

**FINANCIAL LITERACY AND FINANCIAL PERFORMANCE OF SMALL AND
MEDIUM SIZED ENTERPRISES IN UGANDA**

BY

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**A DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL OF KYAMBOGO
UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN FINANCE
AND ACCOUTNING OF
KYAMBOGO UNIVERSITY**

OCTOBER, 2019

DECLARATION

I, Christone Arinda, declare that this dissertation is my original work and has not been submitted or published to any University or Institution of higher learning for any partial fulfillment of any award.

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Signature

Date.....

APPROVAL

This research dissertation titled “*Effect of Financial Literacy on Financial Performance of Small and Medium Enterprises in Uganda*” has been done and conducted under our guidance and supervision and met research dissertation requirements of Kyambogo University and is now ready for submission with our approval

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DEDICATION

To my Mum and Dad, my siblings Nadith, Monic, Grace, Chrispus and Twins Engle and Elizabeth.

To my mentors; Dr. Maurice Mukokoma, Dr. Dan Ayebale , Dr Stephen Kasumba and Mr. Richard Asimwe.

ACKNOWLEDGMENT

It would not have been an easy journey to come up with this research dissertation if it was not because of the efforts and support received from different people and therefore can't go unappreciated.

But before it all, I thank God for his mercies and favor upon my life throughout this academic process. Special thanks go to my supervisors, Dr. Maurice Mukokoma and Dr. Dan Ayebale, who have been very supportive right from the selection of the research topic up to submission of this dissertation. I am extremely grateful for the time, patience, constructive criticisms and useful suggestions they have provided so far.

Special appreciations to the staff and Management of Kyambogo University especially to Graduate School for the nurture and knowledge share to me and an opportunity to acquire my Master's Degree of Business Administration from such a mighty institution.

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LIST OF ABBREVIATIONS/ ACRONYMS

ACCA..... Association of Chattered Certified Accountants

BOU.....Bank of Uganda

MoFPED.....Ministry of Finance Planning and Economic Development

PSFU..... Private Sector Foundation Uganda

RBT.....Resource Based Theory

SMES Small and Medium Sized Enterprises

UIA.....Uganda Investment Authority

ABSTRACT

The financial performance of SMEs is a major concern for Uganda with high rates of solvency among these enterprises. Financial literacy has been identified as a one of the key competencies required for the establishing, management and thriving of SMEs. However, the exact effect they have on the financial performance of SMEs hasn't been fully established by the available literature thus the need for further research in this area. Therefore, basing on the logic of Resource Based Theory, the study sought to examine the effect of financial literacy on financial performance of small and medium enterprises in Ntungamo municipality where it was guided by three objectives that include to analyze the effect of debt management literacy on the financial performance, to assess the effect of book keeping literacy on the financial performance of Small and Medium enterprises in Ntungamo Municipality and to examine the effect of budgeting literacy on the financial performance of Small and Medium enterprises in Ntungamo Municipality. The researcher deployed across sectional survey design where a sample of 97 SMEs was selected using stratified random sampling technique. Responses were collected using a self-administered questionnaire that was comprised of Likert scaled questions. Data collected was analyzed using SPSS version 23.0 where regression analysis was performed to establish the effect between the variables. The study established that bookkeeping literacy (Adjusted $R^2=0.077$, P-value = 0.015) and debt management Adjusted $R^2= 0.096$, P-value =0.007) significantly and statistically affect and predict financial performance of SMEs. However, the effect of budgeting literacy positively but insignificantly affects financial performance at $p= 0.169$ which is more than 5% level of significance. In general, the study found out that financial literacy positive affect financial performance and its effect is significant (p -value= 0.025, Adjusted R square= 0.116) at 5% level of significance. The study concludes that financial literacy significantly affects financial performance of SMEs and recommends that government and other development partners should institute financial literacy training programs and owners should follow separate ownership from business actives and therefore employ people with necessary knowledge to run their operation. The study further suggests that further research on other dimensions of financial literacy like savings, accountability, investment so as to make a generalization of effect of financial literacy on the financial performance of SMEs

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Uganda has been cited among developing countries which are populated with Small and Medium Enterprises (World Bank Group, 2018). These enterprises have been praised to be dominant players in instituting economic stability as well as playing key role in developing private sectors in Uganda. There has been Substantial financial support from both government and other development for example an African Guarantee fund worth US\$ 30 million aiming at supporting African SME sector as well as fund support extended by the government through presidential initiatives to support Small and Medium Enterprises (MoFPED/UNPF, 2017).

In addition to this financial support from the various development agencies, there has been also emergency of financial institutions for instance commercial banks and micro finance institutions in almost all parts of the country and these have also led to easy accessibility of funds by these enterprises easily (BOU,2013). However, Kasekende (2018) explained that majority of these SMEs fail to perform financial as evidenced by the high solvency rate as most of them fail to celebrate their second birthday due to misappropriation and mismanagement of their financial resources and all this is a true indicator of limited knowledge on how to manage financial matters of enterprises.

Therefore, the purpose of this study was to examine the *effect of financial literacy on financial performance of SMEs*. This chapter presents the background of the study that covers historical, theoretical, conceptual as well as contextual perspectives, problem statement, the purpose of the study, objectives of the study, research questions, and scope of the study, significance and definition of key terms used in the study.

1.2 Background of the study

1.2.1 Historical Background

The evolution of market economies has dramatically broadened the opportunities of consumers, workers, investors, and firms to get engaged in multiple business. Business environment has become increasingly complex generating from one single enterprise to industrial and multinational firms as it is stretched way back from the industrial revolution era. This also led to the emergence of Small and Medium Sized Enterprises as well as large corporations operating across the borders and overseas (Turyahikayo, 2015) depending on each firm's financial and managerial capabilities. Still most of these SMEs performance was viewed along the full proportions of financial, strategic and structural development. Development partners and governments have of recent made Financial services become free and accessible, however, they must understand their investment choices and decisions and likely repercussions of each alternative choices.

The socioeconomic function performed by SMEs is widely known in developing and emerging countries. But, in recent times, developing and developed nations have become more and more concerned about the entrepreneur level of financial literacy who engages in any venture o business looking at whether he or she has the competence, skills and knowledge on how to run business especially in areas of budgeting, record keeping, savings as well managing both internal and external debt (Dewi & Rahman, 2018a).

USA established a consumer financial protection bureau that is mandated to promote financial knowledge and skills in assisting SMEs managers and owners in making right financial decisions. Also, in India, the government established financial stability and development council (FSDC) with responsibilities of educating and counselling entrepreneurial and individual on different sources of financing initiatives so as to enhance their performance. In Uganda, these SMEs have seen emerging majorly early 1990s when there was reduction in political insurgencies. however, they have failed to

thrive through the changing economic environment and therefore most of them collapse in few years after and others face a challenge of started growth due low performance inform of limited sales growth as well as profitability threatening their long-term survival. This has been attributed to limited knowledge and competence on how to make effective managerial decisions about use of money or financial resources (BOU, 2013).

1.2.2 Theoretical Review

There are a multiple of theories that have been developed which elucidate the effect of financial literacy on firm's performance for example, transaction cost theory modeled by Hennart, (2010) Prospect Theory advanced by Kahneman and Tversky (1979) and adopted by Chamwanda (2015), Goal setting Theory developed by Hollenbeck and Klein (1987) and others. However, the Resource Based Theory (RBT) fortifies well the performance implications of financial literacy- SMES's financial performance in a context such as Uganda. Therefore, this study adopted this theory of Resource Based Theory.

This theory holds that organizations are a mixture of valuable, rare, inimitable and non-substitutable resources and that if well configured, the organization achieves competitive advantages and growth (Karimi, 2012; Barney, 1991). The bundle of resources available to a firm is essential for generating competitive advantage, and can be used to undertake various activities to achieve growth (Groen, Kraaijenbrink, & Spender, 2009).

Within the logic of the theory, financial literacy skills, competence and knowledge is viewed as resources alongside others like non-financial and financial assets, capabilities, organizational processes, information and knowledge information, knowledge, technology among others, that create difference between making and breaking organizations (Adamako & Danso, 2014). In this study therefore, financial literacy is a competence, a unique resource a business owners need to make

appropriate financial and business decisions in order to achieve competitive advantage and growth in a competitive advantage (Barney, 1991).

1.2.3 Conceptual background

The guiding concepts in this study are financial literacy as an independent variable and financial performance of SMES as a dependent variable. These concepts have been applied and conceptualized to different studies by previous scholars.

Financial literacy is referred to as the knowledge of financial matters required to execute informed judgements and decisions on the managing financial resources more especially money (Hennart, 2010). Barney (2001) adds on to define it as organization's value for money. It is how best an enterprise is, in creating wealth and accumulating resources and this depends on the ability of an organization to make use of both financial and non-financial resources effectively and efficiently to enhance to increase achieve its set goals and objectives.

In the study conducted by Eniola and Entabang (2014) the result indicated that performance of any firm is most influenced by how financially literate the human resource is and therefore organizations must invest in more resources especially in insisting financial literacy if it is to win a competitive age over other firms.

A study conducted by Van Rooij, Lusardi and Alessie (2011) found out that the less financial literate households tend to be, the more unknowingly will commit financial mistakes, less likely to engage in recommended financial practices and less likely to engage in recommended financial practices and less likely to sudden economics shocks.

The concept of financial literacy simply means the education intended to improve financial management skills even before they access financial support in form of debts or credit from financial institutions (OECD, 2016).

Financial literacy is seen as having the knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances”, where: “knowledge” means having an understanding of relevant financial matters; “skills” means having ability use that knowledge to manage one’s personal finances; and “confidence” means feeling sufficiently poised to form choices concerning one’s personal finances (BOU, 2013).

Lusch and Laczniak (1989) defines financial performance as both intrinsic and extrinsic economic benefits or results realized by the business or an enterprise from its engagements or activities. It’s an organization’s value for money (English & Hoffmann, 2018). It is how best an enterprise in creating wealth and accumulating resources and this depends on the ability of an organization to make use of both financial and non-financial resources effectively and efficiently to achieve its set goals and objectives of increasing revenue, firms profit as well as market expansion.

Conceptually, Financial literacy is highly allied with the performance of SMEs both financially and management wise since their performance is related to how these enterprises effectively use mobilize resources, manage external debt as well as maintain proper records with fully accountability. Therefore, this requires specific competences and skills in book keeping, working management as well as financial planning among others (Ittner & Larcker, 1998).

Basing on the above concepts therefore, this study will be guided by definition derived (Huston, 2010) that defines financial literacy as the knowledge of financial matters required to execute informed judgments and decisions on the managing financial resources more especially money and

the concept will be explained in major three dimensions of book keeping literacy, debt management literacy and budgeting literacy as adopted from previous studies to predict their effect on the financial performance of SMEs in Uganda (Chepkemoi, Patrick, & Njoroge, 2017).

1.2.4 Contextual background

The study context is SMES in Uganda according to UIA Report (2018), these enterprises contribute over 90% of Uganda's private sector and their contribution per sector stands at 49% in service sector, 33% in commerce and trade, 10% in manufacturing and a small portion of these enterprises at 8% in other. These SMES are a key driver in strengthening and fostering wealth creation, innovation as well as job creation for the increasing young population. however, majority of these enterprises in Uganda fail to persist for more than two years in operation (MoFPED/UNPF, 2017) regardless of substantial financial support received from the government, financial institutions and other outside development partners.

Financial literacy is one of the key competence's entrepreneurs need to make decisions in a competitive environment and sustain growth. And therefore, the SMEs poor financial performance may be due low levels of financial literacy where majority of them in Uganda do not understand how to draw up and operate within a given financial budget, why it is important to maintain and keep proper records, when and from where to borrow responsibly so as to avoid becoming over-indebted, to make informed choices between different financial products and services as well as understanding the importance of ploughing back part of the profits into their business (BOU Annual Report, 2012).

Therefore, the study focused on Small and Medium Sized enterprises in Ntungamo Municipality because Ntungamo district was highlighted among the worst performing SME hosts in Uganda (PSFU Annual Report, 2018). According to this report, Ntungamo district is named among western Ugandan districts which are populated with Micro, small and Medium sized enterprises. Majority of

these enterprises are engaged in manufacturing, trade and commerce and service based. Regardless of the substantial support from both government and other developments partners, these enterprises have lived a stunted growth and others gone out of the business.

1.3 Statement of the problem

The financial performance of Small and Medium enterprises continues to be a growing concern for Uganda (Auditor General's Report, 2017). Despite the increasing focus on these SMEs by the government of Uganda and other development partners, recent reports continue to show limited progress among these enterprises in terms of increased sales and achieving necessary profitability hence threatening their survival (BOU Report, 2018; PSFU Annual Report, 2018; UIA Report, 2017).

