THE IMPACT OF MOBILE MONEY SERVICES ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES SMEs IN MUKONO MUNICIPALITY: CASE STUDY OF KIKKO MARKET

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DECLARATION

I, Nakigozi Josephine, declare that this dissertation is my original work and has not been previously published or submitted anywhere for the award of a bachelor's degree. I also declare that this contains no material written or published by other people except where due reference is made the author acknowledged.

Sign:..... Date.31st August 2024

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APPROVAL

I hereby confirm that this research report by Nakigozi Josephine has been prepared under my supervision and submitted upon my approval.

Signature……

Date…… 1st September 2024

MS. MAUREEN NATUHWERA

DEDICATION

I want to give thanks to the All-Powerful God for his protection and care during this research**.** My parents miss Nakiyemba Harriet, my father Mr. Ssengendo John Bosco, my guardian miss Nakiranda Josephine. Even though you had so little of your own, you all had such faith in me and gave me so much of your time.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

SMEs: Small And Medium Enterprises

TTF: Task-Technology Fit Theory

IDT: Innovation Diffusion Theory

TAM: Technology Acceptance Model

ABSTRACT

This research aimed at finding out the impact of mobile money services on the financial performance of SMEs in Mukono municipality, a case study of Kikko market.The study was guided by four objectives namely to examine the impact of mobile money services on the financial

performance of SMEs in Mukono municipality ,Kikko market, to examine the relationship between the usage of mobile money services and the financial performance indicators such as revenue,profitability,liquidity of SMEs,to identify the challenges and barriers faced by SMEs in adopting and utilizing mobile money services for financial transactions and to identify the possible solutions to the problems identified in (iii).The study took descriptive statistics were the research design was both qualitative and quantitative data analysis techniques.The researcher used random sampling techniques for selection and purposive sampling technique for choosing SMEs that use mobile money services in Kikko market.From the results of the analysis,Findings revealed that respondents firmly believe that mobile money services have improved the efficiency and speed of transactions. It was established that the respondents firmly believe that mobile money has increased customer payments and sales and this is revealed by a mean value of 4.00, In addition, the expenses of managing and processing cash in these SMEs have decreased because of mobile money and this is revealed by the mean score of 3.86.The study found out that the average mean score, which is roughly 4.29, shows that most respondents think favorably about how mobile money services affect their company's revenue, profitability, and financial management. This indicates that most respondents believe mobile money services have improved these areas.The findings indicated that the average mean of 4.39 indicates that respondents are generally in agreement with the challenges and concerns regarding mobile money services in their business, regardless of the specific assertions.In conclusion,The study findings revealed that The financial performance of SMEs and mobile money services have a very high positive linear association and this means that SMEs' financial performance usually improves dramatically as the adoption of mobile money services rises.The study concluded that Mobile money services should be actively incorporated into SME owners' and managers' regular financial operations.

CHAPTER ONE
INTRODUCTION

1.0 Background of the study

Currently, mobile money microcredit has become an essential tool for facilitating business payments and securing loans in developing countries, providing users with a reliable electronic financial platform that supports online transactions John,(2018). These services are viewed as vital for enabling fast and straightforward payments, benefiting both consumers and businesses alike Chiemo,(2020). They offer significant advantages, including increased flexibility, lower transaction costs, and enhanced revenue generation Amos Abanyie,(2019). Furthermore, mobile money microcredit plays a crucial role in promoting financial inclusion, serving as a key solution for both banked and unbanked populations in rural and urban areas Serugga, (2019).

Mobile money microcredit services are significant in the economy since it has been a major solution to financial inclusion for both bankable and un-bankable individuals both in rural and urban settlements Serugga, (2019). In principle, the application of mobile money microcredit services is a financial innovation that has cast its benefits on small businesses in East Africa Islam, Muzi & Meza, (2018) Lorenz & Pommet, (2020). GSMA data shows the first mobile money provider launched in East Asia and the Pacific in 2001, then it was M-PESA launched in March 2007 in Kenya that popularized the model. Since then, almost all successful mobile money operations have been built in M-PESA's image. Shortly thereafter, Vodacom launched M-pesa in Tanzania in April 2008 MTN launched in Uganda in March 2009, and MTN launched in Rwanda in February 2010.In 2011, five years after M-Pesa launched in Kenya, almost all the success was still achieved in East Africa,fueled by operations in these leading countries.In that year, the GSMA's State of the Industry Report highlighted eight rapidly growing mobile money operations worldwide, with six of them based in East Africa. These East African operations were strongly supported by the trailblazers behind M-PESA, whose innovations extended beyond Kenya's borders, continuing to develop cutting-edge systems. However, Somalia's role in the mobile money sector is frequently overlooked. Data from Somalia is often excluded from major Reports like the World Bank's Findex and the GSMA State of the Industry often overlook Somalia's significant contributions to the mobile money sector, leading to an underappreciation of its impact. Yet, Somalia's mobile money operations are integral to the region's financial innovation. Telesom

ZAAD, launched in Somaliland in 2009, and Hormuud's EVC Plus, introduced in Somalia in 2011, are prime examples of this. In 2014, the only year Somalia was included in the Findex, 37% of adults had a registered account, placing Somalia second only to Kenya globally. This highlights the critical role East Africa has played in the early growth of mobile money, a contribution that is even more significant than often recognized.Beyond these East African success stories, mobile money has seen remarkable growth worldwide, expanding to nearly 100 countries. This article leverages the GSMA dataset to explore how mobile money has proliferated globally McCaffrey,(2022).

Mobile money was first introduced in Uganda in 2009 through a collaborative model between mobile money operators and commercial banks. The services initially focused on domestic remittances, basic retail payments, and money storage. The growth of mobile banking in Uganda has been remarkable. By December 2014, the number of registered mobile money users had surpassed 18 million. During the last quarter of that year, there were an average of 46 million transactions per month, with a total monthly transaction value reaching UGX 2.1 trillion. This rapid expansion highlights the significant potential of mobile money to advance financial inclusion in Uganda.

Money transmission is considered a regulated financial service under the Financial Institutions Act, 2004 (FIA). As such, mobile money operators are required to obtain approval from the Central Bank before launching their services. If the operator is not a licensed financial institution, it must form a partnership with one that is licensed. The licensed financial institution then seeks approval from the Bank of Uganda (BoU) to collaborate with the mobile money operator in offering these services Mutebile,(2015).

Small and Medium Enterprises (SMEs) have increasingly adopted mobile money for accepting payments from their customers, as indicated by a mean value of 3.6204. The study also revealed that mobile financial services alleviate the need for SMEs to open a traditional bank account, with a mean value of 3.5630 supporting this finding. Additionally, mobile banking has enabled SMEs to conveniently withdraw cash from their accounts.

The study found that SMEs benefit significantly from mobile banking services, as indicated by a mean value of 3.6944 for cash withdrawal convenience. Moreover, mobile money services have

been positively correlated with SME growth, with a correlation coefficient of 0.837 and a p-value of .000, which is highly significant Nakityo(2019).

Regarding monetary stability, mobile money has the potential to enhance the effectiveness of monetary policy by integrating more currency and assets into the formal financial system. This integration allows a larger portion of economic activities to be influenced by central bank interest rates, thereby supporting price stability Kennedy & Kalvin,(2019).Mobile money is a service that connects financial transactions to a mobile phone number, enabling users to transfer funds and access various financial services. This service is particularly beneficial for individuals who lack access to traditional banking institutions. Typically operated by telecommunications companies, mobile money offers key financial functions such as depositing and withdrawing funds, as well as paying bills, all through non-banking channels Bongomin et al.,(2018).

1.1 Statement of the problem

Mobile money has been widely adopted in Uganda since its launch in 2009, and its purpose is to assist small and medium-sized enterprises (SMEs) in streamlining their operations. Due to the service's accessibility and affordability, even for those with modest incomes, it has been a success. Yet, the technical innovation is thought to be user-friendly, dependable, and efficient, and it has the ability to provide financial services to people who would rather utilize less expensive financial services. Nakityo (2019)

The expansion of many countries' economies, particularly those in emerging economies, depends heavily on small and medium-sized enterprises, or SMEs. SMEs usually face significant challenges when attempting to access official financial services, which restricts their ability to expand and keep a solid financial position. Mobile money services have emerged as a potential answer to this problem by providing a simple, secure, and convenient way to conduct financial transactions. The impact of mobile money services on the financial performance of SMEs is poorly understood due to contradictory data regarding their usefulness.

SMEs are often impeded in their use of mobile money services by issues related to compliance and laws. Strict laws can make it more difficult for SMEs to fully integrate mobile money solutions into their operations. Mazer & Rowan (2016); Porteous, 2006). The lack of mobile money agents

in rural and isolated places further hinders SMEs' access to these services, which affects their financial operations. Mbiti & Aker (2010) (2012) Safaricom.

For SMEs, the high transaction costs of mobile money services provide a serious obstacle. These expenses may make mobile money solutions less appealing, particularly for small companies with narrow profit margins Donovan (2012) McKay & Pickens, (2010). Additionally, SMEs are reluctant to use these technologies due to security issues, such as the possibility of fraud and cyber-attacks, which erode trust in mobile money platforms Mas & Morawczynski, (2009) Ondiege, (2010).

