

**DYNAMIC CAPABILITIES, FINANCIAL LITERACY AND FINANCIAL
RESILIENCE AMONG SMALL AND MEDIUM ENTERPRISES IN KAMPALA
CAPITAL CITY**

BY

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**A DISSERTATION SUBMITTED TO THE DIRECTORATE OF RESEARCH AND
GRADUATE TRAINING IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION OF KYAMBOGO UNIVERSITY**

OCTOBER, 2024

DECLARATION

I, **Mugoya Micheal**, declare that the information provided in this research report is my original work and has never been presented in any institution of higher learning for any academic award, and any material that is not my original work, the authors have been acknowledged.

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APPROVAL

This is to certify that this research report entitled “*Dynamic Capabilities, Financial Literacy and Financial Resilience among Small and Medium Enterprises in Kampala Capital City*” has been under our supervision and we hereby approve it for submission to the Directorate of Research and Graduate Training for examination.

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DEDICATION

I would like to devote this work to the Almighty God for his grace and gift of life. *Philippians*

1: 6 “Being confident of this very thing, that he, who started good work in me will perfect it unto the day of Christ” I do all things through Christ who gives me strength”.

ACKNOWLEDGEMENT

I wish to express my gratitude to the Almighty God for thus far I have come with my studies. My sincere and heartfelt thanks go to my mother and all who have supported me in many ways to come up with this paper and to conclude my studies at Kyambogo University. In a special way, my supervisors Dr. Samuel Eyamu (PhD) and Dr. Samuel Mayanja Ssekajja (PhD) for the close and insightful guidance accorded to me throughout this research period you're a very big inspiration to me! I humbly appreciate Kyambogo University for having admitted and offered me a chance to study from at a mighty university and all the staff of the School of Management and Entrepreneurship for the resourceful knowledge you have passed on to me during my study. My classmates Joab, Madinah, December and Joshua and friends your kind support is a great engine to this piece of work and humbly appreciate you for all the resourceful knowledge you have passed on to me during my study at Kyambogo University. I appreciate the support and encouragement from my friends during my time at Kyambogo University and their insights in developing this paper. May the good Lord bless you all!

LIST OF ACRONYMS

DCT	Dynamic Capabilities Theory
RBV	Resource-Based View
SMEs	Small and medium-sized enterprises
GDP	Gross Domestic Product
UIA	Uganda Investment Authority,
KCCA	Kampala Capital City Authority
USA	United States of Africa
CVI	Content Validity Index
SPSS	Statistical Package for Social Sciences
MRA	Multiple Regression Analyses
APA	American Psychological Association
IFRS	International Financial Reporting Standards

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ABSTRACT

The study focused on Dynamic Capabilities, Financial Literacy and Financial Resilience in SMEs in Kampala Capital City. The study was guided by four objectives, which are to; assess the relationship between dynamic capabilities and financial resilience of SMEs, establish the relationship between dynamic capabilities and financial literacy of SMEs, examine the relationship between financial literacy and financial resilience of SMEs and assess the mediating role of financial literacy on the relationship between dynamic capabilities and financial resilience of SMEs. The study employed a cross-sectional survey research design with a quantitative research approach. Out 76639 SMEs, the study targeted sample size 382 participants who were determined following (Krejcie & Morgan, 1970) statistical table but 274 participants managed to respond back showing a response rate of 71.7 percent. The respondents were selected using a simple random sampling technique. Data was collected using a closed-ended questionnaire and analysis was done using Social Package for Social Scientists to generate means, standard deviation, correlation, and regression. The study findings revealed that there was a positive and significant relationship between dynamic capabilities and financial resilience at ($r = .355^{**}$, $p < .05$), a significant and positive relationship between the financial literacy and financial resilience of SMEs at ($r = .577^{**}$, $p < .05$) and lastly, there was a positive and significant relationship between dynamic capabilities and financial literacy at ($r = .448^{**}$, $p < .05$). The linear regression analysis revealed that dynamic capability influenced financial resilience by ($B = .338$, $p = .000 < 0.05$) while financial literacy influenced financial resilience by ($B = .513$, $p = .000 < 0.05$). Multiple regression analysis revealed that demographic characteristics predicted financial resilience by only 0.05 percent while a combination of demographic characteristics, dynamic capabilities and financial literacy positively predicated financial resilience of SMEs with 33.7 percent. The study concluded that financial literacy was the major predictor of financial resilience of SMEs. It was recommended that future researchers should incorporate a mixed-methods approach and employ proxy measures to complement self-reporting data and reduce the impact of response bias. Ministry of Education and Sports should establish and collaborate with all education institutions to integrate financial education into the school curriculum. Ministry of Finance, Planning and Economic Development should design and implement training programmes aimed at enhancing the financial literacy of entrepreneurs. SME owners and managers should to prioritize and invest in the development of dynamic capabilities by fostering a proactive approach, embracing change, encouraging innovation, and strategically allocating resources. SME owners and managers ought to invest in improving their financial literacy together with their employees through further studies. Finally, there is a need to integrate financial literacy training programmes into business dynamic capability frameworks.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents background to this study, the statement of the problem, study objectives, research questions, and hypotheses. It further proposes the conceptual framework, scope of the study, its justification, the significance and operationalized definitions of key concepts.

World over, the SMEs that have resources such as good management and governance have the capacity to withstand financial shocks and recover quickly from adverse events, such as economic downturns, natural disasters, or unexpected changes in the market, as a result of financial resilience (International Finance Corporation, 2019). Furthermore, there is still limited understanding of how SMEs can prepare for and recover from such shocks (Ravindranath & Datta, 2020). It was important to carry out this study to take a holistic approach to financial resilience, addressing both internal and external factors that contribute to SMEs' financial stability.

1.2 Background to the Study

1.2.1 Historical Background

Financial resilience is a concept that has been developed over time in response to economic shocks and crises. The idea of financial resilience can be traced back to the credit crisis of 1772 to 1774, following a period of quickly growing credit. A significant bank partner named Alexander Fordyce lost a sizable sum by shorting shares of the East India Company and fled to France to avoid paying back his losses. More than 20 significant banking institutions went bankrupt or ceased making payments to depositors and creditors as a result of a run-on English bank that was sparked by panic. Much of Europe was rapidly affected by the crisis as the economies of the countries and companies collapsed.

In the early 1800s during the 1819–1822 depression as this financial crisis was the first major economic downturn in the United States. It resulted from the burst of a speculative bubble in land and the contraction of credit (Bierman & Smidt, 2012). This was followed by a depression from 1854-1873. This crisis, also known as the Long Depression, originated in the United States but had global implications. It was triggered by the failure of a prominent investment bank and led to a prolonged period of economic contraction (James, 1993).

The Stock Crash of 1929 caused share values to fall for more than a dozen years, the Great Depression was felt on a global scale as numerous businesses stopped operating about 80%. The social effects persisted much longer. A significant excess of commodity crops was one of the factors that caused the crash. This led to a sharp drop in price as the financial stamina of various enterprises was put to the test. The catastrophe led to the introduction of numerous laws and methods for controlling the market.

The concept of financial resilience gained further prominence in the 1970s and 1980s, when there were several major economic shocks, including the oil crisis and the collapse of the Bretton Woods system (Brahim, 2010; Chenjing et al., 2023). In response to the Yom Kippur War, which Israel supported, OPEC members imposed an oil embargo in October 1973. An oil barrel cost \$12, up from \$3 when the embargo ended. Since modern economies are dependent on oil, the rising costs and unpredictability caused the stock market crisis of 1973–1974, a period during which a bear market extended from January 1973 to December 1974 and the Dow Jones Industrial Average lost nearly 45% of its value. During this period, financial institutions began to focus more on risk management and the importance of building resilience into their operations.

In the early 2000s, the concept of financial resilience was put to the test again with the global financial crisis of 2008. The crisis highlighted the importance of building resilience into financial systems and institutions and led to a renewed focus on risk management and regulatory reform (Alesi, 2008). The Global Financial Crisis of 2007–2008 was the greatest economic catastrophe since the 1929 stock market crash. When investment bank Lehman Brothers failed in September 2008, the subprime mortgage lending crisis that had begun in 2007 grew into a global banking crisis. Massive bailouts and other measures intended to stop the damage's spread proved short, and the world economy entered a recession.

Today, financial resilience remains an important concept in finance and economics, particularly as the world faces ongoing economic challenges such as the COVID-19 pandemic and its economic fallout mostly with SMEs businesses. The impact of the COVID-19 pandemic on the financial resilience of SMEs worldwide dipped by around 7.7%, a 5-year single-day low. Investor sentiment can reflect the general market trend and market vitality. The concept is now recognised as an important component of overall economic stability and is considered essential for ensuring the long-term prosperity and growth of all businesses (Chenjing et al., 2023). This formed the basis for examining the relationship between dynamic capabilities, financial literacy, and financial resilience among small and medium enterprises in Kampala Capital City.

1.2.2 Theoretical background

This study was guided by two theories: resource-based view (RBV) theory and dynamic capabilities theory (DCT). The resource-based view theory was developed by Jay Barney and Birger Wernerfelt in 1980. The theory states that a firm's unique bundle of resources, both tangible and intangible, can be a source of sustained competitive advantage when they are valuable, rare, difficult to imitate, and non-substitutable. The resource-based view assumes

that a firm's resources and capabilities, rather than its industry or external environment, are the primary determinants of its financial resilience and sustained competitive advantage (Kraaijenbrink et al., 2022). The key aspect of the resource-based view theory is the VRIN criteria, which are used to determine the potential of a firm's resources and capabilities to generate competitive advantage (Hong & Lee, 2015). On the other hand, the theory is not free of limitations. Critics such as Bornstein and Languirand (2018) and Ehlers and Viswesvaran (2021) argue that the RBV theory lacks a clear framework for identifying and measuring resources and capabilities, making it difficult to apply in practice. However, the resource-based view theory can be applied in the study since it emphasises that SMEs with valuable resources, such as intellectual property, skilled employees, and technology for innovation, are more financially resilient than those that do not have such resources.

To overcome the weaknesses identified in the resource-based view theory, the study also adapted the dynamic capabilities theory (DCT), which was developed by Teece, Pisano, and Shuen in 1997. The DCT is widely influential in management and strategy research and states that a firm's ability to sense and respond to changes in its environment, reconfigure its resources and capabilities, and shape its competitive position is essential for achieving and maintaining competitive advantage (Teece et al., 1997). DCT assumes that firms possess unique bundles of resources and capabilities, and there is significant heterogeneity across firms in terms of their resource endowments. This heterogeneity is a key driver of competitive advantage.

The strength of the DCT lies in its three key processes: sensing opportunities and threats, seizing opportunities, and reconfiguring the organisation's resources and capabilities (Helfat & Peteraf, 2015). Empirical studies have provided support for the DCT, showing that firms with greater dynamic capabilities outperformed their peers over time and were more likely to

successfully enter new markets and launch new products (Zhang et al., 2019). The DCT was highly significant and influential in examining both internal and external resources and competencies in response to changes in the business environment. This gave it a strong ground to be based on to examine the relationship between the dynamic capabilities, financial literacy, and financial resilience of SMEs.

1.2.3 Conceptual background

In this study, the key concepts are dynamic capabilities, financial literacy, and financial resilience of small-scale enterprises. Dynamic capabilities are understood as the capacity of an organization to adjust and adapt to changing surroundings, particularly in the presence of complexity and ambiguity (Teece, 2018). This is the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. It emphasises that the ability to react adequately and timely to external changes requires a combination of multiple capabilities (Qaiyum, Sameer, Wang, & Catherine, 2018). However, what is not known is the combination of multiple capabilities needed to timely respond to shocks that may affect the firm's financial resilience. Small and medium-sized organisations (SMEs) are seen to need dynamic capabilities. What needs to be known are the resources and skills that SMEs use to take advantage of new opportunities and counteract risks. In this study, dynamic capabilities will take the form of flexibility, resource allocation, and collaboration.

Financial literacy is a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2020). However, what is not known is how financial literacy is the entrepreneurs' ability to understand and effectively use various financial skills to improve financial resilience (Dewi et al., 2020). Therefore, it is important to know how financial

literacy programmes used by SMEs focus on the management of businesses' financial resources to increase firm's financial resilience. In this study, financial literacy will be looked at in the form knowledge by SMEs operators in the form of skills and values.

Financial resilience is understood as the ability of an organization to withstand financial shocks and recover quickly from adverse events, such as economic downturns, natural disasters, or unexpected changes in the market (International Finance Corporation, 2019). In the context of small and medium-sized enterprises (SMEs), what is not known is how financial resilience is particularly important in businesses that operate with limited resources and face higher levels of risk compared to larger firms (Hagen and Zülch, 2020). There is a need for SMEs to know how they can remain financially resilient despite having limited resources or facing risks. However, in this study, financial resilience will be looked at in the form of SMEs adaptability, bounce-back recovery, cash flow stability, and liquidity.

1.2.4 Contextual background

Small and medium-sized enterprises (SMEs) account for 90% of the whole private sector in Uganda, employ 80% of the labour force, and contribute up to 33% of the country's GDP (UNECA, 2020). Kampala, the capital city where the majority of commercial activity occurs, is home to over 80% of Uganda's SMEs. According to UBOS (2014), Kampala is home to the majority of SMEs, while Hatega (2007) found that the majority of SMEs operate in Kampala Capital City and deal in trading.

Although small and medium-sized businesses (SMEs) make a significant contribution to the Ugandan economy, the potential of the SMEs has not yet been fully realized, which is a concern for all economic stakeholders (Uganda Investment Authority, [UIA], 2021). These exact issues are prevalent elsewhere. The performance of SMEs in Uganda is still below expectations (UIA, 2021), and this poses a threat to the Ugandan economy since SMEs are

significant contributors to GDP. Despite numerous initiatives taken by the government of Uganda to improve and promote the business environment and lower the cost of compliance with business regulations, the situation has not improved.

According to Wusam and Yusoff (2019), the business mortality rate of SMEs in Uganda has increased in spite of their fast start-ups. In an effort to improve their financial resilience, SMEs have been encouraged to improve their financial literacy and their dynamic capabilities (Atingi-Ego, 2022). They are trained how to earn, spend, plan, budget, save, borrow, and invest, among others (KCCA Abstract Report, 2019). In spite of efforts, SMEs, especially those dealing in wholesale, have continued to collapse, and no recent study has focused on the study combining financial literacy, dynamic capabilities, and financial resilience. This motivated the researcher to examine the relationship between the dynamic capabilities, financial literacy, and financial resilience of SMEs in Kampala Capital City.

