



**UGANDA CHRISTIAN
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**THE EFFECT OF FINTECH INNOVATIONS ON THE FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN UGANDA: A
CASE STUDY OF MUKONO MUNICIPALITY**

BY

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**A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF BUSINESS IN
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DECLARATION

I Nabisere Joan Florence, hereby declare that this Dissertation is my original work and has not been submitted to any other institution for the award of any degree or diploma. All sources used have been duly acknowledged.

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Signature:

Date:

APPROVAL

This research proposal has been submitted for examination with my approval as the University Supervisor.

Ms. Lorraine Akinyi Otieno,

SIGNATURE:

DATE:

DEDICATION

This research is dedicated to God, my family and friends for their unwavering support and encouragement throughout my academic journey. To my beloved mother, whose unwavering love, endless sacrifices, and gentle guidance have carried me through the challenges in academic journey

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ABSTRACT

This study investigates the effect of Fintech innovations on the financial performance of small and medium enterprises (SMEs) in Mukono Municipality, Uganda. With Fintech growing at a 25.73% CAGR in Uganda and SMEs contributing significantly to the economy, the research addresses the gap in localized evidence on Fintech's impact. Using a mixed-methods approach, the study examines mobile money services, digital lending platforms, online banking, and digital payment systems, assessing their influence on profitability, revenue growth, cash flow, access to funds, and operational efficiency. Data were collected from 66 SMEs through questionnaires and 15 interviews, analyzed using descriptive statistics and thematic analysis. Findings indicate high Fintech adoption and positive perceptions, particularly for operational efficiency and cash flow, but weak statistical correlations due to barriers like transaction fees and connectivity issues. The study aligns with the Technology Acceptance Model and Resource-Based View, recommending enhanced training, affordable lending, and infrastructure improvements to maximize Fintech's benefits for SME sustainability and financial inclusion in Mukono.

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CHAPTER ONE: INTRODUCTION

1 Introduction

The rapid development of Fintech, with over 184 companies in Uganda by 2024 and a 25.73% compound annual growth rate (Daily Monitor, 2024), offers SMEs opportunities to enhance financial inclusion, reduce transaction costs and improve operational efficiency. In Mukono, where over 800 SMEs operate, initiatives like PostBank's Wendi have spurred Fintech adoption (PostBank Uganda, 2024). However, the specific impact of these technologies on SME financial performance, including profitability, cash flow, and revenue growth, remains underexplored locally. This research aimed to address this gap providing evidence-based insights to inform business strategies and policy development for sustainable economic growth in Mukono Municipality.

1.0 Background

Stewart, H. and Jürgen's, J. (2018), defines FinTech "as the use of platforms of technology and mobile devices to access transaction notifications, bank account and credit, as well as debit alerts via push notifications through short message service, application or another way of getting notifications.

According to Nganga Pius Ndugu, the development and advancement of digital era (technology) has continued to play a vital role in the financial sector as emphasized by Chatchai and Ho-don Yan (2019) in their study on the impact of FinTech in the financial industry. With evolution of digital economy where by the entire world is unified through use of systems, financial institutions are expected to converge with the technology in providing services to their customers in order to meet their expectations (Ng'ang'a, P. N. (2021). FinTech is also explained by Nganga Pius Ndugu as an acronym of 'financial' and 'technology', whereby technology is deployed in an innovative way in delivering financial solutions. Being an emerging trend especially in developing countries, it has continued to attract public attention, due to its effectiveness and efficiency in delivery of financial solutions. Covid-19 has painted Fintech as the solution towards enhanced digital economy as customers were able to place orders, pay via mobile platforms for example Momo, Mosente, Mpesa, Airtel money etc. SMEs were able to thrive despite the distress economic situations, due to use of FinTech. Financial Technology (FinTech) has the capability to disrupt and transform finance in a number ways, mostly in emerging markets: such as payments, insurance, credit and financial compliance (Ng'ang'a, P. N. (2021).

Access to FinTech services can further amplify these effects by democratizing capital flows and reducing dependency on traditional banking institutions, which often exclude small firms in developing countries. However, such inputs cannot automatically lead to better sustainable results directly when not combined with internal organizational capacities like innovation and agility (Astuti & Nugroho, 2023). Access to FinTech services, on the other hand, reflects the availability, inclusiveness, and usability of digital financial tools and platforms that allow SMEs to perform core financial functions such as capital acquisition, (Seraj, Fazal& Alshebami, 2022

Furthermore Frank-Jürgen Richter emphasizes that SMEs are the cornerstone of economies worldwide, embodying resilience, innovation and dynamism. SMEs play a crucial role in fostering technological innovation, often serving as the breeding ground for disruptive technologies that propel economies forward. (Richter, F.-J. (2024, March 26)

According to Namulwana Irene Ssuubi, Global Fintech Adoption Index, 2019, underlined that fintech adoption steadily grew from 16% in 2015 to 64% in 2019, and awareness of fintech is very high even among nonadopters. The outbreak of the recent pandemic, Covid19, brought out the increasing need felt for digitization. With Fintech, operations across international financial services, businesses, and the economy generally have been made secure and remote. Mobile payment services are a constituent element of Fintech, reported as one of the major drivers in the adoption of Fintech among Ugandan firms, especially small and medium-sized ones. Presently, cashless transaction businesses are flourishing in this industry, as numerous fintech startups include Zofi cash, Ensibuko, Xente, Beyonic, Chap Chap, Tugende, and Asaak. Adoption of fintech among SMEs is also likely to be on an upward trajectory, since most of the non-users are already using the services of fintech (Ssuubi, N. I. (2024).

FinTech developments have made gathering and sharing information easier, changed how funds are mobilized and allocated, and increased capital raising activities (Sanga, B., & Aziakpono, M. J. (2023). Fintech innovations, such as digital lending and mobile payments enhance SME financial performance by improving cash flow, reducing costs, and enabling market expansion, particularly in developing regions (International Monetary Fund, 2020; Smith & Brown, 2021).

In Africa, SMEs account for over 90% of businesses, 50% of GDP, and 80% of employment, driving poverty alleviation and innovation (African Development Bank, 2020). However, they face barriers like inadequate infrastructure and limited credit access (Brookings Institution, 2023).

Fintech, led by mobile money, has tripled since 2020, improving SME loan access and growth, especially for women-led firms (Johnson, 2023; Alliance for Financial Inclusion, 2022).

In Uganda, Fintech, with over 184 companies in 2024, is growing at a 25.73% CAGR, enhancing SME financial inclusion through mobile money and digital lending (Daily Monitor, 2024; Research and Markets, 2024) where SMEs represent over 90% of businesses, employ 2.5 million people and contribute 25% to GDP (Uganda Investment Authority, 2021).

Mukono Municipality which has over 800 SMEs, Fintech adoption is supported by programs like Postbank's Wendi, is increasing, improving financial access and SME expansion (PostBank Uganda, 2024; Kintu & Mugisha, 2023). However, localized evidence on Fintech's impact on SME financial performance in Mukono is limited. This dissertation examines these effects to inform policies for sustainable economic growth in Uganda.