Interoperability issues across different mobile money systems result in inefficiencies and increased transaction costs, which further obstruct SMEs' adoption procedures (Kimenyi and Ndung'u, 2009; Alliance for Financial Inclusion, 2010). Furthermore, insufficient network coverage in some locations may contribute to irregular mobile money services, which could compromise the dependability and regularity of financial transactions. Munyegera and Matsumoto (2016); Suri and Jack (2016).

1.2 Purpose of the study

The purpose of this study was to determine the impact of mobile money services on the financial performance of SMEs in Mukono municipality, Kikko market, Uganda.

1.3 Objectives of the study

(i) To examine the impact of mobile money services on the financial performance of SMEs in Mukono municipality, Kikko market.

(ii) To examine the relationship between the usage of mobile money services and the financial performance indicators such as revenue, profitability, liquidity of SMEs

(iii) To identify the challenges and barriers faced by SMEs in adopting and utilizing mobile money services for financial transactions.

(iv) To identify the possible solutions to the problems identified in (iii) above.

1.4 Research Questions

The study answered the following questions.

(i) What is the impact of mobile money services on the financial performance of SMEs in Mukono municipality, Kikko market?

(ii) What is the relationship between the usage of mobile money services and financial performance indicators such as revenue, profitability, and liquidity of SMEs?

(iii) What were the challenges and barriers faced by SMEs in adopting and utilizing mobile money services for financial transactions in Mukono Municipality, Kikko market.

(iv) What were the possible solutions to the problems identified above?

1.5 Scope of the study

This section covered the subject scope, Time scope and the geographical scope.

1.5.1 Subject scope

The study focused on the impact of mobile money services on the financial performance of SMEs in Mukono Municipality, Kikko market. The study also examined the relationship between the usage of mobile money services and the financial performance of SMEs in Mukono Municipality, Kikko market and examined the challenges and barriers faced by SMEs in adopting and utilizing mobile money services for financial transactions in Mukono.

1.5.2 Time scope

The study was conducted within a time scope of three months that is from May to July as it is the time allocated by the university.

1.5.3 Geographical scope

The research was conducted in Mukono Municipality, Kikko market.

1.6 Justification of the study.

Understanding how mobile money services affect SMEs can contribute to efforts aimed at improving financial inclusion by assessing whether these services help SMEs access financial services more easily.

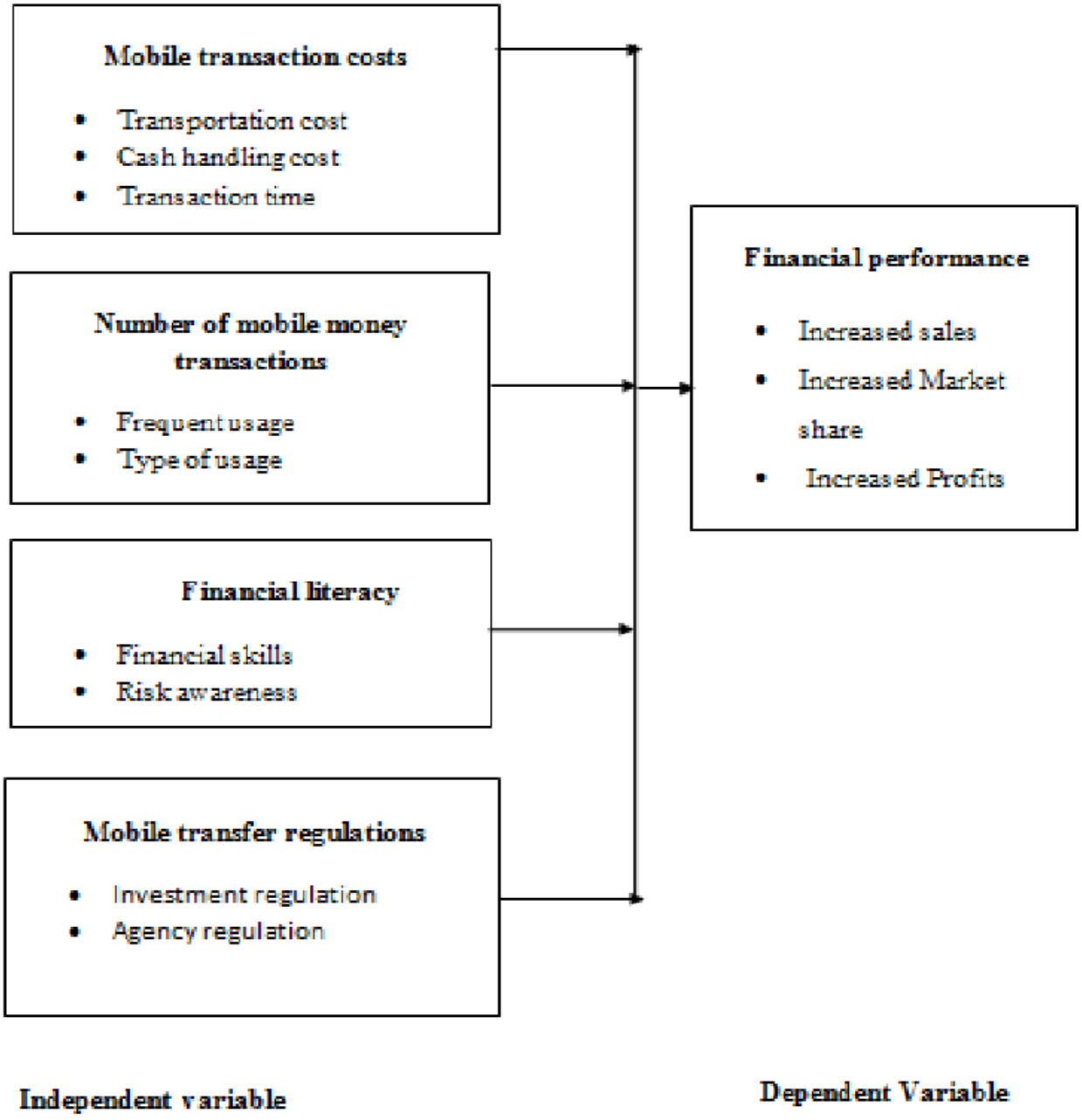
The study will also be used as a source of literature review by researchers.

Mobile money services have the potential to streamline financial transactions for SMEs, potentially leading to improved efficiency and productivity. Studying this impact will reveal whether these services live up to their promise in enhancing business operations.

Mobile money services may also offer benefits in terms of risk management for SMEs, such as reducing the reliance on cash transactions and offering more secure payment methods. Understanding these dynamics can help SMEs better manage financial risks.

Insights from the study can inform policymakers about the effectiveness of mobile money services in supporting SMEs. This information can guide the development of policies aimed at fostering a conducive environment for SME growth and innovation.

1.7 Conceptual framework (fig 1)



From the above conceptual framework, mobile money services measured by mobile transaction costs, number of mobile money transactions, financial literacy and mobile transfer regulations as independent variables influences the financial performance of SMEs a dependent variable measured by increased sales, increased market share and increased profits.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Examining the effect of mobile money services on the financial performance of SMEs in Mukono Municipality, Kikko market was the goal of this research. The researcher examined other writers' writings on mobile money services and small and medium-sized enterprises' financial performance in this chapter.

2.1 Definition

The growing use of mobile devices in developing countries and the potential of mobile platforms to solve business challenges are particularly exciting for micro, small, and medium-sized firms. The mobile phone revolution has impacted many aspects of life in developing nations.

According to the World Bank (2010), mobile money refers to the use of mobile phones to perform various financial transactions. These include sending and receiving funds, making payments for goods and services, purchasing airtime, accessing bank accounts for deposits or withdrawals, viewing financial statements, and other similar financial activities.Thus, it has to do with the way that financial services and mobile phones are combined to carry out the financial transactions mentioned above.

According to the World Bank group (2024) Mobile money has become a cornerstone for enhancing financial inclusion across Sub-Saharan Africa. Initially, East Africa was the hub of mobile money innovation, led by pioneering operators in Kenya and neighboring countries. Over the years, the availability of these services has expanded significantly. By 2022, Sub-Saharan Africa was home to all 12 of the world’s economies where more adults had only a mobile money account compared to those with a bank account or similarly regulated financial institution.

On average, 28 percent of adults in Sub-Saharan Africa had a mobile money account as of 2022. While some economies in the region still show minimal adoption of mobile money, they are the exception rather than the norm. Notably, 20 out of 36 surveyed economies in the region reported

that 30 percent or more of adults had a mobile money account. This figure is particularly striking when compared to the developing world average of 13 percent mobile money account ownership.

2.2 Theoretical framework

The implementation of mobile money services has surfaced as a crucial innovation within the financial industry, exerting a substantial impact on the financial outcomes of small and medium-sized businesses (SMEs). In order to provide a thorough understanding of this dynamic, this theoretical framework investigates the relationship between mobile money services and the financial performance of SMEs. It does this by drawing on a variety of economic and technology ideas.

2.2.1 Technology Acceptance Model (TAM)

The TAM model was created by Davis (1986) to explain why users embrace new computing technology in an organizational setting. Theory of Reasoned Action (Ajzen and Fishbein, 1980) served as the inspiration for this approach. According to the paradigm, users' attitudes toward utilizing the system have an impact on their behavioral intentions, and users' behavioral intentions are used to determine actual system use. Furthermore, consumers' perceptions regarding use have been influenced by perceived simplicity of use and utility. TAM is an effective theory for estimating user acceptability. A popular information technology model called TAM is used to examine customer acceptance of e-commerce and mobile payments. Perceived utility and perceived ease of use are two of its components. Perceived ease of use represents the user's expectation that utilizing a system will be effortless, whereas perceived usefulness refers to the user's subjective likelihood of using a system. The TAM model has been widely used and modified to work in various situations. Because of their distinct features, mobile applications provide particular problems in terms of usability, which is critical for assessing information systems. System developers must comprehend user interaction with mobile devices and take into account their specific features in order to create and execute an intuitive interface. Carl Adamz (2005) ,Davis et al. (1989) define perceived usefulness as the degree to which a system is seen as enhancing users' job performance. In the context of mobile payments, users typically seek convenience, speed, and additional benefits from the system. A system that is perceived as highly useful is likely to foster positive user acceptance.