1.3 Statement of the Problem

Over 800 SMEs in the United States faced financial concerns, mostly cash flow management, access to capital, and economic uncertainty (PayPal, 2018). Similarly, around 4,000 SMEs in Europe during the COVID-19 pandemic were exposed to financial shocks, with many businesses struggling to survive due to a sudden decline in demand and disruptions to their supply chains (Bartik et al., 2020; European Commission, 2021). Financial resilience is the ability of an organisation to withstand financial shocks and recover quickly from adverse events, such as economic downturns, natural disasters, or unexpected changes in the market (International Finance Corporation, 2019). The proportion of small businesses with a "good" or "very good" financial resilience rating is only 54% globally, but only 39% in Africa, as few SMEs have dealt with shocks such as natural disasters or pandemics.

In Africa, particularly South Africa, SMEs face various challenges in obtaining financing, including high interest rates, collateral requirements, and limited financial literacy. Only 20% of SMEs have access to formal credit, which hampers their ability to build financial resilience (African Development Bank, 2019). This leaves them vulnerable to financial shocks. Over 87% of SMEs predict that their businesses will not survive the COVID-19 shock (Harrison, 2020).

In Uganda, approximately 40% of SMEs collapsed during the COVID-19 pandemic due to their lack of financial resilience (Asiimwe & Tumwebaze, 2022; Kaggwa & Kavuma, 2020; Ssendi & Nalukenge, 2020). That said, Dzokoto and Amoah (2020) emphasised that for businesses to remain financially resilient, employees should be financially literate and have the capabilities to handle different business dynamic situations. To address these challenges, SMEs have increasingly turned to improving dynamic capabilities and financial literacy of their employees, as these are sought to offer a range of benefits, including improved adaptability, bounce back recovery, cash flow stability and liquidity as a way improving financial resilience. However, what was not known was how dynamic capabilities, financial literacy, and financial resilience are related. Therefore, this study sought to investigate the relationship between dynamic capabilities, financial literacy, and financial resilience among SMEs.

1.4 Purpose of the Study

The purpose of this study was to examine the relationship among dynamic capabilities, financial literacy, and financial resilience in small and medium enterprises in Kampala Capital City.

1.5 Research objectives

- i) To assess the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.
- ii) To establish the relationship between dynamic capabilities and financial literacy of SMEs in Kampala Capital City.
- iii) To examine the relationship between financial literacy and financial resilience of SMEs in Kampala Capital City.
- iv) To assess the mediating role of financial literacy on the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.

1.6 Research questions

- i) What is the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City?
- ii) What is the establish the relationship between dynamic capabilities and financial literacy of SMEs in Kampala Capital City
- iii) What is the relationship between financial literacy and financial resilience of SMEs in Kampala Capital City?
- iv) What is the mediating role of financial literacy on the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City?

1.7 Hypotheses

H₁: There is a positive and significant relationship between dynamic capabilities and financial resilience of SMEs.

H₂: There is a positive and significant relationship between dynamic capabilities and financial literacy of SMEs

H₃: There is a positive and significant relationship between financial literacy and financial resilience of SMEs.

H₄: Financial literacy significantly mediates the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.

1.8 Conceptual framework

The conceptual framework shows a relationship between variables in the study (Bryman, 2018).

This conceptual framework was developed by the researcher in regard to the concepts of dynamic capabilities, financial literacy and financial resilience of SMEs to show how these variables are linked to each other.

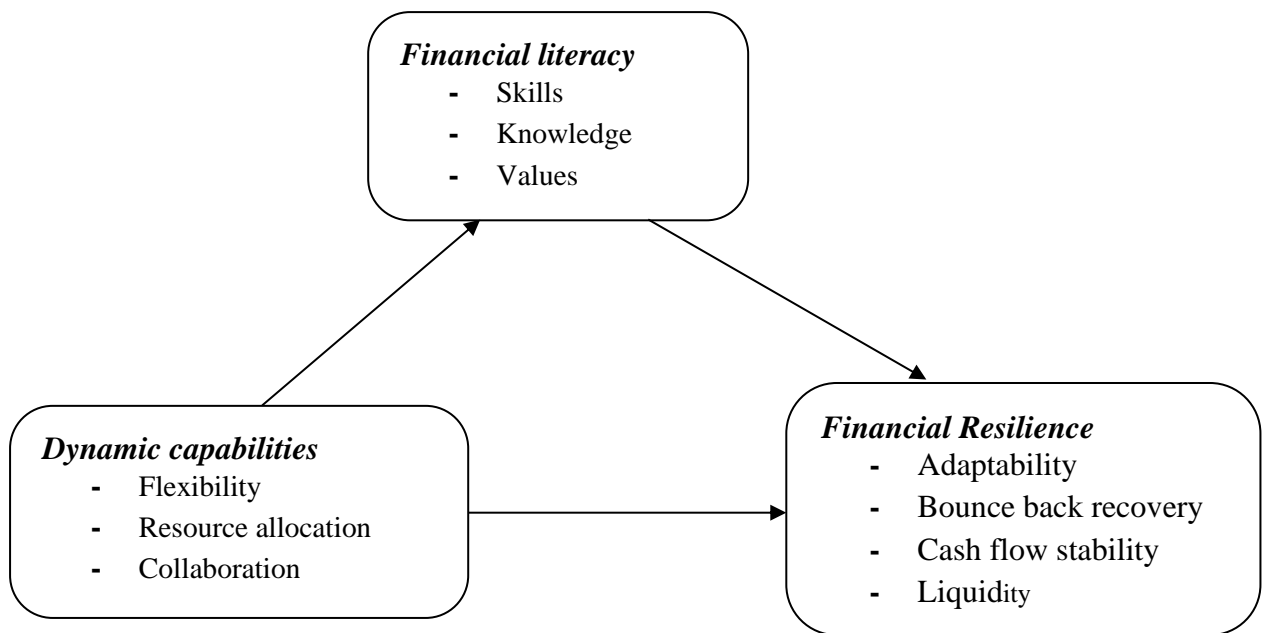


Figure 1: Conceptual Framework

Source: Wang & Ahmed, (2007), Sam & Van Hoang, (2019) and Van der Walt & Du Preez, (2021) and Blundel & Smith, (2019), Klyver & Foley, (2017).

From the conceptual framework, dynamic capabilities, which were the independent variables based on Wang & Ahmed (2007), were measured in terms of flexibility, resource allocation, and collaboration. Then financial literacy, which was the mediating variable, was measured by Sam & Van Hoang (2019) and Van der Walt & Du Preez (2021) in the form of skills,

knowledge, and values. On the other hand, the financial resilience of SMEs, which was the dependent variable, was measured by Blundel & Smith (2019) and Klyver & Foley (2017) in the form of adaptability, bounce-back recovery, cash flow stability, and liquidity of SMEs.

1.9 Scope of the Study

1.9.1 Geographical Scope

The study was conducted in Kampala, Capital City, among the small and medium enterprises located in the central region of Uganda. Kampala Capital City was considered because it had the largest portion of SMEs in Uganda and because it was the capital city.

1.9.2 Content Scope

The study focused on the relationship between dynamic capabilities, financial literacy, and financial resilience. This study was conducted because of the increased failure of SMEs as a result of financial. However, what was not known was how financial literacy and dynamic capabilities were related to financial resilience. Therefore, this study ascertained the relationship that exists between those study variables.

1.9.3 Time scope

The study focused on literature from 2019 to 2022 due to COVID-19, which affected all businesses, including SMEs. During this period, the financial resilience of SMEs was put to the test. It was during this period that several SMEs experienced financial performance challenges in Uganda, and the majority collapsed. The study period ran from March 2023 to March 2024.

1.10 Significance of the Study

For learning institutions and researchers, the study may add to the body of information on the financial literacy, dynamic capabilities, and financial resilience of SMEs in Uganda.

Academicians and researchers who may need to advance their expertise in this field of study will be interested in this research paper. It may also serve as a literature resource for future researchers or students.

For policymakers, the results of this study may help the government access relevant information on the expectations of SMEs as regards financial literacy and capabilities. This may enable the formulation of policies and regulations that favour SMEs to improve their financial literacy and dynamic capabilities to foster financial resilience.

For SMEs, the findings from the study may add value to SMEs and other organisations as they will get to know the nature of financial literacy and the dynamic capabilities needed to run the business in order to remain financially resilient.

To development partners, understanding the factors that influence SMEs' financial resilience may enable development patterns such as financial institutions and support organisations to tailor their services and support mechanisms to enhance SMEs' financial capabilities and resilience.

1.11 Justification of the Study

Businesses that take the issue of financial resilience seriously stand a chance to compete favourably and remain in operation for a long time (World Economic Forum Report, 2021). However, businesses, mostly SMEs, had for a long time failed to remain financially resilient as a result of failing to take keen interest in elements of dynamic capabilities and financial literacy that influence financial resilience (Bartik et al., 2020; Asimwe & Tumwebaze, 2022). Therefore, this study was necessary to create awareness among business owners about how dynamic capabilities and financial literacy influence a business's financial resilience. Furthermore, though there were some studies that focused on financial literacy, dynamic

capabilities, and financial resilience, much of them had been studied separately; no study has been carried out combining all three variables. That said, much of the studies by Rahman, Alam, and Alam (2021), Nguyen et al. (2021), Adedeji et al. (2020), Tahir et al. (2019), Jiranyakul and Sasiwimonkul (2018), Ochigbo et al. (2018), Kautonen et al. (2018), Chandler and Jansen (2018), among others, were conducted outside Uganda in the USA, Europe, and countries like Nigeria, Ghana, and South Africa, among others, which were more developed than Uganda. This meant there was limited information regarding dynamic capabilities, financial literacy, and financial resilience in the Ugandan context, which this study sought to solve.

1.12 Operational definitions of concepts

Dynamic capability: This is the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece, 2018).

Financial literacy is the possession of a set of skills and knowledge that allows an individual to make informed and effective decisions with financial resources (Cuevas-Cubria et al., 2019).

Financial resilience: This is the ability of the business to withstand shocking events that impact its income or assets (Chui et al., 2019).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on relationship between dynamic capabilities, financial literacy and financial resilience of SMEs, with the motive of identifying research gaps for the current study. The chapter begins with a theoretical review and empirical studies guided by research objectives are additionally reviewed.

2.2 Theoretical Review

This study was anchored by the Resource-Based View (RBV) Theory of the Firm and Dynamic Capabilities Theory.

2.2.1 Resource-based view

The study was anchored on the firm's RBV theory. This is a perspective in strategic management theory that emphasises the importance of firm-specific resources in achieving sustainable competitive advantage (Teece et al., 2016). The RBV Theory of the Firm was developed by a management scholar (Jay Barney in 1990), who argued that a firm's resources and capabilities, rather than its industry or external environment, are the primary determinants of its financial resilience and sustained competitive advantage (Kraaijenbrink et al., 2022).

The theory assumes that resources and capabilities are not perfectly mobile across firms and that it is difficult for competitors to acquire the same resources and capabilities (Barney, 2018). Therefore, the theory emphasises dynamic capabilities and the importance of a firm's ability to build and develop new resources and capabilities over time in order to sustain its competitive advantage (Teece, Pisano, & Shuen, 1997; Grant, 2016). Additionally, firms

need to continuously monitor their resources and capabilities to ensure that they remain relevant and effective in the face of changing market conditions (Grant, 2016).

As indicated by the resource-based view theory, businesses with sound governance and management are better equipped to predict customer demand for their goods and services. Budgeting and decision-making are done correctly when management is informed and competent. Hong and Lee (2015) assert that resources are helpful in determining a firm's capacity to produce a competitive advantage and superior performance. However, the critics of the RBV theory of the firm argue that it lacks a clear framework for identifying and measuring resources and capabilities, making it difficult to apply in practice (Bornstein & Languirand, 2018). The firm has both tangible and intangible assets. Intangible resources include things such as knowledge, research and development, reputation, experience, credibility, and staff skills. It speeds up the growth of other resources as a competitive advantage for an organisation with an edge in all such factors. Once the organisation has strong intangible assets, it will speed the growth of other resources. Even better, since it is often hard for competitors to see from the outside exactly what these intangibles are and to work out how to collect them, they can give you a sustainable advantage.

That said, the RBV theory is applicable in this study because it clearly brings out that SMEs that possess valuable resources, such as intellectual property, skilled employees, and use technology for innovations, are more financially resilient than those that do not have such resources. The RBV theory can be applied to SMEs in the context of financial resilience, since firms with strong resource bases are better able to withstand economic shocks.

2.2.2 Dynamic Capabilities Theory

To overcome the weaknesses identified in the resource-based view, the study was also anchored on the Dynamic Capabilities Theory (DCT), which was developed by Teece,

Pisano, and Shuen in 1997. According to the theory, a business can use its core competencies to modify short-term competitive positions to build a long-term competitive advantage (Teece et al., 1997). Small and medium enterprises must mix, grow, and restructure both internal and external skills to remain relevant in a continuously changing environment. In order to manage their internal and external resources efficiently, firms can use this idea to help them adapt their resources to new business ecosystems. The idea also contends that firms with great dynamic capacities are more likely to generate anomalous returns, leading to financial resilience (Helfat & Peteraf, 2015).

The DCT theory recognises the complex interactions within a business, as entities ought to be flexible enough to allocate resources and collaborate with other businesses in order to understand long-term enterprise performance and realise the objectives of their businesses. Teece's perspective on dynamic capability places corporate agility as the key to the survival of any business. This means that SMEs must be able to seize opportunities and adapt to changes in the environment by enhancing their financial literacy and dynamic capabilities (Stanley & Karugu, 2022). Dynamic capabilities are crucial for seeing opportunities and risks, adapting current strategies, structures, and technologies to take advantage of opportunities or fend off dangers, and boosting financial resilience (Kurtz and Varvakis 2016).

This theory is significant to the study because, by incorporating DCT alongside the resource-based view theory, the study addresses the limitations identified within the resource-based view theory, thus providing a more comprehensive framework for analysis. DCT's emphasis on a firm's ability to sense and respond to changes in its environment, reconfigure its resources and capabilities, and shape its competitive position aligns well with the dynamic nature of SMEs operating in volatile markets. Secondly, DCT's recognition of the

heterogeneity across firms in terms of their resource endowments emphasises the importance of understanding how SMEs' unique bundles of resources and capabilities contribute to their competitive advantage and financial resilience. Lastly, the three key processes highlighted by DCT sensing opportunities and threats, seizing opportunities, and reconfiguring resources and capabilities offer a structured approach to examining the interplay between dynamic capabilities, financial literacy, and financial resilience in SMEs. Empirical support for DCT further reinforces its relevance, indicating that SMEs with greater dynamic capabilities are more likely to navigate financial challenges effectively, enter new markets, and innovate, thus contributing to their overall financial resilience and sustainability.