1.2. Statement of the problem

Fintech innovations such as mobile money platforms, digital lending, online banking, and e-payment systems have emerged as potential tools to address these challenges faced by SMEs in Mukono Municipality by improving access to financial services, reducing transaction costs, and enhancing operational efficiency. Despite the increasing adoption of Fintech in Uganda, it remains unclear whether these technologies have a tangible and positive impact on the financial performance of SMEs in specific local contexts such as Mukono Municipality. (I.N. Ssuubi, 2025)

While Fintech innovations are increasingly adopted in Uganda, their tangible impact on SMEs' profitability, growth, and sustainability in specific local contexts, such as Mukono Municipality, remains unclear (Ndung'u, 2018). The lack of empirical evidence creates a knowledge gap that hinders policymakers, entrepreneurs, and financial service providers from making informed decisions about investing in or promoting Fintech solutions tailored to SMEs' needs (Demirgüç-Kunt et al., 2018). Without understanding the effectiveness of these technologies, the potential for Fintech to drive economic growth and financial inclusion in local SME ecosystems may remain underutilized.

There is a knowledge gap regarding the effectiveness and actual influence of Fintech innovations on SMEs' profitability, growth, and sustainability at the local level. Without empirical evidence, policymakers, entrepreneurs, and financial service providers may struggle to make informed decisions about investing in or promoting Fintech solutions tailored to SMEs' needs.

Therefore, this study seeks to investigate the effect of Fintech innovations on the financial performance of SMEs in Mukono Municipality, Uganda, with the aim of providing evidence-based insights that can inform both business strategy and policy development.

1.3 Purpose of the Study

The research aimed to assess the effect of fintech innovations on the financial performance of small and medium-sized enterprises (SMEs) in Mukono Municipality.

1.4 Specific Objectives

1. To examine the effect of mobile money services on the financial performance of SMEs in Mukono Municipality.
2. To assess the influence of digital lending platforms on the financial performance of SMEs in Mukono Municipality.
3. To evaluate the effect of online banking and digital payment systems on the financial performance of SMEs in Mukono Municipality

1.5 Research Questions

1. What is the effect of mobile money services on the financial performance of SMEs in Mukono Municipality?
2. How do digital lending platforms influence the financial performance of SMEs in Mukono Municipality?
3. In what ways do online banking and digital payment systems impact the financial performance and operational efficiency of SMEs in Mukono Municipality?

1.6 Scope of study

1.6.1 Geographical study

This study will target to Mukono Municipality, Uganda, focusing majorly on small and medium-sized enterprises (SMEs) operating within this semi-urban region. The area is chosen due to the increasing adoption of Fintech innovations among business owners and SMEs. The findings will therefore reflect the experiences and outcomes of SMEs operating within this specific locality and may not be generalized to SMEs in other regions without further investigation.

1.6.2 Subject Scope

The study will mainly focus on examining the effect of Fintech innovations on the financial performance of SMEs. Fintech innovations considered in this study include mobile money services, digital lending platforms, online banking, and digital payment systems. Financial performance will be assessed using indicators such as profitability, cash flow management, revenue growth, and operational efficiency.

1.6.3 Time Scope

The research focused on the period between 2020 and 2025, a timeframe marked by increased Fintech adoption in Uganda, partly accelerated by the need for digital solutions following the COVID-19 pandemic. This period allowed for an assessment of the impact of Fintech innovations on SME financial performance in Mukono Municipality.

1.7 Significance of the study

The study, "The Effect of Fintech Innovations on the Financial Performance of Small and Medium-Sized Enterprises (SMEs) in Mukono Municipality, Uganda," is relevant for addressing the lack of localized evidence on how Fintech tools like mobile money, digital lending, and online banking impact SME financial performance. With SMEs driving over 90% of Uganda's businesses and 25% of GDP and Fintech growing rapidly at a 25.73% CAGR. This research fills a critical knowledge gap, offering insights to enhance SME sustainability and financial inclusion in Mukono. By providing evidence-based findings through a mixed-methods approach, it informs SME owners, policymakers, and financial institutions on leveraging Fintech for economic growth, supporting tailored policies and strategies to reduce barriers like limited credit access and promote sustainable development in Uganda's semi-urban context.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provided a comprehensive review of the literature on the effect of fintech innovations on the financial performance of small and medium-sized enterprises (SMEs) with a specific focus on Mukono Municipality, Uganda. The chapter presented the review of various literatures to identify the literature gap the study sought to fill. In this chapter, the researcher focused on the literature considering what other researchers and authors have said about Fintech and its impact on financial performance of Small and Medium-Sized Enterprises.

2.1 Review of Theories

2.1.1 Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) is a widely used theoretical framework in the field of information systems that explains how users adopt and use technology. The most important and widely used theory for describing a person's acceptance of information systems is called the Technology Acceptance Model (TAM) (Lee et al. 2003).

This model is grounded in social psychology theory in general and the Theory of Reasoned Action (TRA) in particular (Fishbein, & Azjen, 1975). TRA asserts that beliefs influence attitudes, which lead to intentions and therefore generate behavior. Correspondingly, Davis (1986, 1989) introduced the constructs in the original TAM

TAM highlight two factor that influence someone to embrace technology, which are perceived usefulness and perceived usability. A technology's perceived usefulness measures how much a person thinks it will boost their performance or productivity. The degree to which a user thinks technology can be easily learned to operate and pick up refers to perceived ease of use. In the context of fintech and SMEs in Mukono municipality, perceived usefulness could refer to the potential for fintech to improve their profitability, cashflow, increase revenue, and improve overall operational performance. Perceived ease of use could refer to factors such as the simplicity and user-friendliness of fintech platforms and the availability of training and support.

2.1.2 Resource-Based View (RBV) Theory – *Barney (1991)*

The Resource-Based View (RBV) theory posits that firms gain a competitive advantage through the acquisition and strategic use of valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). In this study, Fintech innovations can be viewed as strategic

technological resources that Small and Medium Enterprises (SMEs) can leverage to enhance their internal processes and market competitiveness (Wernerfelt, 1984).

Through the RBV lens, the effective use of Fintech tools enables SMEs to streamline operations, access financing more easily, manage transactions efficiently, and reduce operational costs (Grant, 1991). These improvements can lead to enhanced financial performance, which includes higher profitability and operational efficiency (Peteraf, 1993). For instance, mobile money platforms and digital lending systems provide SMEs with access to financial resources that were previously limited, thereby strengthening their competitive positioning (Bharadwaj, 2000).

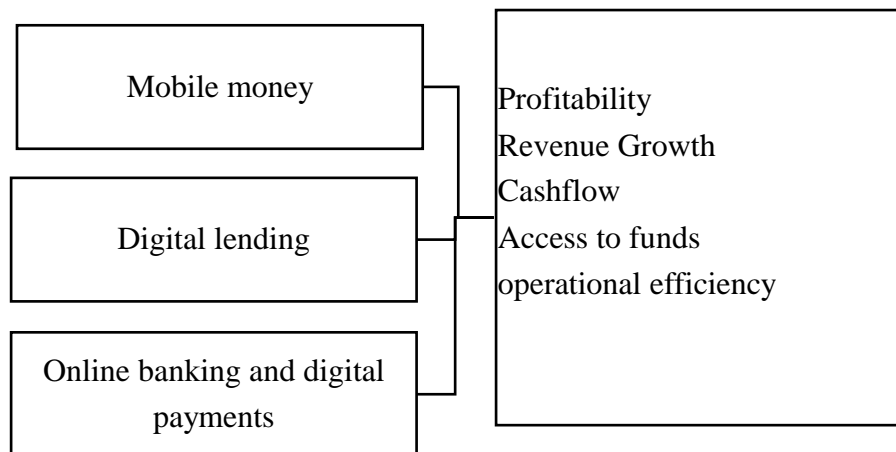
Therefore, RBV supports the view that Fintech is not just a technology, but a strategic asset that contributes to sustained business performance if effectively adopted and utilized (Barney, 2001). By integrating Fintech innovations as part of their resource portfolio, SMEs can achieve sustainable competitive advantages in dynamic market environments (Teece et al., 1997).