For instance, the recent data shows that out of 10 startups in Uganda, only three survive to their second year. While these are country wide statistics, recent data by PSFU Annual Report, (2018) indicate Ntungamo District as one of the places that have benefited from these fund projects and still have high number of SMEs that have stunted growth.

Amidst low sales growth, profit growth as well as market growth challenges among these enterprises, there is limited understanding on how these SMEs can enhance their financial performance especially by building their financial literacy levels and yet from the previous studies (Eniola & Entabang, 2014; Chepkemoi et al, 2017; Derbyshire, 2016), this has been considered as an important strategic area any firm can concentrate on to enhance performance of firms. This study therefore sought to examine how financial literacy affects financial performance of Small and medium Enterprises in Uganda drawing on the empirical study of SMEs in Ntungamo Municipality

1.4 The purpose of the study

The purpose of this study was to examine the effect of financial literacy on the financial performance of Small and Medium sized Enterprises in Uganda drawing an empirical investigation on SMEs in Ntungamo Municipality.

1.5 Objectives of the study

- I. To analyze the effect of debt management literacy on the financial performance of Small and Medium enterprises in Ntungamo Municipality
- II. To assess the effect of book keeping literacy on the financial performance of Small and Medium enterprises in Ntungamo Municipality
- III. To examine the effect of budgeting literacy on the financial performance of Small and Medium enterprises in Ntungamo Municipality.

1.6 Research hypotheses

This study was guided by the following research hypotheses

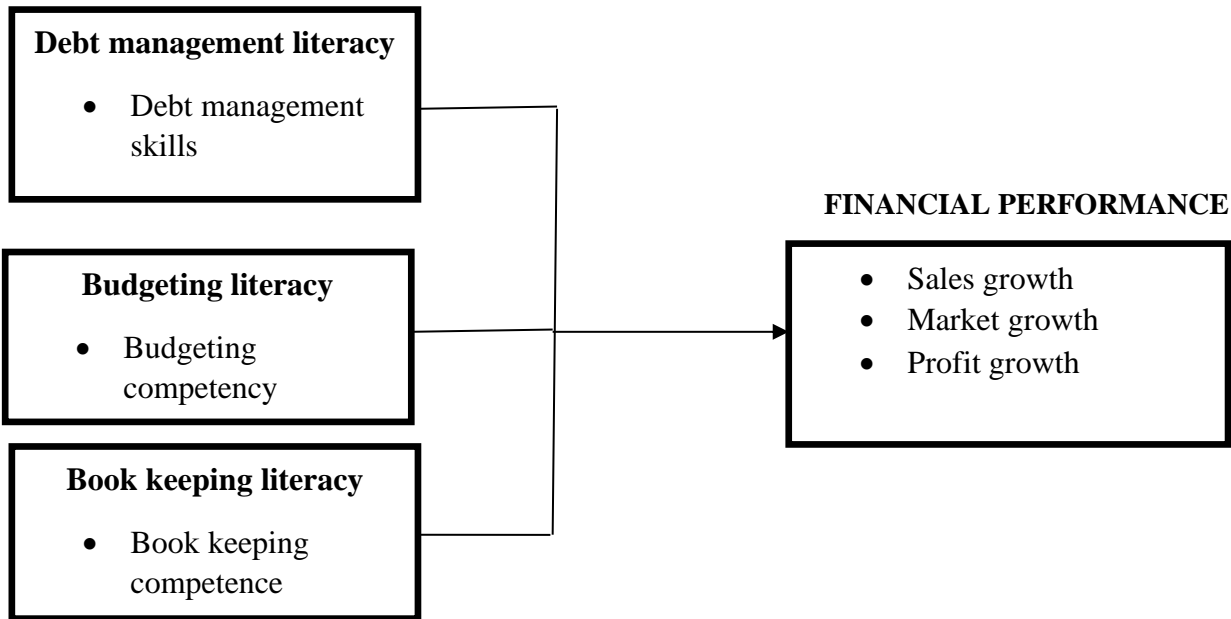
- I. H₁ ----- Debt management literacy has no significant effect on financial performance of SMEs in Ntungamo Municipality
- II. H₂----- Book Keeping literacy has no significant effect on financial performance of SMEs in Ntungamo Municipality.
- III. H₃----- Budgeting literacy has no significant effect on financial performance of SMEs in Ntungamo Municipality

1.7 The conceptual Framework

Svinicki (2008) defines Conceptual framework as an interconnected set of ideas (theories) about how a particular phenomenon functions or is related to its parts. The conceptual framework below highlights the variables and the hypothesized link between the variables examined in the study as it draws its guidance from the theoretical perspective of Resource Based theory

Figure 1. 1: Conceptual frame work showing financial literacy and the financial Performance of SMEs

FINANCIAL LITERACY



Source: Adopted from Eniola and Entabang (2014) and Chepkemoi, Patrick, and Njoroge (2017) as modified by the researcher.

From the model in figure 1, financial literacy is seen as a multi-dimension construct that affects financial performance of Small and Medium Sized Enterprises (Eniola & Entabang, 2014). Financial literacy was conceptualized to include three dimensions of debt Management literacy, book keeping literacy and budgeting literacy. The researcher explained the dimensions of the financial literacy as an independent variable linking them to the constructs of the financial performance as a dependent variable.

The scholar specifically looked at Book keeping literacy that specifically comprise of book keeping competence and knowledge, Debt management literacy that comprise of debt management skills and how external debt or borrowed finances are managed within the enterprises as well as budgeting literacy that looks at how these enterprises expand in lines with what is budgeted for and remain in same expenditure lines

The financial performance of these enterprises is put into dimensions of their growth in profits made, sales growth as well as market growth and expansion as which are financial in nature categorized in accounting and market-based accounting measures.

1.8 Study scope

1.8.1 The Concept scope

The study was aimed at examining the effect of financial literacy on the financial performance of SMES in Uganda. The researcher conceptualized Financial literacy with three dimensions of debt management literacy, book keeping literacy and budgeting literacy looking at how they affect financial performance of these SMES in terms of market growth, sales growth as well as profit growth as adopted from Chepkemoi, Patrick, and Njoroge (2017). These concepts were used basing on the recommendations from studies by Eniola and Entabang (2014).

1.8.2 Geographical scope

The study population was drawn from SMEs in Ntungamo Municipality in Ntungamo District, South Western Uganda. This study area was selected because according to PSFU Annual Report (2018), it was named among the hosts of the worst performing SMEs regardless of the financial support from both government and other developmental partners across the globe.

1.8.3 Time scope

Under this study, credible research documentation literature and scenarios over the period between year 2013 to year 2019 was considered and reviewed. Period 2018 was considered as benchmark; given that this was when the phenomenon under study started to become vibrant.

1.9 Significance of the study

Policy makers and Implementers: The findings from the study would be helpful to district local agencies and municipality policy makers in exploration and exposing different weakness with in

programs implemented by the governing bodies in the due course of strengthening the performance of these enterprises and understanding their level of financial literacy for further support.

Development partners: The study findings would explain the financial literacy levels among firms and enterprises so that causes of poor performance and weakness be identified and strategies be developed to enhance financial literacy for better financial decisions.

1.10 Definition of key terms

Financial literacy is seen as having the knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances”, where: “knowledge” means having an understanding of personal financial issues; “skills” means being able to apply that knowledge to manage one’s personal finances; and “confidence” means feeling sufficiently self-assured to make decisions relating to one’s personal finances (BOU, 2013).

Enterprise describes the actions of someone who shows some initiative by taking a risk by setting up, investing in and running a business. A person who takes the *initiative* is someone who "*makes things happen*". He or she tends to be decisive. A business opportunity is identified and the person does something about it. Showing initiative is about taking decisions and being bold – not everyone is like that!

Small and medium sized enterprises (SMEs). Apparently, there is not direct and straight definition of SMES. Different countries have come up to define this term basing on the number of employees an entity has, its annual turnover as well as the total assets owned. However, In Uganda, a ‘Small Enterprise’ is an enterprise employing between 5 up to 49 people, with an annual sales/revenue turnover or total assets of between 10 million and 100 million, The Medium Enterprise therefore, employs between 50 and 100 with total annual assets or annual turnover of more than 100 million but not exceeding 360 million (UIA, 2018)

1.11 Limitations of the Study

This study was limited by some respondents not willing to disclose their financial information in terms of revenue, sales made as well as information on whether their profits are increasing. Many firms especially those that have a no or decreasing profit and sales growth were unwilling to declare.

The response rate of the study was low due to reluctance of the targeted SMEs to participate in the study. Further, some respondents were of the opinion that some of the information sought was confidential and hence they did not fill the questionnaire. This in turn reduced the study response rate.

There was also a problem of language barrier where by some entrepreneurs' inability to read and interpret the questions asked due lack of familiarity in English language. However, this was overcome with the help of research assistants who back translated the questionnaires to who was not good in English. This process consumed a lot of time. The time period covered by the study and the resources available to the researcher were also limited. The resources available were not enough to cover the entire study and the whole of study area.

Finally, the sample studied was restricted to the population of SMEs alone. Perhaps a broader pool of financial literacy providers would have given more insights into the financial literacy programs they provide to SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents and explains theoretical review, literature review and empirical review. The theoretical review explains different theories written and even reviewed by different scholars on the study variables and how it underpins and supports the study. It also covers and provides definitions and discussions on key terms that are covered. On the other hand, empirical review attempts to explain the gaps identified from different studies done on the similar or related subject and hence try to bridge those gaps and also the conceptual framework, on which the study is based and developed.

2.2 Theoretical Review.

This section discusses theoretical perspectives that fortify the relationship between financial literacy and financial performance of SMEs; Different theories have come up to explain the relationship that exists between the variables under the study

2.2.1 Goal Setting Theory

This is a motivation theory which was developed by Hollenbeck and Klein (1987) . It is grounded on a logic that well clear, smart and measurable goals do drive organizational results. Basing on this theory, the organizational and task performance is always linked with how it sets its goals. The theory further explains that specific, measurable, attainable but challenging goals set together with streamlined feedback contribute to better task performance.

Locke and Latham (2011) find that individual goals are likely to determine how well they perform to related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your -best goals. To be effective, goal setting theory assumes that individuals

must be committed to the goal, must get feedback and must have the ability to perform the task. Therefore, linking this theory to the performance of SMEs, these enterprises performance can be achieved and enhanced once clear, measurable, attainable goals have been set however challenging they seem to be as well as effective communication of the results through different departments the willingness to work towards attainment of goal is main source of job motivation. Clear, particular and difficult goals are greater motivating factors than easy, general and vague goals. Therefore, for these enterprises to enhance their performance, well stipulated, attainable and measurable same goals should be set both at organizational and individual levels.

2.2.2 Transaction cost theory

This theory of transaction cost was defined by Williamson (1981). It holds that business and organizations always incur costs in the process of acquiring and utilizing resources. these costs incurred economic or organizational costs which are within the organization or outside the organization. in addition, these costs are a means of measuring efficiency and effectiveness of different organizational designs used to achieve economic benefits in a given business environment (Cherugong, 2015). Therefore, for any business to thrive through a competitive and dynamic environment, individuals or managers must be able to manage the costs of doing business or transaction costs effectively and this requires one to be well equipped with skills, experience, knowledge and even competence on how to manage financial matters. Basing on framework of this theory, lack of such financial and management skills will therefore escalate transaction costs incurred hence negatively affecting business performance.

Therefore, basing on the logic of this theory, it is the financial literacy skills which will enable the owner of the firm to identify transactions which will increase the financial performance of the firm. Also, the management will be able to avoid in appropriate loans and debt. This can be enhanced by proper record keeping of any financial transaction taking place (Williamson, 1981)

This theory is highly beneficial to the study in that, most SME owners in Ntungamo Municipality, due to their financial illiteracy, do not properly manage their transactions. This is due to their belief that they will ‘memorise’ all the transactions and also transactions involving low amounts of money have no need to be monitored. This tends not to be true as it affects the financial performance, for example through overspending, and also bad lending habits. Hence adoption of this theory will be recommended.

2.2.3 Prospect Theory

This theory was advanced by Kahneman and Tversky (1979) as cited in Heukelom (2015) . It explains that the decisions relating to business financial operational matters are always between different alternatives that they have to select from, which involve risks and uncertainties about the possible outcomes from each of the alternatives even where the possible probabilities or changes of such outcomes are known.

This is a descriptive theory in that it tries to describe real life alternatives and choices to be made in business rather than optimal choices and decisions to be made. The theory further explains there should thorough risk assessment to ascertain risk levels involved in alternatives available before any business owner or manager makes any financial or management decisions

This theory therefore holds that decisions made by business owners should be done with some level of expertise, and this requires financial literacy knowledge. The theory’s proposition to the study is that individuals with financial literacy knowledge are able to make more informed decisions, hence are able to perform better financially.