2.3 Conceptual Review

The study conceptual review has been presented as per the study variables.

2.3.1 Dynamic capabilities

Dynamic capabilities refer to an organisation's ability to adapt and respond to changing environments, particularly in the face of uncertainty and complexity. Dynamic capabilities are considered to be critical for small and medium-sized enterprises (SMEs) because they enable firms to adjust their resources and capabilities to exploit new opportunities and mitigate threats (Teece, 2018). The key indicators of dynamic capabilities include flexibility, resource allocation, and collaboration.

(i) Flexibility

Flexibility in SMEs refers to the ability to adapt, adjust, and respond to changes in the business environment. It involves being able to modify strategies, operations, processes, and structures to effectively address market fluctuations, customer demands, technological advancements, and competitive pressures. Lopez-Nicolas and Meroño-Cerdán (2011) argue

that the role of managerial flexibility in shaping dynamic capabilities and performance in small firms is important.

(ii) Resource allocation

Resource allocation refers to the process of distributing and allocating resources, such as financial capital, human resources, and physical assets, within an organisation (La Rocca et al., 2020). It involves making strategic decisions regarding how resources should be allocated to different projects, departments, or activities to achieve organisational goals effectively (Cs et al., 2019).

(iii) Collaboration

Collaboration refers to the act of working together with others to achieve a common goal or objective. It involves sharing knowledge, resources, and efforts among individuals, teams, or organisations to accomplish tasks or solve problems. (DE Silva et al. 2020) conducted a study on Sri Lankan SMEs and explored the relationship between collaboration and dynamic capabilities.

2.3.2 Financial literacy

Financial literacy is the knowledge and understanding of financial concepts and principles that enables individuals to make informed and effective decisions regarding their business and personal finances (International Finance Corporation, 2019). Financial literacy has become increasingly important in recent years due to the complex nature of financial products and services, the changing landscape of retirement and savings plans, and the prevalence of debt. The key components of financial literacy include skills, knowledge, and values.

(i) Skills

Skills refer to the practical abilities and competencies required to manage personal or organisational finances effectively (Lusardi & Mitchell, 2014). These skills encompass a range of financial activities, such as budgeting, saving, investing, borrowing, and making informed financial decisions.

(ii) Knowledge

Knowledge refers to an individual's understanding and awareness of financial concepts, principles, and facts (Klapper, Lusardi, & van Oudheusden, 2015). Financial knowledge highlights the importance of promoting financial well-being.

(iii) Values

Values refer to an individual's beliefs, attitudes, and principles related to money and financial matters (Klontz & Britt, 2012). These values influence one's financial behaviours, decision-making, and overall financial well-being. While financial values are often less tangible than financial knowledge or skills, they play a crucial role in shaping an individual's financial choices.

2.3.3. Financial resilience

Financial resilience is the ability of a firm to withstand and recover from financial shocks, such as economic downturns, market disruptions, and natural disasters (Chui et al., 2019). It can be viewed from the dimensions of adaptability, bounce-back recovery, cash flow stability, and liquidity.

(i) Adaptability

Adaptability refers to the ability to adjust, modify, or change in response to new circumstances, challenges, or opportunities. This flexibility helps them mitigate financial

risks, optimise cash flow, and maintain financial stability during challenging periods (McKinsey, 2020).

(ii) Bounce-back recovery

Bounce-back recovery refers to the ability of a business or organisation to recover quickly from a setback or adverse event, such as a financial crisis, economic downturn, or unexpected disruption (Bouncken & Kraus, 2016). It involves the ability to regain financial stability, restore operations, and return to a state of normalcy.

(iii) Cash flow stability

Cash flow stability refers to the consistency and predictability of cash inflows and outflows within a business over a specific period of time (Berger & Udell, 2018). It is a crucial aspect of financial management for small and medium-sized enterprises (SMEs), as it directly impacts their ability to meet financial obligations and sustain operations.

(iv) Liquidity

Liquidity refers to the ability of a company to meet its short-term financial obligations by having sufficient cash or easily convertible assets (Ashraf & Baloch, 2018). Liquidity is crucial for SMEs' financial management, indicating their ability to handle immediate needs and withstand unforeseen events, indicating financial resilience and stable operations. Sogorb-Mira (2020).

2.4 Empirical review

The empirical review of the study of the study has been presented following the order of research objectives.

2.4.1 Dynamic capabilities and financial resilience among small and medium enterprises

Chandler and Jansen (2018) asserted that SMEs with stronger dynamic capabilities are better equipped to respond to financial crises and adapt to changing market conditions. They argued that firms with dynamic capabilities can build resources that enable them to reconfigure their operations, develop new products and services, and respond to market changes quickly. This ability to adapt and respond to change enables firms to maintain their financial resilience in the face of economic turbulence. Similarly, Kautonen et al. (2018) found that dynamic capabilities were positively associated with the financial resilience of SMEs in Europe. They noted that firms with stronger dynamic capabilities were more likely to take proactive measures to mitigate financial risks and respond to changes in the external environment. In contrast, firms with weaker dynamic capabilities were more vulnerable to financial shocks and had a lower capacity to recover from them.

Nguyen et al. (2021) examined the impact of dynamic capabilities on the financial resilience of SMEs in Vietnam and found that SMEs with higher levels of dynamic capabilities had better financial resilience than those with lower levels. Specifically, the study found that SMEs with higher levels of dynamic capabilities were more likely to have diversified their sources of revenue, built stronger relationships with customers, and developed more flexible supply chain systems. These factors enabled them to withstand economic shocks and maintain financial stability. Another study by Chen et al. (2020) in China revealed that SMEs with higher levels of dynamic capabilities were more likely to have better financial performance, as measured by profitability and liquidity ratios. The study also found that SMEs with higher levels of dynamic capabilities were more likely to have invested in innovation and technology, which helped them to stay competitive and adapt to changes in the market to remain financially resilient.

In a study conducted by Tahir et al. (2019) in Pakistan, the authors found that SMEs with higher levels of dynamic capabilities were better able to adapt to changes in the market, such as shifts in consumer demand or changes in government regulations. This flexibility allowed them to maintain their financial stability even in the face of economic shocks. Relatedly, Li and Li (2018) revealed that SMEs in Hong Kong with higher levels of dynamic capabilities were better able to manage their financial risks and make strategic investments in their businesses. The study also found that SMEs with higher levels of dynamic capabilities were more likely to have developed strong relationships with their suppliers and customers, which helped to stabilise their revenue streams and maintain financial stability.

Mhlanga and Chikodzi (2018) argue that dynamic capabilities such as strategic agility and resource flexibility can help SMEs in Zimbabwe respond effectively to economic shocks and disruptions, such as hyperinflation and currency fluctuations. By leveraging these capabilities, SMEs can adjust their strategies, products, and processes to remain competitive and sustain their financial performance. Similarly, Chiramba and Chakwizira (2019) found that dynamic capabilities, such as innovation and customer-centricity, can help SMEs in South Africa build resilience to financial shocks caused by changes in consumer behaviour and technological advancements. By continuously innovating and aligning their products and services to meet evolving customer needs, SMEs can maintain their financial viability even in turbulent times.

Sserunkuuma et al. (2018) found that dynamic capabilities were positively associated with financial performance among SMEs in Uganda. The findings revealed that SMEs with higher levels of dynamic capabilities are better equipped to adapt to changing market conditions and to identify and exploit new business opportunities, which ultimately leads to improved financial performance. Similarly, a study by Mokhtar et al. (2018) found that dynamic

capabilities help SMEs quickly identify and respond to changes in the business environment, which allows them to adjust their strategies and operations in a way that helps them to withstand financial shocks. Furthermore, Asiimwe and Katono (2020) revealed that dynamic capabilities enable SMEs to continuously innovate and improve their products and services, which helps them maintain a competitive advantage and achieve financial sustainability. However, it is important to note that the relationship between dynamic capabilities and financial resilience is not always straightforward. A study by Li et al. (2022) found that the relationship between dynamic capabilities and financial resilience is mediated by external factors such as access to finance and institutional support. This finding suggests that external factors play a crucial role in enabling SMEs to leverage their dynamic capabilities to achieve financial resilience.

2.4.2 Dynamic capabilities and financial literacy among small and medium enterprises

According to Teece (2007), dynamic capabilities refer to an organisation's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. SMEs with strong dynamic capabilities are better positioned to innovate and adapt to market changes, leading to enhanced financial knowledge (Ghezzi et al., 2013). These capabilities enable SMEs to be better equipped to identify financial risks and opportunities, leading to improved financial decision-making and resource allocation.

As pointed out by Eisenhardt and Martin (2010), dynamic capabilities enable firms to allocate resources efficiently and effectively in line with strategic priorities. SMEs with robust dynamic capabilities can reallocate resources quickly in response to changing market conditions, shifting consumer preferences, or emerging opportunities, thereby maximising their return on investment (Rothaermel & Hess, 2017). Furthermore, dynamic capabilities facilitate the optimal utilisation of existing resources by enabling SMEs to leverage their core

competencies and competitive advantages to generate value and sustain a competitive edge in the marketplace (Helfat & Peteraf, 2019).

Furthermore, dynamic capabilities influence SMEs' ability to navigate environmental uncertainty and manage strategic change, which ultimately affects their financial performance. Helfat and Peteraf (2019) argue that dynamic capabilities enable firms to sense changes in the business environment, seize opportunities, and respond effectively to competitive threats. SMEs with strong dynamic capabilities are more adept at anticipating market shifts, regulatory changes, or technological disruptions, allowing them to adjust their strategies proactively and mitigate potential risks (Eisenhardt & Martin, 2010). This agility and resilience enable SMEs to maintain their financial stability and sustain growth even in turbulent or unpredictable market conditions.

Additionally, dynamic capabilities contribute to the development of strategic alliances and partnerships, which, in turn, enhance SMEs' financial performance. Teece et al. (1997) argue that dynamic capabilities enable firms to identify and capitalise on collaborative opportunities to access complementary resources, share risks, and enter new markets. By forming strategic alliances with suppliers, distributors, or other firms in related industries, SMEs can expand their market reach, reduce costs, and improve their competitive position (Dyer & Singh, 1998). These alliances provide SMEs with access to additional expertise, technology, or distribution channels, allowing them to achieve economies of scale and enhance their financial performance.

2.4.3 Financial literacy and financial resilience among small and medium enterprises

According to a study conducted by the National Small Business Association in 2019, SMEs with high levels of financial literacy are more likely to be financially resilient. The study found that businesses with higher levels of financial literacy were better able to manage cash

flow, plan for the future, and make informed decisions about financing options. This, in turn, helped them better withstand financial shocks, such as unexpected expenses or declines in revenue. Relatedly, another study conducted by the Federal Reserve Bank of Cleveland (2020) revealed that businesses that participated in financial education programmes had higher revenues, profits, and employment levels than those that did not. Additionally, businesses that participated in financial education were less likely to experience financial distress and more likely to have access to credit.

A study conducted by the European Central Bank (2018) found that SMEs with higher levels of financial literacy were more likely to have access to credit and to be financially resilient. The study found that financial literacy was positively associated with the use of external financing sources, such as bank loans and venture capital. SMEs with higher levels of financial literacy were better able to understand the terms and conditions of these financing options and negotiate better terms. Another study by the Organisation for Economic Co-operation and Development (2021) found that businesses with higher levels of financial literacy were more likely to be financially resilient, even in the face of unexpected shocks such as the COVID-19 pandemic. These businesses were better able to manage their cash flow, make informed decisions about financing options, and access external financing sources.

Jiranyakul and Sasiwimonkul (2018) examined the relationship between financial literacy and financial resilience of SMEs in Thailand and revealed that SMEs with higher levels of financial literacy were more likely to have greater financial resilience. The results showed that financial literacy enables SMEs to better manage their finances, make informed financial decisions, and access financial resources when needed. Additionally, the study found that SMEs with higher levels of financial resilience were more likely to have better financial

performance. Similarly, Huang, Wang, and Zhang (2019) examined the impact of financial literacy on the financial resilience of SMEs in China and found that financial literacy was positively related to financial resilience. Specifically, SMEs with higher levels of financial literacy were more likely to have stronger financial resilience, which allowed them to better cope with financial shocks.

Rahman, Alam, and Alam (2021) investigated the relationship between financial literacy and financial resilience of SMEs in Bangladesh and study found that financial literacy was positively associated with financial resilience. Specifically, SMEs with higher levels of financial literacy were more likely to have better financial management practices, which in turn enabled them to better manage financial shocks. The study also found that financial resilience was positively associated with firm performance, suggesting that SMEs with stronger financial resilience are more likely to experience better financial performance. Similarly, Nguyen and Nguyen (2022) examined the impact of financial literacy on the financial resilience of SMEs in Vietnam. The study found that financial literacy was positively related to financial resilience. Specifically, SMEs with higher levels of financial literacy were more likely to have stronger financial resilience, which allowed them to better withstand financial shocks. The study also found that financial resilience was positively associated with firm innovation, suggesting that SMEs with stronger financial resilience are more likely to innovate and adapt to changes in the business environment.

A study conducted by Ochigbo et al. (2018) in Nigeria found that financial literacy positively affects the financial resilience of SMEs. It was revealed that SMEs with high levels of financial literacy were better able to manage their finances, access credit, and make informed financial decisions. Furthermore, the study found that SMEs with high levels of financial literacy were better equipped to cope with financial shocks, such as changes in interest rates,

inflation, and currency fluctuations. The study concludes that financial literacy is a critical factor for SMEs' financial resilience. Similarly, a study conducted by Adedeji et al. (2020) revealed that financial literacy enhances SMEs' ability to identify and manage financial risks, make informed financial decisions, and access credit. Furthermore, the study found that financial literacy enhances SMEs' ability to withstand financial shocks, such as changes in interest rates, inflation, and currency fluctuations.

Abaasa et al. (2018) pointed out that financial literacy has a positive impact on the financial performance and resilience of SMEs in Uganda. The study found that SMEs that have a better understanding of financial management are more likely to make informed financial decisions, leading to improved financial performance and resilience. The study also highlighted the importance of financial education programmes in improving financial literacy among SMEs in Uganda. Similarly, Ssewanyana et al. (2020) revealed that SMEs that have a good understanding of financial management are better able to manage their cash flows, access finance, and make sound financial decisions, which increases their financial resilience. Furthermore, Akampumuza et al. (2021) found that financial literacy significantly improves the financial resilience of SMEs in Uganda by enhancing their ability to access credit and effectively manage their financial resources. The study also emphasized the need for financial education programmes that are tailored to the needs of SMEs in Uganda to improve financial literacy and ultimately enhance their financial resilience.

