

**FINANCIAL LITERACY AND FINANCIAL RESILIENCE OF YOUTH LED  
ENTERPRISES IN UGANDA: A CASE OF GULU CITY**

**BY**

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**OCTOBER, 2024**

**DECLARATION**

I, Dickson Okello, do hereby declare that this dissertation is my original work and has never been submitted for any award in any university or institution of higher learning.

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**APPROVAL**

This is to certify that this dissertation by Dickson Okello was done under our supervision and is ready for submission for examination with our approval as University supervisors

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## **DEDICATION**

This dissertation is dedicated to my beloved father, Okello Dison Owere, whose unwavering guidance, encouragement, and inspiration have been the cornerstone of my academic journey. His boundless support has propelled me through the challenges and triumphs of pursuing my master's degree, instilling within me the perseverance and determination necessary to reach this milestone. With profound gratitude and love, I honor his profound influence on my life and dedicate this work to him.

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## **LIST OF ACRONYMS**

CVI	Content Validity Index
FII	Financial Inclusion Insights
FINRA	Financial Industry Regulatory Authority
LRA	Lord's Resistance Army
NYDA	National Youth Development Agency
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations Commissioner for Human Rights
PDM	Parish Development Model
PSFU	Private Sector Foundation Uganda
RBT	Resource Based Theory
SLRC	Secure Livelihoods Research Consortium
UBOS	Uganda Bureau of Statistics
UHRC	Uganda Human Rights Commission

## ABSTRACT

In Uganda, a significant proportion of youth-led businesses encounter substantial financial risks and vulnerabilities, posing formidable challenges to their capacity for maintaining financial resilience. This research examined the effect of financial literacy on the financial resilience of youth-led enterprises in Gulu City. The study was guided by four objectives; (i) To examine the effect of savings literacy on financial resilience of youth-led enterprises in Gulu City, (ii) To establish the effect of investment literacy on financial resilience of youth-led enterprises in Gulu City, (iii) To investigate the effect of credit management literacy on financial resilience of youth-led enterprises in Gulu City and (iv) To assess the joint effect of saving literacy, investment literacy, and credit management literacy on financial resilience of youth-led enterprises in Gulu City. Employing a cross-sectional survey research design integrating both qualitative and quantitative methodologies, data was gathered through surveys and interviews from a sample of 148 firms, representing a study population of 240. Key respondents comprised owners or managers of youth-led enterprises. Data analysis was conducted using SPSS software (V. 23.0). The findings revealed a significant influence of savings literacy ( $\beta=0.493$ ,  $P<0.05$ ), Investment literacy ( $\beta=0.531$ ,  $P<0.05$ ) and Credit management literacy ( $\beta=0.493$ ,  $P<0.05$ ) on financial resilience. The study therefore concluded that enhancing financial literacy, particularly savings, investment, and credit management, is paramount for bolstering the financial resilience of youth-led enterprises. Drawing from these insights, recommendations are provided, and the study recommends the implementation of training programs fostering saving literacy, investment literacy, and credit management for owners and managers of youth-led enterprises. Furthermore, integrating financial literacy training into governmental initiatives supporting youth-led enterprises should be done to enhance success rates. This study emphasizes the pivotal role of financial literacy in fostering financial sustainability of youth-led enterprises in Uganda.

**Key words:** Youth-led enterprise, financial resilience, saving literacy, investment literacy, credit management literacy,

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

In light of the pervasive vulnerability to financial risks and threats, particularly among youth-led businesses, the imperative of fostering financial resilience becomes paramount for achieving socioeconomic development. This study aims to examine the influence of financial literacy on the financial resilience of youth-led enterprises in Northern Uganda. This chapter provides an overview of the study background, problem statement, objectives, scope, significance, guiding framework, and definition of key terms.

### **1.2 Background to the study**

The background of the study is presented in four perspectives.

#### **1.2.1 Historical Background**

The concept of financial resilience has its roots in economic theory and risk management practices, with historical precedents dating back to ancient civilizations. Ancient civilizations such as Mesopotamia, Egypt, and China engaged in various forms of risk management practices to cope with environmental, economic, and social uncertainties. These practices included diversification of agricultural crops, storage of surplus goods, and communal support networks to mitigate the impact of adverse events (Zezeza, 2019).

The emergence of insurance mechanisms and trade networks in ancient Greece and Rome laid the groundwork for modern concepts of financial resilience. Merchants and traders utilized insurance contracts and maritime trade agreements to protect against losses and ensure continuity of business operations in the face of unforeseen events (Michalopoulos & Papaioannou, 2013).