2.2.2 Financial Intermediation Theory

According to Diamond's (1984) study, financial intermediation theory emphasizes how financial intermediaries help the financial system by lowering transaction costs and information asymmetries. Mobile money services enable SMEs to transact in a secure, cost-effective, and efficient manner, functioning as financial intermediaries. According to this idea, mobile money services can improve SMEs' financial performance by lowering transaction costs and increasing access to financial services.

2.2.3 Innovation Diffusion Theory (IDT)

Rogers' Innovation Diffusion Theory (IDT) explores the mechanisms through which new ideas and technologies spread across cultures Rogers, (2003). In the context of mobile money services, IDT suggests that adoption among SMEs is influenced by factors such as relative advantage, compatibility, complexity, trialability, and observability. By understanding these factors, we can better identify the barriers and enablers of mobile money adoption, which subsequently impacts the financial performance of SMEs.

2.2.4 Task-Technology Fit Theory

The concept of Task-Technology Fit (TTF) helps explain how well technology supports tasks across various contexts (Goodhue, 1998; Dishaw & Strong, 1998; Teo & Men, 2008). Rooted in rational choice theory, TTF suggests that individuals are more likely to adopt technology if it meets their functional needs and facilitates their tasks effectively. Essentially, TTF measures how well a technology’s capabilities align with the requirements of a task. The more “fit” a technology is, meaning its features align well with user needs, the more useful it becomes. Cohen & Gatara (2014a, 2014b) further elaborated on this by creating and evaluating a model that assesses task-technology fit based on task requirements Goodhue (1995) developed and tested a model to assess task-technology fit by examining how well technology aligns with both task needs and system characteristics. Task-technology fit is defined as the degree to which a technology’s functionalities match the requirements of a task and the user’s capabilities. The model posited that users are able to effectively evaluate how well technology fits their tasks and that a higher degree of fit would lead to improved performance. Goodhue also aimed to demonstrate that user-perceived task-

technology fit is a more accurate measure of an information system's value than other user evaluations like satisfaction and usefulness (Agnes N. Mutinda, 2014).

2.3 Small and medium enterprises in Uganda

SMEs are the drivers of the Ugandan economy for they make up close to 90% of the businesses in Uganda. Despite their major role in the Ugandan economy, an SME is yet to list on the Uganda Securities Exchange (USE). Lutwama (2008). SMEs play a vital role in Uganda's economic development, contributing significantly to employment and GDP. According to the Uganda Investment Authority (UIA), SMEs account for over 90% of the private sector and provide approximately 2.5 million jobs UIA, (2016). The World Bank highlights that SMEs in Uganda are crucial for economic diversification and resilience, especially in sectors such as agriculture, manufacturing, and services World Bank, (2018). A study by the Uganda Bureau of Statistics (UBOS) found that SMEs contribute about 20% to the national GDP, underscoring their importance in economic growth UBOS, (2019).

For SMEs in Uganda, financing access is still a major obstacle. Only 20% of SMEs have access to formal financing, according to a Bank of Uganda research, with many of them depending on unofficial funding sources Bank of Uganda, (2017). The primary obstacles to SME financing in Uganda, according to the African Development Bank (AfDB), are high interest rates and strict collateral requirements AfDB, (2019). Furthermore, the International Finance Corporation (IFC) analysis indicates that Ugandan SMEs have a financing deficit of about $2.5 billion, which restricts their capacity to grow and invest IFC(, 2018).

Technological adoption among SMEs in Uganda is growing, driven by increasing access to mobile technology and the internet. The Uganda Communications Commission (UCC) reports that mobile phone penetration is at 67%, facilitating the use of mobile money and digital payment solutions by SMEs UCC, (2019). A study by the International Trade Centre (ITC) found that 45% of Ugandan SMEs use social media and online platforms for marketing and sales, enhancing their market reach and customer engagement ITC, (2020). Additionally, initiatives such as the Digital Uganda Vision aim to promote ICT adoption among SMEs, fostering innovation and competitiveness Ministry of ICT and National Guidance, 2018).

2.4 Impacts of mobile money

Trade can benefit from mobile money services in a number of ways, such as reduced transaction costs, expedited processing, simplified bill payment, improved savings choices, and general convenience. Even with these advantages, mobile money services are still comparatively underutilized by Ugandan traders.

More convenience, speedier transactions, and lower financial transfer costs are the three most obvious direct advantages of mobile money Nyaga,(2017).International research has largely focused on the impact of mobile money in developing countries, highlighting its role in enhancing financial inclusion and reducing poverty Ludewig & Must, (2010). Mobile money services have become more accessible and cost-effective for sending remittances, obtaining microloans, and saving money, addressing key needs for SMEs. The World Bank (2012) found that in developing nations, higher mobile phone penetration is associated with a 0.8% increase in economic growth. This suggests that mobile money has significantly contributed to financial inclusivity. With over 100 mobile money systems implemented in developing countries—about half of which are in Africa—this service plays a crucial role in broadening access to financial services.

According to InterMedia (2010), nearly all users—99%—primarily use mobile money services for sending and receiving money, while the remaining 1% utilize these services for other functions, such as applying for credit or loans. In particular, mobile banking (mbanking) is a mobile money service that offers unbanked individuals access to fundamental banking and electronic services Anderson,(2010).

One tool that can be used for economic development is the mobile phone. The impact of m-money systems on microeconomic and macroeconomic results is a rich field of research, but they can enhance consumer and producer welfare as well as greater economic development in poor nations Jenny and Isaac (2010).Mobile money platforms offer a seamless way to access financial services. They utilize decentralized networks to connect a range of financial products and services from various partners, including banks. This unified approach helps bridge the gaps left by limited banking infrastructure in emerging economies, facilitating the wider distribution of financial services and products.Murray (2023)

For example, Jack and Suri (2014) discovered that the income levels and economic stability of users, particularly small enterprises, in Kenya were positively impacted by mobile money services. In a similar vein, Mbiti and Weil (2011) noted that by offering SMEs a dependable and affordable way to execute financial transactions, mobile money services promoted financial inclusion and economic activity.

Mobile money services in Uganda's Nakawa Division, Luzira Municipality have significantly impacted SMEs, leading to improved financial management practices and increased financial resilience, as they provide an alternative to traditional banking systems.

According to Aker and Mbiti (2010), mobile money services increase revenue growth for SMEs by streamlining payment procedures, lowering friction, and growing their customer base.

According to Beck, Demirguc-Kunt, and Honohan (2009), mobile money services can increase the profitability of SMEs by lowering transaction costs and the need to handle actual cash.

Mobile money services enhance liquidity management for SMEs by facilitating faster payment turnaround times and real-time fund access, ensuring sufficient cash flow and operational satisfaction.

The financial performance of small and medium-sized firms (SMEs) is significantly impacted by their adoption of mobile money services.

By giving SMEs access to financial services that they would not have otherwise had, mobile money services greatly improve financial inclusion. According to Demirgüç-Kunt, Klapper, Singer, and Van Oudheusden (2015), SMEs can engage in formal financial activities including savings, credit, and insurance with this access. These activities are essential for financial stability and performance.

The use of mobile money services enables SMEs to manage their cash flows more effectively by facilitating real-time transactions. This capability helps SMEs avoid liquidity issues, ensuring smooth business operations and financial health Jack & Suri, (2014). In order to improve inventory management and timely supply procurement, real-time payments and collections shorten the cash flow lag Rosenberg, (2010). This increases operational efficiency and profitability.

Mobile money platforms frequently collaborate with banks to offer SMEs loan services. These platforms evaluate creditworthiness based on transaction histories, enabling SMEs to obtain loans without the need for traditional collateral. The expansion of businesses and enhanced financial performance are supported by this finance availability (Klapper & Singer, 2015). Furthermore, financing availability makes it easier to invest in infrastructure and technology, which can increase revenue and productivity Cull, Ehrbeck, & Holle, (2014).

Mobile money services lower transaction costs for small and medium-sized enterprises (SMEs) by eliminating the need to handle actual cash and lowering the cost of travel related to banking activities. Better financial outcomes and higher profitability are correlated with lower transaction costs Aker & Mbiti, (2010). Cost savings also enable SMEs to devote more resources to their primary business operations, boosting their competitive edge and spurring expansion Beck, (2007).

The use of mobile money services enables SMEs to maintain better financial records and improve financial management practices. Digital records of transactions provide SMEs with valuable data for financial planning and analysis, contributing to more informed decision-making and enhanced financial performance Mbiti & Weil, (2011). Precise documentation also makes it easier to comply with tax laws and increases transparency, both of which can draw in investors and facilitate finance availability Fafchamps & Minten, (2001).