2.4.3 Mediating role of financial literacy between dynamic capabilities and financial resilience among small and medium enterprises

Financial literacy plays a critical mediating role in the relationship between dynamic capabilities and financial resilience among small and medium enterprises (SMEs). Wenzel and Wiese (2019) found that financial literacy significantly enhances dynamic capabilities,

allowing SMEs to respond more effectively to financial challenges and uncertainties. This mediating effect is further highlighted by Utomo and Duyck (2021), who demonstrated that financial literacy bridges the gap between dynamic capabilities and financial resilience. Their research underscores how financial literacy empowers SMEs to better harness their dynamic capabilities, thus strengthening their financial resilience.

In Asia, the interconnection between financial literacy, dynamic capabilities, and financial resilience of SMEs is seen as mutually reinforcing. Chen et al. (2020) suggested that financial literacy equips SMEs with the ability to make informed financial decisions, manage resources efficiently, and understand the financial implications of their actions. This foundation enhances dynamic capabilities, enabling SMEs to adapt to market changes, seize new opportunities, and adjust strategies accordingly (Nguyen et al., 2018). The combined influence of financial literacy and dynamic capabilities contributes to higher levels of financial resilience, allowing SMEs to withstand economic disruptions and market challenges.

Dzokoto and Amoah (2020) revealed that financial literacy provides the foundational knowledge and skills necessary for SMEs to make informed decisions, manage resources, and access funding, which in turn enhances their dynamic capabilities. As SMEs develop these capabilities, they become more adept at adapting to market changes and improving their financial resilience. Financial resilience, in turn, enables SMEs to invest in further financial literacy initiatives, creating a cycle of continuous improvement.

In Uganda, Mukiza et al. (2020) examined this relationship and found that financial literacy acts as a crucial enabler for SME owners to identify growth opportunities, manage risks, and make sound financial decisions. Dynamic capabilities, bolstered by financial literacy, allow SMEs to adapt to changing environments and respond effectively to challenges. The

combination of these factors strengthens financial resilience, enabling SMEs to navigate uncertainties and recover from financial shocks.

Similarly, Ochieno et al. (2020) emphasized the interrelated nature of financial literacy and dynamic capabilities, noting that financial literacy equips SME owners with the skills to identify market opportunities and adapt to evolving conditions. Nalweyiso and Ntayi (2018) also highlighted that SMEs with higher levels of financial literacy are better positioned to mitigate financial risks, maintain stability, and build reserves for uncertain times. This, in turn, enhances dynamic capabilities, allowing SMEs to innovate and adapt in response to financial shocks, thereby improving their financial resilience.

2.5 Conclusions

The literature reviewed above highlights that various scholars and researchers have explored topics related to financial literacy, dynamic capabilities, and financial resilience. However, none of the studies combined all these variables within a single study. Most notably, research by Rahman, Alam, and Alam (2021), Nguyen et al. (2021), Adedeji et al. (2020), Tahir et al. (2019), Jiranyakul and Sasiwimonkul (2018), Ochigbo et al. (2018), Kautonen et al. (2018), and Chandler and Jansen (2018), among others, was conducted in more developed regions such as the USA, Europe, and countries like Nigeria, Ghana, and South Africa. These environments differ significantly from Uganda in terms of economic conditions, business dynamics, and financial systems. This suggests a clear knowledge gap regarding how financial literacy, dynamic capabilities, and financial resilience function in the Ugandan context, particularly for SMEs operating in less developed settings like Kampala. Additionally, the few studies conducted in Uganda primarily focused on SMEs at a general level, neglecting the specific aspect of financial resilience within these enterprises. Furthermore, many of the reviewed studies adopted a qualitative approach, which limits the

understanding of the quantitative relationships between these variables. This quantitative gap is critical, as it hampers the ability to generalize findings and develop data-driven strategies to enhance SME resilience. Therefore, this study sought to fill these gaps by examining the relationships between financial literacy, dynamic capabilities, and financial resilience among SMEs in Kampala Capital City through a quantitative approach, providing insights that are tailored to the Ugandan business landscape.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter presents the study's research design, study area and population, study sample, and data collection methods. Additionally, the chapter covers the data processing, analysis, and ethical considerations involved in the study.

3.2 Research approach

The study used a quantitative research approach. This approach facilitated the collection of numerical data. The researcher used a quantitative approach to yield unbiased results. The approach facilitated the extraction of relationships between study variables and regression, which determined the predictability of dynamic capabilities and financial literacy on financial resilience among SMEs.

3.3 Research Design

The study employed a cross-sectional survey design, which allows for the collection of data from various individuals at a specific moment, utilising a consistent data collection tool (Kothari, 2014). The decision to adopt a cross-sectional survey design was driven by its effectiveness in efficiently obtaining a substantial volume of field data using the same data collection tool.

3.4 Study Population

There were 76,639 SMEs in Kampala Capital City.

Table 3.1: Number of SMEs in Kampala Capital City

Division	Sectors	Number
Rubaga	Manufacturing	433
	Trade	7473
	Services	4846
Central	Manufacturing	1469
	Trade	23506
	Services	9538
Nakawa	Manufacturing	417
	Trade	4425
	Services	3667
Makindye	Manufacturing	427
	Trade	6208
	Services	4528
Kawempe	Manufacturing	554
	Trade	5460
	Services	3688
Total		76,639

Source: A report on Uganda Business Register 2018/19 (UBOS)

3.5 Sample size determination

According to Kumar (2019), a sample size refers to a specific portion or subset of the population that the researcher collects data from to obtain the required information for the study. For this research, only one respondent was selected from each SME that meets the study's criteria of at least five employees and above with a turnover between 10 million and 100 million Ugandan shillings (UBOS, 2019). Thus, the sample size was 382 participants.

The sample size was considered based on Krejcie and Morgan (1970), as presented below.

Table 3.2: Sample size

Division	Sectors	Number	Sample size
Rubaga	Manufacturing	433	3
	Trade	7473	37
	Services	4846	24
Central	Manufacturing	1469	7
	Trade	23506	117
	Services	9538	48
Nakawa	Manufacturing	417	2
	Trade	4425	22
	Services	3667	18
Makindye	Manufacturing	427	2
	Trade	6208	31
	Services	4528	23
Kawempe	Manufacturing	554	3
	Trade	5460	27
	Services	3688	18
Total		76639	382

Source: A report on Uganda Business Register 2018/19 (UBOS)

3.6 Sampling techniques and procedure

Stratified simple random sampling was used to select divisions to take part in the study, as a simple random sampling technique was used to select the SMEs. It was used because it involved giving equal opportunity for all respondents to participate in the study, thus reducing the chances of selection bias (Bryman, 2018).

3.7 Data Collection Methods

The survey method was considered for quantitative data collection. In accordance with Amin (2005), a survey is a data collection method that involves a series of brief questions, including both open-ended and closed-ended ones, in order to elicit swift responses from participants. However, in this study, a closed-ended survey was prepared to collect data from the field. The survey was widely utilised and convenient (Iwaniec, 2019), and it was preferred for the studies to intend to examine relationships. Questioning as a method is widely used in surveys to attract a high response rate (Creswell, 2018). This method was appropriate for studies with a large sample like this and was appropriate where participants

are widely spread (Bryman, 2018). The method saves time and provides a high level of coverage, making it appropriate for this study that targeted a large number of respondents.

3.8 Data Collection Instruments

The study used the questionnaire as a tool for data collection. According to Mugenda and Mugenda (2013), a questionnaire is a formal set of questions or statements designed to obtain information from respondents that helps achieve research objectives. Questionnaires are widely used in the collection of quantitative data (Bryman, 2018). Specifically, a closed-ended questionnaire was used to limit respondents from giving limited or irrelevant information. The questionnaires consisted of general information about participants and study objectives, with question items structured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly disagree) points. Leavy (2017) also reveals that questionnaires on the Likert scale are easy to administer and provide an appropriate means for analysis. The selection of the questionnaire was motivated by its convenience, potential for high response rates in the shortest time and assurance of respondent confidentiality during data collection

3.9 Data Collection Procedure

The study commenced after the approval of data collection tools. The researcher obtained an introductory letter from Kyambogo University for the study. The letter introduced the researcher and sought permission from different authorities, like KACITA and KCCA, to carry out the study on SMEs in KCC. With approval, data was collected using a pre-tested tool. The study tool was pretested on 10 SMEs that were not part of the main study. After pretesting the tool, the researcher recruited and trained a research assistant to assist with the data collection process.

3.10 Data Quality Control

The researcher ensured that the tools were valid and reliable for this study.

3.10.1 Validity

In this study, quantitative validity was ascertained by a face and content validity index. The tool was reviewed by the supervisor for face validity. Face validity is the detail of the questions or items on the scale, which, on the face, reads what it's supposed to measure (Bhandari, 2022). Relatedly, content validity is the ability of an item in the questionnaire to be relevant by meaning and content so as to measure what it's supposed to measure (Bhandari, 2022). Two (2) research experts at the level of research supervisors at Kyambogo University were approached to rank the items in the tool. Each person, as an expert in the subject matter under study, rated tool items, indicating if the questions were relevant (R) or irrelevant (IR). On this basis, the Content Validity Index (CVI)

Table 3.3: Validity Test of tools

Construct	Total Items	Relevant Items	Items that needed adjustments	CVI
Dynamic Capabilities	15	14	01	0.93
Financial Literacy	16	15	01	0.94
Financial Resilience	17	15	02	0.88

3.10.2 Reliability

The reliability of a tool refers to its ability to provide consistent and dependable results in various situations and circumstances (Creswell, 2018). Reliability of the tool was obtained after a pilot test on 10 people was done and these were not part of the study. Pre-testing exercise results were entered into Statistical Package for Social Sciences (SPSS) Ver. 22 for their Cronbach reliability alpha test measured the internal consistence (homogeneity) of test

items. The tool was regarded reliable because all Cronbach alpha values were above 0.7 as recommended (Basu, 2021).

Table 3.4: Reliability test of tools

Construct	Item tested	Alpha values
Dynamic Capabilities	15	.733
Financial Literacy	16	.782
Financial Resilience	17	.754

3.11 Measurement of study variables

Dynamic capabilities

In measuring dynamic capabilities, items such as flexibility, resource allocation, and collaboration, as suggested by Wang & Ahmed (2007), Zahra & George (2002), and Eisenhardt & Martin (2000), were used. The tool solicited responses based on a five-point Likert scale anchored: “5-strongly agree, 4-agree, 3-neutral, 2-disagree, and 1-strongly disagree.”

Financial literacy

The financial literacy in this study was measured based on constructs of skills, knowledge, and values as put forward by different scholars, such as Sam & Van Hoang (2019) and Van der Walt & Du Preez (2021). The items measuring the variable were ranked on a five-point scale: “5 strongly agree, 4 agree, 3 neutral, 2 disagree, and 1 strongly disagree.”

Financial resilience

The financial resilience of SMEs was measured using dimensions of adaptability, bounce-back recovery, cash flow stability, and liquidity, as suggested by Blundel & Smith (2019), Klyver & Foley (2017), and Wild, Weinstein, & Palgrave (2014). The items were

ranked on a 5-point Likert scale: “5-strongly agree, 4-agree, 3-neutral, 2-disagree, and 1-strongly disagree.”

Full details of each measurement are attached to the questionnaire (Appendix II).

3.12 Data Analysis

The collected data underwent an editing process to ensure consistency and accuracy. Once the data was edited, it was entered into SPSS for analysis. Descriptive and inferential statistics will be used to analyse the data, which is a widely accepted method in research (Bell et al., 2022). Descriptive statistics were used to present the frequencies and percentages of the respondents' demographic data. Additionally, means and standard deviations were used to clearly present the study variables. Correlations and multiple regression analyses (MRA) were performed to investigate the relationships between variables and predict the independent variable's effect on the dependent variables. Inferential statistics were appropriate for determining relationships between variables (Bryman, 2018). Regression results were used to test the set hypotheses at a p-value of 0.05. The B-coefficients (R) and coefficient of determination (Adjusted R²) were used to determine the effect of dynamic capabilities, financial literacy on financial resilience. The quantitative findings were presented in tables.

3.13 Ethical Considerations

The researcher prioritised the confidentiality, privacy, and consent of participants' opinions. Measures were put in place to reduce the risk of plagiarism.

The researcher obtained informed consent from all participants before involving them in the study. The study's purpose and objectives were clearly explained, and participants were allowed to ask questions for clarification. The researcher provided a consent form, and only those who provided their consent were involved in the study.

The participants were treated with a high level of privacy, and no group questionnaires were used. Each person was given a separate questionnaire, and the privacy of all official documents accessed and reviewed was upheld. The researcher ensured that all private data, details, and opinions from respondents remained anonymous. Participants' names were not required for answering the questionnaire, but only information relevant to the study objectives was obtained.

The researcher ensured that all responses provided in the questionnaires were solely used for academic purposes, and the participants' names and details were not exposed to the public without careful consideration of their effect on the entity.

The researcher was keen on the negativity of plagiarism in any scholarly work and intends to keep the similarity levels very low. This was done through a thorough review of related literature and paraphrasing to generate my own insights from the literature. All reviewed literature was acknowledged and cross-referenced based on American Psychological Association (APA) guidelines, in-text, and the referencing list. The work was tested for similarity using Turnitin and paraphrased to fit the institution's similarity standards of 20% before submission.

3.14 Limitations to the Study

The following limitations were encountered:

Self-reporting measures were susceptible to response bias, where participants provided inaccurate or socially desirable responses, leading to skewed results. To overcome this, the researcher used anonymous or confidential survey methods to reduce social desirability bias.

Some respondents were not willing to answer certain questions in the questionnaire for fear that the information provided would be used against them, for example, for taxation purposes.

However, this was encountered by assuring them that the information being sought was purely for academic purposes.

Measurement errors were encountered during the development and administration of the research tools. Data entry and analysis may compromise the quality of the research findings; however, to avoid this, the researcher used research tools that had been tested elsewhere to ensure that the data was suitable for the study.

The items in the questionnaire used were adopted from a different context. However, the researcher domesticated and subjected the questionnaire to experts' views so that it was fit for use in the local context.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF STUDY FINDINGS

4.0 Introduction

This chapter encompasses the presentation, analysis, and interpretation of the study findings. The findings focus specifically on the descriptive statistics related to the demographic characteristics of the respondents and the study objectives, which included examining the relationship between financial literacy and financial resilience of SMEs in Kampala Capital City, the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City, and the mediating role of financial literacy between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.

