-Saharan Africa, financial literacy gained importance in the 2000s with the rise of microfinance and the realization that access to finance alone does not guarantee business growth. According to the World Bank (2012), many small-scale businesses failed not because of lack of funds but due to poor financial management skills.

## **1.2 Statement of the problem**

Despite the growing importance of small-scale businesses in Mukono District Central Division, many of them continue to struggle with growth and sustainability. A key factor affecting their performance is the level of financial literacy among business owners. Many entrepreneurs lack the necessary knowledge and skills to make informed financial decisions, manage cash flow, access credit, or maintain proper records. This knowledge gap hampers their ability to grow and scale their businesses effectively. There is a need to investigate the extent to which financial literacy influences the growth of small-scale businesses in this region.

## **1.3 Purpose of the Study**

The purpose of this study is to examine the impact of financial literacy on the growth of small-scale businesses in Mukono District Central Division. The study aims to understand how financial knowledge, attitudes, and practices affect business success and sustainability

## **1.4 Objectives of the Study**

- i. To examine how financial knowledge affects the growth of small-scale business in Mukono district central division.
- ii. To examine the effect financial attitude on the growth of small-scale businesses in Mukono district central division.
- iii. To examine the effect of financial behaviours on the growth small-scale business in Mukono district.

## **1.5 Research Questions**

- i. How dose financial knowledge affects the growth of small-scale business in Mukono Central Division?
- ii. What is the effect of financial attitude on the growth of small-scale businesses in Mukono District?
- iii. What is the effect of financial behaviours on the growth of small-scale businesses in Mukono 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:**

The study will be conducted in Mukono District Central Division.

### **1.6.2 Content Scope:**

The research centered on the financial literacy as an independent variable. It aimed to see if it affected the growth of small-scale businesses in a community of traders in Mukono district. It also strived to find the influence of financial knowledge, behaviours and attitudes on the growth of small-scale businesses in Mukono district.

### **1.6.3 Time Scope:**

The study will cover developments and trends from the past five years to the present.

## **1.7 Significance of the Study**

This study is significant for several reasons:

The findings will help entrepreneurs understand the importance of financial literacy and how it can influence the growth and sustainability of their businesses

The study will provide evidence-based insights to guide the development of training programs and policies aimed at improving financial literacy among small-scale business owners in Mukono District.

Banks and microfinance institutions can use the study to better understand the financial knowledge gaps of their clients and design appropriate financial education products.

The study contributes to the existing literature on financial literacy and small business development in Uganda and can serve as a reference for future res

The study will help the researcher apply theoretical knowledge to a real-life business environment and fulfil academic requirements for the BBA program.

### **1.7.1 Limitations of the Study**

**Limited Geographical Scope:** The study is confined to the Central Division of Mukono District, which may limit the generalizability of the findings to other regions.

**Time Constraints:** Due to academic deadlines, the researcher may not have sufficient time to collect data from a larger sample or conduct longitudinal analysis.

**Financial Constraints:** The study is self-sponsored, which may affect the breadth of data collection, especially if it involves travel or printing costs.

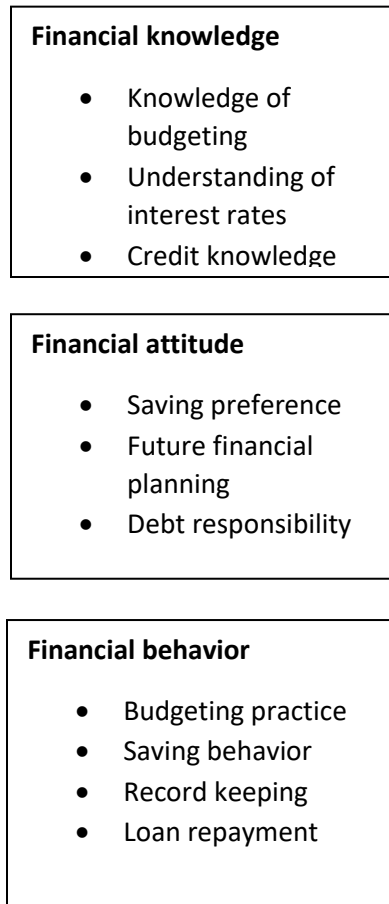
**Respondent Bias:** Some respondents may provide inaccurate or socially desirable answers, which can affect the reliability of the findings.