2.2 Conceptual Framework

The conceptual framework for this study illustrates the relationship between Fintech innovations (independent variable) and the financial performance of Small and Medium Enterprises (dependent variable). Fintech innovations measured through mobile money, digital lending, online banking and digital payments are assumed to influence key aspects of business financial performance, including profitability, revenue growth, cashflow, access to funds and operational efficiency

FINTECH INNOVATIONS(IV)

FINANCIAL PERFORMANCE (DV)



SOURCE; Adapted from Ng'ang'a, P. N. (2021) and modified by the researcher.

The conceptual framework for this study illustrates the relationship between Fintech innovations as the independent variable and the financial performance of Small and Medium-Sized Enterprises (SMEs) as the dependent variable. The framework is developed to guide the research process by clarifying the key variables, the direction of influence, and the specific aspects under investigation.

Fintech innovations, in the context of this study, refer to the use of digital financial technologies by SMEs to improve their access to and management of financial services. These innovations are categorized into four main components: mobile money services, digital lending platforms, online banking, and digital payment systems. Mobile money services allow businesses to make and receive payments conveniently using mobile devices, reducing reliance on cash transactions. Digital lending platforms enable SMEs to access loans quickly and with fewer barriers, particularly important for businesses that struggle with traditional banking requirements. Online banking provides a platform for SMEs to manage financial transactions efficiently, while digital payment systems (such as POS systems and e-wallets) support cashless operations and increase transaction speed.

On the other hand, the financial performance of SMEs is the outcome variable in this framework. It is measured through key indicators such as profitability, cash flow stability, revenue growth, and operational efficiency. Profitability assesses the SME's ability to generate income from its operations. Cash flow stability evaluates the consistency of incoming and outgoing cash, which is crucial for sustaining day-to-day business activities. Revenue growth reflects the increase in

income over time, and operational efficiency refers to the SME's ability to minimize costs and maximize productivity.

The framework assumes a causal relationship where the adoption and effective use of Fintech innovations positively influence the financial performance of SMEs. For instance, access to mobile money services and digital lending could improve liquidity, while the use of digital payments and online banking may enhance both revenue growth and cost-efficiency. This relationship helps to test the hypothesis that Fintech innovations contribute to better financial outcomes for SMEs in Mukono Municipality.

2.3 Mobile money Services and Financial performance of SMEs

The objective of mobile financial transactions is to improve the efficiency of microfinance by using mobile technology to make transactions faster, cheaper and more secure (Guagraw, 2007). It involves account transactions, balance checks and payments. Accordingly, Mbiti and Weil (2011) note that mobile phones technology has made it easier for SMEs to conduct their financial transactions. This is because mobile phone financial transactions save time and provides a safer means of handling money transfer. Additionally, mobile technology can be used to reach more customers and facilitate exchange of information and decision making. According to Jack and Suri (2010), the launch of M-PESA in Kenya by the telecommunication company Safaricom has enabled SMEs to expand and grow. This is because the service provides them with efficient and easier ways of paying and receiving payments for goods and services thereby facilitating their trading activities. Chogi (2007) observes that the M-PESA service allows users to deposit and withdrawal money in their accounts as well as to send money using SMS technology. Therefore, mobile financial transactions provide SMEs with a means through which they can reduce their operating costs as well as increase their ability to extend their business networks thus enabling them to increase their performance.

Mobile money has developed a wide range of services that can be used to benefit users in different ways. The services offered through mobile money in Uganda allow users to benefit from a variety of financial services and transactions. According to InterMedia (2010) a majority of subscribers (99%) only use mobile money service to send or receive money; the remaining 1% using it for additional services including arranging for loans or credit. Mbanking in particular is a service available through mobile money that has been the potential to bring basic banking and electronic services to unbanked consumers (Anderson, 2010)

Global research on mobile money has focused on the impact in developing countries revealing that access to financial services through mobile money leads to poverty reduction and financial

inclusiveness (Must & Ludewig, 2010). Some of these studies reveal that mobile money has proved to be a scalable method to provide financial services in developing countries, with data from several African countries including the work of Must and Ludewig (2010) verifying this argument. Several reasons have contributed to this state including easier and more affordable ways to send remittances, increasing the reach and affordability of micro-loans, decreasing costs of savings among other services that are required by SMEs

According to Bangens and Soderberg (2010), mobile financial transactions lead to increased efficiency in SMEs. This is because mobile financial transactions assist in saving time while undertaking business transactions. Haggins et al (2012) observes that most SMEs find mobile phone financial transactions easier than bank based financial transactions. This is due to the fact that they assist the users to avoid incurring travelling expenses when making and collecting payments. This enables them to significantly reduce their operating costs and increase their performance. Jensen (2007) emphasizes that mobile phone financial transactions assist SMEs to reduce information asymmetries and market inefficiencies hence enabling them to achieve better performance. Chogi (2006) points out that SMEs in Kenya perceive mobile phones financial transactions as tools that can mediate their activities by transforming their objectives into outcomes. This in turn has an effect on their profitability and productivity. According to Higgins et al (2012), SMEs are characterized by frequent financial transactions which may involve large amounts or long distances. As a result, mobile phone financial transactions provide them with a way through which they can lower their costs and save time with a cheaper and more convenient way to carry out their financial transactions.

Chogi (2006) did a study to investigate the impact of mobile phone technologies on SMEs in Nairobi. The data for the study was collected using a self-structure questionnaire. The results of the study revealed that most SMEs perceived that mobile phones had a positive impact on their revenues. Additionally, the study results indicated that the majority of SMEs perceived that mobile banking enabled them to reduce their operating costs. Similarly, Donner and Escobari (2010) assessed the use of mobile phones by SMEs in developing countries. They used questionnaires to collect data from fourteen research studies that had examined mobile use by SMEs. According to their findings, mobile phones have helped SMEs to become more productive and to improve their sales thereby improving their financial performance. Wambari (2009) did a case study in Kenya to determine the impact of mobile banking in developing countries. He used a semi-structured questionnaire to collect data from a sample of 20 SMEs. The results of his study indicated that mobile banking had a positive impact on financial transactions of SMEs. Furthermore, the results of the study indicated that the adoption of mobile banking had enabled SMEs to increase their

sales thereby leading to improved financial performance. Likewise, Higgins et al (2012) conducted a study to determine mobile money usage patterns of Kenyan SMEs. They used a questionnaire to collect data from 865 SMEs owners. The results of their study showed that 99.5% of the SMEs used mobile money. Moreover, the study results indicated that the use of mobile money enabled SMEs to improve their performance.