2.2.1. Resource-Based Theory (RBT)

Barney (2011) in his studies explained that the RBT explains that an organization is a bundle or a pile of assets and resources that are both tangible and intangible in nature that if effectively and efficiently utilized, an organization becomes a going concern entity. He also proposed that organizations are ‘combiners’ of valuable, heterogeneous, imperfect and mobile resources.

The overall gist of this theory is that if an entity acquires and effectively controls its scarce valuable, rare, non-substitutable resources and capabilities, it can achieve sustainable competitive advantage over other competing firms and steady growth and performance, given that it has the ability to absorb and apply these particular resources (Barney, 1991)

Barney (2011) proceeds in an explanation that what separates successful or making organizations from breaking or struggling organizations is the way they deploy their resources for example information, knowledge assets, capacities as well as their organizational processes. Such resources can create a sustainable competitive advantage for the firm. Barney (1991) illustrated that the proper utilization and configuration of a firm's capabilities create a synergy that enables the firm to efficiently pursue its growth and goals.

Therefore, basing on the above explanations, these Small and medium-sized enterprises can depend on resource immobility as well as transferability difficulty of financial knowledge, skills and competence to generate and sustain their economic benefits in form of market expansion that in long run increase sales growth leading increased profitability levels of the firm (Ittner & Larcker, 1998) .

This study therefore was guided by the concept of this theory since it explains well financial literacy as a resource, a competence and different empirical studies have used Resource Based theory to examine the financial and performance of firms and enterprises.

Eniola and Entabang (2014) used Resource-Based Theory in examining the effect of Financial literacy on SME firm performance after conceptualizing financial literacy as the financial knowledge, attitudes and awareness and therefore concluded that any firm possessing such unique and immobile skills and competence as a resource to run its operations possesses a competitive edge over and above other competing firms .

Okeyo, Gathungu, and K'Obonyo (2014) used Resource-Based Theory in examining the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of micro-enterprises in Nairobi City County in Kenya and recommended that financial literacy is an information asset a firm must possess so as to win a sustained competitive advantage over other competing firms and the findings from this study result of $r=0.6$ indicated that there is a strong relationship between financial literacy and growth of small and medium enterprises.

Bongomin, Ntayi, Munene, & Nabeta (2016) also used this theory to study Financial Inclusion in rural Uganda, testing interaction of the effect of financial literacy and networks and later established that networks significantly mediate the relationship between financial literacy and financial inclusion. Thapa (2015) used the RBT to examine the influence of managerial foresight on microenterprise performance in Nepal and concluded that managerial foresight had a crucial role on strengthening the performance of these microenterprises holding other environmental factors constant.

Therefore, basing on the logic of RBT, Financial literacy is viewed by many scholars as a competence, a pool of knowledge and competence is a resource alongside others like assets, organizational processes, technology among others that a firm utilizes to pursue growth (Eniola & Entabang, 2014). The theory looks at financial literacy as knowledge a firm or a manager needs to

make appropriate financial and business decisions in order to achieve a competitive edge and growth in a competitive environment over other firms (Barney, 2011)

2.3 Conceptual Review

The financial performance of SMEs is a dependent variable and utilizing a resource-based theory, it is conceptualized to be predicted by financial literacy. From the earlier sections presented, the key aspects derived for empirical studies include bookkeeping literacy, debt management literacy, budgeting literacy as well as the financial performance. These concepts are explained and their link is highlighted.

2.3.1 Financial literacy

The concept of financial literacy has gained significant attention of many scholars and researchers, individual and institution investors, development p, financial institutions, pensioners, government entities. There are a number of scholars who have studied and defined financial literacy (Eniola & Entabang, 2014; Nunoo & Andoh, 2012; Lusardi, Michaud, Aand Mitchell 2015); OECD, 2016 ; Elwell, Hildreth, & Pattison, 2014; Allesie et al 2011; Chepkemoui et al (2017); Subha & Priya, 2014).

Elwell et al., (2014) summarized the work of many scholars and argued that financial literacy for purposes of surveys is defined as “the ability to make informed judgments and to take effective decisions regarding the use and management of money.”

Due to factors like the complexity of financial markets, development of new financial products, financial literacy has gained interest from many groups including government agencies, bankers, employers, community, financial markets and other organizations (Hassan Al-Tamimi & Anood Bin Kalli, 2009; Almenberg & Dreber 2015)

A number of Government agencies and non-government organizations in developed and non-developed nations have come up and conducted studies to measure the financial literacy levels among the people in different countries. A study by the OECD (2016) reviewed financial literacy levels in Africa, European countries and the USA. The study found out that in African countries, financial literacy is very low for most of the adults as compared to Eastern Europe and the USA and this affected their investment decisions and recommended that the African governments and other agencies should invest more resources in financial literacy initiatives in order to enable individuals fare well in financial markets.

Lusardi & Mitchell (2013) in their study about economic importance of financial literacy concluded that every person needs to have financial knowledge to survive the prevailing competitive economic and business environment. Their findings still provided that less financially literate individuals are less likely to invest in the stock, plan and save for future, less likely to borrow and if they do so, likely to have costly debt. ACCA (2017) explains that financial literacy influences firm and business performance in a sense that such an attribute enables business owners to understand a separate business entity concept by separating their personal finances from the business finances.

A study was conducted by Subha and Priya (2015) In the context of Asia, and India to find out how financial literacy impacts investment. They concluded that financial literacy provides the knowledge and understanding of investment alternatives which enable in minimizing financial risks and thus maximizing earnings from a smaller financial resource base of poor individuals from the developing countries. The same study on financial literacy was discovered to have helped entrepreneurs or investors to efficiently allocate funds to various opportunities in a competitive environment.

2.3.2 Performance of SMEs

Different scholars have come up to attach definitions on what constitutes the performance of SMEs. Eniola and Entabang (2014) explain that this concept of performance tends to have tow strategic outcomes which are usually denoted in literature as an enterprise success or failure.

In the management field, firm performance can be interpreted as measures of good or indifferent management (Reklaoui, Meddaoui, Benbrahim, & Sefiani, 2016), but it may occur to other reasons such as luck. The effects of an enterprise's performance depend on whether the firm has attained its goals or not.

Firm performance is a focal phenomenon in business management. It has been proposed in the literature (Borchert, 2008). The general performance of the organization depends on the correct management at the three levels of management (Eniola & Entabang, 2015). Performance can be characterized as the firm's ability to create acceptable outcomes and actions. However, performance seems to be conceptualized, rationalized and measured in different ways, thus making cross-comparison difficult.

2.4 Review of Related Literature

2.4.1 Financial performance of SMEs

Different scholars have up to conduct empirical studies on financial performance of enterprises explaining extensively on how firms measure their financial performance (Ittner & Larcker, 1998)

Al-matari (2014) in his empirical study to establish the measures of financial performance of the firms identified profit growth and asset turnover as measures of financial performance of the firm in a short time and steady revenue growth rate and growth in the employment size in a long run operations of the firm. Dewi and Rahman (2018) considered profitability also and return on assets as the key performance indicators which play a big part in explaining any business financial status. This

funding was supported by Eniola and Entabang (2014) who also explained that sales and market explanation for basic financial measures of any well performing firm.

Bowen, Morara and Mureithi (2009) conducted a study on the challenges facing SMEs in Nairobi. This study employed stratified random sampling to collect data from 198 businesses using interviews and questionnaires. The data were analyzed descriptively and presented through figures, tables and percentages. The findings indicate that SMEs face the following challenges; inability to manage financial systems, competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity and debt collection. Some studies, however, fail to establish the relationship between financial literacy on transaction costs and performance of small and medium enterprises. This is showed by a study conducted by (Hieltjes & Petrova, 2013) on transaction costs of obtaining credit in rural Iran. Data was collected using observations, questionnaires and survey design. Simple linear regression was used to analyze the data. The study established that the transaction costs of receiving a loan are equivalent to nine percent of the total loan size. The study also revealed that the contractual form, loan size, distances, and borrower peculiarities were important determinants of transaction costs and not financial literacy.

Wamugo Mwangi, Stephen Makau and Kosimbei (2014) also conducted a study on financial literacy investigating the relationship between capitals structures on the performance of non-financial companies listed in the Nairobi Securities Exchange (NSE), Kenya. The study employed an explanatory non-experimental research design. A census of 42 non-financial companies listed in the Nairobi Securities Exchange, Kenya was taken. Feasible Generalized Least Square regression results revealed that financial leverage had a statistically significant negative association with performance as measured by return on assets (ROA) and return on equity (ROE).

Njoroge (2013) conducted a study on the relationship between financial literacy and business success among SMEs in Nairobi County. The study was conducted using a qualitative survey design and data collected using questionnaires. The data was later analyzed using descriptive statistics and simple regression analysis. The study found out that most of the entrepreneurs in Nairobi had some financial literacy and that in some cases those informal SMEs were highly financially literate.

Osinde (2013) conducted an empirical study to examine how business development services affect performance of SMEs in Kissi town where he found out that business people and entrepreneurs who access these services enjoys an improvement in sales growth and market share in different business lines they are running. The study further found out that entrepreneurs who attend training sessions about how to run operations in their businesses, 83.3% of these who attend such trainings report to have their sales and profits growing as opposed to 40% of the respondents who rarely access such services.

Otieno, Lumumba, Nyabwanga, Ojera and Alphonse (2016) in their study of the effect of provision of micro finance on the performance of youth micro enterprises under Kenya Rural Enterprise Program (KREP) in Kisii County using a sample of 86 youth micro enterprises established that training in micro enterprise investment had a significant positive impact on the performance of the microenterprises with a standardized beta coefficient of 0.281 which indicated that a unit increase in the provision of training to SSEs resulted to a 28.1% increase in performance. The study further established that majority of the respondents were very satisfied with the provision of capital investment and basic business skills training in micro enterprise investment. This suggests that the business skill training accompanying the provision of micro loans most likely improves the capacity of the entrepreneurs to use funds and hence impacts on business performance in terms of business risk management, the results showed that respondents were moderately satisfied in terms of achievement of business risk management skills. With the implication that the youth entrepreneurs

were inadequately equipped with knowledge and skills of business risk management hence are unable to adequately deal with business risks and therefore in the event that such risks occur, their micro enterprises are significantly affected.

2.4.2 Debt management literacy and Financial performance

Gathergood (2012) defined Debt management as the capability of making calculated and informed decisions concerning debt acquisitions, usage and basic mathematical knowledge application concerning interest compounding to everyday financial choices.

A person or business who is literate in debt management possess skills, knowledge as well as information regarding debts and other financial matters for example understanding calculations involved in ascertaining the interest to be paid on loans, the principal amounts and rightful and affordable sources of such debts (Casagrande, 2016) It is the understanding of how money and assets can be managed and financial decisions be taken and implemented in a resourceful manner (OECD, 2016). According to Barnard, Peters, and Muller (2010), household debt generally refers to an obligation or liability that arises from credit or borrowing financial resources, commonly money, or the use of goods and services on credit with the commitment to pay at a later date or some specific point in the future

Several researchers have studied about debt management and performance of firms and enterprises; (Addaney, Awuah, & Afriyie, 2016; Barnard et al., 2010; Hieltjes & Petrova, 2013) and these have established a positive relationship between debt management and financial performance of these enterprises and reveal that individuals who are less financially literate always find challenges in ways how they manage their personal and business debts as well as in making strategic business choices and in a long run no business success due to limited performance whereas, those with high level of financial literacy have thrived in business because they find it easy to manage their finances, perform

better in the stock and exchange market and usually acquire less costly debts avoiding high interest payments thus achieving growth for their ventures (Lusardi and Mitchell, 2015).

Addaney et al., (2016) have observed and concluded that improper debt management has the capacity to cause poor performance of small-scale enterprises. It is indeed that majority of the studies conducted have mainly focused on large scale business in most developed and developing economies excluding less developed ones (Coleman & Cohn, 2001) yet recently, there has been an increase in the recognition of the role played by small scale firms in national economies (World Bank, 2018). Their contribution has mainly been evidenced in job creation for ever increasing world population, increasing house hold revenues, as well as poverty eradication in most of development economies as evidenced by the extent at which these enterprises are now being included in their development plans (Coleman & Cohn, 2001).

Through such plans, support structures are provided for the growth of the small-scale firms' including funding and concessional loans, usually at concessionary rates. Meanwhile, Biekpe and Abor (2006) question whether the use of such debt improve businesses' performance and hence enhancing sustainability.