Limited Access to Records: Small-scale businesses may not keep detailed financial records, making it challenging to measure growth accurately

## 1.8 The conceptual framework

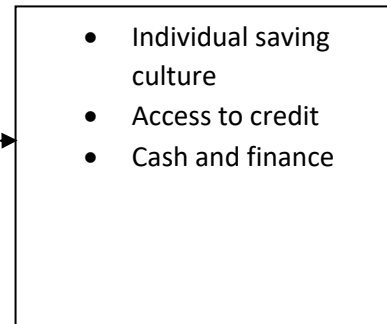
### Independent variable

#### Financial literacy



### Dependent variable

#### Growth on small scale business



Source: lusardi, A., & Mitchell, O.S.(2014) and modified by the researcher 2025

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 variables. There are moderating factors too. The framework assumed that, if traders are financial literate, they would make money. They would again this through access to credit, their savings, wise credit use, good money management. They would also expand their businesses. This is if they had support from business, access to finance and favourable government policies and regulations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter provides a comprehensive review of existing literature regarding the impact of financial literacy, financial attitude, and financial behavior on the growth of small-scale enterprises (SSEs). The review is organized according to the study objectives.

#### 2.1 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.

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.

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, labour, and technology (Wernerfelt 1984; Barney 1991). Wernerfelt (1984) says financial literacy is a valuable resource. It helps SSEs acquire and manage capital, labour, 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 Empirical literature review.**

### **2.3.1 Financial Knowledge and the growth of Small-Scale Enterprise**

Financial knowledge refers to an individual's ability to understand and effectively use various financial skills, including personal financial management, budgeting, saving, borrowing, and investing. It encompasses both theoretical understanding and practical application of financial principles to make informed financial decisions.

According to Lusardi and Mitchell (2011), financial knowledge is “the ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions.” It enables individuals and business owners to navigate financial systems and make decisions that lead to better financial outcomes.

In the context of small-scale enterprises (SSEs), financial knowledge includes:

- Understanding financial statements
- Budgeting and forecasting
- Managing working capital
- Evaluating investment options
- Accessing and managing credit
- Growth of Small-Scale Enterprises

Growth of small-scale enterprises refers to the expansion of business operations in terms of revenue, profitability, customer base, employee numbers, or market presence. Growth can be organic (through reinvested profits) or external (through partnerships or funding). According to Storey (1994), the growth of small firms is influenced by three main factors: the characteristics of the entrepreneur, the firm, and the business environment. Among these, the financial capacity and management skills of the entrepreneur are critical.

Financial knowledge is a crucial determinant of small-scale enterprise growth. It equips entrepreneurs with the skills and confidence to manage finances effectively, access credit, reduce risk, and make informed decisions, all of which contribute to sustainable business expansion.

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 behaviours. These three pillars now fully characterize financial literacy: awareness, knowledge, skill, attitude, and behaviour 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 behaviour needed to make smart financial decisions. It is key to achieving financial well-being. The writers discuss three aspects of financial literacy: financial behaviour, attitude, and knowledge. This explanation uses the definition. It says that financial literacy comes from financial behaviour, 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

### **2.3.2 Financial Attitude and the Growth of Small-Scale Enterprises**

Financial attitude refers to an individual's mindset, beliefs, and behaviors toward financial matters, including savings, expenditure, investment, and credit management (Xiao, 2008). A

positive financial attitude is essential for prudent financial decision-making and sustainable business management.

Ajzen's Theory of Planned Behaviour (1991) supports that attitude influences intentions and actions; thus, a favourable financial attitude among entrepreneurs can drive sound financial practices that boost business performance.

According to Pankow (2012), small-scale business owners who have a positive attitude towards saving and investment tend to reinvest profits into their businesses, enhancing growth.

A study by Bongomin et al. (2017) in rural Uganda revealed that financial attitudes such as risk aversion, preference for saving, and cautious borrowing significantly impacted the survival and the growth of small businesses.

Additionally, positive attitudes towards financial planning are associated with better cash flow management, savings accumulation and financial resilience during economic downturns (karlan et al., 2014)

Studies in Uganda have found that small-scale businesses that practice good financial behaviour (e.g., keeping proper records, saving profits for reinvestment, and avoiding bad debts) perform better compared to those with poor financial habits (Nkundabanyanga et al., 2014).

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.

Maximisers 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 Financial Behaviour and the Growth of Small-Scale Enterprises**

Financial behaviour refers to the actual financial practices of individuals or businesses, such as budgeting, saving, investing, and credit management (Huston, 2010). Good financial behaviour directly affects the financial health and growth potential of a business

Financial behaviour involves actual practices relating to money management, including budgeting, record-keeping, debt repayment, and savings (Huston, 2010). Good financial behaviour ensures that businesses manage risks effectively and seize investment opportunities.