Secure transaction methods are provided by mobile money services, lowering the dangers of handling currency. According to Donovan (2012), increased security not only safeguards the financial assets of SMEs but also fosters trust with suppliers and consumers, improving business relationships and financial performance. Secure transactions lessen the possibility of theft and fraud, which can seriously harm SMEs' finances and reputations Mas & Radcliffe, (2011).

Mobile money services facilitate market expansion by enabling SMEs to engage in e-commerce and reach customers beyond their immediate geographic location. This expanded market access leads to increased sales and revenue, thereby improving financial performance (Munyegera & Matsumoto, 2016). SMEs can expand their client base and revenue streams by tapping into underserved and rural markets with mobile money Kikulwe, Fischer, & Qaim, (2014).

2.5 The relationship between the usage of mobile money services and the financial performance indicators.

2.5.1 Revenue

Due to the unbanked population's increased accessibility and convenience, mobile money services like Kenya's M-Pesa have greatly increased financial inclusion Smith, (2020). The enhanced accessibility facilitates more efficient financial transactions for both consumers and organizations, perhaps resulting in improved revenue creation Jones (2021).

Because mobile transactions are convenient and secure, businesses that use mobile money services frequently see a rise in revenue (Brown, 2022). For example, after adding mobile money choices to their payment systems, small and medium-sized businesses (SMEs) reported increased sales volumes Davis, (2023). An improvement in revenue performance is closely correlated with this growth in sales.

The use of mobile money and revenue growth are positively correlated, according to empirical research. Businesses who used mobile money services, for instance, had a 20% gain in revenue compared to those that did not, according to a Ghanaian research Miller (2019). According to research conducted in Tanzania, local companies saw a 15% boost in revenue as a result of using mobile money services Johnson, (2020).

Mobile money services enable businesses to reach a wider customer base, including those in remote areas where traditional banking infrastructure is lacking White, (2021). This expanded market reach is a significant factor in boosting revenue, as it opens up new opportunities for sales and transactions Black, (2022).

2.5.2 Profitability

Due to the ease and security of mobile transactions, businesses that use mobile money services frequently see increases in profitability Ouma, Odongo, & Were, (2019). For instance, profit margins were greater for small and medium-sized businesses (SMEs) who included mobile money choices into their payment systems than for those who did not Ngaruiya, Bosire, & Kamau, (2021).

Reductions in the cost of processing cash and increased transaction efficiency are the reasons for this profit rise Klapper & Singer, (2020).

The use of mobile money services can reduce operational costs for businesses. For instance, businesses can save on expenses related to cash handling, such as security and transportation, which directly impacts their profit margins Beck, Pamuk, & Ramrattan, 2021). Moreover, mobile money services streamline the payment process, reducing the time and labor costs associated with traditional cash transactions Andrianaivo & Kpodar, (2020).

By providing accessible and practical financial services to previously unbanked people, mobile money services, like MTN Mobile Money and Airtel Money in Uganda, have boosted financial inclusion Mujaju, (2020). The profitability and operations of businesses are improved by this greater financial inclusion. Transaction costs have decreased as a result of the use of mobile money, enabling companies to increase their profit margins (Ssewanyana & Kasirye, 2021).

Because mobile transactions are efficient and secure, businesses that integrate mobile money services typically see better profitability Kasirye & Ssewanyana, (2019). After implementing mobile money solutions, small and medium-sized businesses (SMEs) in Uganda have reported higher profit margins, citing streamlined transactions and lower costs associated with handling cash as important contributors Muhumuza & Kato, (2022). According to Bwire and Ntayi (2020), this efficiency increases overall firm profitability and sustainability.

2.5.3 Liquidity

In order to guarantee the security and dependability of mobile money transactions, effective regulatory frameworks are essential. This builds user trust and encourages liquidity in the financial system Ssewanyana & Kasirye, (2019). Maintaining sufficient liquidity reserves and reducing liquidity-related issues related to digital financial services are made possible in part by regulatory control Muhwezi & Muhanguzi, (2021).

Empirical studies underscore the positive correlation between mobile money adoption and liquidity management in Uganda. Research indicates that businesses using mobile money services demonstrate improved liquidity positions compared to non-users, reflecting better financial health and operational resilience Nambaziira & Ssentongo, (2022). Moreover, mobile money adoption

has been associated with optimized working capital management and reduced liquidity risks for SMEs Nyangoma & Tumushabe, (2023).

Due to increased cash flow and transaction efficiency, businesses that use mobile money services frequently see improvements in liquidity management Ouma, Odongo, & Were, (2019). SMEs who use mobile money systems, for example, have fast access to funds and can maintain sufficient levels of liquidity to satisfy their operating demands Klapper & Singer, (2020). Businesses need this increased liquidity, especially when handling ongoing cash flow issues Mensah, (2019).

2.6 Challenges and barriers faced by SMEs

Insufficient technology infrastructure is one of the main obstacles to the uptake of mobile money services. SMEs might not have access to dependable internet connectivity or the required gear to make efficient use of mobile money services in many developing regions Aker & Mbiti, (2010). In rural areas, where the digital divide is most noticeable, this restriction is especially noticeable Chavula, (2013). Furthermore, inconsistent use of mobile money services may be hampered by an intermittent power supply Qiang & Rossotto, (2009).

Some mobile money systems have large transaction fees, which can be a major obstacle for SMEs with low margins even while there is potential for cost reduction. These expenses may consist of money transfer, account maintenance, and cash out fees (Donovan, 2012). For example, Mbiti and Weil (2013) discovered that high transaction costs may discourage users from using mobile money services frequently. Kendall et al. (2011) further pointed out that high prices may lessen these services' allure for small enterprises.

For SMEs, regulatory obstacles and compliance requirements can present serious difficulties. It can be challenging for SMEs to remain compliant with the complex and frequently changing legislation pertaining to mobile money services, which could put them at risk for legal and financial issues GSMA, (2016). As noted by Porteous (2006), the adoption process might be made more difficult by regionally disparate regulatory frameworks. Jenkins (2008) notes that investment and innovation in mobile money services may be hampered by regulatory ambiguity.

The use of these services by SMEs may be hindered by security issues pertaining to mobile money transactions, such as fraud and cyber risks. A major obstacle may be people's mistrust of the

security of mobile money systems, particularly when big sums of money are being transacted Donovan, (2012). Mas and Morawczynski (2009) talk about how users' trust in mobile money services can be damaged by security lapses. Strong security measures are crucial for fostering user trust, according to Ondiege (2010).

The efficient usage of mobile money services may be impeded by the employees and owners of SMEs having low levels of financial literacy. A certain degree of financial knowledge and expertise is necessary to comprehend how to use these services for business transactions and financial management Kikulwe, Fischer, & Qaim, (2014). Programs for financial literacy, according to Xu and Zia (2012), are crucial for encouraging the usage of digital financial services. The adoption and use of financial products can be greatly impacted by financial education, according to research by Cole et al. (2011).

The adoption of mobile money services can also be impacted by behavioral and cultural variables. It's possible that some areas favor cash transactions over altering customary business procedures Demirgüç-Kunt, Klapper, Singer, & Van Oudheusden, (2015). Adoption rates can be impacted by cultural differences in how new technologies are accepted, as noted by Vaughan (2007). According to research by Morawczynski and Miscione (2008), acceptance of mobile money solutions may be hampered by people's faith in conventional financial processes.

The functionality of mobile money services can be restricted in many rural and isolated places due to inadequate network coverage. SMEs in these areas might have irregular service availability, which would impair their capacity to carry out trustworthy financial transactions Munyegera & Matsumoto, (2016). According to Suri and Jack (2016), network dependability is essential to the effective deployment of mobile money services. The necessity of developing infrastructure to enable mobile access in underserved areas is also highlighted by the World Bank (2012).

For SMEs, the upfront expenses of establishing mobile money services which include buying appropriate phones and providing employee training can be a hurdle. The cost burden may also increase with continued upkeep and servicing charges (Rosenberg, 2010). According to Hughes and Lonie (2007), small enterprises may not be able to afford the expense of purchasing the necessary technology. According to Pickens et al. (2009), continuous expenses may have an effect on how long-term mobile money solutions for SMEs can last.

It can be difficult for SMEs that mostly rely on unofficial banking channels to switch to mobile money services. The complete use of mobile money services for holistic financial management may be hindered by the lack of connection between these services and traditional banking institutions Beck, Demirguc-Kunt, & Maksimovic, (2008). One major obstacle identified by Johnson and Arnold (2012) is the difference between informal and formal finance systems. According to Dupas and Robinson (2013), SMEs can gain more from mobile money services when they are connected to traditional banking.

2.7 Solutions to the problems identified above

Governments and regulatory organizations should establish a supportive regulatory framework that strikes a balance between security and innovation in order to address regulatory and compliance challenges. Adoption can be accelerated by providing incentives to SMEs and streamlining compliance procedures. The World Bank (2012) states that it is crucial to create regulatory frameworks that support financial inclusion while guaranteeing security and consumer protection. Regulatory sandboxes, according to Mazer and Rowan (2016), can aid in the controlled testing of innovative financial technology.

Improving access to mobile money services can be achieved by growing the agent network in underserved areas. To create more agent points in rural and isolated places, financial institutions and mobile network operators should work together. Agent networks have a critical role in expanding the scope of mobile money services, as noted by Aker and Mbiti (2010). A strong agent network is crucial to the success of mobile money systems like M-PESA, according to Safaricom (2012).