A study conducted by Yunos, Nazaruddin, Ghapar, Ahmad, and Zakaria (2015) intending to establish the relationship between working capital management and profitability concluded that firm's profitability is actually influenced by how it deploys its debt management strategies. This study considered data for two years between 2006 and 2008 to gage different listed companies in Vietnam stock exchange mainly focusing on their cash operation cycle and its embedded elements to measure debt management. Its findings were that there exists a strong negative relationship between the two variables. The study went ahead to explain that profits are inversely related to how the firm's cash operational and conversion cycle. It further established that firm's profitability increases as the debtor's cash conversion cycle and inventory periods reduces as it was assessing different debt

management inform of aggressive financing and investment strategies. Pearson and Spearman's correlations were run and the study found out that there is significant negative relationship between profitability and the time it takes for firms to collect cash from their customers. However, the study established highly significant positive relationship between profitability and the period taken to convert inventories to sales and the time it takes for firms to pay creditors.

2.4.3 Book keeping literacy and financial performance

Chelimo and Sopia (2014) defined book keeping as the process of recording all the transactions in a chronological, logical and systematic. These transactions include purchase, sales incomes as well as payments made incurred by the enterprise. This function is mainly maintained by a firm's bookkeeper as common methods are being deployed which include double entry as well as single entry principles. Double entry principles is always followed when a single transaction affects at least two more accounts in our books. This normally follows a debit credit entry principle as a way of checking for errors in a transaction especially when the debit side of the accounts disagrees in terms of the total credit side of the same account. Nunoo and Andoh (2012) explains that in most of the SMEs, this concept is influenced by different firm factors including size of the enterprise, frequency of the transactions as well as level of growth rate on the industry basis.

Chelimo and Sopia (2014) explains that Every enterprise however small it may be, requires written records to be used by owners and managers as a direction to actions, taking routine decisions, developing of general procedure and maintaining working relationships with other entities or with individuals that help an organization to achieve faster growth.

Different professional bodies have come up to define the concept of book keeping. According to ACCA (2017) book keeping refers to process of recording, classifying, summarizing and interpreting financial transactions in the books of accounts in a systematic manner for decision making purposes.

Bookkeeping is seen as a basic accounting skills and those fundamental competencies in accounting needed by an organization to operate competently and grow efficiently in the process of conducting business activities recording and analyzing daily business transactions and also includes skills in bookkeeping, budgeting, keeping of accurate receipts, sales records, customer records (Sabri, 2017; Chamwanda, 2015).

On contrary, Fatoki (2014) opine that even though book keeping simplifies a business processes such filing tax returns, benching its business performance with ventures and help to institute in place relevant financial controls to prevent early and subsequent business failure most ventures do not keep proper business records due to lack of accounting knowledge.

Many scholars have come up to conduct an empirical study on how book keeping literacy affects performance of firms and enterprises (Siekei, Wagoki, & Kalio, 2013; Bongomin et al., 2016; Wilhelmsson, 2017).

In the empirical conducted by Siekei et al., (2013) to examine the role of financial literacy on medium enterprises where a case study of equity group foundation program on small and medium enterprises in Kenya was taken, it was found out that financial literacy plays an important role in streamlining the performance because employees and management possess skills and competence in felid of assets, revenue and expenditure management and this enhances performance due to improved ability in tracking and reconciling business invents and transactions from the transaction process.

Siekei et al., (2013) found out that these enterprises which keep proper books of accounts are in position to establish the performance of their ventures accurately and their financial growth can easily be measured basing on their transactional stands. He proceeds to point out in his study that enterprises

that maintain proper books of accounts are mostly to enjoy benefits of increased profits as well as market growth due to effective financial planning

Despite of common conclusions and many suggestions by many scholars from empirical studies about how book keeping literacy affects financial performance of these enterprises, book keeping is still a challenge to most of these Enterprises where many of them have failed to maintain proper books of accounts of their daily transactions (Bongomin et al., 2016).

Okello (2016) in his study findings aiming at examining the effect of book keeping on the growth of Small and Medium enterprises taking case study of Chukka County in Kenya. The study found out that most of these enterprises don't not properly keep their books of accounts and those who try, keep incomplete ones because of limited and insufficient accounting knowledge and yet the cost of outsourcing accounting services is high. This therefore leaves a gap in ways of basing on accounting information to assess and measure financial performance of these enterprises.

Therefore, this makes it difficult for the entrepreneurs, business owners as well as managers to ascertain how much they have spent and how much they have earned so as to calculate and ascertain the profits made for a given period. He therefore concluded that financial knowledge in areas of book keeping is significant in enabling an entrepreneur to acquire more knowledge and run business activities efficiently to ensure growth of an entity in terms of profits. revenues and in long run enhance performance.

A study conducted by Chelimo and Sophia (2014) on examining the effects of bookkeeping on the growth of small and medium business enterprises in Kabarnet Town where its main objective was to examine the record keeping literacy among these SMEs, analyze their growth levels and to establish the relationship between bookkeeping and growth of SMEs in Kabarnet Town.

A descriptive survey research design was deployed where a sample of 72 respondents stratified randomly selected. Descriptive statistics and analyzed were used to analyze data where percentages and tables were used. This study found out that many operators of these enterprises in Kabarnet town maintain sales record books using the double entry system. It also reveals that shows that proper book keeping positively enhances SMEs growth as measured by profitability and increased business expansion in Kabarnet town. SMEs and bookkeeping could be used to monitor business transactions although many traders do not use it for this purpose.

2.4.4 Budgeting literacy and financial performance

Different scholars have come up to conduct empirical studies on how budgeting literacy and processes affects firm's performance (Qi ,2010; Mohammed and Ali ,2013; Gonçalves, 2014;Onduso, 2013)

An empirical study conducted by Sugioko (2010) on the impact of budgeting process on SME Performance in china mainly to access whether the budgeting process has a statistical and positive impact on the performance of Chinese small and medium sized enterprises. The study found out that their budgeting process positively affects their level of performance. It also revealed that more formalized processes in budgeting results in increased sales revenue as well as affects budgetary performance of these enterprises hence clearly indicating that clear and attainable budget goals lead to firm's goal attainment while difficulty but achievable enhance employee motivation to attain budget standards. The study also found out that such budgetary control tends to lead to a higher growth in profit of a firm.

Gonçalves (2014)'s study on the impact of participative budgeting process on expenditure, stated in his conclusion that, participating budgeting is a difficult process which is affected by many conditions

and therefore it is hardly easy to ascertain its absolute effect on the performance of employees as it tends to be insignificant as some level.

In the study conducted by Mohammed and Ali (2013) aiming at establishing the relationship between budgeting and performance of Remittance companies in Somalia” found out that there is a positive correlation ($r = 0.514$) between budgeting and firm performance implying that effective budgeting increase performance by 0.514. therefore, shows a statistically positive relationship between the variables.

Also, in the study conducted by Faith (2013) examining how budgeting process affect financial performance of manufacturing parastatals in Kenya found out that more formal budgeting planning escalates higher growth in sales of these particular parastatals. These controls enhance profit growth and leads to effective managerial performance

The study conducted by Onduso (2013) in examining the effect of budgets on financial performance of companies taking an empirical investigation in Nairobi county concluded that company’s financial performance is mainly measured by the return on assets and this was bearing a significant influence on the budget usage on managerial financial performance

In an empirical study by Adomako and Danso (2014) to examine how budgeting affects performance of non-financial institutions in Ghana. During this study, qualitative study design was adopted and primary data was collected from 89 non-bank institutions by use of a questionnaire tool so as to importance of budgets as a financial management tool among these institutions. Step wise method was applied for model generation and regression analysis adopted to measure the extent of the cause and effect of budgeting on the performance. The study found out that budgeting influences performances as most of the respondents were agreement with the subject matter indicating that effective budgeting increases profits (3.99), enhances ROI by shareholders (3.83) and streamlines

growth of market hence increase in firm's sales (3.61). therefore, the study concluded that budget processing has a statistical significance on the performance of the firms.

2.5 Summary of Literature Review and the literature gap

Small and Medium Sized Enterprises are a major economic driver in Uganda's economy as they play a fundamental role of wealth and job creation to ever increasing Uganda's population. Different empirical studies by different scholars have established that financial literacy levels among companies and firms has an effect on their growth and performance. Still, many studies have used a resource-based theory upholding that financial literacy is an intangible, immovable and a rare resource and if well utilized can give an enterprise a competitive advantage and enhance growth and performance. Few scholars in Uganda have come up to conduct empirical studies on financial literacy and how it affects the financial performance of small and medium enterprises and most of the existing studies done have been focusing on large firms and companies. Substantial support in from of funding and finances have been extended by governments and other development partners to boost their performance and strengthen their survival but, there is limited understanding on whether these firms are financially literate enough to make use of these financial resources extended and apparently limited follow up has been done to access whether these funds have been effectively and efficiently fully deployed and managed.

Even considering existing studies, the current studies have not clearly explained how these enterprises can deploy financial` literacy as a resource to reduce or avoid failure and achieve faster business growth. Several scholars have studied financial literacy and performance (Eniola & Entebang, 2014; Chepkemoi et al., 2017; Nanziri & Leibbrandt, 2018). However, most of these studies are focusing on how financial literacy affect company performance and few of them are looking at the how financial literacy affect financial performance especially looking at those specific dimensions of financial literacy. Some of these studies have produce mixed results and therefore

contracting conclusions. Some studies have established a relationship between the variables and others established no relationship existing. This is shown by Hoseini et al, (2012) on a study financial literacy on transaction costs of obtaining credit in rural Iran where he failed to establish any relationship. Also, financial literacy has been linked to influence the performance of firms as portrayed by Nanziri and Leibbrandt (2018). Therefore, this study sought to bridge this literature gap and expand on the literature about how financial literacy affect financial performance specifically among SMEs in Uganda.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section presents scientific and systematic steps that were taken in designing the study, execution and analysis of the study findings. This includes the research design, study population, sample size and selection, sampling techniques, data collection methods, data collection instruments, procedure of data collection, reliability and validity of instruments, data analysis, measurement of variables, data presentation and analysis and the limitations to the study.

3.2 Research design

A cross sectional survey design was adopted in this study where data on all the variables under the study was to be collected at a point in time. This design has been widely accepted and applied by many scholars (Sugioko, 2010; Onduso, 2013) and found it appropriate as it is effective when collecting data across different enterprises at a given point at a time. Furthermore, the study also deployed quantitative method that is explanatory in nature was used in generating numerical data through descriptive statistics which was statistically manipulated to explain the effect of financial literacy on financial performance of SMEs.

3.3 Study Population and target area

The population for this study was comprising of small and medium sized enterprises which are registered under Ntungamo Municipal Council focusing only on those operating from Ntungamo Municipality. This area of research was selected because Ntungamo district was named among the districts that have struggling enterprises (PSFU Annual Report, 2018). These SMES are engaging majorly in activities of commerce, manufacturing and services and . Basing on the information provided by URA, Ntungamo District, there are 300 registered small and medium sized enterprises that are operating in sectors of service, trade and commerce and manufacturing which are widely

spread and operate within the district. However, most of these enterprises are sparsely located and therefore the researcher considered Ntungamo Municipality as the area target area under the study because most of these SMEs are concentrated within this confined area where 130 registered SMEs according to statistics from Uganda Revenue Authority in Ntungamo District operate from. And therefore, the target population constituted 130 enterprises which operate from the Municipality and these included 35 SMEs engaged in service-based business, 75 enterprises engaged in trade and commerce and 20 enterprises engaged in manufacturing. The units of inquiries were composed of employees, managers and owners of SMEs whereas unit of analysis were SMEs.

3.4 Sample Size and composition

Basing on Krejcie and Morgan (1970) sample size determination model. A sample size of 97 respondents was selected from a population of 130 SMEs in Ntungamo Municipality basing on the statistics from Ntungamo district local government.

Nature of SMEs	Population	Sample	Sampling Technique
Trade and commerce	75	56	Stratified to simple Random sampling
Manufacturing	20	15	Stratified to simple Random sampling
Service	35	26	Stratified to simple Random sampling
Total	130	97	

3.5 Sampling Technique.

The research applied stratified sampling technique to identify and extract strata according to characteristics and business line in which an enterprise is engaged in. Therefore, all SMEs in trade and commerce were put in the same strata, as well as those in service and manufacturing respectively. After, enterprises in a given stratum were selected using simple random sampling to constitute sample respondent enterprises to participate in the study where empirical investigations were conducted to address the objectives of the study.

3.6 Data Collection Methods and Source of data

Survey data collection method was used in the study to collect quantitative data. Specifically, a structured self-administered questionnaire method was deployed in carrying out a survey as it was used as an instrument. Many researchers (Danso & Adomako ,2014; Pimpong & Laryea, 2016) deployed this particular method in related studies. The questions used in this tool were mainly close ended as an intention to reduce and limit irrelevant and unnecessary responses from the respondents

3.7 Data Collection Instrument

The research instruments to be used in this study were structured questionnaire using nominal ordinal and scaled item. Bowling (2005) simply explains Research instruments as devices for assessing the variables of interest. This Instrument can be in the form of questionnaire in forms of single items (questions), batteries of single items or scales of items which can be scored.