Behavioural finance theory asserts that people's financial behaviour is often driven by cognitive biases and emotional responses, which can either help or hinder business success (Barberis & Thaler, 2003).

Robb and Woodyard (2011) demonstrated that entrepreneurs who practiced regular budgeting, maintained financial discipline, and planned expenditures had a higher chance of growing their businesses compared to those who did not.

In Uganda, Nanziri and Leibbrandt (2018) found that poor financial behaviour, especially lack of budgeting and mixing personal with business finances, is a major cause of business failure among small entrepreneurs.

Good financial behaviour such as record keeping also enables businesses to access external finance because they can prove their financial health to lenders (Atkinson & Messy, 2012).

Effective budgeting and record keeping promote business sustainability. Financial discipline leads to better investment decisions and growth

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 20 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.

## **2.4 Research Gap**

Although several studies have established a link between financial literacy and small business growth, limited research has been conducted specifically in Mukono District Central Division, where small-scale enterprises operate under unique socio-economic conditions. Most existing literature is concentrated in urban areas like Kampala and does not reflect the local challenges, opportunities, and financial behaviors of small-scale entrepreneurs in semi-urban regions like Mukono.

Furthermore, many studies in Uganda are descriptive or qualitative, lacking robust empirical analysis to quantify the actual impact of financial literacy on business growth. Also, few studies disaggregate financial literacy into its key components such as budgeting, credit management, and investment decision-making to determine which aspects most influence business success.

There is also a lack of research that considers moderating factors like gender, age, and education level, which may shape how financial knowledge affects enterprise growth. Lastly, while government and NGO efforts to promote financial literacy exist, their effectiveness and relevance to the realities of small business owners in Mukono remain underexplored.

This study fills these gaps by providing context-specific, data-driven insights into how financial literacy affects the growth of small-scale enterprises in Mukono Central Division.

## **2.5 Summary of the Literature Review**

The reviewed literature indicates a strong positive relationship between financial literacy, financial attitude, and financial behaviour on the growth of small-scale businesses. However, factors such as access to finance, economic conditions, and government policies can influence this relationship. Therefore, there is a need to contextualize these findings within Mukono District to provide practical recommendations for entrepreneurs.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology that will be used to carry out the study. It outlines the research design, study population, sample size and sampling procedures, data sources, methods of data collection, data analysis, data presentation, and limitations of the study. The methodology is structured to ensure that the researcher objectives are systematically and comprehensively addressed.

#### **3.1 Research Design**

The study will adopt a descriptive and cross-sectional survey design.

Descriptive research is used to describe characteristics of a population or phenomenon being studied. It allows the researcher to gather information regarding the relationship between financial literacy, financial attitude, financial behavior, and small-scale business growth.

Cross-sectional design involves collecting data at a single point in time, making it efficient in terms of time and resources.

This design will help the researcher to collect both qualitative and quantitative data to address the research objectives effectively.

#### **3.2 Study Population**

The study will target small-scale enterprises (SSEs) operating in Mukono District Central Division.

##### **Population Size.**

These SSEs include businesses such as retail shops, food vendors, salons, hardware stores, and other micro and small businesses registered with the Mukono District Local Government.

#### **3.3 Sample Size**

The sample size for the study will be 67 respondents out of the 80 SSEs.

Population Size (N) = 80 SSEs

Sample Size (n) = 67 respondents

The sample size was determined using Yamane's Formula (1967).

**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

Thus, a sample of 67 small-scale business owners will be selected to participate in the study.

### **3.4 Sampling Design**

The study will use a simple random sampling technique.

p-In simple random sampling, every small-scale enterprise owner in the Central Division of Mukono District will have an equal chance of being selected.

This method will minimize bias and increase the representativeness of the sample.

A list of all the 80 SSEs will be obtained, and random numbers will be assigned to select 67 participants.

### **3.5 Data Sources**

The study will use both primary and secondary data sources:

**Primary Data:** Data collected directly from small-scale business owners through questionnaires and interviews.

**Secondary Data:** Information collected from published sources such as research reports, government publications, academic journals, and business magazines relevant to financial literacy and business growth.

### **3.6 Data Collection Methods**

The study will apply multiple methods of data collection:

#### **3.6.1 Questionnaire Survey**

A structured questionnaire will be developed and distributed to the 67 selected respondents.