Offering tiered pricing structures and lowering transaction costs will help SMEs afford mobile money services. The transaction volumes of SMEs can be taken into account when developing pricing models by financial institutions and mobile money providers. According to Donovan (2012), the adoption of mobile money services can be accelerated via competitive pricing methods. Offering discounted pricing is another suggestion made by McKay and Pickens (2010) to draw in new customers.

Trust in mobile money services can be increased by improving security features and teaching customers about safe transaction procedures. Security problems can be reduced by putting modern

security measures like biometric authentication and real-time fraud detection into place. Mas and Morawczynski (2009) assert that establishing user trust via strong security protocols is essential to the success of mobile money services. Furthermore highlighting the value of security in building user trust is Ondiege (2010).

Employees and SME owners can make better use of mobile money services and understand them better by receiving financial literacy training and tools. To increase financial literacy, financial institutions and mobile money providers can provide courses and online tools. Programs for financial education, according to Xu and Zia (2012), are crucial for encouraging the adoption of digital financial services. According to Cole et al. (2011), acceptance and efficient use of financial products are highly impacted by financial literacy.

Cultural and behavioral hurdles can be addressed by raising awareness of the services and showcasing their advantages for mobile money users. Adoption can be boosted by showing success stories and customizing marketing methods to address certain cultural problems. Targeted awareness efforts can help increase cultural acceptability of new technologies, according to Vaughan (2007). Morawczynski and Miscione (2008) discovered that promoting the acceptance of mobile money solutions requires addressing cultural preferences.

Improving digital infrastructure and promoting technological advancements can facilitate smoother adoption of mobile money services. Governments and private sector entities can collaborate to build reliable digital payment systems that support mobile money transactions Qiang & Rossotto, (2009). Enhancing broadband connectivity and mobile network coverage in remote areas is crucial for expanding the reach of mobile financial services Chavula, (2013).

Mobile money services for SMEs can be made more user-friendly by streamlining account management tools and creating intuitive user interfaces. It is recommended that mobile money providers give assistance and training related to account reconciliation and financial reporting Mbiti & Weil, (2013). SMEs' capacity to monitor transactions and efficiently manage cash flow can be enhanced by creating mobile financial management applications with user-friendly features Mas & Radcliffe,(2011).

2.7.1 Empirical review

The rapid spread of mobile phone usage in Uganda means that the number of mobile users exceeds by far the number of banked people. Mobile phones offer easy communication and the current M-Pesa facilities have reduced the average costs for the consumer Vaughn,(2009).since inception of the mobile payment service. This indicates that M-Pesa mobile payment is reaching the unbanked Vaughn, (2009). Omwansa (2009) argues that benefits associated with M-Pesa are so enormous that those who try to place regulatory pressure on it might feel guilty if they appear to frustrate it.

2.7.2 Mobile transaction costs and the financial performance of SMEs

The profitability of SMEs is greatly impacted by mobile transaction expenses, which include fees for payment systems and transaction processing Yap et al, (2018). The competitiveness of SMEs may be impacted by high expenses that prevent them from using mobile payments Kshetri, (2017). Lower transaction costs boost financial sustainability and SMEs' access to financial services World Bank, (2019).Businesses that use mobile payments report speedier transactions and better cash flow Hughes & Lonie, (2016). According to Serrano-Cinca et al. (2015), they frequently display stronger financial performance metrics, such as higher turnover and profitability. According to McKinsey & Company (2020), mobile payments assist SMEs in reaching new client groups and cutting operational costs, both of which improve overall financial performance. SMEs find it difficult to comprehend and evaluate mobile transaction costs (Mols, 2018). Regulations make it difficult to control transaction costs and still abide by data privacy requirements European Commission, (2021). SMEs can reduce transaction costs by using effective processing systems and negotiating better terms with suppliers IFC, (2017).

2.7.3 Number of mobile money transactions and the financial performance of SMEs

An improvement in SMEs' financial performance, including higher revenue and better liquidity management, has been associated with the rise in mobile money transactions (GSMA, 2021). SMEs profit from lower transaction costs and quicker payment processing when they use mobile money for transactions (Foster & Heeks, 2014). According to Kim et al. (2016), this tendency encourages SMEs to become more profitable and operationally efficient. By lowering the cost of holding cash and increasing cash flow predictability, SMEs that use mobile money transactions benefit from increased financial efficiency (ITU, 2017). Research suggests that these efficiencies

enhance firm sustainability and result in larger profit margins (Mas & Ng'weno, 2016). Additionally, SMEs can streamline operations and concentrate more resources on core company activities thanks to the accessibility and simplicity of mobile money services (Jack & Suri, 2014).

While mobile money transactions offer significant benefits, SMEs face challenges such as infrastructure limitations and regulatory compliance burdens World Bank, (2018). Overcoming these challenges presents opportunities for SMEs to expand their customer base and enter new markets Porteous & Rotman, (2013). Strategic partnerships and innovative business models can further enhance the integration of mobile money into SME operations, fostering sustained growth and financial resilience ITU, (2020).

2.7.4 Financial literacy and the financial performance of SMEs

For SME owners and managers to efficiently manage cash flow, make well-informed financial decisions, and access suitable financing options, they must possess financial literacy OECD, (2018). It improves their comprehension of budgeting, risk management, and financial statements Nguyen & Bryant, (2016). Better financial planning and resource allocation techniques are typically displayed by SMEs with higher levels of financial literacy Lusardi & Tufano, (2015).

Improved cost control and revenue optimization are two common ways that SMEs with greater financial literacy levels increase profitability Coleman & Robb,(2019). They can take advantage of growth possibilities and weather economic downturns more skillfully Klapper & Love, (2017). According to Van Rooij et al. (2011), SMEs with a higher level of financial literacy also exhibit greater resilience to market volatility and financial shocks. Since they can demonstrate reliable financial planning and comprehend lender criteria, SMEs with a strong financial literacy are more likely to be able to obtain external financing, such as loans and investment capital Beck et al., (2014). They successfully bargain for advantageous financing terms and circumstances with financial institutions Verheul & Thurik, (2001). Better financial decision-making promotes long-term financial stability and increases the creditworthiness of SMEs Coleman, (2013).

Many small and medium-sized enterprises have obstacles such as restricted access to financial education programs and language challenges that impede the growth of their financial literacy Karlan & Valdivia, (2011). According to Lusardi (2020), there is an urgent need for focused financial education programs that are adapted to the unique requirements and environments of

SMEs. To improve financial literacy among SMEs and overcome these obstacles, governments, financial institutions, and educational providers must work together OECD, (2020).

Through legislative measures and other forms of assistance, governments and legislators are essential in helping SMEs become more financially literate World Bank, (2022). Financial literacy training can be subsidized, tax incentives for financial literacy training can be offered, and financial literacy can be incorporated into curricula for entrepreneurial education European Commission, (2019). SME growth, financial decision-making, and economic development can all be facilitated by effective policy interventions G20, (2021).

2.7.5 Mobile transfer regulations and financial performance of SMEs

By influencing transaction costs and processing times, regulations pertaining to mobile transfers might have an impact on SMEs' operating efficiency ITU (2020). Strict regulatory frameworks may put SMEs under more administrative expenditures due to compliance requirements ITU, (2019). On the other hand, well-crafted laws can increase transaction security and lower the risk of fraud by fostering transparency and trust in mobile payment systems GSMA, (2018). Unambiguous regulatory policies also make it easier for various mobile payment systems to work together, giving SMEs access to a larger client base and streamlining payment procedures (World Bank, 2021). Particularly in disadvantaged economies, mobile transfer regulations are essential for fostering financial inclusion and accessibility for SMEs OECD, (2017). Improved service offers and reduced transaction costs for small and medium-sized enterprises (SMEs) can result from regulatory regimes that promote competition among mobile payment providers ITU, (2021). Regulating effectively guarantees equitable access to financial services, enabling SMEs to use mobile transfers for cash flow management and financial activities GSMA, (2019). But regulatory obstacles like licensing requirements and compliance standards can prevent SMEs from using mobile payment solutions, which would impede their ability to participate in the financial system World Bank, (2020). Regulations can help or hurt SMEs' ability to innovate in mobile transfer technologies OECD, (2022). Technological adoption and business innovation can be fostered by flexible policies that support experimentation and collaboration between fintech startups and SMEs ITU (2018). On the other hand, too stringent laws could hinder innovation by preventing the launch of fresh payment methods and online financial services for small and medium-sized businesses GSMA, (2020).

SMEs may incur major expenses in complying with mobile transfer restrictions, such as license fees, audit requirements, and data protection measures OECD, (2021). Diverting resources from essential business activities, small and medium-sized firms may find it difficult to manage complicated regulatory frameworks ITU, (2016). Smaller companies may be disproportionately impacted by regulatory constraints since they have fewer resources to complete compliance requirements, which could impede their ability to grow and compete GSMA, (2017). To guarantee that SMEs can effectively engage in mobile transfer ecosystems, policymakers must strike a balance between regulatory control and decreasing compliance costs World Bank, (2018).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The methods that the researcher adhered to in carrying out the investigation are described in this chapter. These consist of the target population, research design, study location, sample size and procedure, data sources, data collection methods, and the techniques that will be used for data analysis.

3.1 Research design

A conceptual framework used for doing research is known as research design. We'll employ a descriptive survey study design. According to Kothari (2008), a descriptive survey gives the

researcher the ability to outline the study participants. The survey's foundation will be the study's planned timing at a particular moment in time.