3.7.1 Self-Administered Questionnaire

Quantitative data was collected using a detailed questionnaire with mainly closed ended questions and some open-ended questions for respondent to fill short responses and for ease of analysis and shorter response time from the respondents.

This instrument covered questions about all dimensions of financial literacy which cover book keeping, debt management and budgeting as well as the different measures of financial performance of these enterprises and was limited to profit growth, sales growth and market growth as adopted from past studies and adjusted to address my objectives under the study.

The responses collected were arranged on a five-point Likert scale, where ‘SA’ means ‘strongly agree’, ‘A’ means ‘agree’, ‘NS’ means ‘Not Sure’, ‘D’ means ‘disagree’, ‘SD’ means ‘strongly disagree’.

This approach was preferred simply because it enhances simplicity where straight forward answers are required. These questionnaires were self-administered and were distributed to different sales

personnel, accountants, general staff owners and managers of these enterprises with in selected divisions in Ntungamo Municipality, however in some occasions, research assistants gave a hand in explaining some concepts to especially uneducated respondents.

3.8 Data collection procedure

After approving research proposal, the first step was to get an introduction letter from the university that was allowing and introducing a researcher to different respondents to conduct the study as it is meant to make the study more authentic and also institutes confidence in the research participants.

After securing a letter, the researcher then conducted a pilot and preliminary study with in the Municipality to understand the nature of these enterprises, their size structure and to present the letter from the university to the relevant authorities to grant permission for conduct a study within their area of administration.

With assistance from research assistants, the data collection tool which was in form of self – administered questionnaires was introduced to the respondents. During this process, the researcher visited these enterprises where at this stage, preliminary interviews were conducted to explain the main purpose of the study and its benefits, to gain access and also to understand different their activities, goals, background and lines of operations. Finally, the researcher together with the research assistants administered research instrument to collect data from the respondents.

3.9 Measurement of study variables

The variables were measured using items adapted from existing studies utilizing similar constructs. In the sections that follow, each of the variable with its respective items and sources of the items was presented.

3.9.1 Dependent variable

Financial performance. Financial performance measures were categorized as accounting and market-based measures (Al-Matari et al., 2014) and therefore, Market-based measures of financial performance that will be looked at the market growth include market growth. The study also looked at accounting-based financial performance measures which were covering dimensions of profit growth and sales growth. These dimensions are developed based studies conducted by (Al-matari, 2014)

3.9.2 Independent variable

Financial literacy: There are a multiple of decisions that have been examined by different studies conducted by different scholars ((Eniola & Entabang, 2014; Chepkemoi et al., 2017) and from this, Financial literacy measures and dimensions which be considered mainly include budgeting literacy, debt management literacy and book keeping literacy. These dimensions were considered and covered when developing a data collection and the Likert scale of 1 to 5 (1= Strongly Disagree (SD), 2= Disagree (D), 3= Not Sure (NS), 4= Agree (A) and 5= Strongly Agree (SA)) will be used

3.10 Validity and reliability of research instrument.

3.10.1 Validity of instruments

Validity refers to the extent to which research results can be accurately interpreted and generated (Saunders & Tosey, 1990; Vogt et al., 2007) explains it as “the truth or accuracy of the study”. Validity tests will be conducted for content and criteria to test well how the tool used is representative and captures relationships between the variables as well as a concept measure Content Validity Index (CVI) was determined by first discussing the items in the instrument with the supervisors and research experts. This was calculated using;

$$CVI = \frac{\text{Total Number of items rated by all respondents}}{\text{Total Number of items in the Instrument}} = 0.714$$

$$\text{Total Number of items in the Instrument}$$

Thereafter, the content validity index of **0.714** was computed using the methodology proposed by Crocker et al (1986). Neuman (2000) recommends a content validity index of above 0.5, indicating that the validity of the instrument was acceptable. The study also administered more than one method to ensure validity of research findings prior to administration of instruments.

3.10.2 Reliability of the instrument

According to Hoffschwelle (2011), reliability results from a process that produces consistent, dependable, replicable findings as confirmed by previous studies. Vogt et al., (2007) who defines reliability as the consistency of a design or a measurement to give same conclusion if used by different scholars or used to different times. The researcher made sure that clear operational definitions of the variables under the study are provided so as to ensure internal consistency.

To enhance the reliability of the instrument, a pilot study was conducted. Pre-testing was used to gauge the clarity and relevancy of the instrument items and those items found to be inadequate for measuring variables were modified to improve the quality of the research instruments. A research tool was subjected to a reliability test and a Cronbach Alpha of 0.731 was calculated and according to Nunnally (1978), an alpha of 0.7 or higher is significant enough to show reliability of the instrument. The closer it is to 1 the higher the reliability.

Quantitative research was majorly based on trustworthiness to ensure credibility of the study findings. Therefore, the researcher explained extensively the purpose of the study to the respondents as it is aiming at extracting more known on how financial literacy affects the performance of these enterprises and therefore information provided was to only be for academic purposes and be treated with a lot of confidentiality.

3.11 Data Analysis

The researcher was subjected to only quantitative data analysis. This involved uncovering structures, extracting important variables, detecting any irregularity and testing any assumptions (Kombo & Tromp, 2006). Also, Triangulation method of analysis was also used to enable the researcher come up with appropriate conclusions and recommendations.

3.11.1 Quantitative data analysis

In order to increase precision, consistency and reduce bias, data collected using a questionnaire was edited and smoothed and subjected to normally tests before it was analyzed. Data was then analyzed by using regression analysis and descriptive statistics were also presented using mean, standard deviation as well as percentages and analysis were presented in frequency tables. Simple linear regression analysis was done to determine statistical effect of Financial literacy on the financial performance of these SMEs. SPSS (Statistical Program for Social Sciences) version 23.0 was used to obtain coefficients and regression analysis on every objective.

The researcher also applied the following simple regression models on each of the dimensions of financial literacy to predict their direct effect on financial performance using a linear regression question, $y = a + \beta x + e$

$$\mathbf{FP} = \mathbf{a} + \beta \mathbf{BK} + \mathbf{e}, \mathbf{FP} = \mathbf{a} + \beta \mathbf{DM} + \mathbf{e}, \mathbf{FP} = \mathbf{a} + \beta \mathbf{BL} + \mathbf{e}, \mathbf{FP} = \mathbf{a} + \beta \mathbf{FL} + \mathbf{e}.$$

where, **FP** represents financial performance, **BK** represents booking literacy, **DM** represents debt management, **BL** represents budgeting literacy, **e** represents Error term and **FL** represents Financial literacy.

To examine over all the effect of financial literacy on financial performance of these enterprises, a multiple regression analysis was conducted using SPSS version 23.0 was calculated and used to

analyze how the independent constructs, predict variations in the dependent variable the following regression modal was used: $FP = a + \beta BK + \beta DM + \beta FL + e$

Basing on this model, SMEs financial performance is treated as the dependent variable and financial literacy which was explained under the constructs of literacy in debt management, book keeping and budgeting practices as an independent variable. The responses were measured by computing the mean percentage score based on the responses derived from the Likert scaled questions.

3.12 Ethical considerations

According to Saunders and Tosey (1990), Ethics are the standards of behavior that guide a study in relation to the right of those who become the subject of work, or affected by it. The study sought approval from Graduate School of Kyambogo in quest of permission to continue with data collection. All the necessary requirements and suggestions were incorporated in the process of data collection to protect the respondents who were to participate in the interview exercise.

Furthermore, Consent was definitely first sought from any participant before being enrolled in the study and the study ensured that participants voluntarily participate in the study. Finally, the study ensured utmost confidentiality of those participating in the process by concealing their names and other personal information. This was possible by using codes to refer to participants and banks involved.

CHAPTER FOUR

PRESENTATION OF DATA, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents findings in line the objectives of the objectives of the study. The chapter deals with the presentation, analysis as well as interpretations of the study findings. The chapter begins with the respondents' rate of response, the respondent characteristics, SME characteristics and study objectives focusing on debt management literacy, budgeting literacy, book keeping as well as the financial performance measures among Small and Medium sixes enterprises in Ntungamo Municipality, Ntungamo district. The data was collected exclusively using a self-administered questionnaire as a research instrument. The researcher has made use of descriptive and regression analysis to present the result in tables and figures.

4.2 Response rate

Out of 97 self-administered questionnaires administered, only 73 were returned. Out of these, 64 questionnaires were considered to be complete for further analysis giving 75% response rate. This high response rate was achieved mainly due to better data collection procedures and engagements, where the researcher together with research assistants pre-notified and explained to the potential respondents, the benefits of the study findings of the intended survey and to an advantage that my research assistants have been active participants in social wellbeing in the same locality.

4.3 Respondents' characteristics.

The information collected from the respondents about the key characteristics of the respondents in terms of age, gender, position held and their education level are presented in the table below

Table 1. 1: Respondents characteristics

Characteristic	Frequency	Percentage (%)
Gender		
Male	43	67.2
Female	21	32.8
Total	64	100.0
Age		
Not more than 18 years	1	1.6
19- 25 years	18	28.1
26-35 years	27	42.2
36-45 years	12	25.0
Above 45 years	2	3.1
Total	64	100.0
Education level		
Primary	2	3.1
Secondary	12	18.8
Tertiary	27	42.2
University	23	35.9
Total	64	100.0
Position held		
Manager	22	34.4
Owner	32	50.0
Employee	10	15.6
Total	64	100.0

Source: Primary data, 2019

From table 1.1, majority of the respondents in the study were male representing 67.2% as compared to 32.8% female representation in the study. Considering the age of these respondents, a bigger percentage of these respondents (42.2%) was aged between 26 years and 35 years followed by 28.1% of respondents aged between 19 and 25 years implying that most of these respondents were knowledgeable of the current market trends and business practices thus gave valid and accurate information. 25% of these respondents were aged between 36 years and 45 years with few respondents aged above 45 years (2).

On the education status of the respondents, majority (27)42.2% of the respondents have gone through tertiary education followed by 35.9% being university graduates indicating that a bigger proportion has gone through formal education and may possess certain business knowledge and skills. 18.9% have attained secondary education level while the remaining 3.1% stopped at primary level.

In terms of the positions held by these respondents, 50% of the respondents are the owners of these enterprises (32), 22 (34.4%) of the respondents were the managers and the remaining small proportion of respondents (15.6%) were employees with in these enterprises. This implies that the majority of SMEs in Ntungamo Municipality are run by their sole founders/ owners and managers and therefore they had relevant information about the SME operations, performance related matters necessary for the study purposes.

4.4 SME characteristics

The table 2 below summaries the responses given on the key SME characteristics in regards to size of the enterprise, period of operation (tenure), form of the enterprises, major source of their finances as well as the sector each belongs to.

Table 1. 2 : SME Characteristics

Characteristic	Frequency	Percentage (%)
Business form		
Sole proprietorship	27	42.2
Private partnership	15	23.4
Limited liability	11	17.2
Cooperative society	11	17.2
Total	64	100.0
Enterprise Tenure		
Less than one year	5	7.8
1-3 years	23	35.9
More than 3 years	34	56.3
Total	64	100.0
Source of financing		
saving	21	32.9
Borrowing (formal)	39	60.9
Borrowing (informal)	3	4.7
Others	1	1.6
Total	64	100.0
Enterprise size		
1-4 employees	11	17.2
5-49 employees	40	65.5
50 and above employees	13	20.3
Total	64	100.0
Enterprise sector		

Trade and commerce	26	45.5
Service	30	46.9
Manufacturing	5	7.8
Total	64	100.0

Source: primary Data, 2019

The results from table 1.2 show that most of these enterprisers have been in operations for more than three years (56.3%) followed by 23(35.8%) of enterprises which have been in operations for the period between one and three years and only 5 enterprises sampled had been in operation for less than a year Implying that most of these enterprises have been in operation for a long time but have remained small due to financial literacy issues.

As regards to the business form or type of the enterprise, the results on the table indicate that 27 (42.2%) of these enterprises are under sole proprietorship form meaning that they are individually or family owned business, 15 (23%) are in a form of private partnership, 11 enterprises representing 17.2% of these those in the study sample were inform of limited liability entities and same proportion (17.2%) being cooperative societies like saving and credit associations. This implies that most enterprises don't separate business from ownership (separate business concept) and therefore entrust their business operations in their own hands.

Majority of the respondents (60.9%) indicated that their enterprises are majorly financial through formal borrowing that is through commercial banks and SACCOs as they major source of finances, 21(32.9%) of the respondents presented that their enterprises are majorly financed by their savings, 4.7% of the respondents provided that their enterprises source of finances are from informal borrowings for example friends, family members as well as business Engels and the remaining 1.6% showed that their enterprises are majorly financed by other sources like gambling, business Engels . This implies that most enterprises borrow money to finance their business operations and therefore would be considered as a good basis to assess their debt management literacy levels.