The questionnaire will contain both closed-ended and open-ended questions.

It will be divided into sections based on the study objectives: financial literacy, financial attitude, financial behaviour, and business growth.

#### **3.6.2 Interview Method**

In-depth face-to-face interviews will be conducted with a few selected small-scale enterprise owners to gain deeper insights into their financial practices.

The interviews will help gather qualitative data to complement the questionnaire findings.

#### **3.6.3 Documentary Review**

The researcher will review existing literature, government reports, business records, academic articles, and past research studies related to financial literacy and small business growth.

This will strengthen the study by providing a theoretical and contextual background.

### **3.7 Data Analysis**

After data collection, the data will be analysed using both quantitative and qualitative methods:

#### **3.7.1 Quantitative Data Analysis**

Responses from the questionnaires will be coded and entered into Statistical Package for Social Sciences (SPSS) software for analysis.

Descriptive statistics such as frequencies, percentages, and mean scores will be used.

Inferential statistics such as correlation analysis and regression analysis will be used to examine the relationships between financial literacy, attitude, behaviour, and business growth.

#### **3.7.2 Qualitative Data Analysis**

Data from interviews will be analysed using thematic analysis.

Key themes and patterns emerging from the interviews will be identified, grouped, and interpreted in relation to the research objectives.

### **3.8 Data Presentation**

The findings will be presented using a variety of methods to enhance clarity and understanding:

Tables (to show frequencies and percentages)

Graphs and Charts (to visually represent the data)

Narrative Explanations (to discuss key findings from qualitative data)

### **3.9 Limitations of the Study**

The study may face the following limitations:

**Limited Financial and Time Resources:** Constraints in terms of money and time may limit the depth and coverage of the study.

**Non-Response:** Some SSE owners may be unwilling or unavailable to participate, affecting the sample size.

**Information Bias:** Respondents may provide socially desirable answers rather than their true practices.

**Access to Respondents:** Some businesses may be difficult to access due to busy schedules or relocation.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS.

#### 4.0. Introduction

This chapter presents the findings from the field based on the objectives of the study. The main purpose was to examine the effect of financial literacy on the growth of small-scale enterprises (SSEs) in Mukono District Central Division. Data were gathered using structured questionnaires and analysed using descriptive statistics. The analysis is based on 50 properly filled and returned questionnaires out of 67 distributed, representing a response rate of 74.6%.

#### 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.**

<b>Categories</b>	<b>No of questionnaires issued</b>	<b>No questionnaires returned</b>	<b>Response rate (%)</b>
<b>Retail</b>	<b>25</b>	<b>21</b>	<b>31.34</b>
<b>Manufacturing and textile distributors</b>	<b>6</b>	<b>2</b>	<b>2.98</b>
<b>Agriculture/ grocery shops</b>	<b>11</b>	<b>8</b>	<b>11.94</b>
<b>Others</b>	<b>25</b>	<b>19</b>	<b>28.36</b>
<b>Total</b>	<b>67</b>	<b>50</b>	<b>74.62</b>

**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	Percentages (%)
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 2025**

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.

#### 29 4.2.5 TYPE OF THE SMALL-SCALE ENTERPRISES

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 7 Type 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;

<b>No of years in business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Less than 1 year	4	8
1-5years	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 Mukono 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.**

code	Statement	1	2	3	4	5	mean	Standard deviation
1	I understand how to prepare a business budget.	4	18	3	15	9	9.8	6.61
2	I am aware of how interest rates affect business loans.	2	0	5	26	15	9.6	10.823
3	I have basic knowledge of saving, credit, and financial products.	1	4	10	23	11	9.8	8.47
4	I can calculate profit and loss for my business.	0	3	8	24	14	9.8	9.55
5	I use my financial knowledge to make business decisions.	2	10	5	15	14	9.2	5.63
6	Financial knowledge has improved how I manage cash flow	0	4	8	29	6	9.4	11.35
7	Financial literacy has helped my business grow.	0	2	15	19	13	9.8	8.35

**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. 33 34 Thus, business decision-making procedures and general financial literacy should be enhanced

#### **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 Mukono district, central division and it was measured using 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.**

Code	Statement	1	2	3	4	5	Mean	Standard Deviation
1	I believe it is important to save regularly from my business income.	2	4	2	22	18	9.6	9.63
2	I prefer to plan for long-term business goals rather than spending immediately	4	9	3	26	4	9.2	8.98
3	I feel confident in managing my business finances.	2	4	12	15	14	9.4	5.98
4	I believe in repaying debts on time	3	8	7	23	8	9.8	7.66
5	I control my business expenses strictly	2	2	10	18	16	9.6	7.53
6	A positive financial attitude improves my business performance	0	1	7	25	16	9.8	10.61
7	My financial attitude has contributed to my business growth.	0	1	5	27	15	9.6	11.39

**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 (My financial attitude has contributed to my business growth.) mean score of 9.6, but its large standard deviation of 10.61 indicated a wide range of perspectives. Statement 6 (A positive financial attitude improves my business performance.) has a mean of 9.8 and a

standard deviation of 11.39, 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 behaviour on the growth of small-scale enterprises.