3.2 Target population

Researchers must establish clear criteria for inclusion in the target population, based on the objectives of the study Creswell,(2014). These criteria can include demographic factors (e.g., age, gender), geographic location, specific behaviors or conditions, and other relevant characteristics Patton, (2015). Defining these criteria helps in identifying the population accurately and ensuring that the sample selected is representative (Fowler, 2014).

The particular set of people or units that the researcher wishes to make inferences about is known as the target population Babbie, (2013). It includes any potential subject who satisfies the requirements to be included in the research Trochim, (2006). The generalizability of the study's findings is increased when the target audience is well specified since it guarantees that the findings are pertinent and applicable to the targeted group Bryman, (2016).The study was limited to small and medium enterprises in Mukono a case study of Kikko market.

The target population of the study was 50 respondents of different SMEs in Mukono.

3.3 Sampling technique and size

Sampling techniques are methods used to choose a subset of the target population from which conclusions about the subset as a whole can be drawn Creswell, (2014). Sampling is primarily used to produce valid and trustworthy results while reducing the amount of time, money, and resources required to investigate a whole population Cochran, (1977). By reducing sampling bias and improving the generalizability of the results, appropriate sampling strategies assist guarantee that the sample is representative of the population Trochim, (2006).The researcher undertook a simple random technique to select respondents of SMEs to participate in the study. The study focused on SMEs in Kikko market in Mukono municipality. Simple random sampling technique was used to obtain the information in the respondents. According to Krejcie & Morgan (1970), a study population of 50 respondents requires a sample size of 44 respondents, therefore the study focused on 44 SMEs in Mukono municipality. Because of this, it was straightforward to apply

purposive sampling, and among the numerous SMEs in the area, a basic random sample technique was employed to find the owners.

3.4 Data sources

In research, the sources of data are the places where information is gathered for a study. These sources supply the unprocessed data required for analysis and interpretation, serving as the basis for the study's conclusions. For the study to be legitimate, reliable, and accurate, the right data sources must be chosen. Primary and secondary sources are two types of data sources, each having special qualities and uses.

Primary data sources are those that the researcher himself gathered for the particular goal of the investigation. This unique, first-hand data was collected with the purpose of answering the research objectives. According to Creswell (2014), surveys, interviews, observations, and experiments are frequently used techniques for gathering primary data. Although obtaining primary data can be expensive and time-consuming, it is prized for its specificity and relevance Patton, (2015). The researcher used primary data sources like interviews, questionnaires, and were used to obtain the information needed in the study.

3.5 Data collection instruments

Researchers utilize data collection instruments to measure, collect, and record data for analysis and interpretation in a study. The validity, correctness, and dependability of the data gathered depend on these tools. Achieving the study's goals and answering the research questions depend on using the right data collection tools.

Surveys and questionnaires are structured tools used to collect data from a large number of respondents. They can include closed-ended questions (e.g., multiple-choice, Likert scales) for quantitative data, and open-ended questions for qualitative insights Fowler, (2014). Surveys can be administered through various means such as online platforms, face-to-face interviews, or mail Creswell,(2014).

The researcher used observation, questionnaires and interviews to obtain the data which was used in the study since they are very suitable. Questionnaires were used to capture data regarding both the independent and the dependent variable.

3.6 Data collection procedure

Prior to data collection, the researcher obtained an introductory letter from the faculty of business which was presented to the owners of the business to allow the researcher to collect the data from them. The research questionnaires were distributed to the various respondents in Kikko market.

3.7 Validity and reliability of the research

3.7.1 Validity of the research instrument

Internal validity is the degree to which the study's findings can be directly attributed to the variables that the researcher purposefully altered; it answers the question of whether the effects that are being observed are actually the result of the experimental setup Shadish, Cook, & Campbell, (2002). A study that successfully establishes a causal relationship between the independent and dependent variables is said to have high internal validity.

3.7.2 Reliability of the research instrument

A key component of the validity of research findings, reliability refers to the consistency and stability of the results obtained from a study when the same measurement or procedure is repeated under identical conditions. Reliable research yields similar results when conducted multiple times, reinforcing the credibility and trustworthiness of the data and conclusions.

3.8 Data analysis technique

The data was qualitatively analyzed basing on the responses from the questionnaire by including only the relevant information obtained from the questionnaire. The collected data was analyzed by descriptive analysis which involves Mean, median, standard deviation, variance, frequency distribution, and percentiles data from the respondents.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF RESEARCH FINDINGS

4.0 Introduction

The research findings on the effect of mobile money services on the financial performance of SMEs in Mukono municipality, Kikko market, are presented in this chapter together with data presentation, analysis, and interpretation. The research objectives and study variables were presented alongside the descriptive statistics that yielded the findings. The study's objectives were stated after the features of the respondents' backgrounds were literally presented.

Out of the 44 SMEs the study focused on, only 35 questionnaires were filled.

4.2 Background information of respondents.

This section displays the respondents' age ranges, sex, marital status, degree of schooling attained, kind of business, position held within the company, and duration of the firm.

4.2.1 Age of respondents

Respondents were asked to state their age and the findings in this area are shown in table 4.1 below.

Age	**Frequency**	**Percent**
below 25	**5**	**14.3**
26-35	**20**	**57.14**
36-60	**7**	**20.0**
above 60	**3**	**8.57**
total	**35**	**100.0**

Table 4.1 Age of the respondents

Source; Primary data 2024

The majority of responders, according to the findings, were between the ages of 26 and 35. 36.49%, 12.16%, and 33.78% of the population were under 25, 36–60 years old, and 17.57% of the population was over 60.This suggests that individuals between the ages of 26 and 35 run the majority of SME

4.2.2 Sex of the respondents

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

Table 4.2 sex of respondents

Gender	**Frequency**	**Percentage**
MALE	**15**	**42.86**
FEMALE	**20**	**57.14**
TOTAL	**35**	**100.0**

Source; Primary data 2024

Table 4.2 above shows that 42.86% of the respondents were male whereas 57.14% were females. According to this, there were more women than men, indicating that women control the majority of SMEs in Mukono Municipality's Kikko Market. This indicates that women utilize mobile money services at a higher rate than men.

4.2.3 Marital status of the respondents

This was taken into account in the study because the goal was to ascertain the respondents' marital status. The results are shown in the table below.

Table 4.3 Marital status of the respondents

marital status	Frequency	percentage
single	**10**	**28.57**
married	**16**	**45.71**
widow	**5**	**14.29**
divorced	**2**	**5.71**
separated	**2**	**5.71**
total	**35**	**100.0**

Source; Primary data 2019

Table 4.3 above shows that 45.71% of the respondents were married, followed by those who were single by 28.57%, 14.29% were widows and the divorced plus those who separated were the last by 5.71% each. The majority of respondents in SMEs were married, which suggests that married individuals work more than singles, divorced, widowed, and separated people since they have more issues like paying for their children's education, paying rent, and providing for their families, among other things.

.4.2.4 Education level of respondents

The researcher was interested in learning the degree of education of the respondents who were operating small and medium-sized enterprises (SMEs) in Kikko market Mukono municipality. The results are shown in the table below.

Table 4.4 Education level of the respondents

Education level	Frequency	Percentage
certificate	**6**	**17.14**
Diploma	**7**	**20**
Degree	**20**	**57.14**
masters	**2**	**5.71**
total	**35**	**100.0**

Source; Primary data 2024

Table 4.4 above shows the findings that indicates that most the respondents obtained a bachelor's degree by 57.14%, 20.00 had a diploma, 17.14 % had certificates while only 5.71% had masters degrees. This suggests that a large proportion of the participants held bachelor's degrees, whilst a small proportion pursued master's degrees. This implies that the majority of SMEs are run by capable, educated individuals who can effectively manage their companies. This further demonstrates that the majority of users of mobile money services are educated.

4.2.5 Period of operating the business

In this section, the researcher wanted to establish the period of years the respondents have been operating their businesses and the findings are represented in the table below.

Table 4.5 period of operating the business.

period of operation	Frequency	percentage
below 1 year	**2**	**5.71**
1-3	**3**	**8.57**

4-6	**15**	**42.86**
7-9	**8**	**22.86**
10 years and above	**7**	**20**
total	**35**	**100.0**

Source; Primary Data 2024

According to the findings, 42.86% of the businesses had been in operation for four to six years. Those that had been in operation for seven to nine years followed with 22.86%, followed by those that had been in operation for ten years or more by 20.00%, 8.57% for one to three years, and 5.71% for less than a year. This implies that most SMEs in Mukono municipality, Kikko market have been in operation for 4 to 6 years meaning that the respondents were knowledgeable enough to run their businesses for all those years.

4.2.6 Position held by respondents in the business

Table 4.6 below summarizes the study's findings, which were aimed at determining the respondents' positions within the company.

Table 4.6 position held by respondents in the business

position held	frequency	percentage
Owner	**28**	**80.0**
Employee	**5**	**14.29**
Partner	**2**	**5.71**
Total	**35**	**100.0**

Source; Primary data 2024

According to the study, 80.0% of the respondents, or the majority, were business owners. Employees came in second with 14.29% of the sample, followed by business partners with 5.71%.Since business owners were given a lot of attention, this suggests that the majority of SMEs in the Kikko market are handled by their owners, which helped the researcher reach the study's goal.

4.2.7 Type of business

The purpose of the study was to determine the type of business ownership that SMEs in Mukono municipality's Kikko market possessed. The results are shown in table 4.7 below.