In regards to the size of the enterprise basing on the number of employees, majority of these enterprises 65.5% employ between 5 employees to 49 employees, 20.3% employee above 50 employees and the minor proportion employs between one to four employees. Therefore, this forms a true basis for the study since it is targeting SMEs which meet the requirement of an SMEs by Uganda Investment Authority.

The information from the study also revealed that 46.9 % of these enterprises in the study are service bases enterprises, 45.5% are engaged in trade and commerce where as a small proportion (7.8%) are in manufacturing sector.

4. 5 Descriptive statistics of the study variables

4.5.1 Major sources of Financial literacy among SMEs

To assess how these respondents have acquired financial literacy inform of skills, knowledge and competence, respondents were provided with different sources through which a person can acquire financial literacy skills, competence and knowledge. The respondents were asked to indicate the extent to which they learnt financial skills and knowledge from each of the above sources. The responses were evaluated on the scale of 1 to 5 where 1=very low from that source and 5= very high and their mean and standard deviations of their responses are shown on the Table 4 below:

Table 1. 3: Responses on perceived source of financial literacy among SMEs

Source	Mean	Std. Deviation
At home from my family friends	2.81	1.258
At school in the class	2.97	1.181
From conversations with friends	3.09	1.205
From magazines, books tv shows	2.38	1.507
From experience from existing business people, managers	3.84	1.300

Source: Primary data, 2019

From the table 1.3 above, it is indicated that most of the respondents perceive that financial literacy is majorly learnt from already established business people and their managers (Mean = 3.84, SD= 1.30) and through conversations with friends (mean=3.09 with standard deviation of 1.205), it is also noted that respondents have not accessed books and magazines as a source of financial management knowledge (Mean=2.38, SD=1.507) as well as from friends and family members (Mean=2.81, SD= 1.258).

It also noted that the literacy levels interns of knowledge earned or acquired from class with perceived at low with mean of 2.97 and standard deviation of 1.81. Generally, the standard deviations from each of the sources are slightly above 1 and thus implying that these enterprises don't acquire financial knowledge from a single source.

4. 5.1 Descriptive analysis on the level of debt management literacy among SMEs

In response to assessment of financial literacy levels among SMEs, different items explaining debt management literacy among SMEs were provided for the respondents to express their opinion in form of their degree of agreement. The data collected from their responses is presented on the table 5 below.

Table 1. 4: Reported response levels on debt Management literacy among SMEs

Items	Mean	Std. Deviation
We borrowed part of my capital	3.56	0.233
We often do and follow loan amortization schedules	2.73	1.142
We prefer borrowing from sources with low interest.	3.20	1.237
We often maintain a loan account for the loans we acquire	3.04	1.142
We have been paying our loans with no major difficult	3.12	1.279
We often prefer financing our business using money that is borrowed	2.44	1.237
we often borrow the exact amount of money we need in the business	2.75	1.208
Grand mean	2.52	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean. N= 64

Basing on the table 1.5 above, it is evidenced that most SMEs borrow part of their capital (Mean=3.56, SD=0.233) implying that most of these enterprises operate on a debt partially and they prefer borrowing from sources that attract less interest (Mean=3.20, SD=1.237). However, most enterprises don't prepare and follow amortization schedules when paying off loans however much they maintain loan accounts. It is also noted that these SMEs don't borrow the exact amount of money need to run the operations (Mean=2.75, SD=1.208) and debt paybacks are done at ease. Generally, basing on the grad mean=2.52, the responses on the debt management indicate that there is less literacy on how these enterprises manage their debts.

4.5.2 Descriptive statistics on book keeping literacy

In response to assessment of financial literacy levels among SMEs, book keeping literacy as a dimension was provided for the respondents to express their opinion in form of their degree of accepted to different items provided by the respondent and the data collected form their responses is presented on the table below.

Table 1. 5: Reported response levels on book keeping literacy among SMEs

Items	Mean	Std. Deviation
we do effective book keeping	3.78	1.175
We prepare a separate petty cashbook from the main business cash book	3.53	1.221
We always keep both some money in cash at our business premises and some on the back account.	3.75	1.069
We do bank reconciliation	3.66	1.087
We record all the assets owned by the business	3.92	.965
We often record only essential transactions	3.02	1.161
We often collect bank statements every month	3.27	1.144
Grand mean	3.56	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

From the table 1.6 above, the data indicates that on average, respondents agreed on the items used to measure booking keeping literacy among these small and medium enterprises with a grand mean core of 3.56. Majority of the respondents are making efforts in ensuring effective book keeping in their enterprises with a mean score of 3.78 and standard deviation of 1.175, an indication that there are variations in the responses where some respondents agreed and others did not agree on this item. The data also revealed that Most enterprises are making efforts in recording all the assets they do possess (Mean=3.92, SD=0.965). however, there are notable variations on how different entrepreneurs score on different measurements of book keeping literacy evaluated as evidence by the big standard deviation scores , for example, responses on whether these enterprises prepare separate petty cashbook form the main business case book scored an average score of 3.53 with a big standard deviation value score of 1.221 indicating that there exists a big deviation between the minimum score and the maximum score from the average score .

The above findings still record notable efforts in ensuring that they always reconcile their bank balances in their cash books and bank balances their bank statements (mean=3.66, SD=1.087).

4.5.3 Descriptive analysis on Budgeting literacy

In response to assessment of financial literacy levels among SMEs, different items to explain the existence of Budgeting literacy as a dimension were provided to the respondents to express their opinion in form of their degree of agreement and the data collected from their responses is presented on the table 3 below.

Table 1. 6: Reported response levels on budgeting literacy among SMEs

Items	Mean	Std. Deviation
Our budgets always run for a complete year	3.42	1.206
Our budget is normally prepared continuously	3.58	1.020
We always prepare a budget for any activity we engage ourselves	3.78	0.934
We always the budget for what we spend everyday	3.33	1.128
We always prepare budget for all sales we are likely to make in a period	3.09	1.231
We always purchase what is budgeted for.	3.92	0.948
We normally forecast for our transactions before we budget.	3.53	1.112
We normally budget basing on the previous budget	3.75	1.127
Grand mean	3.55	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

From the table 1. 4 above, it is evidenced that most of these enterprises maintain their budgets for a complete year (mean=3.42, SD=1.206) and these are prepared continuously. It is also noted that these SMEs prepare for what they spend every day (mean=3.33, SD=1.128), purchase what they budget for (mean=3.92, SD=0.948).

However, some SMEs don't budget for the sale to be made daily (Mean=3.0, SD=1.231), don't usually forecast for their sales (Mean=3.53, SD=1.112). There are also notable variations on scores indicated by large standard deviation scores and therefore implies that no all respondents agreed to fact that there is high budgeting literacy among these SMEs as evidenced by low scores of some items.

Generally, this can be seen basing on the table 3 above and grand mean=3.55 that a big number of these enterprises understand the importance of budgeting as well as a relative number of them doesn't not understand the importance of budgeting and may be budgeting illiterate.

4.5.4 Descriptive statistics on financial performance

To measure and assess the level of financial performance of these small and medium sized enterprise, different accounting and market-based measure item were presented to the respondents to express their opinion on how their enterprises are performing financially in a given year. Such qualitative measures were preferred because most of these SMEs don't prepare financial statements where quantitative measures could be traced and used to measure their financial performance at a given point in time . Therefore, the following Likert scaled measures were used and the findings are presented on the table 7 below.

Table 1. 4: Reported response levels on Financial performance among SMEs

Financial performance measures	Mean	Std. Deviation
<i>Sales growth</i>		
Our sales have been growing over time	3.08	1.264
What we sell every day or every month sales keep changing	3.92	1.013
I don't know anything about our sales made	2.05	.933
We often carry out sales' promotional activities.	3.41	1.244
<i>Market growth</i>		
We sell more quantities than our competitors in the region	3.36	1.045
Our customers have been increasing over time	3.16	1.852
We often purchase more than a previous purchase	3.70	.987
Our operation branches have been increasing	2.72	1.061
<i>Profit growth</i>		
Our profit has been increasing from time to time	3.95	.765
Our incomes often exceed the expenses we incur	3.70	1.164
The proportion of the profits we save annually keeps increasing	3.91	.811
We often add back some of the profits we always make to the business	2.87	.900
Financial performance Grand mean	3.31	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

From the table 1.7 above, it's evident that these enterprises' sales have slowly been growing over years (Mean=3.08, SD=1.265) as most of these respondents are agreement that what they sell has been fluctuating every month (Mean=3.92, SD=1.013) whereby most of these respondents agreed that know sales they normally make every day implying a slight increase in sales growth.

The data from the table also reveals that efforts are done to increase customer flow for these enterprises (Mean=3.16, SD=1.852), an indication that in some enterprises, customers increase while in others, they are not increasing. Few have opened branches in other areas (Mean=2.12, SD=1.061) indicating low market growth.

The data also reveals that these enterprise profits increase from time to time (Mean=3.95, SD=0.765) however, a good number of them, their incomes don't really expenses incurred in operations (Mean=3.70, SD=1.164). It should also be noted that most of these enterprises don't plough back the part of the few profits they make to these business (Mean=2.87, SD=0.900). generally, the financial performance of these small and medium sized enterprises on average is still slow basing on the grad mean score of 3.31 from the responses on the over financial performance measurements.

4.6 The relationship between budgeting literacy, book keeping literacy, debt management literacy and financial performance.

In the study, correlations were also utilized to establish the relationship existing between the study variables. The correlation was specifically helpful in order to get preliminary insights into the link between financial performance and the various dimensions of an independent variable before regression analysis was run. Table 8 shows the study shows the relationships between the variables based on Pearson's correlation coefficient statistic.

Table 1. 5: Relationship between the study variables.

	1	2	3	4
Book keeping literacy (1)	1			
Budgeting Literacy (2)	0.325**	1		
Debt Management (3)	0.140	0.225**	1	
Financial Performance (4)	0.416*	0.138	0.138**	1

N= 64, **P<0.01, *P<0.05

From the table 1.8 above, it is evident that the relationship between book keeping literacy and financial performance is positively moderate but statistically significant ($r = .306$ $p < 0.05$). This relationship is according to Pearson's correlation coefficient presented in the table 8 above to be 0.416 significant at $p < 0.05$. The data from the table also reveals a positive but an insignificant relationship between budgeting literacy and financial performance although their relationship is positive with a spearman correlation coefficient of 0.141. It is also noted that a significant relationship exists between debt management and financial literacy indicated by a Pearson's correlation coefficient of 0.138 significant at $p < 0.01$. Basing on the above findings, the independent variables relate with the dependent variable and therefore further regression analysis can be done to examine the effect financial literacy on financial performance.

4.7 Regression analysis to establish the effect between the study variables

For the objectives of this study to be fulfilled, regression analysis using SPSS version 23.0 was undertaken in order to examine effect of financial literacy on financial performance of SMEs. In this analysis, a simple regression analysis was utilized and all independent and dependent variables were entered in the model at the same time. But for the regression analysis to give valid results some key assumptions have to be satisfied. In this analysis, Variance Inflation Factor (VIF) was used to ensure that the assumption of reasonable differences of the independent variables was satisfied. These were

all below the threshold of 10. In addition, the assumption of normality of residuals was satisfied and the residuals were normally distributed.

4.7.1 Regression analysis for the effect of Debt management literacy on financial performance of SMEs

In order to address the first objective of the study, a regressive analysis was done to examine the effect of debt management literacy as an independent variable on financial performance as an independent variable. The results from analysis are presented in the model summary and coefficients tables below.

Table 1. 6: Regression model summary and coefficients for the effect of Debt management literacy on financial performance of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-statistic
1	.332 ^a	.110	.096	.553	5.693

a. Predictors: (Constant), Debt management Literacy

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	4.615	.301		.000
	Debt Management Literacy	.153	.091	.132	.007

a. Dependent Variable: Financial Performance

Source: Primary data

From the table 1.9 showing the model summary statistics above, a p-value = 0.007 that is less than 5% level of significance indicates that Debt management literacy positively (Beta=0.153) predicts the financial performance and effect is significant at p-value < 0.05. Therefore, the predictive model developed from the findings is $FP = 4.615 + 0.153DML$ where FP is financial performance and DML is debt management literacy.

An adjusted R² of 0.096 implies that an extra effort in ensuring proper debt management literacy and strategies among these SMEs explains and predicts significantly 9.6% variations in financial performance of SMEs in Ntungamo Municipality and the remaining 80.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that debt management literacy significantly and positively affects financial performance.