The third objective was to examine the effect of financial behaviour on the growth of small-scale enterprises in Mukono district, central division and it was measured using 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 behaviour on the growth of small-scale enterprises.**

Code	Statement	1	2	3	4	5	Mean	Standard Deviation
1	I prepare and follow a monthly business budget.	6	7	11	19	6	9.8	5.54
2	I keep records of all business income and expenses.	4	5	19	13	8	9.8	6.22
3	I save part of my business income regularly	4	2	5	29	8	9.6	1.06
4	I repay business loans on time	2	6	9	24	6	9.4	8.53
5	I compare prices and services before making business purchase	5	12	9	16	7	9.8	4.32
6	I reinvest part of my profits into the business.	2	4	5	25	12	9.6	9.39

7	My financial behaviour has improved the performance of my business.	1	5	8	20	11	9	7.17
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**Source; Primary data**

The table showed that respondents usually have good behaviour toward financial management techniques. The mean values, which range from 9 to 10, supported it. This means most respondents regularly do the financial behaviours 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 behaviour of the respondents. One example of a statement with a big difference in responses was about cash flow management. It 37 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 save part of my business income regularly" (standard deviation of 1.06) have lower standard deviations. This suggests more consistent behaviour, likely due to typical financial planning. This inconsistency in financial behaviours was signalled 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 behaviour 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 39 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 Scholar (2014). They argue that financial management training improves small business owners' financial behaviour. This, in turn, leads to better financial outcomes. Gugerty (2007) adds that financial behaviour 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 behaviours are well understood, they are not consistently practiced.

### **5.4 Conclusion.**

Financial literacy fuels small business growth in Mukono District. Knowledge, attitude, and behaviour 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 behaviours. 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 Mukono district central division. I am ATWANI RACHEAL a student of Uganda Christian University conducting a research study on ‘the impact of financial literacy on the growth of small-scale enterprises in Mukono 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

#### Gender:

Male	Female

#### Age Bracket:

Below 20	
21-25	
26-35	
36-45	
46 and above	

**Level of Education:**

Primary	
Secondary	
Diploma	
Degree	
Others(specify)	

**Type of Business:**

Retail	
Service	
Manufacturing	
Other (specify)	

**Number of years the business has operated:**

Less than 1 year	
1-3 years	
4-6years	
More than 6 years	

**Section B: Financial knowledge.**

<b>Code</b>	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I understand how to prepare a business budget.					
2	I am aware of how interest rates affect business loans.					
3	I have basic knowledge of saving, credit, and financial products.					
4	I can calculate profit and loss for my business.					
5	I use my financial knowledge to make business decisions.					
6	Financial knowledge has improved how I manage cash flow					
7	Financial literacy has helped my business grow.					

**Section C: Financial Attitude**

<b>Code</b>	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I believe it is important to save regularly from my business income.					
2	I prefer to plan for long-term business goals rather than spending immediately					
3	I feel confident in managing my business finances.					
4	I believe in repaying debts on time					
5	I control my business expenses strictly					
6	A positive financial attitude improves my business performance					

7	My financial attitude has contributed to my business growth.					
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**Section D: Financial Behaviour**

Code	Statement	1	2	3	4	5
1	I prepare and follow a monthly business budget.					
2	I keep records of all business income and expenses.					
3	I save part of my business income regularly					
4	I repay business loans on time					
5	I compare prices and services before making business purchase					
6	I reinvest part of my profits into the business.					
7	My financial behaviour has improved the performance of my business.					

Has your business grown since it started (in terms of profits, sales, number of customers)?

Yes	No

To what extent has financial literacy contributed to your business growth?

Very great extent	
Great extent	

Moderate extent	
Low extent	
No extent	

What financial challenges are you currently facing that affects your business?

.....  
.....

If you could advise other small business owners, what financial practices would you recommend for improving their business?

.....  
.....