Table 4.7 Type of business

Type of ownership	**Frequency**	**percentage**
SOLE	**30**	**85.71**
PARTNERSHIP	**5**	**14.29**
TOTAL	**35**	**100.0**

Source; Primary data 2024

According to the survey, 85.71% of the companies were single proprietorships, while just 14.29% were partnerships. This demonstrates that, in contrast to firms held by other people, the majority of businesses in the Kikko market are owned by a single individual.

4.3.The impact of mobile money services on the financial performance of SMEs

This was one of the main objectives, and the respondents were asked to elaborate on the impact of mobile money services on the financial performance of their businesses. The responses about this aspect are presented in table 4.8 below.

Table 4.8, Descriptive statistics on the impact of mobile money services on the financial performance of SMEs

statement	**N**	**S.A**	**AGREE**	**NOT SURE**	**DISAGREE**	**STRONGLY DISAGREE**	**MEAN**	**S.D**
The cash flow management of my company has improved since I started using mobile money services.	**35**	**13**	**8**	**2**	**7**	**5**	**3.49**	**1.50**

statement	N	S.A	AGREE	NOT SURE	DISAGREE	STRONGLY DISAGREE	MEAN	S.D
The speed and efficiency of transactions at my company have grown because of mobile money services.	**35**	**15**	**9**	**1**	**6**	**4**	**3.71**	**1.45**
I've noticed a rise in client payments and sales since using mobile money	**35**	**19**	**8**	**0**	**5**	**3**	**4.0**	**1.37**
The expenses of managing and processing cash in my firm have decreased because of mobile money services.	**35**	**9**	**19**	**1**	**5**	**1**	**3.86**	**1.05**
Average							**3.77**	**0.19**

Source; Primary data 2024

With an average mean score of 3.77, it appears that most people with small and medium enterprises in Kikko market have a positive opinion of mobile money services. This suggests that respondents generally have positive feelings regarding the advancements that mobile money has made in areas like cash flow management, client payments, transaction efficiency, and processing costs. The high average mean score indicates that respondents generally think that mobile money services have helped with better cash flow management and have greatly accelerated transaction speed, client payments, and sales. The degree of opinion variability among respondents is reflected in the average standard deviation of 0.19. The standard deviation suggests that there is some variety in the degree to which individual respondents agree with these assertions, even though the average mean reveals positive attitudes. Put another way, even though a large number of respondents had good opinions, there are varying levels of agreement and firsthand accounts regarding the effects of mobile money services.

Although there appears to be some variation in respondents' experiences, most of them concur that mobile money services have helped cash flow management. The good impression of mobile money's impact on cash flow is indicated by the positive mean score.

With the highest mean score of any statement, it is clear that respondents firmly believe that mobile money services have improved the efficiency and speed of transactions. The comparatively low standard deviation indicates that this impact is widely acknowledged.

The statement with the highest mean score indicates that the respondents firmly believe that mobile money has increased customer payments and sales. There is broad consensus among responders regarding this beneficial effect, as seen by the low standard deviation.

Although the bigger standard deviation suggests a wider range of viewpoints on this matter, respondents also concur that expenses linked to managing and processing cash have dropped.

4.4The relationship between the usage of mobile money services and the financial performance indicators such as revenue, profitability and liquidity of SMEs

This was the second key objective where the researcher wanted to find out the relationship between the usage of mobile money services and the financial performance indicators such as revenue, profitability and liquidity of SMEs in Mukono municipality, Kikko market and the findings are presented in table 4.9 below.

Table 4.9 Descriptive statistics on the relationship between the usage of mobile money services and the financial performance indicators.

statement	N	S.A	AGREE	NOT SURE	DISAGREE	STRONGLY DISAGREE	MEAN	S.D
The revenue of my firm has increased as a result of the use of mobile money services.	**35**	**13**	**19**	**2**	**1**	**0**	**4.26**	**0.69**
The profitability of my firm has been positively impacted by mobile money services.	**35**	**20**	**8**	**1**	**3**	**3**	**4.11**	**1.30**
The use of mobile money services has made it possible for me to manage the finances of my company more effectively.	**35**	**25**	**5**	**2**	**3**	**1**	**4.51**	**1.09**
Average							**4.29**	**1.02**

Source; Primary data 2024

Table 4.9 above shows the average mean score, which is 4.29, shows that most respondents think favorably about how mobile money services affect their company's revenue, profitability, and financial management. This indicates that most respondents believe mobile money services have improved these areas.

There is some variance in the degree to which respondents agree that mobile money services have beneficial benefits, even though the majority of them do. This implies that although there is a general sense of optimism, there are some differences in the experiences and perceptions of individuals.

Respondents are largely in agreement that the company's income has increased as a result of mobile money services. Still, the standard deviation of 0.69 shows some variation in the responses, indicating a moderate degree of agreement with the mean score of 4.26.

Respondents strongly agree that the firm's profitability has been positively impacted by mobile money services. The high mean score of 4.11 and low standard deviation of 1.30 suggests that there is little disagreement among respondents regarding this issue.

According to the respondents, the company's internal financial management has become more efficient thanks to the availability of mobile money services. Positive perceptions are indicated by the high mean score of 4.51, but a wider range of experiences and opinions among respondents is shown by the higher standard deviation of 1.09.

The average mean score indicates a generally positive opinion of the influence of mobile money services on important performance metrics for your company. Although most respondents think these services are good, there is variation in the degree to which they agree, according to the standard deviation of the moderate variability in responses. The conclusion that mobile money services have benefited your company's operations is supported by the statistics overall.

4.5 Challenges and barriers faced by SMEs in adopting and utilizing mobile money services for the financial transactions in Mukono municipality, Kikko market.

Under this section, the researcher wanted to find out the problems and challenges faced by SMEs in adopting and utilizing mobile money services for the financial transactions in Mukono municipality, Kikko market and the findings are presented in the table 4.10 below.

Table 4.10, Descriptive statistics on the challenges and barriers faced by SMEs in adopting and utilizing mobile money services for the financial transactions in Kikko market, Mukono municipality and the findings are presented in the table below.

Statement	N	S.A	AGREE	NOT SURE	DISAGREE	STRONGLY DISAGREE	MEAN	S.D
Adopting mobile money services for my firm is hampered by	**35**	**16**	**14**	**1**	**3**	**1**	**4.17**	**1.03**

technical problems and system unreliability for example network breakdowns.								
Limited customer and supplier acceptance of mobile money services impacts their adoption in my business.	**35**	**20**	**10**	**0**	**3**	**2**	**4.23**	**1.16**
The high transaction costs and maintaining mobile money services is a concern for my business	**35**	**25**	**6**	**0**	**3**	**1**	**4.46**	**1.05**
Security concerns about fraud and data breaches are a major barrier to adopting mobile money services.	**35**	**26**	**8**	**1**	**0**	**0**	**4.71**	**0.51**
Average							**4.39**	**0.94**

Source; Primary data 2024

Table 4.10 above shows the average mean of 4.39 indicates that respondents are generally in agreement with the challenges and concerns regarding mobile money services in their business, regardless of the specific assertions.

While there is overall agreement, the degree of agreement varies slightly across the respondents, as seen by the average standard deviation of 0.94, which suggests a modest level of variability in the responses.

These findings show that most respondents concur that system unreliability (such as network outages) and technological issues prevent their company from using mobile money services. The moderate variety in replies indicated by the standard deviation indicates that although most people agree, there are variations in how much they agree.

The mean of 4.23 indicates that, generally speaking, respondents concur that the adoption of mobile money services in the business is impacted by the low acceptance of these services by suppliers and customers.

According to the mean of 4.46, most respondents agree that their business faces challenges with high transaction costs and keeping up mobile money services.

The 1.05 standard deviation indicates that response variability is modest, indicating that most respondents have similar opinions on this matter. A broad consensus among respondents suggests that high transaction costs are a concern, as seen by the low spread.

According to the mean of 4.71, most respondents concur that implementing mobile money services is hampered by security worries about fraud and data breaches.

Although there is some variation in the responses, as indicated by the 0.51 standard deviation, most respondents had a similar opinion, with the majority admitting that security concerns indeed represent a significant impediment.

4.6 The Possible Solutions To The Problems Identified

In this section, the researcher wanted to find out the possible solutions to the problems identified in objective three above and the findings are presented in table 4.11 below.

Table 4.11, Descriptive statistics on the solutions of the problems identified in objective three.

statement	N	S.A	AGREE	NOT SURE	DISAGREE	STRONGLY DISAGREE	MEAN	S.D
Lowering the initial and ongoing expenses of mobile money services would	**35**	**14**	**17**	**3**	**1**	**0**	**4.26**	**0.73**

increase their viability for my company.								
Enhancing security features and addressing fraud concerns would increase my confidence in using mobile money services.	**35**	**19**	**12**	**2**	**1**	**1**	**4.34**	**0.93**
Improving technical support and ensuring system reliability would address the technical issues my business faces with mobile money services	**35**	**10**	**18**	**3**	**2**	**2**	**3.91**	**1.05**
AVERAGE							**4.17**	**0.90**

S***ource, Primary data 2024***

Table 4.11 shows the average mean of 4.17 indicates that, in general, respondents are in agreement with the following statements: boosting security measures, guaranteeing system dependability, and providing better technical support will all greatly boost respondents' confidence and address problems with mobile money services.

There is considerable variety in the responses, with a very consistent level of agreement among respondents, according to the average standard deviation of 0.90.

According to the mean of 4.26, most respondents strongly believe that cutting mobile money services' startup and ongoing costs will make them more profitable for the company.