4.1 Response Rate

Table 4.1: The response rate of the study

Table 4.1: below shows the number of the respondents that took part in study.

Sector of the business	Target	Acquired	Response Rate (%)
Service	131	99	75.6
Trading	234	167	71.4
Manufacturing	17	8	47.1
Total	382	274	71.7

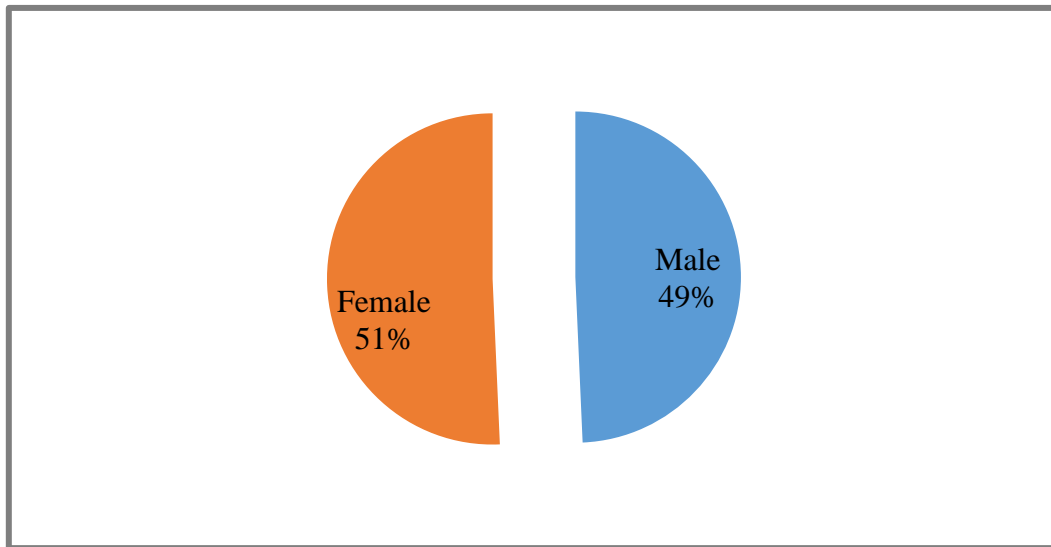
Table 4.1 above shows that 71.7 percent of the targeted respondents managed to take part in the study. This response rate was considered very adequate since it was more than the threshold of 70 percent recommended by the (Guttmacher Institute, 2006).

4.2 Demographic characteristics of the respondents

The results below are the demographic characteristics of the respondents in the study.

4.2.1 The Sex of the respondents

Figure 2 below shows the sex of the participants involved in the study.



Source: Field data, 2023

Figure 2: Pie chart showing the sex of respondents

Results in Figure 2 above show that 51 percent of the respondents were female and 49 percent were male respondents. This implies that sex representation is relatively balanced and that both women and men operate SMEs in Kampala City.

4.2.2 Age of the respondents

Table 4.2: below presents age of the respondents in the study

Age Group	Frequency	Valid Percent
18 - 27 Years	101	36.9
28 - 35 Years	105	38.3
36 - 45 Years	42	15.3
Over 45 Years	26	9.5
Total	274	100

Source: Field data, 2023

Results in Table 4.2 above indicate that 38.3 percent of the respondents were 28–35 years old, 36.9 percent were 18–27 years old, 15.3 percent were 36–45 years old, and only 9.5 percent were over 45 years old. This showed that the majority of the respondents were still under the age of 35. This could be attributed to the fact that youths in Uganda are more than elders, representing almost 70 percent of Uganda’s population.

4.2.3 Education level of the respondents

Table 4.3: Education level of the respondents

Table 4.3 below shows the education attained by the respondents that took part in the study.

Education	Frequency	Valid Percent
No Formal Education	12	4.4
Primary	14	5.1
Secondary	46	16.8
Tertiary Certificate	28	10.2
Diploma	55	20.0
Degree	104	38.0
Post Graduate	15	5.5
Total	274	100.0

Source: Field data, 2023

Results in Table 4.3 above indicate that 38.0 percent of the respondents had bachelor's degrees, 20 percent held diplomas, 16.8 percent had reached secondary schools, 10.2 percent had certificates, 5.5 percent had postgraduate degrees, 5.1 percent had reached primary school, and 4.4 percent had no formal education. The findings showed a large number of the respondents had formal education, and the majority of them had an education level of secondary or above. This implied they were able to run and manage their business operations because of the knowledge and skills they attained, understood the questions asked, and gave reliable answers with regard to study objectives.

4.2.4 Martial status of the respondents

Figure 3 below shows marital status of the respondents.

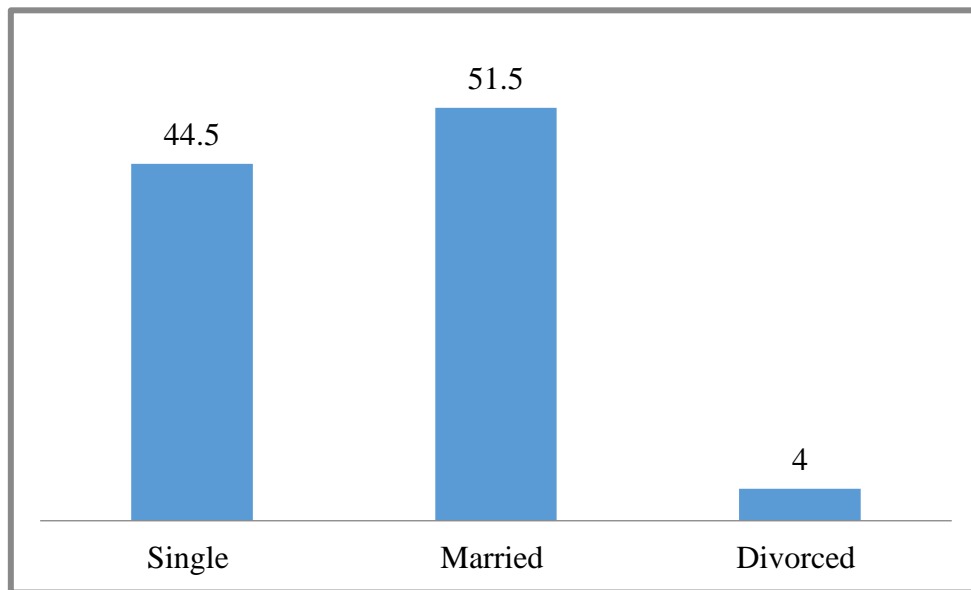


Figure 3: Bar graph showing marital status of the respondents

Source: Field data, 2023

Results in Figure 3 above indicate that 51.5 percent of the respondents were married, 44.5 percent were single and only 4.0 percent had divorced. This showed that the majority were married and this could be attributed the fact that it married who tend to start small business in order to raise money to look after their family members.

4.2.5 Positions held by respondents in their businesses

Table 4.3: below shows the positions held by respondents in their businesses.

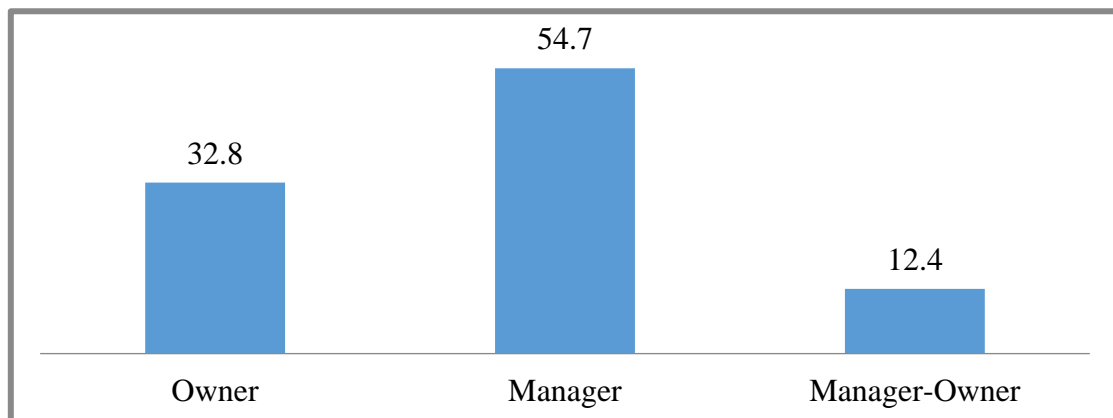


Figure 4: Positions held by respondents in their businesses

Source: Field data, 2023

Results in Figure 4 above indicate that 54.7 percent of these respondents were managers, 32.8 percent were owners of the businesses and 12.4 percent were owners and at the same time managers. This means that the majority of respondents were managers that are being employed to run the businesses on behalf of the owners and were hence able to offer information need in the study.

4.3 Business Attributes

4.3.1 Sector of the business

Figure 5 below shows the sector of businesses that were considered in the study.

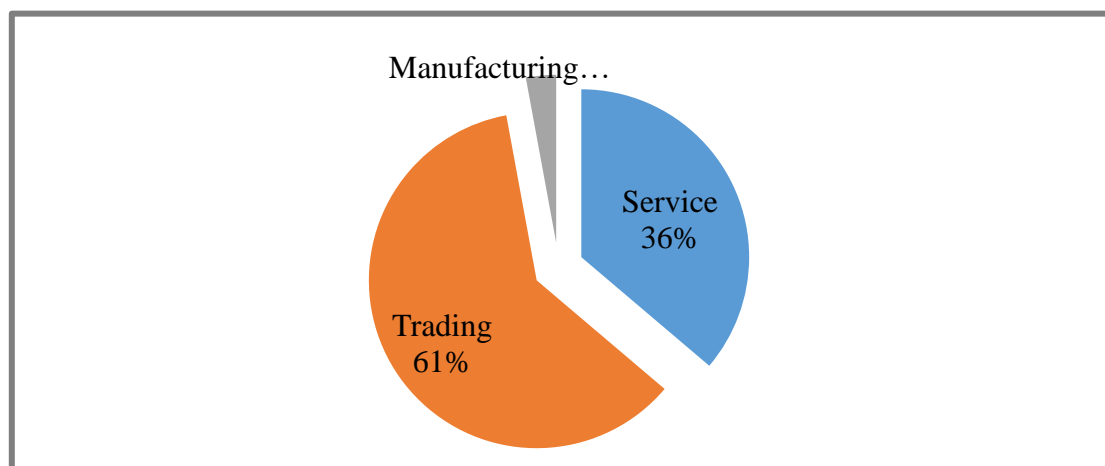


Figure 5: Pie chart showing sector of the business

Source: Field data, 2023

Figure 5 above indicates that 61 percent of SMEs are in the trading sphere, 36 percent are in service, and manufacturing comprises only 3 percent of the sample. This implies that the majority are into trading of the finished products attributing to the little initial capital required and the availability of markets as compared to other sectors.

4.3.2 Age of business

Table 4.4: Age of business

Table 4.4: below shows the age of businesses that were considered in the study.

Age of Business	Frequency	Valid Percent
1 - 5 Years	84	30.7
06 - 10 Years	122	44.5
11 - 15 Years	48	17.5
Over 15 Years	20	7.3
Total	274	100.0

Source: Field data, 2023

Table 4.4 above shows that most the SMEs 44.5 percent had been operating for 6-10 years, 30.7 percent had been operating for 1-5 years, 17.5 percent had been operating for 11-15 years and only 7.3 percent had been operating for over 15 years. This implied that, besides the businesses in Uganda operating in challenging environment at least some can survive for more than 5 years.

4.3.3 Divisions where SMEs were located

Figure 6 below presents the divisions where SMEs that were considered in the study were located.

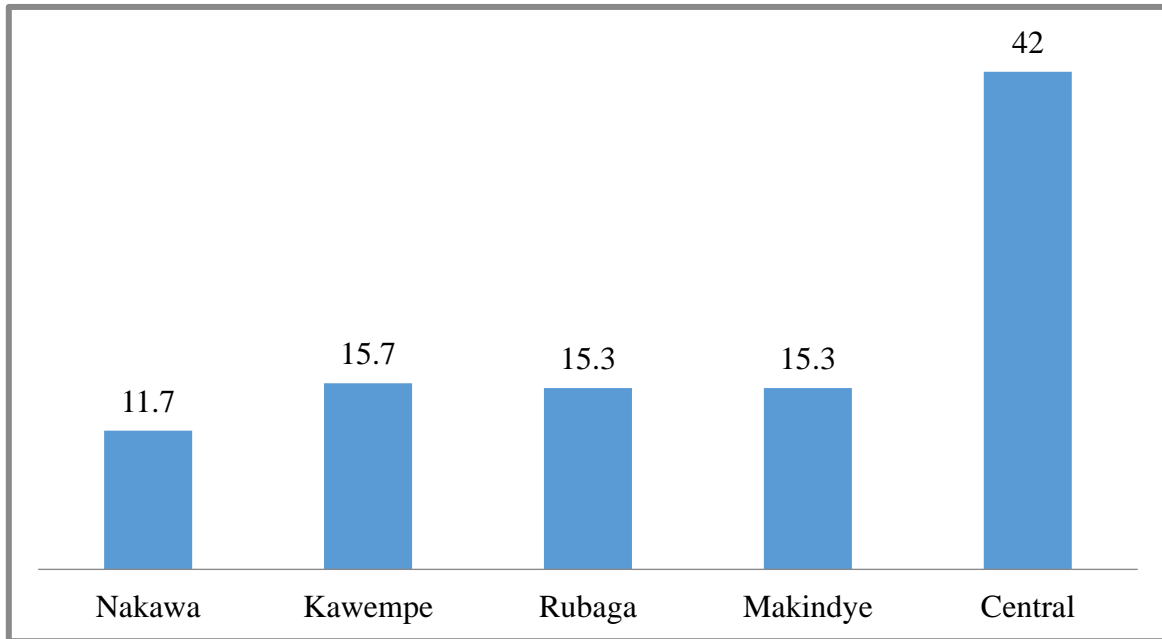


Figure 6: Bar graph showing divisions where SMEs were located

Source: Field data, 2023

Results in Figure 6 above show that 42.0 percent of SMEs were located in the central division, 15.7 percent were located in the Kawempe division, then Rubaga and Makindye registered 15.3 percent and lastly, 11.7 percent of the SMEs were located in the Nakawa division. Besides, all the divisions in Kampala were represented, and the majority were located in central division because it's a central business hub for Uganda.

4.3.4 Number of employees

Table 4.5 below presents the number of employees in the businesses that were considered in the study.