The Industrial Revolution brought about significant advancements in financial institutions and risk management tools. Insurance companies, stock exchanges, and centralized banking systems provided avenues for individuals and businesses to hedge against financial risks and maintain stability amidst economic volatility (Jones, 2006). In the 20th and 21st centuries, globalization and technological advancements have heightened the interconnectedness of global financial systems, posing new challenges and opportunities for financial resilience. The 2008 global financial crisis underscored the importance of robust risk management practices and regulatory frameworks to safeguard against systemic risks and ensure the resilience of financial markets (Carvalho et al., 2012).

The idea of resilience has thus been expanded to include various fields, including public policy, urban planning, crisis management, financial management, and others. As the largest section of the population is financially vulnerable worldwide for instance, the youth, women and the poor living in rural areas, financial resilience is since then becoming popular and an interesting topic for discussion. World Bank statistics (2018) indicate that over 75% people world over and over 85% small business in South Asia and Sub-Saharan Africa experience financial shocks and lack access to formal financial services. Therefore, building financial resilience is largely demanding amongst small and medium enterprises especially youth led enterprises if nations want to achieve social economic development (Gash & Gray. 2016).

Over the past few decades, resilience has gained appeal in research and policy-making (Folke 2006). Initially, the idea of resilience was used to describe how natural systems recover after a shock (Deevy et al., 2021). It was then adopted in the social systems and even the humanities began to use the phrase. Even though different nations have unique social structures and fundamentally diverse situations, they all share a number of development ideas that are founded

on the fundamental rules and unavoidable patterns of human social development. The EU Sustainable Development Strategy released by the European Commission in May 2001, introduced the concept of financial resilience as one of the aspects in its sustainable development strategy. Since then, the EU's sustainable development strategy has undergone adjustments in 2006, regular evaluations in 2007, and inclusion in the "Europe 2020 Strategy" in 2010, which has garnered a lot of attention to financial resilience for many years (Deevy et al., 2021). At this time, financial resilience has become a crucial road map for furthering the social and economic advancement of EU countries and has been largely adopted in many developing countries across the globe.

Global financial supervision throughout 2008 was centred on restoring financial resilience as a tool for policy to seek a soft landing for the economy (Lusardi et al., 2021). For instance, since 2018, China's financial policy has started to incorporate financial resilience. In Africa, Global Entrepreneurship Monitor (GEM) (2018) notes that South Africa's young entrepreneurship rate is lower than that of other Sub-Saharan African nations. South Africa's overall early-stage entrepreneurial activity rate was 7% in 2012 as opposed to 13% in 2010. This rate again decreased in 2013, reaching 6.6%. South Africa had the lowest rate of early-stage entrepreneurial activity among its youth among Sub-Saharan African nations (Buckland, 2018). Zambia had the highest rate, followed by Ghana with 42% growth of youth enterprises. This made South Africa passionate about developing financial resilience amongst youth business. The National Youth Development Agency (NYDA) was established in 2009 with the mission to promote financial resilience amongst youth through economic engagement, skill development and training.

In Uganda, it has been demonstrated that financial resilience of businesses helps the economy to thrive, create jobs and reduce poverty (Agabalinda & Isoh, 2020). Ugandan government is working so hard to foster financial resilience spirit in youth led enterprises. The government over years has

worked closely with non-government organizations and commercial sector to launch different policies targeted at supporting young entrepreneurs. The three major programs that were launched to build financial resilience were enterprise education, soft support in form of mentoring and skills development and hard support in form of direct loans and grants (Agabalinda & Isoh, 2020). The government through government-sponsored initiatives such as Operation wealth creation, the Parish Development Model (PDM) are aimed at providing financial or other help to young entrepreneurs in order to build financial resilience. There is a need to build financial resilience amongst youth enterprises so as to enable them cope up with social economic and environmental threats.

On the other hand, the concept of financial literacy has evolved over centuries, shaped by economic developments, cultural influences, and changing financial landscapes. The formalization of financial literacy began to emerge during the Renaissance period in Europe. During the Renaissance (14th to 17th centuries), the rise of banking institutions in Italy and other European countries led to increased awareness of financial concepts among merchants and traders. As banking practices became more sophisticated, individuals sought to understand principles such as interest rates, currency exchange, and investment strategies (Lusardi & Mitchell, 2014).

The Industrial Revolution (18th to 19th centuries) brought significant changes to economies worldwide, fostering the need for financial education among workers and entrepreneurs. As industrialization expanded, literacy rates increased, enabling broader access to financial knowledge through newspapers, pamphlets, and educational initiatives (Fernandes et al., 2014).