Literature reveals that the mobile money is faster, cheaper, more reliable, and safer (Jack & Suri 2011). The benefits of cashless transaction including less opportunity for fraudulent and criminal activities, and mobile money technology (Wishart 2006) have increased adoption rates among SMEs in the capital city (Mbogo 2010). The main literature gaps exist in revealing whether mobile money technology has contributed to SMEs performance through increased sales, increased profits, loans accessibility and savings and if this is limited in geography. SMEs however have to contend with current mobile money challenges which include inability to offer interests on savings, possibility of fraud and need for accessible cash tellers or agents. Additionally, SMEs might not be comfortable with mobile money security.

2.4 Digital lending systems on financial performance of SMEs

FinTech innovations, that is digital lending platforms that use algorithms to assess creditworthiness provide quicker and more accessible funding options for SMEs, such innovations are beneficial for SMEs previously ignored by conventional banks. FinTech innovation has also made it possible for SMEs to expand into international markets. The FinTech efficient handling of international payments and currency risk management opens global opportunities that in the past were hindered by complex banking processes (Intellectsoft, 2024); with empirical studies proving that FinTech can significantly ease financing constraints of SMEs. With a 1% increase in FinTech, SMEs financing constraints are believed to decrease by 0.0767%. This intermediary mechanism analysis illustrates that FinTech can ease the financing constraints of SMEs by relieving financial industry concentration and information asymmetry (Chun et al., 2023)

The transition to digital lending platforms signifies a pivotal shift towards modernization and efficiency in the banking industry. Research by Martinez and Rodriguez (2022) and findings from global studies such as those by Johnson and Kwak (2019) provide in-depth analyses on the substantial cost savings and new market opportunities afforded by digital lending. These platforms reduce dependence on traditional bank branches, which significantly lowers operational costs and increases the efficiency of the loan approval and distribution processes. The streamlined and automated nature of online lending not only cuts down on operational expenses but also enhances customer satisfaction by providing quick and easy access to financial services. Moreover, studies

like O'Reilly (2018) have highlighted how digital lending platforms provide a significant competitive edge by appealing to a digital-native clientele, indicating that such platforms are crucial in capturing and retaining younger, technology-oriented customers who prefer quick, efficient, and accessible financial services. Wallace and Gachunga (2020) further elaborate on the scalability of website-based lending, emphasizing its ability to allow banks to rapidly adapt their services to meet evolving market demands without the significant costs associated with altering physical infrastructure.

The integration of mobile network operators in extending credit services represents a significant innovation in the banking sector. The collaborative efforts between commercial banks and telecommunications companies utilize extensive customer data to assess creditworthiness and provide financial services to a broader segment of the population. Studies like those by Suri et al. (2021) and Wamalwa et al. (2019) focus specifically on products like M-Shwari and their impact on enhancing financial inclusion by making credit accessible to larger segments of the population, including those traditionally underserved by the banking system. These studies have shown that MNO-facilitated credit helps in increasing the financial resilience of households by providing diverse credit options. The success of these initiatives in extending financial services has been crucial in promoting greater economic participation and enhancing the financial well-being of underserved populations. This approach has not only expanded the reach of financial services but also played a pivotal role in the financial inclusion agenda by leveraging technology to bridge the gap between traditional banking services and the needs of the modern consumer.

2.5 Online banking and digital payment systems impact on financial performance of SMEs

One of the most modern e-banking services is online banking, which refers to any method that allows consumers to conduct financial transactions electronically rather than in person at a physical location (Kimiagari & Baei, 2022). The rapid advancement of technology has had an effect on practically every business, including banking, as a result of the clear global adoption of innovative techniques like Internet banking. India has not been immune to the extensive financial sector developments. Internet banking is now a reality, in part due to India's economic globalization in the 1990s. The Indian government made clear that the financial industry preferred that the implementation of many of the committee's recommendations for banking reforms fall under the purview of digital banking (Nduta, & Wanjira, 2019). This explains why (a) a sizable fraction of India's urban population works in the IT industry, giving them access to the Internet, and (b) the Indian population engages in more professional activities on a global scale than the populations of other industrialized nations. India has experienced high demand for the implementation of e-banking (Chmielarz & Zborowski, 2020). In order to safeguard their

customers against online fraud, the vast majority of Indian banks have now established user-friendly online banking services with high levels of security. The majority of Internet users in India choose to perform their banking and financial transactions online due to its simplicity and time-saving benefits. Internet banking exposes customers to fraud, nevertheless.

The daily operations of small enterprises depend on technology (Laghouag, 2022). Small businesses are impacted by technological improvements in a variety of industries, including printing, online file storage, web-based applications, and laptop computers with Internet connection. Technology can have both positive and bad consequences on small businesses, depending on the goals a company has, the products it chooses to use, and how well business owners and their personnel adapt to new systems (Rahi, 2022). Small business owners and their employees can work in an office setting, from home, while traveling, or even from another country thanks to technology. Technology makes it possible for small business owners to hire employees from around the world, giving their companies a competitive edge in the global market.

The ease of digital payment has a partially positive and significant influence on MSME performance (Asisa, Aulia, Dalianti & Handa, 2022). According to research by Kwabena et al. (2019), digital payment plays a crucial role as a driving factor in MSME performance. These findings suggest that MSME performance heavily depends on society's ability to adopt and utilize digital payment, which significantly impacts business sustainability. According to Prahiawan (2021), the implementation of digital payment helps MSME entrepreneurs manage their finances to achieve their target of generating higher profits, ultimately improving financial performance. Similarly, Adriani & Yuniar (2023) found that digital payment positively affects MSME financial performance. The use of digital payment facilitates and accelerates transaction processes, enabling MSMEs to attract more consumers and ultimately enhance their financial performance

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter provided a detailed exposition of the research methodology designed to investigate the effect of fintech innovations on the financial performance of small and medium-sized enterprises (SMEs) in Mukono Municipality, Uganda. This chapter described the research design, study population, sampling procedures, data collection methods and data analysis techniques that were employed.

3.2 Research Design

This study adopted the mixed method research design to assess the effect of fintech innovations on the financial performance of SMEs with a focus on Mukono Municipality. The quantitative component (Questionnaire) focused on collecting numerical data to assess financial performance indicators such as profitability, revenue growth, access to funds, cashflow, as well as operational efficiency metrics. The qualitative research (Interviews) explored the perceptions, experiences and challenges faced by SME owners and managers in the use of Fintech innovations.

3.3 Study Population

The study population comprised of 80 SMEs in Mukono Municipality. SMEs such as retail are prevalent in Mukono and likely to engage with fintech innovations for example mobile money services, online payments and banking as well as online lending.

3.4 Sample Size

Using the Krejci and Morgan (1970) table, the appropriate sample size for a population of 80 SMEs was 66 SMEs. This sample size ensured a 95% confidence level and a 5% margin of error, providing more precise and reliable results compared to the document's sample of 50 SMEs.

3.5 Sampling Techniques

The sampling frame was a list of the 80 retail SMEs in Mukono Municipality obtained from the Mukono Municipal Council business directory. This list included registered retail SMEs, ensuring a reliable and up-to-date source for sampling. Each SME was assigned a unique identifier (e.g., numbers 1 to 80) to facilitate random selection. For the quantitative component (questionnaires) simple random sampling was used by the researcher. This method ensured that every retail SME in the population had an equal chance of being selected, minimizing bias and providing a representative sample for statistical analysis. For the qualitative component (interviews), 15 participants were selected. Criteria for selection included SME owners or managers with at least

two years of experience using Fintech innovations (e.g., mobile money, digital lending, online banking, or digital payments) and willingness to provide in-depth insights. This technique allowed for targeted recruitment of information-rich cases to explore perceptions, experiences, and challenges, complementing the quantitative data with contextual depth.