Table 4.5: Number of employees

Number of Employees	Frequency	Valid Percent
1 – 5	74	27.0
06 – 10	135	49.2
11 – 15	44	16.1
Over 15	21	7.7
Total	274	100

Source: Field data, 2023

Table 4.5 above shows that the majority of 49.2 percent had 06-10 employees, 27.0 percent had 1-5 employees, 16.1 percent had 11-15 employees and only 7.7 percent had over 15 employees. This showed that the majority of the SMEs had a bigger number of employees and this could be attributed to the fact that the majority of the SMEs were dealing in trading. Therefore, they needed more employees to manage the demanding operations that come with businesses that deal in trading.

4.4 Descriptive statistics based on the study variables

The descriptive statistics were presented with regard to the study variables. The findings were presented in the order of dynamic capabilities, financial literacy, and financial resilience.

4.4.1 Responses for dynamic capabilities

The results were subsequently examined using means and standard deviations for interpretation. The mean values were then compared to the grand mean to assess the level of agreement or disagreement with the statements presented to the participants.

Table 4.6: Descriptive Statistics for Dynamic Capabilities

<i>Dynamic Capabilities</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>
<i>Flexibility</i>				
In this business we always adjust plans to seize new opportunities in the market	2	5	4.05	0.58
In this business we always adjust plans to respond to new emerging opportunities.	1	5	3.99	0.73
In this business, we encourage creativity to come up with products and services.	1	5	3.99	0.74
In this business we encourage employees to embrace change.	1	5	4.02	0.68
In this business we welcome new ideas.	1	5	4.01	0.65
<i>Grand Mean and SD</i>			4.01	0.68
<i>Resource allocation</i>				
In this business we direct most of our resources towards the most promising opportunities in the market	2	5	4.02	0.62
In this business we have a team that assesses business related risks for easy management	1	5	3.95	0.86
In this business we prioritise customer needs.	1	5	4.07	0.65
In this business we align resource allocation decisions with business objectives.	2	5	4.01	0.70
In this business we allocate human resources by matching skill sets with business requirements	2	5	4.01	0.70
<i>Grand Mean and SD</i>			4.01	0.71
<i>Collaboration</i>				
In this business we encourage problem-solving through networking with others	1	5	3.95	0.79
In this business we make use of external expertise for new ideas	2	5	3.94	0.67
In this business we encourage open communication among employees	1	5	3.88	0.79
In this business we encourage knowledge sharing among employees	1	5	3.69	0.96
All employees are involved in the decision-making process	1	5	3.25	0.95
<i>Grand Mean and SD</i>			3.74	0.83

Source: Field data, 2023

Table 4.6 above shows that the flexibility of SMEs was very essential, with a grand mean value of (4.01) and a standard deviation equivalent to or below (0.68). The most significant item was that most of the SMEs always adjusted their plans to seize new opportunities in the market. Resource allocation was also essential, with a grand mean value of (4.01) and a standard deviation equivalent or below (0.71), and the most significant item was that

businesses prioritised customer needs. Regarding collaboration, it was essential since it scored a grand mean value of (3.74) and a standard deviation equivalent or below (0.83), and the most significant item was that most of the businesses encouraged problem-solving through networking with others.

4.4.2 Responses to Financial Literacy

The results were subsequently scrutinised using means and standard deviations for interpretation. The mean values were then contrasted with the grand mean to gauge the extent of agreement or disagreement with the statements provided to the respondents.

Table 4.7: Descriptive Statistics for Financial Literacy

<i>Financial literacy</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>
<i>Skills</i>				
In this business we have the ability to analyse financial statements	1	5	3.12	0.97
In this business we have the capacity to do financial forecast that's useful in allocating resources effectively	1	5	3.60	0.96
In this business we have the capacity to evaluate investment opportunities for informed decisions	1	5	3.84	0.79
In this business we have ability to assess investment risks	1	5	3.95	0.72
In this business we have the ability to control costs effectively	1	5	3.98	0.72
<i>Grand Mean and SD</i>			3.70	0.83
<i>Knowledge</i>				
In this business we always interpret financial statements to support decision making	1	5	3.46	0.88
In this business we are aware of all business tax obligations and we settle them whenever they fall due	1	5	3.97	0.69
In this business we always know the best sources of credit with good terms	1	5	3.89	0.76
In this business we regularly conduct profitability analysis to understand the financial performance of the business	1	5	3.85	0.79
We keenly keep all the records regarding financial information of this business	2	5	4.01	0.69
<i>Grand Mean and SD</i>			3.84	0.76
<i>Values</i>				
In this business we always adhere to acceptable accounting standards	2	5	4.04	0.63
In this business we always follow all financial regulations set by gov't	2	5	4.07	0.53
In this business we ensure timely financial reporting	1	5	3.90	0.62
Our financial reports we use in making decisions are always from credible sources	2	5	3.97	0.64
All employees in company adhere to financial policies	2	5	4.15	0.67
In this business we always tell the truth to our customers.	2	5	4.13	0.70
<i>Grand Mean and SD</i>			4.04	0.63

Source: Field data, 2023

Table 4.7 above shows that the that the skills of employees were essential, with a grand mean of 3.70 and a standard deviation of 0.83, and the most significant item was that those businesses had the ability to control costs effectively. It was also revealed that knowledge was also essential, with a grand mean value of (3.84) and a standard deviation of (0.76), and the most significant item was that businesses keenly kept all their records regarding financial information. Then, regarding the values, it was found to be essential to have a grand mean value of (4.04) and a standard deviation of (0.63), and the most significant item was that most employees in the company adhere to financial policies.

4.4.3 Responses for Financial Resilience

The results were then analysed in terms of means and standard deviations for interpretation.

The mean values were compared to the grand mean to determine the degree of agreement or disagreement with the statements presented to the respondents.

Table 4.8: Descriptive Statistics for Financial Resilience

<i>Financial Resilience</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>
<i>Adaptability</i>				
In this business we handle all financial risks on time	1	5	3.09	0.44
In this business we always respond to changing market conditions	1	5	4.08	0.51
In this business we always embrace change	2	5	4.14	0.57
In this business we always make timely decisions in response to changing circumstances	2	5	4.11	0.63
In this business we encourage the culture of continuous learning	2	5	4.08	0.69
<i>Grand Mean and SD</i>			4.08	0.57
<i>Bounce back recovery</i>				
This business has reliable suppliers who provide goods at favourable terms	2	5	4.05	0.71
This business reduces operational costs when hit by any business shock	2	5	4.13	0.63
In this business we have a well-defined business recovery plan	1	5	3.82	0.68
<i>Grand Mean and SD</i>			4.00	0.67
<i>Cash flow stability</i>				
This business has multiple credible sources of revenue	2	5	4.06	0.76
In this business we maintain manageable debt levels	1	5	4.15	0.71
In this business we always carry out cash flow forecasts to anticipate cash needs	2	5	4.04	0.78
This business has a system to monitor cash flow projections.	1	5	4.04	0.79
<i>Grand Mean and SD</i>			4.07	0.76
<i>Liquidity</i>				
This business has adequate cash flow to cover unexpected expenses	1	5	3.98	0.77
This business meets all its financial obligations whenever they fall due	1	5	4.00	0.69
This business has a range of financing options from financial institutions	1	5	3.97	0.73
This business has consistently generated profits which demonstrate business's going concern	1	5	4.09	0.71
This business has assets that can be easily liquidated into cash	1	5	4.05	0.67
<i>Grand Mean and SD</i>			4.02	0.71

Source: Field data, 2023

From Table 4.8 above, for adaptability, it was essential to have a grand mean value of (4.08) and a standard deviation of (0.57), and the most significant item was that most businesses

always embraced change. Regarding the item of bounce back recovery, it was essential to have a grand mean value of 4.00 and a standard deviation of 0.67, and the significant item was that most businesses reduced operational costs when hit by any business shock. It was also revealed that cash flow stability was okay, having scored a grand mean of (4.07) and a standard deviation equivalent or below (0.76), and that most of the businesses maintained manageable debt levels. Lastly, the liquidity of the SMEs was stable, having scored a grand mean of (4.02) and a standard (0.71), and the most significant item was that most of the businesses consistently generated profits, which demonstrated the business's going concern.

4.5 Factor Analysis

The researcher conducted a factor analysis to reveal hidden patterns, connections, and dimensions within a dataset, aiming to reduce dimensionality and improve the interpretability and validity of research findings. By pinpointing latent variables and simplifying complex data frameworks, factor analysis enables more targeted and insightful decision-making processes.

4.5.1 Factor Analysis for Dynamic Capabilities

Table 4.9: Results of factor analysis for dynamic capabilities

Data in the table 4.9 shows the factor analysis results for dynamic capabilities.

<i>Items</i>	<i>Flexibility</i>	<i>Resource allocation</i>	<i>Collaboration</i>
In this business we always adjust plans to seize new opportunities in the market	.616		
In this business we always adjust plans to respond to new emerging opportunities.	.686		
In this business, we encourage creativity to come up with products and services.	.590		
In this business we encourage employees to embrace change.	.616		
In this business we welcome new ideas.	.563		
In this business we direct most of our resources towards the most promising opportunities in the market			
In this business we have a team that assesses business related risks for easy management		.669	
In this business we prioritise customer needs.		.657	
In this business we align resource allocation decisions with business objectives.		.604	
In this business we allocate human resources by matching skill sets with business requirements		.594	
In this business we encourage problem-solving through networking with others			.698
In this business we make use of external expertise for new ideas			.677
In this business we encourage open communication among employees			
In this business we encourage knowledge sharing among employees			.766
All employees are involved in the decision-making process			.600
Eigen Values	1.4	1.6	1.2
Variance (%)	28.7	32.0	23.3

In Table 4.9 above, the evaluation of dynamic capabilities was conducted using the constructs of flexibility, resource allocation, and collaboration. Flexibility, the leading item showed dominance with a loading of (.686), and each factor accounted for 28.7 percent of the variance in the data, indicating a relatively low level of variability. Additionally, the

Eigenvalue results of (1.4), exceeding one, showed the significance of the corresponding factors.

Resource allocation, the dominant item displayed a loading of (.669), and each factor explained 32.0 percent of the variance in the data, indicating a relatively low level of variability. It had Eigenvalues of (1.6), higher than one, the results suggested the significance of the other corresponding factors.

Collaboration, the leading item exhibited a loading of (.766), and each factor explained 23.3 percent of the variance in the data, suggesting a relatively low level of variability. Additionally, the Eigenvalue results of (1.2) above one indicated the importance of the other corresponding factors.

4.5.2 Factor analysis for financial literacy

Table 4.10: Results of factor analysis for financial literacy

The data presented in the table 4.10 shows the factor analysis results for financial literacy.

<i>Items</i>	<i>Skills</i>	<i>Knowledge</i>	<i>Values</i>
In this business we have the ability to analyse financial statements			
In this business we have the capacity to do financial forecast that's useful in allocating resources effectively	.744		
In this business we have the capacity to evaluate investment opportunities for informed decisions	.812		
In this business we have ability to assess investment risks	.569		
In this business we have the ability to control costs effectively	.619		
In this business we always interpret financial statements to support decision making			
In this business we are aware of all business tax obligations and we settle them whenever they fall due		.631	
In this business we always know the best sources of credit with good terms		.670	
In this business we regularly conduct profitability analysis to understand the financial performance of the business		.604	
We keenly keep all the records regarding financial information of this business		.595	
In this business we always adhere to acceptable accounting standards			.744
In this business we always follow all financial regulations set by gov't			.549
In this business we ensure timely financial reporting			.687
Our financial reports we use in making decisions are always from credible sources			.786
All employees in company adhere to financial policies			.779
In this business we always tell the truth to our customers.			.735
Eigen Values	1.8	1.5	1.9
Variance (%)	36.6	30.3	32.6

In Table 4.10 above, the researcher evaluated financial literacy through skills, knowledge, and values. Skills, the most significant item had a loading of (.812), with each factor explaining 36.6 percent of the data's variance, implying relatively low variability. It had

Eigenvalues of (1.8) above one, the findings emphasised the importance of corresponding factors.

When it came to knowledge, the dominate item exhibited a loading of (.670), and each factor revealed 30.3 percent of the data's variance, suggesting modest variability. The Eigenvalue of (1.5) above one indicated the continued relevance of other corresponding factors.

In terms of values, the dominate factor had a loading of (.786) and explained 32.6 percent of the data's variance, indicating relatively low variability. Additionally, Eigenvalue results of (1.9) above one emphasized the significance of other corresponding factors in the study.

4.5.3 Factor analysis for financial resilience

Table 4.11: Results of factor analysis for financial resilience

The data in the table 4.11 shows the factor analysis results for financial resilience

<i>Items</i>	<i>Adaptability</i>	<i>Bounce back recovery</i>	<i>Cash flow stability</i>	<i>Liquidity</i>
In this business we handle all financial risks on time	.636			
In this business we always respond to changing market conditions	.728			
In this business we always embrace change	.576			
In this business we always make timely decisions in response to changing circumstances	.524			
In this business we encourage the culture of continuous learning	.699			
This business has reliable suppliers who provide goods at favourable terms		.776		
This business reduces operational costs when hit by any business shock		.531		
In this business we have a well-defined business recovery plan		.650		
This business has multiple credible sources of revenue			.614	
In this business we maintain manageable debt levels			.813	
In this business we always carry out cash flow forecasts to anticipate cash needs			.676	
This business has a system to monitor cash flow projections.			.583	
This business has adequate cash flow to cover unexpected expenses				.531
This business meets all its financial obligations whenever they fall due				.710
This business has a range of financing options from financial institutions				.550
This business has consistently generated profits which demonstrate business's going concern				.584
This business has assets that can be easily liquidated into cash				.627
Eigen Values	1.1	1.3	1.7	1.7
Variance (%)	37.3	43.6	43.2	33.7

In Table 4.11 above, the researcher assessed business resilience through adaptability, bounce back recovery, cash flow stability, and liquidity. For adaptability, the leading item displayed a loading of (.728), with each factor explaining 37.3 percent of the data's variance, indicating a relatively low variability. Moreover, Eigenvalues (1.1) above one showed the significance of these factors.

In regards to bounce back recovery, the dominant factor exhibited a loading of (.776) and elucidated 43.6 percent of the data's variance, suggesting a moderately low level of variability. The Eigenvalue of (1.3) above one indicated the continued relevance of other corresponding factors.

On the other hand, cash flow stability, the dominant factor showed a loading of (.813) and explained 43.2 percent of the data's variance, indicating low levels of variance. Furthermore, Eigenvalue results (1.7) above one emphasized the importance of other factors.