In the 20th century, the formalization of financial education became a priority for governments and educational institutions. The Great Depression of the 1930s highlighted the importance of

financial literacy in mitigating economic crises, prompting the integration of financial topics into school curricula and the establishment of consumer protection laws (Hastings & Mitchell, 2011).

With the advent of the digital age in the late 20th and early 21st centuries, financial literacy took on new dimensions. The proliferation of financial technology (fintech) innovations, online banking platforms, and digital currencies necessitated greater digital literacy skills among consumers to navigate the complexities of modern finance (Sunden & Surette, 2015).

### **1.2.2 Theoretical Background**

The study was guided by the Resource Based Theory (RBT) attributed to the works of Barney (1991) to provide clear understating of the implications of financial literacy on financial resilience of youth led enterprises in a setting like Uganda. As a result, this study embraced the assertions of the Resource Based.

According to this theory, organizations are made up of a combination of valuable, uncommon, unique, and non-replaceable resources. The theory asserts that when these resources are used effectively, the organization can grow and gain competitive advantages (Barney, 1991). The collection of resources a company has at its disposal is crucial for creating competitive advantage and can be used for a variety of activities to spur growth.

According to the logic of the theory, one would argue that financial literacy is one of the fundamental resources alongside nonfinancial and financial assets, capabilities, organizational processes, information and technology among others that determine whether an organization succeeds or fails to become financial resilient (Adamako & Danso, 2014).

Therefore, in this study context, financial literacy is viewed as a resource which could include assessing the knowledge, skills, and abilities of employees and management related to financial management and decision-making that Youth Led Enterprises while financial resilience can be considered as an outcome. As a result, applying Resource-Based Theory to this study provided a valuable framework for understanding how this resource can contribute to a competitive advantage and improved performance. It allows for a strategic perspective on how firms can leverage their financial literacy to enhance their ability to withstand financial challenges and capitalize on opportunities in their environment.

### **1.2.3 Conceptual Background**

The special attention is drawn towards establishing whether financial literacy may support in building financial resilience amongst youth enterprises in Uganda. Studies that have been conducted in European and Asian context have demonstrated that financial literacy contributes to financial resilience (Bieri, 2014). Similarly, limited studies in Uganda have been conducted. However, literature gaps exist which has prompted this study to focus on the two concepts of financial literacy and financial resilience.

Financial resilience refers to an individual's ability to manage financial shocks and life events that may be impactful into his or her income over along time (OECD, 2020). Similarly, Belayeth (2019) defines financial resilience as ability to withstand life events that affect one's finances such as increasing lifestyle expenses, job loss and reduction in income. There is a growing concern on low financial resilience amongst businesses in developing countries whose ability to withstand financial pressure arising from financial shocks is low (Kass-Hanna, Lyons & Liu, 2022). A case in point is inability to handle the devastating effects of COVID-19 which is attributed to lack of preparations to handle such emergencies.

Financial resilient individuals would therefore be prepared to weather such unexpected storms of life and recover quickly from financial stress arising from such emergencies (Klapper & Lusardi, 2020). Furthermore, a financial resilient individual would be in position to deal with unexpected costs without disruption on his or her financial plans. Whenever, an individual is exposed to financial risks and demanding situations that are difficult to deal with, he or she would not be bothered because one would be prepared enough for such financial shockers.

On the other hand, financial literacy is considered a fundamental framework for building financial resilience amongst individuals. According to Gash and Gray (2016), financial literacy enables individuals to save, borrow and develop assets which are determinants of financial resilience. Whilst, financial literacy is gaining momentum globally and perhaps becoming the most important framework for building financial resilience amongst youth led enterprises, there are limited studies in the context of Uganda. In fact, no study has considered investigating the effect financial literacy has on financial resilience of youth led enterprises in Northern Uganda. It is against this ground that this study examined the extent to which financial literacy is demanding amongst youth-led enterprises and how it will improve on financial resilience.

#### **1.2.4 Contextual Background**

The Lord's Resistance Army (LRA) and the Government of Uganda have been at war in northern Uganda for more than 20 years, from 1986 to 2006, and the fighting has had a substantial economic impact. Around 95% of the population of Gulu City lived in the 251 camps throughout the region at its height in 2005. (UHRC and OHCHR, 2011)

Although the economy has grown at robust rates over the past few years, roughly 7% annually between 2005/06 and 2018/19, it is evident that this growth has not been accompanied by

significant economic change. According to a recent SLRC assessment of the Acholi sub region, there have been very few notable changes in the Youth enterprises in northern Ugandans. Youth led enterprises are still struggling years after the conflict ended. Data from the National Household Survey (2014) show that 46% of Youth in the north live in poverty, compared to 11% in the central region, 24% in the east, and 22% in the west (UBoS, 2014). The youth enterprises continue to have one of the lowest financial literacy rates in the nation. Youth enterprises have little financial access.