Therefore, basing on the above findings on objective one, the researcher concludes by rejecting the null hypothesis in favor of an alternative hypothesis that debt management literacy positively and significantly affects financial performance of SMEs in Ntungamo Municipality

4.7.2 Regression Analysis for the effect of book keeping literacy on financial performance of SMEs

In order to analyse the effect of financial literacy on financial performance of SMEs in Ntungamo Municipality, the independent variable was conceptualized in terms of book keeping literacy and for the study to achieve its one of the objectives, book keeping literacy was regressed to assess its effect on financial performance. The results from analysis are presented in the model summary and coefficients tables below.

Table 1. 7: Regression model summary and coefficients for the effect of book keeping literacy on financial performance of SMEs

Model summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.304 ^a	.092	.077	9.421	.464

a. Predictors: (Constant), Book keeping literacy

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.892	.325		.000
	Book keeping Literacy	.224	.089	.304	.015

a. Dependent Variable: Financial Literacy

Source: primary data, 2019

From the tables 1.10 showing the model summary statistics above, a p-value = 0.015 that is less than 5% level of significance indicates that Book keeping literacy positively (Beta=0.224) predicts the financial performance and effect is significant at p-value < 0.05. Therefore, the predictive model developed from the findings is $FP = 2.892 + 0.224BKL$ where FP is financial performance and BKL is book keeping literacy.

An adjusted R² of 0.077 implies that an extra effort in ensuring proper book keeping knowledge and strategies among these SMEs explains and predicts significantly 7.7% variations in financial performance of SMEs in Ntungamo Municipality and the remaining 92.3% explained by other factors. Basing on such findings, the researcher therefore concludes that book keeping literacy significantly and positively affects financial performance.

Therefore, basing on the above findings on study objective two, the researcher concludes by rejecting the null hypothesis in favor of an alternative hypothesis that book keeping literacy positively and significantly affects financial performance of SMEs in Ntungamo Municipality

4.7.3 Regression Analysis for the effect of Budgeting literacy on financial performance of SMEs

In order to analyse the effect of financial literacy on financial performance of SMEs in Ntungamo Municipality, the independent variable was conceptualized in terms of Budgeting literacy and for the study to achieve its one of the objectives, regression analysis to assess its effect on financial performance was performed using SPSS. The results from analysis are presented in the model summary and coefficients tables below.

Table 1. 8: Regression model summary and Coefficients for the effect of budgeting literacy on financial performance of SMEs

Model Summary					
Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.194 ^a	.037	.021	8.642	.588

a. Predictors: (Constant), Budgeting Literacy

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
1 (Constant)	3.356	.374		.000
Budgeting Literacy	.091	.100	.114	.169

a. Dependent Variable: Financial Performance

Source: primary data, 2019

From the table 1.11 showing the model summary statistics above, a p-value = 0.167 that is more than 5% level of significance indicates that budgeting literacy among SMEs positively (Beta=0.091) predicts and affects their financial performance. however, its effect is insignificant at p-value > 0.05. Therefore, the predictive model developed from the findings is $FP = 3.356 + 0.091BL$ where FP is financial performance and BL is budgeting literacy.

An adjusted R^2 of 0.021 implies that an extra effort in ensuring effective budgeting literacy and strategies among these SMEs explains 2.1% variations in financial performance of SMEs in Ntungamo District however, these variations are not significant in affecting their financial performance. Basing on such findings, the researcher therefore concludes that budgeting literacy positively affects financial performance however much the effect that exists between the variables is not significant.

Therefore, basing on the above findings on study objective three, the researcher concludes by rejecting the null hypothesis in favor of an alternative hypothesis that budgeting literacy positively affects financial performance of SMEs in Ntungamo Municipality though its effect is not significant.

4.7.4 Regression Analysis for the effect of financial literacy on financial performance of SMEs

To address the purpose of the study aiming at examining the effect of financial literacy on financial performance of Small and medium enterprises in Ntungamo Municipality, a multiple regression analysis between three dimensions of an independent variable that included Debt management literacy, Book keeping literacy and Budgeting literacy and financial performance as a dependent

variable was conducted the results from analysis are presented in the model summary and coefficients tables below.

Table 1. 9: Regression model summary and Coefficients for the effect of financial literacy on financial performance of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	F-statistic	Std. Error of the Estimate	Sig
1	.418 ^a	.175	.116	6.869	.371	.025 ^a

a. Predictors: (Constant), Debt Management Literacy, Book Keeping Literacy, Budgeting Literacy

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.011	.470		.000
	Budgeting Literacy	.029	.105	.036	.483
	Book Keeping Literacy	.225	.096	.305	.022
	Debt Management Literacy	.072	.096	.095	.016

Source: primary data, 2019

From the tables 1.12 showing the model summary statistics above, a p-value = 0.025 that is less 5% level of significance indicates that budgeting literacy, book keeping literacy and debt management literacy among SMEs positively predicts and affects their financial performance and its effect of book keeping literacy and debt management literacy is significant at p-value < 0.05 whereas effect of budgeting is insignificant at p>0.05.

An adjusted R² of 0.116 from the findings implies that an extra effort in strengthening financial literacy in terms of possessing book keeping knowledge, budgeting competences as well as debt management knowledge and strategies among these SMEs explains 11.6% variations in financial

performance of SMEs. Basing on such findings, the researcher therefore concluded that financial literacy significantly affects SMEs financial performance.

Therefore, from the findings presented on the table 13, the predictive model developed by the study is $FP=3.011+0.029BL+0.225BKL+0.072BML$ where FP is financial performance, BKL is book keeping literacy, DML is debt management literacy and BL is budgeting literacy.

In conclusion, the study found out that financial literacy as a concept positively and significantly affect financial performance among these SMEs with an implication that enterprises which possess such skills, knowledge and competence in managing financial resources enjoy the benefits of enhanced financial performance than those which are financially illiterate.

CHAPTER FIVE

SUMMARY, DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS OF THE STUDY

5.1 Introduction

This chapter presents the discussions of findings, summary, conclusion and recommendations of the study that examined the effect of financial literacy on financial performance of SMEs in Ntungamo Municipality. It also explains how book keeping literacy, debt management literacy and budgeting literacy effect financial performance of SMEs. the chapter presents discussions on how the study findings relate to existing theory and findings from empirical studies.

5.2. Summary of the key findings

The study thought to investigate the effect of financial literacy on financial performance of SMEs in Uganda taking an empirical investigation in Ntungamo Municipality. Specifically, the study investigated the effect of debt management literacy, book keeping literacy and Budgeting literacy on financial performance. A sample of 97 SMEs was selected from a population of 130 SMEs where a response rate of 66% was obtained. The primary data was then collected through administering of questionnaires.

The study revealed that most of these SMEs get financial knowledge and skills through experiences with already established people and managers and conversation with friends and few learn from magazines, text books, tv shows as well as from schools (formal education).

The study further revealed that these SMEs give less attention to Debt management. However, much they borrow part of the capital invested in these enterprises, they tend not follow loan amortization schedules during paybacks, they don't even borrow exact amount of money needed to finance the business, some of them don't main maintain a loan account and end up paying with difficult.

The study further revealed that book keeping is also given attention to as it is evidenced by proper recording of all assets owned by an enterprise, most of these SMEs maintain both cash books and

business bank accounts separately, however, some of them don't separate petty cashbook from the main cashbook, don't do even collect bank statements for bank reconciliation purposes to establish the cause for the disagreements between the two separate accounts and some SMEs don't even record essential transactions. All this was evidenced by low mean scores.

Findings from the study revealed that these SMEs in Ntungamo tend to give attention to how budgeting is should be done by purchasing what's is budgeted for, preparing budgets for activates to be engaged in. however, most of their budgets don't run for a complete year and they don't normally budget for all their sales to be made in a period and they rarely budget for what they spend on every day.

The study revealed that some of these SMEs register low sales growth as evidenced by their sales not growing overtime due to the fact that they don't carry out sales' promotional activities. They also experience low market growth evidenced by selling less quantities than the competitors, most of these SMEs have not opened branches form different places however much some of these SMEs normally purchase more than the previous purchases.

Most of them indicated that their profits have been increasing form period to period, however, most disagreed on the fact that their incomes exceed the expenses incurred and most of these SMEs don't plough back the profits made during the period indicating a low profit growth.

The correlations were performed spearman's correlations coefficients to establish whether there exists the relationship between the variables and the finding revealed that book keeping literacy, Debt management literacy and budgeting literacy were all positively related to financial performance basing on their spearman's correlation coefficients.

In order to establish the effect of financial literacy on the financial performance of SMEs, regression analysis was performed and the findings revealed that debt management literacy, book keeping literacy and budgeting literacy positively affect financial performance. However, only the effect of budgeting literacy on financial performance is insignificant due to its high p-value (0.169) greater than 5% significant level. Therefore, though all dimensions of financial literacy have positive effect on the financial performance, they differ in their levels of significance.

5.3 Discussion of findings

In earlier chapters, the evidence regarding book keeping literacy, budgeting literacy and debt management literacy levels as well as financial performance levels was reported. Therefore, in this chapter, the discussion of these findings is given. The first section provides discussion about the first objective of the study, followed by the second and third objective.

5.3.1 The effect of debt management literacy on the financial performance of SMEs

Objective one of this study sought to examine the effect debt management literacy on financial performance of SMEs, a regression analysis was performed to determine how debt management affects financial performance. the study revealed that debt management literacy significantly and positively affects financial performance. the study reveals that with an adjusted $R^2 = 0.106$, debt management literacy predicts and explains 10.6% variations in financial performance of SMEs and effect is significant at $P < 0.05$.

From the study, a low level of debt management was revealed to be existing among these SMEs with a lower mean score of 2.52. this implies that most SMEs in Ntungamo Municipality don't have required knowledge, skills and competence in managing debts and the extent at which debt management is emphasized in many of these SMEs is moderately low irrespective of its significance effect on financial performance and the fact that many of these SMEs borrowed part of their capital invested.

Many of these SMEs don't follow loan amortization schedules during paybacks, they don't even borrow exact amount of money needed to finance the business, some of them don't even maintain a loan account and end up paying with difficult hence increasing debt maintenance costs leading to low profits made as Addaney et al., (2016) explains that improper debt management has the capacity to cause poor performance of small scale enterprises. Obago (2014) explains that individuals who are financially illiterate tend to borrow unknowledgeable end up opting to more expensive sources leading to increase cost of dent and this hinders performance in the loan run.

However, OECD, (2016) urged that sometimes SMEs with less debt management skills, knowledge and competence tend to avoid debts and borrow less and this limits their capital structure expansion causing a negative effect on their financial performance.

Basing on the above explanations therefore, debt management is a necessary competency that each SME requires to ensure its survival not to become over indebted. It is true that most SMEs operate on borrowed funds and therefore they need knowledge of how to manage external and internal debts and avoid struggling during debt payment payback.

In confirming the effect of debt management on financial performance, the study achieved its first objective and established that debt management significantly and positively affects and predicts financial performance of Small and Medium Sized Enterprises.

5.3.2 The effect of book keeping literacy on the financial performance of SMEs

The second objective of the study sought to assess the effect of book keeping literacy of financial performance of SMEs. To achieve this, a regression analysis was carried out to determine the magnitude and existence of effect between the variables. With adjusted $R^2 = 0.077$, the findings revealed that an extra effort in ensuring proper book keeping knowledge and strategies among these SMEs explains and predicts significantly 7.7% variations in financial performance of SMEs in

Ntungamo Municipality significant at $p < 0.05$ less than 5% significant level. A moderate high level of book keeping literacy with a mean score of 3.56 was established.

This implies that most of SMEs have skills, knowledge and competence in ensuring proper book keeping as evidenced in ensuring proper recording of assets, however some of SMEs proved to be lacking such skills as they don't separate petty cash book from the main cashbook, don't do even collect bank statements for bank reconciliation purposes to establish the cause for the disagreements between the two separate accounts and some SMEs don't even record essential transactions leading to low accountably of what they spend on and this results not low sales made and low profits at the end of the period hence threatening their survival.

As Bongomin et al.(2016) explained, book keeping knowledge and skills positively affect financial performance of firms as it is taken as basic accounting skills and fundamental competences needed for a firm to operate and grow efficiently .

Therefore, the declining financial performances of these Enterprise also attributed to how poor they keep their books as Chelimo and Sophia (2014) also pinned that proper book keeping positively enhances SMEs growth as measured by profitability and increased business expansion .

The study findings are further in agreement with Chepkemoi, Patrick, and Njoroge (2017) in that Small and medium Enterprise that ensure prosper record keeping are in position to determine their performance accurately in terms of profit growth as well as sales growth . conclusively, SMEs what fail to keep proper records of their transactions, fail to plan and budget effectively and this hinders effectively decision making due to lack of proper records as a basis for making decisions as Fatoki (2014) explains that such conditions limits their financial performance hence stunted growth and expansion.