Lastly liquidity, the dominate factor demonstrated a loading of (.710) and explaining 33.7 percent of the data's variance, suggesting relatively low variability. Additionally, Eigenvalue results (1.7) above one highlighted the significance of other corresponding factors.

4.6 Reliability of the study tool

The data for the main study was collected from the field and tested for reliability. Results were entered into Statistical Package for Social Sciences (SPSS) Ver. 23 for their Cronbach reliability alpha test, which measured the internal consistency (homogeneity) of test items. The tool was regarded as reliable because all Cronbach alpha values were above 0.7, as recommended (Basu, 2021).

Table 4.12: Reliability test of tools

Construct	Item tested	Alpha values
Dynamic Capabilities	15	.721
Financial Literacy	16	.714
Financial Resilience	17	.713

4.7 Correlation analysis

A Pearson correlation analysis was conducted using SPSS Ver. 23, to explore the relationship between dynamic capabilities, financial literacy, and the financial resilience of SMEs in Kampala City. The results are presented in Table 4.13 below.

Table 4.13: Pearson Correlation

Variables	Mean	SD	DC	FL	FR
Dynamic Capabilities (DC)	3.881	.303	1		
Financial Literacy (FL)	3.926	.324	.448**	1	
Financial Resilience (FR)	4.046	.288	.355**	.577**	1

***.* Correlation is significant at the 0.01 level (2-tailed).

Results from Pearson correlation showed a positive and significant relationship between dynamic capabilities and financial resilience ($r = .355^{**}$, $p < .05$). The Pearson correlations result also showed a significant and positive relationship between the financial literacy and financial resilience of SMEs ($r = .577^{**}$, $p < .05$). The results also revealed that there was a positive and significant relationship between dynamic capabilities and financial literacy ($r = .448^{**}$, $p < .05$).

4.8 Regression Analysis

The study used a regression analysis method to determine the predictability potential of dynamic capabilities and financial literacy on the financial resilience of SMEs.

4.8.1 The predictability potential of dynamic capabilities on the financial resilience of SMEs

Table 4.14: The predictability potential of dynamic capabilities on the financial resilience of SMEs

Table 4.14 presents regression results as below;

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.736	.210		13.026	.000
Dynamic Capabilities	.338	.054	.355	6.258	.000
Model Summary					
R Square	.126				
Adjusted R Square	.123				
ANOVA (F-Statistics)	39.168, P-value = .000 < 0.05				
Dependent Variable: Financial Resilience					

Table 4.14 shows that dynamic capabilities positively predicted the financial resilience of SMEs by 12.3 percent (Adjusted R square =0.123). The analysis also demonstrated a goodness of fit (F= 39.168, p < 0.05), revealing that the model aligns well with the data. Additionally, the model highlighted a B-value of 0.338, signifying a statistically significant positive impact of dynamic capabilities on the financial resilience of SMEs. Consequently, a one-unit increase in dynamic capabilities corresponds to a 0.338 increase in financial resilience. Likewise, a one-unit decrease in dynamic capabilities results in a 0.338 decrease in the financial resilience of SMEs.

4.8.2 The predictability potential of financial literacy on the financial resilience of SMEs

Table 4.15: The predictability potential of financial literacy on the financial resilience of SMEs

Table 4.15 presents the regression results as below;

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.034	.173		11.729	.000
Financial Literacy	.513	.044	.577	11.642	.000
Model Summary					
R Square	.333				
Adjusted R Square	.330				
ANOVA (F-Statistics)	135.537, P-value = .000 < 0.05				
Dependent Variable: Financial Resilience					

Results in Table 4.15 above showed financial literacy significantly and positively predicted financial resilience of SMEs by 33.0 percent (Adjusted R square = .330). Additionally, the analysis reveals a good fit for the model ($F= 135.537, p < 0.05$). The model further highlights a B-value of 0.513, indicating a statistically positive contribution of financial literacy to the financial resilience of SMEs. Hence, a one-unit increase in financial literacy corresponds to a 0.513 increase in the financial resilience of SMEs, while a unit decrease in financial literacy results in a 0.513 decrease in the financial resilience of SMEs.

4.8.3 The predictability potential of dynamic capabilities on financial literacy

Table 4.16: The predictability potential of dynamic capabilities on financial literacy

Table 4.16 Present linear regression results as below;

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.000	.304		6.590	.000
Dynamic Capabilities	.480	.058	.362	6.410	.000
Model Summary					
R Square	.131				
Adjusted R Square	.128				
ANOVA (F-Statistics)	41.093, P-value = .000 < 0.05				
Dependent Variable: Financial Literacy					

Results in Table 4.16 above showed that dynamic capabilities significantly and positively predicted financial literacy in SMEs by 12.8 percent (adjusted R square =.128). Additionally, the analysis reveals a good fit for the model (F = 41.093, p < 0.05). The results also revealed a B-value of 0.480, indicating a statistically positive contribution of dynamic capabilities towards financial literacy in SMEs. Hence, a one-unit increase in dynamic capabilities corresponds to a 0.480 increase in the financial literacy of SMEs, while a unit decrease in dynamic capabilities results in a 0.480 decrease in the financial literacy of SMEs.

4.8.4 Predictability level of demographic characteristics, dynamic capabilities and financial literacy on financial resilience of SMEs

To analyse the combined predictability potential on this study a multiple regression was used as shown in Table 4.17 below.

Table 4.17: Predictability level of demographic characteristics, attributes of the businesses, dynamic capabilities and financial literacy on financial resilience of SMEs

Variables	Model 1			Model 2		
	B	S.E	β	B	S.E	β
Sex	-.012	.037	-.021	.008	.030	.014
Age Group	.015	.028	.051	.018	.023	.059
Highest level of education	.011	.012	.058	.006	.010	.035
Marital Status	.010	.039	.020	.019	.032	.037
The Sector of the Business	-.062	.035	-.114	-.016	.029	-.029
Age of the Business	.033	.026	.102	.015	.021	.046
Division of Kampala where the business is located	.017	.012	.084	.012	.010	.063
Number of Employees	-.020	.027	-.060	-.014	.022	-.040
Position in Business	-.041	.029	-.092	-.046	.024	-.103
Dynamic Capabilities				.129*	.055	.136*
Financial Literacy				.450**	.050	.506**
R ²		.038			.364	
▲R ²		.005			.337	
ANOVA (F-Statistics)	F=1.153, P= .325>0.05			F= 13.639, P=.000 <0.05		
Note:						
i) ** P<.01, * P< .05						
ii) B – Unstandardized coefficients						
iii) β - Standardized coefficients						
iv) S.E – Standard Error						

Based on the regression results above, Model 1 involved regressing the respondent's demographic characteristics and attributes of the business, which included sex, age group, highest level of education, marital status, sector of business, age of the business, division of Kampala where the business is located, number of employees, and position in the business.

From the regression, it was revealed that all these variables were not significant in predicting financial resilience. All these demographic characteristics and attributes of the businesses combined only predicted financial resilience with 0.05 percent, which seems to be insignificant in influencing financial resilience (Adjusted R squared =.005, F =1.153, P > 0.05).

Furthermore, Model 2 introduced dynamic capabilities and financial literacy, and the results revealed that dynamic capabilities and financial literacy were significant predictors of financial resilience. Model 2 showed that demographic characteristics, attributes of the businesses, dynamic capabilities, and financial literacy combined positively predicted the financial resilience of SMEs with 33.7 percent with a goodness fit (adjusted R squared =.337, F = 13.639, P<0.05).

4.9 The mediating role of financial literacy on the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City

The researcher conducted a mediation analysis in order to indirectly assess the effect of dynamic capabilities on financial resilience through a proposed mediator of financial literacy.

According to Baron and Kenny (1986), there are a number of steps that should be met before performing a mediation analysis and these include;

- i) Establishing a relationship between the independent variable (IV) and the dependent variable (DV)
- ii) Establishing a relationship between the independent variable (IV) and the mediator (M)
- iii) Establishing a relationship between the mediator (M) and the dependent variable (ID)
- iv) Assesse the effect of the mediator (M) on the relationship between the independent variable (IV) and the dependent variable (DV)

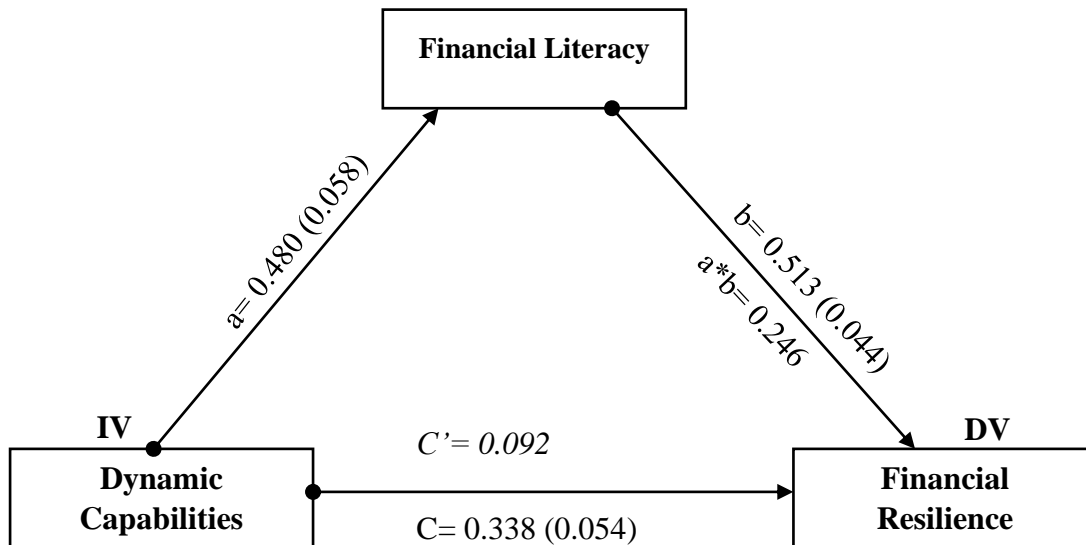


Figure 7: The mediating effect of financial literacy between dynamic capabilities and financial resilience of SMEs in Kampala Capital City

Different tests including Sobel, Aroian and Goodman tests were ran to determine the mediating effect of financial literacy between dynamic capabilities and financial resilience of SMEs in Kampala Capital City

Table 4.18: Results for mediation effect from Sobel, Aroian and Goodman Tests

Input	Test Statistics	Std. Error	p-Value
A 0.480	Sobel Test 6.74856879	0.03648774	0.000
B 0.513	Aroian Test 6.73212283	0.03657687	0.000
S _a 0.058	Goodman Test 6.76513588	0.03639838	0.000
S _b 0.044			

The results in Table 4.18 above, shows that Sobel Test showed Z-value = 6.74856879 with Std Error = 0.03648774 and significant value at (p-value = 0.000 < 0.05). Secondly, Aroian Test showed Z-value = 6.73212283 with Std Error = 0.03657687 and was significant value at (p-value = 0.000 < 0.05). Then Goodman Test showed Z-value = 6.76513588 with Std Error = 0.03639838 and was significant value at (p-value = 0.000 < 0.05). Therefore, having registered a positive and significant Z-value, all these three tests revealed that financial literacy mediates the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.

Furthermore, the analysis revealed full mediation, as the direct effect became insignificant ($c' = 0.092$) once the mediator (financial literacy) was included in the model. This means financial literacy significantly predicted the relationship between dynamic capabilities and financial resilience. Therefore, the research **Accepted** the study hypothesis that: ***H04:** Financial literacy mediates the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.*

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter captures the discussion of the findings, conclusions, and recommendations. This presentation was done in the order of the study objectives, which included examining the relationship between dynamic capabilities and financial resilience of SMEs in Kampala Capital City, the relationship between financial literacy and financial resilience of SMEs in Kampala Capital City, and the mediating role of financial literacy between dynamic capabilities and financial resilience of SMEs in Kampala Capital City.

5.2.1 Dynamic capabilities and financial resilience

There is a positive and significant relationship between dynamic capabilities and financial resilience. This happens when SMEs are flexible enough to adjust their plans to seize and respond to new opportunities and encourage employees to embrace change and creativity to come up with new products and services for the market. Thus, financial resilience occurs when businesses handle all financial risks as they respond to changing market conditions with a well-defined business recovery plan.

In addition, SMEs with resources have a team that prioritises their customers' and evaluates business risks so that business objectives are aligned with the resources available as they allocate human resources by matching skill sets to business requirements. SMEs with resources have financial resilience attributes such as having enough cash flow to cover unforeseen expenses and maintaining manageable debt levels as they pay all of their debts on time.

Furthermore, collaborative SMEs encourage knowledge sharing among employees and make use of external expertise for new ideas. The decisions that are made are part of the employee's contributions, and this makes them feel part of the entity and work towards attaining the objectives. This enhances the businesses' financial resilience by enabling them to maintain manageable debt levels, foster a culture of continuous learning, and identify dependable suppliers who offer goods at competitive prices, resulting in financially resilient SMEs.

The study findings resonated with Nguyen et al. (2021), who examined the impact of dynamic capabilities on the financial resilience of SMEs in Vietnam and found that SMEs with higher levels of dynamic capabilities had better financial resilience than those with lower levels. Specifically, the study found that SMEs with higher levels of dynamic capabilities were more likely to have diversified their sources of revenue, built stronger relationships with customers, and developed more flexible supply chain systems. These factors enabled them to withstand economic shocks and maintain financial stability.

5.2.2 Dynamic capabilities and financial literacy

There is a positive and significant relationship between financial literacy and the financial resilience of SMEs. This occurs when employees possess the skills and expertise needed to forecast and allocate resources wisely, evaluate investment risks for decisions about potential investments, and effectively control costs to continuously produce profits that show the business's ability to continue as a going concern. Consequently, financial resilience is improved through cash flow management and credit availability. Higher levels of financial literacy help businesses become more financially resilient by improving access to cash flow and debt management.

Additionally, SMEs that have the knowledge to keep all the records regarding the information have the ability to prepare financial statements to support decision-making in regards to tax

obligations. This entails settling taxes whenever they fall due and regularly conducting profitability analysis to understand the financial performance of the businesses, which enables these SMEs to carry out cash flow forecasts to anticipate cash needs, thereby attaining financial resilience for their businesses as they maintain manageable debt levels and have a wide range of financing options from financial institutions.