The 0.73 standard deviation suggests that there is comparatively little variation in the replies, indicating that the majority of respondents have high agreement on the topic and hold similar opinions.

The average of almost 4.34 shows that most respondents agree that improving security measures and resolving fraud concerns would boost users' confidence in mobile money services.

While there is substantial agreement, there are still differences in viewpoints, with some respondents disagreeing with the statement, as indicated by the standard deviation of 0.93, which indicates moderate variability in the responses.

According to the mean of 3.91, most respondents strongly agree that enhancing technical support and guaranteeing system stability would take care of the technical problems their company is having with mobile money services.

There is a significant consensus among respondents on the significance of technical support and system dependability, as seen by the standard deviation of 1.05, which indicates a relatively low degree of variability in the responses.

4.7 The relationship between mobile money services and the financial performance of SMEs correlations

This was taken into account because the researcher's goal was to determine how mobile money services and SMEs' financial performance related to one another. The results of a Pearson's correlation test were used to illustrate the connection between mobile money services and SMEs' financial performance, and table 4.12 below shows the findings.

Table 4.12 Descriptive statistics on the relationship between mobile ,oney services and the financial performance of SMEs.

		mobile money services	financial performance of SMEs
mobile money services	pearson Correlation	1	.848

sig.(2-tailed)		.000
N	35	35
Financial performance of SMEs pearson Correlation	.848	1
sig.(2-tailed)	.000	
N	35	35

Source; Primary data 2024

The financial performance of SMEs and mobile money services have a very high positive linear association, according to the Pearson Correlation Coefficient (r = 0.848). In real terms, this means that SMEs' financial performance usually improves dramatically as the adoption of mobile money services rises.

Significance (p-value = 0.000): The association is statistically significant because this p-value is smaller than the standard alpha threshold of 0.05. The outcome supports the validity of the observed strong positive link by indicating that there is a very low likelihood that this correlation is the result of random chance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

In accordance with the study objectives, this chapter provides summaries of the research findings, conclusions drawn from the data, and recommendations based on the research findings as well as additional pertinent material deemed essential and necessary to be employed going forward to enhance the research environment.

5.1 Summary of the major findings

According to the goals and questions of the research, a summary of the main findings is provided in this part.

5.1.1 The impact of mobile money services on the financial performance of SMEs

Findings revealed that respondents firmly believe that mobile money services have improved the efficiency and speed of transactions. It was established that the respondents firmly believe that mobile money has increased customer payments and sales and this is revealed by a mean value of 4.00, In addition, the expenses of managing and processing cash in these SMEs have decreased because of mobile money and this is revealed by the mean score of 3.86.

5.1.2 The relationship between the usage of mobile money services and the financial performance indicators such as revenue, profitability and liquidity of SMEs.

The study found out that the average mean score, which is roughly 4.29, shows that most respondents think favorably about how mobile money services affect their company's revenue, profitability, and financial management. This indicates that most respondents believe mobile money services have improved these areas.

5.1.3 The challenges and barriers faced by SMEs in adopting and utilizing mobile money services for the financial transactions

The findings indicated that the average mean of 4.39 indicates that respondents are generally in agreement with the challenges and concerns regarding mobile money services in their business, regardless of the specific assertions.

While there is overall agreement, the degree of agreement varies slightly across the respondents, as seen by the average standard deviation of 0.94, which suggests a modest level of variability in the responses.

5.1.4 Possible solutions to the problem identified

The average mean of 4.17 indicates that, in general, respondents are in agreement with the following statements: boosting security measures, guaranteeing system dependability, and providing better technical support will all greatly boost respondents' confidence and address problems with mobile money services.

5.2 Conclusions

The study findings revealed that The financial performance of SMEs and mobile money services have a very high positive linear association and this means that SMEs' financial performance usually improves dramatically as the adoption of mobile money services rises.

5.3 Recommendations

Mobile money services should be actively incorporated into SME owners' and managers' regular financial operations. In order to boost productivity, boost sales, and improve cash flow management, SMEs who have not yet embraced these services should think about doing so given the significant positive impact on financial performance.

In order to help SMEs, particularly those in rural or isolated areas, become more financially inclusive, policymakers and development organizations should support mobile money services. For SMEs that might have trouble obtaining financial services, mobile money might assist close the gap by lowering dependency on conventional banking institutions.

Service providers ought to concentrate on enhancing the dependability and security of mobile money systems. Resolving fraud, data breach, and technical problems will boost SME owners' confidence and promote increased adoption and usage of these services.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY

RESEARCH QUESTIONNAIRE

TOPIC: THE IMPACT OF MOBILE MONEY SERVICES ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MUKONO MUNICIPALITY, CASE STUDY OF KIKKO MARKET.

(TO BE FILLED BY THE OWNERS OF SMALL AND MEDIUM ENTERPRISES IN MUKONO MUNICIPALITY)

Dear sir/madam

I am Nakigozi Josephine, Reg. No. **J22BO5/082** a student at Uganda Christian University pursuing a Bachelor's degree in Business Administration. I am currently conducting a study on the impact of mobile money services on the financial performance of small and medium enterprises in Mukono Municipality, Kikko market. The study is purely for academic purposes and the information given will be treated with confidentiality. I therefore humbly request for your maximum cooperation and spare some time to answer the following questions.

SECTION A: **Background information**

Instruction: Tick or write answers in full where applicable.

l**. Age**

18-25 C.26-35 D.36-60 E. above 60

2. **Sex.**

A. Male B. Female

3**. Marital status**

A. Married B. Single

4**. Level of education**

A. Certificate B. Diploma C. Degree D. Masters

5. **How long have you been in this business?**

A. Below 1 year B.1-3 years C.4-6 years D.7-9 years E.10 years and above

6**. Position held in the business (tick appropriately)**

A. owner B. Employee C. Partner

7**. Type of business**

A. Sole B. Partnership C. Company

SECTION B: THE IMPACT OF MOBILE MONEY SERVICES ON THE FINANCIAL PERFORMANCE OF SMEs IN MUKONO MUNICIPALITY, KIKKO MARKET

Instructions

On a scale of 1-5,tick in the appropriate box on how you strongly agree or disagree with the given statements.

scale	**1**	**2**	**3**	**4**	**5**
	Strongly disagree	**disagree**	**Not sure**	**agree**	**Strongly agree**

statement	5	4	3	2	1
The cash flow management of my company has improved since I started using mobile money services.					
The speed and efficiency of transactions at my company have grown because of mobile money services.					
I've noticed a rise in client payments and sales since using mobile money.					
The expenses of managing and processing cash in my firm have decreased because of mobile money services."					

SECTION C.THE RELATIONSHIP BETWEEN THE USAGE OF MOBILE MONEY SERVICES AND THE FINANCIAL PERFORMANCE INDICATORS SUCH AS REVENUE, PROFITABILITY AND LIQUIDITY OF SMEs

Instructions

On a scale of 1-5, tick the most appropriate box on how you strongly agree or disagree with the statements.

scale	1	2	3	4	5
	Strongly disagree	**disagree**	**Not sure**	**agree**	**Strongly agree**

statement	5	4	3	2	1
The revenue of my firm has increased as a result of the use of mobile money services.					
The profitability of my firm has been positively impacted by mobile money services.					
The profitability of my firm has been positively impacted by mobile money services.					
The use of mobile money services has made it possible for me to manage the finances of my company more effectively.					

SECTION D. CHALLENGES AND BARRIERS FACED BY SMEs IN ADOPTING AND UTILISING MOBILE MONEY SERVICES FOR THE FINANCIAL TRANSACTIONS IN MUKONO MUNICIPALITY,KIKKO MARKET

On a scale of 1-5, Tick the appropriate box on how you strongly agree or disagree with the statements below.

scale	**1**	**2**	**3**	**4**	**5**
	Strongly disagree	**disagree**	**Not sure**	**agree**	**Strongly agree**

statement	**5**	**4**	**3**	**2**	**1**
Adopting mobile money services for my firm is hampered by technical problems and system unreliability for example network breakdowns.					
Limited customer and supplier acceptance of mobile money services impacts their adoption in my business.					
The high transaction costs and maintaining mobile money services is a concern for my business					
Security concerns about fraud and data breaches are a major barrier to adopting mobile money services.					

SECTION E.THE POSSIBLE SOLUTIONS TO THE PROBLEMS IDENTIFIED

On a scale of 1-5, Tick in the most appropriate box on how you strongly agree or disagree with the statements below

scale	**1**	**2**	**3**	**4**	**5**
	Strongly disagree	**disagree**	**Not sure**	**agree**	**Strongly agree**

statements	**5**	**4**	**3**	**2**	**1**
Lowering the initial and ongoing expenses of mobile money services would increase their viability for my company.					

Enhancing security features and addressing fraud concerns would increase my confidence in using mobile money services.					
Improving technical support and ensuring system reliability would address the technical issues my business faces with mobile money services					

Thank you very much for your time and cooperation.

MAY GOD BLESS YOU

APPENDIX 2

UGANDA CHRISTIAN UNIVERSITY
A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

19th July , 2024

TO WHOM IT MAY CONCERN

Name: **NAKIGOZI JOSEPHINE** Reg. No **J22B05/082**

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

The impact of mobile money services on the financial performance of SMEs in mukono municipality .A case study of Kiko market

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

The Uganda Christian University School of Business thanks you in advance

.....

Mukisa Simon Peter
Research coordinator