These sampling techniques were chosen to align with the study's objectives ensuring diversity feasibility within resource constraints and a balance between statistical rigor and qualitative richness. Ethical considerations such as informed consent and confidentiality were upheld throughout the sampling process.

3.6 Data Sources

3.6.1 Primary Sources

Primary data were collected directly from 50 SMEs in Mukono Municipality through structured questionnaires and semi-structured interviews to capture firsthand insights into the impact of Fintech innovations on financial performance. Questionnaires were administered to SME owners or managers. Interviews with 15 purposively selected participants provided qualitative data

3.6.2 Secondary Sources

Secondary data were sourced from academic literature, industry reports, government records, and media outlets to provide contextual and comparative insights into Fintech adoption and SME financial performance.

3.7 Data Collection Instruments

Data collection was conducted through a combination of primary and secondary methods to ensure a robust dataset, aligning with the mixed-methods approach.

3.7.1 Questionnaire

Questionnaires were administered to SME owners or managers with a focus on retailers gathered quantitative data on key financial indicators such as profitability, cash flow stability, revenue growth, and operational efficiency alongside effect of Fintech innovations like mobile money, digital lending, online banking, and digital payment systems.

3.7.2 Interviews

Interviews with 15 purposively selected participants provided qualitative data on perceptions, experiences and challenges related to Fintech use, using open-ended questions to explore ease of adoption, accessibility and specific business outcomes.

3.8 Validity and Reliability

3.8.1 Validity

The study used Simple random sampling which enhanced representativeness for Mukono's retail SMEs but findings were geographically limited. Purposive interview sampling added depth but reduced generalizability. The questionnaire and interview questions also aligned with objectives, measuring financial performance and Fintech use, grounded in literature. Lack of pilot testing also weakens item clarity. The mixed methods approach also reduced bias

3.8.2 Reliability

The study used Standardized Likert-scale questionnaires which support reliability for example Cronbach's alpha potential hence internal consistence. For qualitative interviews the study focused on semi-structured questions which reduced variability but no mention of multiple coders or thematic analysis protocols could affect consistency. Triangulation with quantitative data enhanced overall reliability

3.9 Ethical Consideration

The study adhered strictly to the ethical standards set by Uganda Christian University Research Ethics Policy. Prior to data collection, approval was obtained from the UCU Research Ethics Committee. All respondents were informed about the purpose of the study and voluntarily signed informed consent forms. Confidentiality was maintained by assigning codes instead of names, and participation was entirely voluntary with the right to withdraw at any point. Data collected was used strictly for academic purposes.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS

4.0 Introduction

This chapter presented the findings from the data collected through questionnaires and interviews, in line with the study's objectives. Quantitative data from 66 questionnaires were analyzed using descriptive statistics (means and frequencies), Pearson correlations, and multiple linear regression via Python-based statistical tools. Qualitative data from 15 semi-structured interviews were thematically analyzed to provide contextual insights. Financial performance was measured perceptually through Likert-scale items on profitability, revenue growth, cash flow, access to funds, and operational efficiency. Findings were interpreted in relation to the conceptual framework and review of literature.

4.1.1 Response rate

A total of 66 questionnaires were distributed to retail SMEs in Mukono Municipality using simple random sampling, with 53 returned, yielding a 79.7% response rate. This level of response is considered adequate for analysis since it exceeds the minimum threshold of 70% often recommended in survey research for ensuring data reliability and representativeness.

Additionally, 15 interviews were conducted with purposively selected SME owners/managers with at least two years of Fintech experience, providing rich qualitative data.

4.1.2 Table 4.1 Response rate

Category	Number	Percentage
Questionnaire Distributed	66	100
Questionnaires returned	53	80.3
Questionnaires not returned	13	19.6
Total	66	100

4.2 Demographics and Business Characteristics

This section showed the demographic profile of the respondents which helped to provide context for interpreting the study findings. The characteristics considered included years of business operation, number of employees and approximate revenue level of education. These attributes were important in explaining the impact of Fintech innovations on the financial performance of SMEs in Mukono.

4.2.1 Table: Years of Operation

Period in years	Frequency	Percentage
Less than 2 years	10	18.9
2-5 years	21	39.6
6-10 years	17	32.1
Over 10 years	5	9.4
Total	53	100

The study sought to the period of operation of the SMEs and how the use of fintech innovations has impacted their financial performance. Findings revealed that most SMEs (39.6%) had been in operation for 2–5 years, followed by 32.1% that had operated for 6–10 years. Only 9.4% had been in existence for more than 10 years, while 18.9% were relatively new (less than 2 years old). This indicates that the SME sector in Mukono Municipality is relatively young.

4.2.2 Table: Number of Employees

Number of Employees	frequency	Percentage
1-10	30	56.6
11-50	18	34.0
Over 50	5	9.4
Total	53	100

The results indicated that the majority of SMEs (56.6%) employed between 1 and 10 workers reflecting the small-scale nature of most enterprises in Mukono. About one-third (34.0%) had 11–50 employees, while only 9.4% respondents had more than 50 employees. This distribution aligns with the typical SME profile in Uganda, where most businesses are micro or small in size.

4.2.3 Table: Annual Revenue (UGX)

Annual Revenue (UGX)	Frequency	Percentage
Less than 10 million	19	35.8

10-50 million	23	43.4
51-100 million	8	15.1
Over 100 million	3	5.7
Total	53	100

The findings showed that most SMEs about 43.4% reported annual revenues ranging between 10–50 million UGX, while 35.8% earned less than 10 million UGX annually. A smaller proportion of 15.1% generated between 51–100 million UGX, and only 5.7% earned over 100 million UGX. This showed that the financial capacity of SMEs in Mukono is generally modest, with the majority generating low to medium-level revenues which may affect their ability to expand without external financial support.

The study showed that most SMEs that is around 39.6% of the SMEs in Mukono municipality operated for 2–5 years reflecting a youthful business landscape possibly influenced by post-COVID-19 recovery. A majority 56.6% had 1–10 employees consistent with Uganda’s SME profile (Uganda Investment Authority, 2021). Annual revenues on the other hand were modest with 79.2% below 50 million UGX, indicating financial access challenges.

4.3 Extent of Fintech Use Among SMEs in Mukono Municipality

Aspect	Category	Frequency (n=53)	Percentage (%)
Fintech Innovations Used (Most Common)	Mobile Money Services	11	20.8
	Digital Lending Platforms	10	18.9
	Online Banking	12	22.6
	Digital Payments	11	20.8
	None	9	17.0
Length Of Use	Less than 1 year	8	15.1
	1-3 years	22	41.5
	4-5 years	12	22.6
	Over 5 years	8	15.1
	Not applicable	3	5.7
Frequency Of Use	Daily	27	50.9
	Weekly	15	28.3
	Monthly	6	11.3
	Rarely	3	5.7
	Never	2	3.8
Motivations (Most Common)	Convenience	13	24.5
	Reduced transaction costs	12	22.6
	Improved access to customers		
	Access to financing	11	20.8
	Other	7	13.2

The study assessed the extent of use of fintech innovations in line with the context of the study and found that FinTech innovation was high represented as percentage of 83.0% with mobile money and online banking prominent. Daily use 50.9% was indicated integration into operations driven by convenience represented by 24.5%. This aligned with post-COVID-19 digitization trends (Ssuubi, 2024).