Furthermore, SMEs with financial values always adhere to financial regulations set by the government and follow the IFRS for SMEs accounting standards because of their financial policies. This ensures timely financial reporting and decision-making are always from credible sources, resulting in increased trust by their customers. This improves the financial resilience of SMEs in that adequate cash flow to cover unexpected expenses is available, they meet all their financial obligations whenever they fall due, and they consistently generate profits because there is limited fraud and misappropriation of business funds. Financial knowledge enables SMEs to monitor their financial performance, make informed decisions, and withstand financial shocks.

These findings were in line with Ghezzi et al. (2013), Eisenhardt and Martin (2010), and Rothaermel and Hess (2017), who revealed that SMEs with strong dynamic capabilities are better positioned to innovate and adapt to market changes, leading to enhanced financial knowledge. These capabilities enable SMEs to be equipped to identify financial risks and opportunities, leading to improved financial decision-making and resource allocation. Dynamic capabilities enable firms to allocate resources efficiently and effectively in line with strategic priorities. SMEs with robust dynamic capabilities can reallocate resources quickly in response to changing market conditions, shifting consumer preferences, or emerging opportunities, thereby maximizing their return on investment. Furthermore, dynamic capabilities facilitate the optimal utilisation of existing resources by enabling SMEs to

leverage their core competencies and competitive advantages to generate value and sustain a competitive edge in the marketplace.

5.2.3 Financial Literacy and Financial Resilience

There is a positive and significant relationship between financial literacy and the financial resilience of SMEs. This occurs when employees possess the skills and expertise needed to analyse financial statements by forecasting and allocating resources wisely, evaluating investment risks for decisions about potential investments, and effectively controlling costs to continuously produce profits that show the business's ability to continue as a going concern. Consequently, financial resilience is improved through cash flow management and credit availability. Higher levels of financial literacy help businesses become more financially resilient by improving access to cash flow and debt management.

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profits because there is limited fraud and misappropriation of business funds. Financial knowledge enables SMEs to monitor their financial performance, make informed decisions, and withstand financial shocks.

The study findings were in line with Rahman, Alam, and Alam (2021), who investigated the relationship between financial literacy and the financial resilience of SMEs in Bangladesh, and the study found that financial literacy was positively associated with financial resilience. Specifically, SMEs with higher levels of financial literacy were more likely to have better financial management practices, which in turn enabled them to better manage financial shocks. The study also found that financial resilience was positively associated with firm performance, suggesting that SMEs with stronger financial resilience are more likely to experience better financial performance. Similarly, Nguyen and Nguyen (2022) examined the impact of financial literacy on the financial resilience of SMEs in Vietnam. The study found that financial literacy was positively related to financial resilience. Specifically, SMEs with higher levels of financial literacy were more likely to have stronger financial resilience, which allowed them to better withstand financial shocks.

5.2.4 The mediating role of financial literacy on the relationship between dynamic capabilities and financial resilience.

Financial literacy mediates the relationship between dynamic capabilities and financial resilience. SMEs, by their adaptable nature, demonstrate a propensity to adapt strategies to capitalise on emerging opportunities. They foster an environment that promotes employee innovation and adaptability, leading to the development of novel products and services for the market. Consequently, financial resilience manifests when businesses effectively manage financial risks while navigating evolving market dynamics, bolstered by a clearly delineated business recovery strategy.

Financial literacy, therefore, plays a significant role in mediating dynamic capabilities and financial resilience. SMEs with better financial skills, knowledge, and values have employees who conduct financial forecasts that's useful in allocating resources effectively, evaluating investment opportunities for informed decisions, assessing investment risks, and effectively controlling business costs. Therefore, improving financial literacy improves the relationship between dynamic capabilities and financial resilience.

The study findings align with different previous research findings, such as those of Wenzel and Wiese (2019) and Utomo and Duyck (2021), who emphasised how financial literacy enhances dynamic capabilities, enabling SMEs to respond more effectively to financial challenges and uncertainties. This highlights the interconnectedness of financial literacy and dynamic capabilities in strengthening SMEs' financial resilience. This means that organisations should not only focus on cultivating dynamic capabilities but also prioritise financial literacy initiatives to fortify resilience and sustain long-term financial health amid evolving business landscapes.

5.3 Conclusions

The study concludes that financial literacy is the major predictor in SMEs because of the robust financial management practices that are adopted by the business, which increase the capacity to evaluate investment opportunities, assess risks, control costs, and access credit on favourable terms. Moreover, the diligent adherence to financial record-keeping, accounting standards, regulatory compliance, and ethical principles further strengthens the business's financial foundation. The observed ability to mitigate operational costs during disruptions, maintain manageable debt levels, and consistently generate profits emphasised the practical implications of financial literacy in boosting resilience and ensuring the business's long-term viability. This implied the critical importance of investing in financial literacy and fostering a

culture of financial responsibility across all levels of the organisation to navigate uncertainties and sustain financial health effectively.

5.4 Recommendations

The following recommendations were suggested, and these include:

5.4.1 Methodology

Researchers should incorporate a mixed-methods approach. Alongside survey methods, qualitative techniques such as interviews or focus groups can be utilized. By triangulating data from multiple sources, researchers can enhance the reliability and validity of their results, offering a more comprehensive understanding of the phenomena under investigation.

The researchers should employ proxy measures to complement self-reporting data and reduce the impact of response bias. Proxy measures involve using indirect indicators or objective data sources to infer participants' attitudes or behaviours. For example, instead of relying solely on participants' self-reported financial literacy levels, researchers could also analyse financial behaviour or performance indicators to corroborate their findings. This approach helps to mitigate the risk of bias inherent in self-reported data, enhancing the credibility of study outcomes.

5.4.2 Policy

The Ministry of Education and Sports should establish and collaborate with all education institutions to integrate financial education for SMEs into the school curriculum at both primary and secondary levels. By incorporating topics such as budgeting, saving, investing, and financial planning into the curriculum, students can develop a strong foundation in financial literacy from an early age, equipping them with essential skills for managing finances and potentially fostering future entrepreneurs by starting SMEs with a strong understanding of financial management.

The Ministry of Finance, Planning, and Economic Development should design and implement training programmes for SMEs aimed at enhancing the financial literacy of entrepreneurs and small business owners. These programmes should cover topics such as financial statement analysis, cash flow management, risk assessment, and accessing credit. By providing entrepreneurs with the knowledge and skills necessary to effectively manage their finances, it can improve the resilience and sustainability of small businesses, which are vital drivers of economic growth and employment.

5.4.3 Managerial

SME owners and managers need to prioritise and invest in the development of dynamic capabilities by fostering a proactive approach, embracing change, encouraging innovation, and strategically allocating resources, which will not only enhance financial resilience but also guide strategic decision-making for long-term sustainability and success in the face of a dynamic and challenging business environment.

It was also recommended that SME owners and managers invest in improving their financial literacy and that of their employees through further studies, short courses, seminars, and mentorships in order to cultivate a culture of financial responsibility, including robust financial management practices and adherence to ethical principles, which will boost financial resilience and ensure long-term viability amidst uncertainties, ultimately safeguarding the business's financial health effectively.

Lastly, it was recommended that there is a need for SMEs integrating financial literacy training programmes into business dynamic capability frameworks in order to equip employees with the necessary financial knowledge and skills that can enhance their ability to navigate uncertainties effectively, reduce operational costs, manage debt levels, generate

consistent profits, and maintain sufficient liquid assets, thus fortifying resilience and ensuring long-term financial health in an ever-changing business landscape.

5.5 Areas for Further Research

The following areas were recommended by the researcher for future research studies:

The current study was carried out in Kampala, Capital City. Therefore, the same study on the relationship among dynamic capabilities, financial literacy, and financial resilience in small and medium enterprises can be conducted in other cities and municipalities to facilitate comparison purposes.

It will be essential for future studies to examine the effect of financial behaviours of SME owners, such as spending habits, saving habits, and borrowing habits, on the financial resilience of SMEs.

Lastly, there is a need to investigate the relationship between access to financial services and the resilience of SMEs since they largely face the challenge of limited funds.

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APPENDICES

APPENDIX I: PARTICIPANTS' CONSENT FORM

I am Micheal Mugoya, student pursuing a Master in Business Administration at Kyambogo University. I am writing to seek your consent to be part of this study. I am undertaking a study on the topic, entitled “*dynamic capabilities, financial literacy, and financial resilience among Small and Medium Enterprises in Kampala Capital City*”. As a stakeholder in this study, you have been selected to because of your knowledge and experience in business management by providing your opinions through answering the questions in the questionnaire below attached. Please feel at ease to give your true opinion as this is just an academic study and your responses will be treated for that purpose. Your views will be treated with great confidentiality, unanimous and in case of need for the outcome of this research you can contact me on Tel: If you are willing to be part of this study, please sign the tear off portion below, and return it to the researcher.

Thank you for your cooperation in this matter in advance.

Thanks

.....Tear off portion.....

I (puts name) **Agree** to take part in this study. I have understood, the study purpose, its objectives and my roles and right during the study. I will be available on

Day..... Date.....

Signature **Or THUMB**



APPENDIX II: QUESTIONNAIRE

Dear respondent

I'm Micheal Mugoya a student at Kyambogo University. This questionnaire is intended to facilitate the study on "*financial literacy, dynamic capabilities, and financial resilience among SMEs in Kampala Capital City*". You have been selected to because of your knowledge and experience in business management. The study is for academic purposes and is carried out as partial requirement of the award of the Degree of Master of Business Administration at Kyambogo University. As a key stakeholder, you have been selected to provide vital information that will facilitate the study. Your response will be treated with utmost confidentiality.

Instructions to Respondents

1. Respond to questions by ticking (√) in the most appropriate box
2. There should be only one option selected for every question
3. Name of the respondent need not to appear on the questionnaire.

SECTION A: Background information about the respondent

A1. Sex

Male Female

A2. Age bracket in years

18 –27 30-37 38-47 48-57 50 years and over

A3. Highest level of education attained

No formal education Primary Secondary Certificate

Diploma Degree Others:

A4. Number of years spent carrying running this business

Less than 1 1-3 4-6 7-9 10 and above

A5. Marital Status

Single Married Divorced

A6. The Sector of your Business

Service Trading Manufacturing

A7 Age of your Business

1-5 years 6-10 years 10-15 years 16-20 years 21 years and above

A8. Location of your Business

Nakawa Kawempe Lubaga Makindye Kampala central

A9. Number of Employees:.....

A10. Position in Business:.....

For questions in Section B, please respond to the statements given below based on the ranking scale. 1: *Strongly Disagree (SD)*, 2: *Disagree (D)*, 3: *Neutral (N)*, 4: *Agree (A)* 5: *Strongly Agree (SA)*.

SECTION B: DYNAMIC CAPABILITIES

Code	Item	Scale				
		SD	D	N	A	SA
Flexibility						
DC1	In this business we always adjust to seize new opportunities in the market					
DC2	In this business we always adjust to respond to new emerging opportunities.					
DC3	In this business, we encourage creativity to come up with products and services.					
DC4	In this business we encourage employees to embrace change.					
DC5	In this business we welcome to new ideas.					
Resource allocation						
DC6	In this business we direct most of resources towards the most promising opportunities in the market					
DC7	In this business we have a team that assesses business related risks for easy management					
DC8	In this business we prioritize understanding of customer needs.					
DC9	In this business we align resource allocation decisions with business objectives.					
DC10	In this business we allocate human resources by matching skill sets with business requirements					
Collaboration						
DC11	In this business we encourage problem-solving through engaging networking					
DC12	In this business we leverage on external expertise for new ideas					
DC13	In this business we encourage open communication among employees					
DC14	In this business we encourage knowledge sharing among employees					
DC15	All employees are involved in the decision-making process					

For questions in Section C, please respond to the statements given below based on the ranking scale. 1: *Strongly Disagree (SD)*, 2: *Disagree (D)*, 3: *Neutral (N)*, 4: *Agree (A)* 5: *Strongly Agree (SA)*.

SECTION C: FINANCIAL LITERACY

Code	Item	Scale				
		SD	D	N	A	SA
Skills						
FL1	In this business we have the ability to analyse financial statements					
FL2	In this business we have the capacity to do financial forecast that's useful in allocating resources effectively					
FL3	In this business we have the capacity to evaluate investment opportunities for informed decisions					
FL4	In this business we have ability to assess investment risks					
FL5	In this business we have the ability to control costs effectively					
Knowledge						
FL6	In this business we always interpret the financial statements to support decision making					
FL7	In this business we are aware of all business tax obligations as we settle them whenever they fall due					
FL8	In this business we always maintain a healthy balance of debt-to-equity ratio					
FL9	In this business we regularly we conduct profitability analysis to understand the financial performance of the business					
FL10	I keenly keep all the records regarding financial information of this business					
Values						
FL11	In this business we always adhere to accounting standards					
FL12	In this business we always follow all financial regulations set by gov't					
FL13	In this business we ensure timely financial reporting					
FL14	Our financial reports are always from credible sources					
FL15	All employees in company adhere to financial policies					
FL16	In this business we always tell the truth to our customers.					

For questions in Section D, please respond to the statements given below based on the ranking scale. 1: *Strongly Disagree (SD)*, 2: *Disagree (D)*, 3: *Neutral (N)*, 4: *Agree (A)* 5: *Strongly Agree (SA)*.

SECTION D: FINANCIAL RESILIENCE

Code	Item	Scale				
		SD	D	N	A	SA
Adaptability						
FR1	In this business we handle all its financial risks on time					
FR2	In this business we always respond to changing market conditions					
FR3	In this business we always embrace change					
FR4	In this business we always make timely decisions in response to changing circumstances					
FR5	In this business we encourage the culture of continuous learning					
Bounce back recovery						
FR6	This business has reliable suppliers who provide goods at favourable term regardless of credit					
FR7	This business reduces operation costs when hit by any business shock					
FR8	In this business we have a well-defined business recovery plan					
Cash flow stability						
FR9	This business has multiple credible sources of revenue					
FR10	In this business we maintain a healthy balance between debt and equity					
FR11	In this business we always carry out cash flow forecasts to anticipate cash needs					
FR12	This business has a system to monitor cash flow projections.					
Liquidity						
FR13	This business has adequate cash flow to cover unexpected expenses					
FR14	This business meets all its financial obligation whenever they fall due					
FR15	This business has a range of financing options from financial institutions					
FR16	This business has consistently generated profits which demonstrate business's financial resilience					
FR17	This business has assets that can be easily liquated into cash					

END

THANK YOU

**APPENDIX III: TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN
POPULATION**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384
<i>Note: N is Population Size; S is Sample Size</i>					<i>Source: Krejcie & Morgan, 1970</i>				

Krejcie, R, V. and Morgan D. W. (1970). Determining sample size for Research Activities:
Educational and Psychological Measurement.