Though book keeping simplifies business processes such as filing of tax returns, beach marking its performance with other similar or related enterprises and provide a basis for instituting relevant financial controls to prevent early business failures, most SMEs have failed to keep properly their records due to lack accounting knowledge and this has caused their performance to remain low and their growth to be stunted.

To answer the second objective of the study, the study therefore established that book keeping literacy significantly and positively affects the financial performance of SMEs in Ntungamo Municipality.

5.3.3 Effect of budgeting literacy on the financial performance of SMEs

The third objective of the study sought to assess the effect of budgeting literacy of financial performance of SMEs. To achieve this, a regression analysis was also carried out to determine the magnitude and existence of effect between the variables.

With adjusted $R^2 = 0.021$, the findings revealed that an extra effort in ensuring budgeting knowledge and strategies among these SMEs explains and predicts 2.1% variations in financial performance of SMEs in Ntungamo Municipality however, its effect is not significant ($p > 0.05$) at 5% significance level.

A moderate high level of budgeting literacy among the SMEs with a mean score of 3.55 was established. The above findings from the study implies that SMEs in Ntungamo Municipality tend to give attention to how budgeting is should be done by purchasing what's is budgeted for, preparing budgets for activates to be engaged in. however, with low scores, most of their budgets don't run for a complete year and they don't normally budget for all their sales to be made in a period and they rarely budget for what they spend on every day. Therefore, SME low performance is attributed to the poor budgeting process and budgetary controls as evidenced from the findings.

Effective budgeting and budgetary process and controls enhances performance inform of reduced unnecessary expenditures and this streamlines revenue and expenditure lines. This in return helps an enterprise in production cost reduction and increased supply revenues or net profits made. Presence of such controls enhances more formal budget planning which in turn escalates higher growth in sales and profit (Adomako and Danso, 2014)

As Sugioko (2010) explained , budgeting in any business affects positively its performance especially sales in that effective budgeting process results into increased sales revenues as well as budgetary performance. He explained more that presence of budgetary controls with in any business lead to growth in its profits.

However, these findings from the study indicate that budgeting literacy affect positively the financial performance of SMEs but its effect is insignificant as Gonçalves (2014) also explained that budgeting may have an effect on performance however, its effect can be insignificant in sense that it is a difficult process that needs participation which is affected by many conditions like likes diverting opinions on what items to spend on and therefore its hardly easy to ascertain its absolute effect on the financial performance.

Therefore, to confirm the effect of budgeting literacy on financial performance of SME, the study achieved its objective and established that budgeting literacy among SMEs positive affect their financial performance and absence of budgeting competence and knowledge on how much, what, how, where and when to spend is affecting and declining slowly their performance levels.

In conclusion of this section therefore, it is evidenced that budgeting literacy, book keeping literacy and debt management literacy affect positively financial performance of SMEs in Ntungamo municipality although the effect of budgeting literacy on performance is insignificant. Financial

literacy is a key to enhancement of financial performance. As Lusardi & Mitchell (2013) explained, financial literacy provides the knowledge and understanding of how business operations can be made and streamlined, what alternatives to be considered for investment decisions and ensuing effective accountability.

5.4 Conclusion

The study sought to examine the effect of financial literacy on financial performance of SMEs in Ntungamo Municipality. Based on the study findings, the study concludes that financial literacy has a significant and positive effect on financial performance of SMEs. These findings are consistent with earlier empirical studies reviewed in earlier chapters. Eniola and Entabang (2014) who established that financial literacy among SMEs enhance performance to a greater extent and ACCA (2017) also found out that lack of financial literacy and capacity has serious consequences for those of low incomes.

Basing on the findings of this study, the researcher rejected the null hypothesis in favor of an alternative hypothesis that book keeping literacy significantly affects and predicts financial performance of these SMEs and therefore implies high levels of book keeping literacy inform of skills, knowledge and competence to ensure proper record keeping among SMEs implies and leads to improved financial performance.

Basing on the study, the researcher also rejected the null hypothesis in favor of an alternative hypothesis that debt management literacy significantly and positively predicts financial performance and therefore concludes that availability of such skill, knowledge and competence a resource increases performance of SMEs in Ntungamo Municipality. However, the study concludes that budgeting literacy is also an important resource that an SMEs needs to enhance its performance even though its effect is not significant.

Therefore, SMEs should put much emphasis on acquiring and maintaining skills, knowledge and competences in ensuring that there is effective record keeping, budgeting for operational activities is done promptly as well as ensuring that both external and internal debts are managed efficiently so as to enhance their performance and such skills and knowledge should be maintained so as to win a competitive edge over other competing entities in an industry.

5.5 Recommendations

This study is a justification that SME owners and managers with enough financial literacy knowledge skills and competence to carry out businesses will enjoy more financial returns than those with less skill and knowledge.

Therefore, for these SMEs to enhance their financial literacy levels and boost their financial performance the following recommendations for SMEs, government through its ministries, development partners and others are put forward.

There is need to sensitize these SMEs about how, where and when to borrow money for their investments. Most of these SMEs are indented because their debt to equity ratio is high. Therefore, they need to understand the disadvantage of using borrowed capital for status especially after looking at prevailing economic conditions.

in spite the increasing focus on distributing money for startup business by the government, Government of Uganda should invest in instilling financial literacy knowledge to SMEs owners across the country. This can be done through holding of workshops at district levels, sub count levels as well as municipality levels and educating mangers, business owners on matters of financial management especially money management mattes and proper book and record keeping so to increase their financial returns from their SMEs as well as boost their growth.

In Most of these small and medium Sized enterprises, there is need to follow separate business concept of accounting. This concept explains that business and owners are two separate entities and therefore business activities should be separated from individual or owner's activities. This has killed most of these SMEs and many are remaining small because they are being on run family and owner basis and resources are withdrawn from the business now then. Therefore, owners should separate themselves from the business and employ people with skills, knowledge and competences to run these SMEs if they are to increase their financial performance.

It is evident that most of these SMEs get knowledge and skills from their fellow family friends and less in schools and books when most of the owners, employees and managers have attained formal education. Therefore, financial literacy trainings should be introduced in formal schools so that most people can get a chance of studying different financial management disciplines. it is indeed true that everyone needs to be financially discipline to go through daily challenges

5.6 Suggestions for further research

A replication of this study in other different sectors especially in micro enterprises as well as other parts of the Uganda would explain a complete picture of the significance of the financial literacy-financial performance effect in general and on the financial performance of micro, small and medium sized enterprise in particular.

The study conducted was conducted basing a small sample size. This is because of the limited and budget allocated for the study and therefore a further study should be conducted on a relative sample size.

The study only focused on three dimensions of financial literacy which included book keeping literacy, budgeting literacy and debt management literacy. However, there are a number of dimensions that conceptuses financial literacy. Therefore, further research should be conducted on

those other dimensions like accountability, saving, investment, expenditure literacy among SMEs for generalization of the results and fully establishment of the relationships and the effects that exist between financial literacy and financial performance.

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APPENDIX I: SURVEY QUESTIONNAIRE

Dear respondent,

This is an academic study investigating financial literacy and financial performance of SMEs in Uganda. We thus kindly request you to share your experience and knowledge in this study. The information you share will be kept with utmost confidentiality and only used for study purposes. You are hereby requested to spare some time and respond to the questions below. This study carried out under supervision Department of Management Science, School of Management and Entrepreneurship, Kyambogo University.

Should you require any additional information or wish to receive the findings from the study, please contact us on the following address and/or our contacts.

Tel. +256705988106/778361205

Email: carinda@kyu.ac.ug

SECTION A; Background characteristics of the respondents

1.) Gender of the respondents

Male

Female

2) Age of the respondents

Not more than 18yrs 19- 25 years 26-25 years 36-45 years

above 45 year

3. Education level of the respondents

Primary

Secondary

Tertiary

University

Others (please specify)

4. Form of business organization (please tick one)

Sole proprietorship

Partnership Private

limited company

Cooperative society

Joint venture

Others (please specify)

4) **How long has this business been operating?**

5. What is the source of financing of your business?

Borrowing (formal)

Savings

Borrowing (informal)

Others (please specify)

6 What is the size of this enterprise in terms of numbers employees employed?

1-4 employees

5-49 Employee

50 and above employees

7. Select the sector in which the enterprise is operating

Trade and commerc

Service

Manufacturing

SECTION B:

FINANCIAL LITERACY

8. How much did you learn about managing your money from the following? Key rate: 1 = Very low, 2= Low, 3= moderate, 4=high and 5 = Very high. Provide your response by showing one tick on each of the statements

	1	2	3	4	5
At home from my family friends					
At school in the class					
From conversations with friends					
From magazines, books tv shows					

From experience from existing business people, managers					
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Please indicate your degree of agreement with each of the statements in sections on whether you agree or not on the following items to illustrate different knowledge on specific areas in managing your business financing and activities. Provide a tick to express your response on only of the Key rate: 1 = Strongly Dis Agree, 2= Disagree, 3= Neutral, 4= Agree 5 = Strongly Agree with the statements provided

DIMENSIONS	SD	D	N	A	SA
Book keeping literacy					
in our business, we normally note down and record every transaction that takes place and we have records of all our receipts and payments for even the previous months and years					
We prepare a separate petty cashbook from the main business cashbook.					
We always keep both some money in cash at our business premises and some on our bank account					
we always compare what your bank account has with what is recorded in our cashbook to check whether balance is the same					
We always record down all our daily income received in our business and expenditure incurred.					
We record all the assets owned by the business					

We employ someone in charge of recording business records					
We keep all records in the head and therefore don't need books					
keeping all the transaction records of our business is wastage of time and resources.					
I am not sure of reasons why we should record all incomes we make and expenses we pay					
We often give out receipts after selling					
We often calculate our profits from the business every year					
We often interpret financial statements items					
We often record only essential transactions					
We often collect bank statements every month					

Budgeting literacy	SD	D	NS	A	SA
We always know the reasons why we budget for our expenses we incur and even the incomes we generate.					
We always go through the whole process of budget until it is implemented.					
Our budgets always run for a complete year					
Our budget is normally prepared continuously					

We always prepare a budget for any activity we engage ourselves in					
We normally work within our budget in both income and expenditure					
We always overstate the expenditures and understate the expected incomes (budget slack)					
We normally spend more money than what we budget to for and we end up adding in more					
All employees are involved in budgeting processing					
We always the budget for what we spend everyday					
We always prepare budget for all sales we are likely to make in a month.					
We always purchase what is budgeted for.					
We normally forecast for our transactions before we budget.					
We normally budget basing on the previous budget					
Debt Management Literacy.					
We borrowed part of my capital					

We prepare a loan payment plan for my business and we always know how much to pay after a given period of time					
We prefer borrowing from sources with low interest.					
We often maintain a loan account for the loans we acquire					
Borrowing is highly risky and we always avoid it					
We have been paying our loans with no major difficult					
We often prefer financing our business using money that is borrowed from outside than putting in our own money.					
we often borrow the exact amount of money we need in the business.					
we cannot do business without borrowing money from outside parties.					
We prefer reducing balance method to fixed method of interest payment					

7. Suppose you have some money. Is it safe to put your money into one business or investment, or to put your money into multiple businesses or investments?

One business or investment; multiple businesses or investments;
 don't know; refused to answer

8. Suppose over the next 10 years the prices of the things you buy double. If your income also doubles, will you be able to buy less than you can buy today, the same as you can buy today, or more than you can buy today?

less; the same; more; don't know;

9. Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add more money to your account the second year than it did the first year, or will it add the same amount of money both years?

More; The same; Don't know; Refused to answer

SECTION C

Financial performance of SMEs

Could you please indicate the degree of agreement or disagreement with each one of the following statements about your organization?

Key: **SD** = Strongly Dis Agree, **D**= Disagree, **N**= Neutral, **A**= Agree and **SA** = Strongly Agree

Please indicate your degree of agreement with each of the statements in sections A by showing one tick on each statement

SALES GROWTH	SD	D	N	A	SA
Our sales have been growing over time					
What we sell every day or every month sales keep changing					
I don't know anything about our sales made					
We often carry out sales' promotional activities.					
MARKET GROWTH					
We sell more quantities than our competitors in the region					
Our customers have been increasing over time					

We often purchase more than a previous purchase					
Our operation branches have been increasing					
Many enterprises are entering into the same business we are doing					
PROFIT GROWTH					
Our profits have been increasing from time to time					
Our incomes often exceed the expenses we incur					
The proportion of the profits we save annually keeps increasing					
Our business expands every year					
We often add back some of the profits we always make to the business					

THANK YOU FOR YOUR ASSISTANCE

APPENDIX II: TABLE FOR SAMPLE SIZE DETERMINATION

Population size	Sample size	Population size	Sample size	Population size	Sample size
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Krejcie, Robert V., Morgan Daryle W., *“Determining Sample Size for Research Activities”*, Educational and Psychological Measurement, 1970