4.4 The Effect of Mobile money services on Financial Performance of SMEs

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev.
Mobile money reduces transaction costs and increases efficiency.	3.8	9.4	17.0	47.2	22.6	3.75	0.91
Sales stability has improved since adopting mobile money services.	1.9	7.5	20.8	45.3	24.5	3.83	0.87
Mobile money has enhanced operational efficiency of my business.	1.9	11.3	17.0	43.4	26.4	3.81	0.95
Mobile money improves customer convenience and sales volume.	0.0	7.5	15.1	50.9	26.4	3.96	0.84
Overall						3.95	0.89

Table 4.4 illustrates the respondents' views on how mobile money services influence the financial performance of SMEs within Mukono municipality. The results reveal that mobile money services significantly contribute to the financial performance of SMEs in Mukono Municipality. The highest-rated item was customer convenience and sales volume (M=3.96, SD=0.84), suggesting

that customers find it easier to transact through mobile money, which in turn boosts sales. This aligns with transaction cost theory, which posits that technologies that reduce transaction costs improve firm performance.

Additionally, many respondents agreed that mobile money reduces operational costs $M=3.75$, $SD=0.91$ and improves efficiency $M=3.81$, $SD=0.95$. These findings are consistent with previous studies in Uganda which highlight mobile money as a driver of financial inclusion, enabling small firms to manage cash flows without traditional banking infrastructure.

However, the results also showed that around 17–20% of respondents remained neutral, indicating that not all SMEs are fully leveraging mobile money. Possible reasons include network downtimes, fraud risks, or lack of customer adoption. Overall, the mean score of 3.95 indicates that mobile money is a strong enabler of SME financial performance, particularly in sales stability and customer service efficiency.

The positive perceptions in this study aligned with TAM as perceived usefulness for example faster transactions and ease of use drive adoption (Davis, 1989). RBV was supported, with mobile money as a strategic resource reducing costs and enhancing market reach (Barney, 1991). These findings corroborate Jack & Suri (2010), who found mobile money reduces transaction costs and improves SME trading activities. The weak correlation also reflected external barriers like network reliability (Brookings Institution, 2023) limiting the measurable impact on financial performance metrics like profitability and revenue growth.

4.5 The Influence Digital Lending Platforms on the financial performance of SMEs in Mukono municipality.

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev.
Access to digital credit has improved my short-term financial management.	5.7	11.3	24.5	41.5	17.0	3.53	1.05
Digital lending platforms provide	3.8	7.5	22.6	45.3	20.8	3.72	0.96

timely support for cash flow gaps.							
Borrowing through digital platforms supports my business sustainability.	7.5	13.2	20.8	41.5	17.0	3.47	1.07
Access to loans via mobile platforms enhances growth opportunities.	3.8	9.4	22.6	43.4	20.8	3.68	0.98
Overall						3.78	1.01

Table 4.5 results showed that digital lending platforms moderately improved financial performance, with an overall mean of 3.78 (SD=1.01). The strongest effect was on cash flow management with the Mean of 3.72 and SD of 0.96 which suggested that SMEs use short-term digital loans to fill liquidity gaps. This supports the pecking order theory, which emphasizes firms' preference for flexible, easily accessible financing sources before formal credit.

However, the lowest score was for sustainability with a Mean of 3.47 and SD of 1.07. This reflected the reality that while digital loans solve immediate liquidity issues, high interest rates, rigid repayment terms, and small loan limits hinder their long-term effectiveness. These findings showed challenges documented in microfinance research, where digital loans are seen as double-edged: they provide fast credit but can lead to debt traps if poorly managed.

The findings showed mixed responses with some disagreement and neutrality which indicated that while digital lending platforms fill an important financing gap for SMEs excluded from formal banking, their impact remained limited by affordability and repayment flexibility.

The study found that Perceptions were moderately positive, with an overall mean of 3.78 and SD of 0.87. Means indicate benefits in performance 3.91 but lower flexibility 3.69. Correlation: $r = -0.014$, $p = 0.923$ (non-significant, negligible).

The findings from the research supported TAM, as perceived usefulness for example quick access which encourages digital lending adoption (Davis, 1989). RBV views digital lending as a resource easing financing constraint (Barney, 1991) aligning with Chun et al. (2023) who found Fintech

reduces SME financing barriers. The negligible correlation may stem from high interest rates and limited loan flexibility, as noted qualitatively, which could offset financial performance gains. This addresses the knowledge gap on digital lending’s localized impact in Mukono.

4.6 The Effect of Online Banking and Digital Payment Systems on Financial performance of SMEs in Mukono municipality.

Statement	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly Agree (%)	Mean	Std. Dev.
Online banking improves financial record-keeping.	0.0	5.7	11.3	50.9	32.1	4.20	0.72
Digital payments have enhanced my operational efficiency.	1.9	3.8	13.2	52.8	28.3	4.17	0.73
Digital platforms reduce risks related to handling physical cash.	1.9	5.7	15.1	50.9	26.4	4.02	0.81
Online banking services support customer satisfaction and loyalty.	3.8	7.5	15.1	49.1	24.5	3.83	0.92
Digital banking supports long-term business growth.	3.8	11.3	22.6	43.4	18.9	3.65	0.98
Overall						4.08	0.75

According to Table 4.6, Online banking and digital payments had the strongest impact with an overall mean of 4.08 and SD=0.75. The highest-rated item was improved financial record-keeping Mean 4.20 and SD=0.72 showing that SMEs value the digital trails and statements generated by banking platforms. This aligns with agency theory, as better record-keeping reduces information asymmetry when seeking external financing.

Operational efficiency Mean=4.17, SD=0.73 and reduced risks of handling cash Mean=4.02, SD=0.81 were also strongly endorsed, indicating that SMEs benefit from safer, faster, and more reliable transactions. This supported the resource-based view (RBV), which emphasized leveraging digital resources to enhance competitiveness.

Nonetheless, the weakest item was support for long-term business growth with mean of 3.65 and SD of 0.98. This suggested that while online banking systems excelled in improving day-to-day

financial management, SMEs still struggle to translate these short-term efficiencies into long-term strategic advantages such as expansion or innovation.

Overall, the findings indicated that online banking and digital payments were critical tools for operational stability though their transformative potential for growth is yet to be fully realized.

Strongest perceptions here, with overall mean of 4.08 (SD=0.75). High means for example 4.20 for record-keeping highlighted efficiency. Correlation: $r=0.152$, $p=0.224$ (weak, non-significant).

The findings aligned with TAM as perceived ease of use and usefulness for example improved record-keeping which drive adoption (Davis, 1989). RBV positioned online banking and digital payments as resources enhancing efficiency and competitiveness (Barney, 1991) supporting Adriani & Yuniar (2023) on transaction acceleration. The weak correlation reflected infrastructure challenges, as noted in interviews and by Brookings Institution (2023), limiting measurable impacts on revenue and profitability. This addresses the localized knowledge gap in Mukono.

CHAPTER FIVE

DISCUSSIONS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter discusses the study findings in relation to the reviewed literature and the research questions. It also presents a summary of findings, draws conclusions, and makes recommendations for practice and policy. Finally, the chapter suggests areas for further research. This chapter also summarizes the findings from the study on the effect of Fintech innovations on the financial performance of small and medium-sized enterprises (SMEs) in Mukono Municipality, Uganda, addressing the specific objectives: to examine the effect of mobile money services, to assess the influence of digital lending platforms and to evaluate the effect of online banking and digital payment systems. This discussion links findings to the Technology Acceptance Model (TAM, Davis, 1989), Resource-Based View (RBV, Barney, 1991) and relevant literature. Conclusions are drawn for each objective, followed by recommendations for SME owners, policymakers, financial institutions, and implementation strategies as well as areas for further research. The study adheres to UCU Research Ethics Policy ensuring confidentiality and informed consent.

5.1 Discussion of findings

The findings of the study revealed that Fintech adoption was high with a percentage of 80.0% with the daily use of fintech innovations being 50.0% driven by convenience 24.0%. The perceptions of Fintech's impact were positive: mobile money mean with a mean of 3.95, digital lending 3.78, and online banking/digital payments 4.05 enhanced financial performance mean of 4.00, particularly in operational efficiency and cash flow. However, correlations and regression analyses showed weak, non-significant relationships. Qualitative themes highlighted efficiency gains but noted barriers like transaction fees, high interest rates, and poor connectivity.

5.2.1 The Effect of Mobile money services on Financial Performance of SMEs.

The findings of the study revealed that mobile money services positively impact the financial performance of SMEs in Mukono municipality especially among retailers because they ease payment for goods and services, the transaction costs are relatively affordable for example the withdraw charges that are added to the customers payment bills.

Furthermore, the study found that mobile money payments improved cash flow and working capital by enabling faster transactions and reinvestment in stock. This is consistent with Islam and

Muzi (2022), who argued that mobile financial services reduce transaction costs and liquidity constraints, thereby strengthening the financial resilience of small enterprises. Nonetheless, the challenges of high transaction fees and occasional service downtimes, noted by Hamdan et al. (2022), may explain why some respondents were less certain about the benefits, as such issues can limit the net financial gains from using mobile platforms.

A study found that SMEs with a positive attitude towards perceived benefits of fintech in increasing their efficiency and reducing transaction costs are more likely to adopt these solutions. This is in collaboration with the literature that perceives usefulness as an aspect critical for strengthening attitudes toward technology and engendering its adoption. The effort expected/perceived ease of use of fintech also plays a critical role in shaping attitudes toward technology adoption. From the study, it was realized that those SMEs finding fintech easy to use showed favorable attitudes toward its adoption, a fact that is consistent with the literature on the importance of user-friendliness in technology adoption given by Venkatesh et al., 2012, and Kilani et al., 2023.

According to this study the positive perception represented by the mean 3.95 of mobile money's impact supports Jack & Suri (2010) who found it reduces transaction costs and enhances market reach. TAM explains adoption through perceived usefulness for example faster payments and ease of use for example simple interfaces. RBV views mobile money as a resource for operational efficiency, as evidenced by reduced disruptions. The weak correlation ($r=0.098$, $p=0.496$) also reflected barriers like fees and network issues, consistent with Brookings Institution (2023), addressing the knowledge gap on localized impacts in Mukono.

5.2.2 The Influence Digital Lending Platforms on the financial performance of SMEs in Mukono municipality.

The findings of the study revealed that the relationship between the digital lending platforms and the financial performance of SMEs in Mukono Municipality is moderate

The study showed that Digital lending plays a crucial role in promoting financial inclusion by providing access to credit for individuals and businesses that have been historically underserved by traditional financial institutions (Uganda Microfinance Regulatory Authority, 2024) and (Bank of Uganda & UNCDF, 2024). Digital lending platforms continue to proliferate, offering a wide range of loan products and services tailored to diverse borrower needs. From peer-to-peer lending platforms to online marketplaces and mobile lending apps, digital platforms provide convenient access to credit, streamlined application processes, and faster loan disbursements.

The moderate perception represented by the mean of 3.78 aligns with Chun et al. (2023), who noted Fintech eases SME financing constraints. TAM explains adoption via perceived usefulness for example quick loan access, while RBV positions digital lending as a resource for capital access for example mean of 3.91 for performance. The negligible correlation and qualitative barriers for example the high interest suggested cost-related limitations, filling the gap on digital lending's effectiveness in Mukono. The study showed that Digital lending plays a key role in promoting financial inclusion by providing access to credit for individuals and businesses that have been historically underserved by traditional financial institutions.

5.2.3 The Effect of Online Banking and Digital Payment Systems on Financial performance of SMEs in Mukono municipality.

The study examined the role of online banking and digital payment systems in influencing the financial performance of SMEs in Mukono Municipality, Uganda. The findings indicated a strong perception by managers or owners in most retail shops in Mukono with a significant number of them embracing digital payments such as Momo pay and mobile duuka. This makes payment of suppliers and transactions with customers easy and reduces the cash related risk like miscalculating the money due to large amounts and many customers.

The study showed that by using mobile payment platforms, financial transactions can be facilitated easily (Al-Saedi et al,2020). For instance, consumers are allowed to conduct various transactional activities such as distance payments, bill payments, and online transfers, to name a few (Lin et al,2020). Thus, mobile payment provides users with a convenient and efficient method for the transaction (Lei et al,2022). A variety of payment technologies were investigated by the researchers including internet banking (Raza & Hanif, 2013; Raza et al., 2015, 2020; Sharif & Raza, 2017); mobile banking (Raza et al., 2017, 2019); and mobile payment (Ali et al., 2024). In the current study, the Technology Acceptance Model (TAM), proposed by Davis (1989) for depicting the users' behavior to adopt information technology, was applied to analyze the acceptance of mobile payment applications among Malaysian consumers. As the most well-known theoretical model (Jawad et al., 2022), TAM has been applied as a theoretical principle in different contexts, such as social media (Alismaiel et al., 2022), food delivery applications (Su et al., 2022), artificial intelligence-based technologies (Na et al., 2022). TAM explicates that perceived usefulness and perceived ease of use, as two dominant predictors, for anticipating the adoption of technology. Perceived usefulness is considered as the extent to which an individual perceives that using certain technology would affect job performance (Davis, 1989), while perceived ease-of-use is defined as the extent to which a person perceives that the utilization of a specific technology requires less effort from users (Davis, 1989).

The strong perception in this study supported Adriani & Yuniar (2023) on transaction acceleration and revenue growth. TAM highlights adoption driven by ease of use for example user-friendly apps and usefulness for example improved record-keeping. RBV views these systems as resources enhancing efficiency and security.

5.3 Conclusions

The study showed that generally, Fintech innovations positively influence SME perceptions of financial performance in Mukono Municipality more especially in operational efficiency and cash flow though empirical links are weak due to contextual barriers.

Mobile money services are perceived to improve SME financial performance particularly through reduced operational disruptions and improved credit access. However, weak statistical links suggest barriers like fees and connectivity limit measurable impacts, supporting the need for localized evidence in Mukono. Digital lending platforms on the other hand were found to moderately improve perceived financial performance by providing quicker capital access, but high interest rates and low flexibility hinder broader impacts. The negligible correlation underscores the need for affordable lending solutions tailored to SMEs in Mukono.

Online banking and digital payment systems also have the strongest perceived impact which enhances efficiency and record-keeping. Weak correlations reflect infrastructure barriers, but the findings highlight their potential to drive SME sustainability in Mukono.

The study's findings concluded that Fintech supports SME sustainability in Mukono, with mobile money and online banking/digital payments showing stronger perceived effects than digital lending. However, it's important to take note that addressing barriers like connectivity and costs is critical to maximizing Fintech's contribution to Mukono's economic growth and financial inclusion.

5.4 Recommendations

5.4.1 For SME Owners.

SME owners should prioritize investment in Fintech training to maximize the benefits of mobile money and digital payment systems, which demonstrated strong perceived impacts on operational efficiency and cash flow. Training programs, such as workshops on using platforms like MTN Mobile Money or POS systems can also increase digital literacy, thereby enabling SMEs to

streamline transactions and reduce cash-handling risks. Additionally, SME owners should negotiate with Fintech providers for lower transaction fees for example the mobile money withdraw charges imposed on business owners as high fees were a recurring qualitative concern. By adopting these technologies strategically, SMEs can leverage Fintech as a resource (RBV, Barney, 1991) to improve competitiveness and profitability, particularly in a resource-constrained environment like Mukono.

5.4.2 For Policymakers

Policymakers, particularly the Bank of Uganda, should address infrastructure barriers identified in the study, such as unreliable internet connectivity, which limits Fintech's impact (Brookings Institution, 2023). Subsidizing internet infrastructure, such as expanding broadband access in semi-urban areas like Mukono can enhance adoption of online banking and digital payments. Additionally, policymakers should develop regulations to ensure affordable and secure digital lending, addressing high interest rates that weaken the perceived impact of digital lending. These policies align with TAM's emphasis on ease of use (Davis, 1989) and can promote financial inclusion, supporting Uganda's economic growth as SMEs contribute 25% to GDP (Uganda Investment Authority, 2021).

5.4.3 For Financial Institutions.

Financial institutions such as PostBank, should design Fintech products to SMEs' needs, building on initiatives like Wendi (PostBank Uganda, 2024). The study's findings highlight the need for low-cost training programs to overcome adoption challenges especially for online banking and digital payments. Offering flexible and low-interest digital lending products can address the high-interest rate barrier, aligning with RBV's view of Fintech as a strategic resource (Barney, 1991). By designing SME-specific solutions, such as simplified loan applications or reduced transaction fees, financial institutions can enhance access to funds and support SME sustainability in Mukono.

5.5 Areas for Further Research

This study recommends further research on;

Conduct longitudinal studies to evaluate the long-term impact of Fintech on SME financial performance to addressing the weak statistical links observed.

Compare Fintech effects across Ugandan regions to assess general effects beyond Mukono's semi-urban context.

Develop quantitative models incorporating moderators like infrastructure and digital literacy to explain weak correlations.

Investigate Fintech's impact on women-led SMEs to address gender disparities in financial inclusion, as highlighted by Alliance for Financial Inclusion (2022)

QUESTIONNAIRE

THE EFFECT OF FINTECH INNOVATIONS ON THE FINANCIAL PERFORMANCE OF SMEs IN MUKONO MUNICIPALITY, UGANDA.

Dear Respondent,

I am a student at Uganda Christian University, Mukono, conducting a research study on the effect of FinTech Innovations on the financial performance of Small and Medium Scale Enterprises (SMEs) in Mukono municipality. The purpose of this questionnaire is to gather information on the effect of FinTech innovations on SMEs in Mukono municipality. Your participation in this study is greatly appreciated.

Section A: Demographic and Business Information

1. **Name of the SME** (Optional, for tracking purposes only):

2. **Years of Operation:**

- a) Less than 2 years
- b) 2–5 years
- c) 6–10 years
- d) Over 10 years

3. **Number of Employees:**

- a) 1–10
- b) 11–50
- c) Over 50

4. **Annual Revenue (in UGX, approximate):**

- a) Less than 10 million
- b) 10–50 million
- c) 51–100 million
- d) Over 100 million

Section B: The extent of Fintech use among SMEs.

6. **Which of the following Fintech innovations does your SME currently use?**

7. (Check all that apply):

- Mobile Money Services (e.g., MTN Mobile Money, Airtel Money)
- Digital Lending Platforms (e.g., Zofi Cash, Tugende)
- Online Banking (e.g., bank apps or internet banking)
- Digital Payment Systems (e.g., POS systems, e-wallets)
- None

8. **How long has your SME been using Fintech innovations?**

- a) Less than 1 year
- b) 1–3 years
- c) 4–5 years
- d) Over 5 years
- e) Not applicable

9. **How frequently does your SME use Fintech innovations for financial transactions?**

- a) Daily
- b) Weekly
- c) Monthly
- d) Rarely
- e) Never

10. **What motivated your SME to adopt Fintech innovations?** (Check all that apply):

- Convenience
- Reduced transaction costs
- Improved access to customers
- Access to financing
- Other (Specify): _____

Section C: The Effect of Mobile Money services on the financial performance of SMEs in Mukono municipality

Instructions: Please indicate your level of agreement with each statement below using the following scale:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	1	2	3	4	5
My business frequently uses mobile money services for its financial transactions.					
I use various mobile money services (e.g., payments, savings, loans) to support my business operations.					
Mobile payments have helped me reach more customers, thereby supporting business growth.					
Mobile money has made it easier for my business to access credit or financial					
Payments made through mobile money are faster, which improves my working capital.					
Receiving payments via mobile money allows me to reinvest in stock more frequently.					
The ability to send and receive money via mobile reduces disruptions in my business operations.					
Since adopting mobile payments, my business has shown more consistent revenue patterns.					

Section D: The Influence of Digital Lending Platforms on Financial Performance of SMEs in Mukono municipality

Instructions: Please indicate your level of agreement with each statement below using the following scale:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	1	2	3	4	5
I have accessed loans for my business through digital lending platforms.					
Digital lending platforms provide quicker access to credit compared to traditional banks.					
The loans I obtained through digital lending platforms have helped improve my business's financial performance.					
Digital lending has enabled my business to take advantage of growth opportunities.					
The interest rates and repayment terms of digital loans are favorable for my business.					
Using digital lending platforms has improved my business's ability to manage short-term financial needs.					
My experience with digital lending platforms has been positive and has contributed to business sustainability.					
Digital lenders offer more flexible loan products suitable for my business needs.					

Section E: The Effect of Online Banking and Digital Payment Systems on Financial performance of SMEs in Mukono municipality.

Instructions: Please indicate your level of agreement with each statement below using the following scale:

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

Statement	1	2	3	4	5
My business regularly uses online banking services for financial transactions.					
Digital payment systems (e.g., mobile apps, POS, online transfers) have improved the efficiency of my business operations.					
Online banking has made it easier for my business to monitor and manage its finances.					
Digital payment options have improved customer convenience and satisfaction in my business.					
The use of online banking and digital payments has reduced the risk associated with handling cash in my business					
Digital payment systems have contributed to an increase in my business's sales or revenue.					
My business's financial record-keeping has improved since adopting digital payment solutions.					

The use of online banking and digital payments has positively impacted the financial growth of my business.					
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Thank you very much for your cooperation

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