Although youth enterprises in Northern Uganda contribute to social economic development of Uganda, financial resilience is still demanding. Majority of the youth led enterprises in Northern Uganda have experienced financial shocks and if no effort is under taken to curb, the problem is likely to erupt and have a long-term effect on social economic wellbeing of youth. UBOS report (2019) indicates that whereas, youth-led enterprises in Uganda have rapidly increased in number from 4.6 million in 2004 to 6.8 million in 2019, most youth owning businesses are still unable to manage financial risks, have limited knowledge on on-going trends for financial decisions making and unable to cope up with the diversities in the business environment with no exception from those in Northern Uganda.

Whereas, Policy makers and scholars have urged a considerable improvement in financial literacy as a solution to financial resilience, majority of youth owning businesses in Northern Uganda are not confident, unable to make informed financial decisions that may help them to anticipate financial shocks and navigate through them or even recover from financially stressful situations. This study therefore focused on establishing whether financial literacy has a significant effect on financial resilience of youth led enterprises in Northern Uganda.

### **1.3 Statement of the Problem**

Youth-led enterprises in Northern Uganda have demonstrated remarkable potential, with initiatives such as extended trainings by development partners like the Mastercard Foundation benefiting over 813 youth-led businesses (Finscope Survey Report, 2020). These efforts have fostered entrepreneurial growth, enhanced skills, and contributed to the overall economic development of the region (FinScope survey Report, 2020). However, despite these impressive undertakings, financial resilience among youth-led enterprises in Gulu City remains a challenge (FinScope Survey Report, 2020). A close analysis of the UBOS report (2019) indicates that whereas, Uganda's youth-led enterprises have rapidly increased in number from 4.6 million in 2004 to 6.8 million in 2019, over 75% of the youth led enterprises in Gulu City are still unable to manage financial risks. The report further shows that only 20% of the enterprises have knowledge on ongoing trends for financial decisions making. These leave majority of the youth led enterprises in Gulu City unable to cope up with the diversities in the business environment (UBOS Report, 2019). According to the Finscope Survey Report (2020), more than 15% of youth-led enterprises in Northern Uganda are experiencing short-term financial emergencies, such as income declines and rapidly increasing expenditures, surpassing their monthly earnings. Consequently, this demographic of youth finds it unable to endure these financial shocks, leading to a notable deficiency in financial resilience among them. Furthermore, the rate of recovery for numerous youth enterprises in Gulu City remains low. For instance, as indicated in the Bank of Uganda BoU) Report (2022), more than 40% of these enterprises continue to grapple with the effects of COVID-19, unable to resume their normal operations even up to date.

Whilst, prior studies (Lusardi et al., 2021, Chen & He, 2022) provide scholarly evidence that financial literacy plays a fundamental role in empowering young people to make economic

decisions towards developing financial resilience, such literature is limited in the context of Uganda and most importantly no effort has been undertaken to establish evidence from the Youth-led enterprises in Northern Uganda. It is against this ground that a scholarly study was highly required to establish the effect of financial literacy on financial resilience amongst youth-led enterprises in Northern Uganda.

#### **1.4 General purpose of the study**

The aim of the study was to examine the influence of financial literacy on financial resilience of youth led enterprises in Northern Uganda. The study considered empirical evidence from Gulu City.

#### **1.5 Study Objectives**

The study aimed at achieving the following objectives;

- i) To examine the influence of savings literacy on financial resilience of youth-led enterprises in Gulu City
- ii) To establish the influence of investment literacy on financial resilience of youth-led enterprises in Gulu City
- iii) To investigate the effect of credit management literacy on financial resilience of youth-led enterprises in Gulu City
- iv) To assess the joint effect of saving literacy, investment literacy, and credit management literacy on financial resilience of youth-led enterprises in Gulu City

#### **1.6 Study Hypotheses**

The study was guided by the following null hypotheses;

- Ho1. Savings literacy has no significant influence on financial resilience of youth-led enterprises in Gulu City
- Ho2. Investment literacy has no significant influence on financial resilience of youth-led enterprises in Gulu City
- Ho3. Credit management literacy has no significant effect on financial resilience of youth-led enterprises in Gulu City.
- Ho4 The joint effect of saving literacy, investment literacy, and credit management literacy does not have an effect on financial resilience of youth led enterprises in Gulu City

## **1.7 Scope of the Study**

### **1.7.1 Content Scope**

The goal of the study was to examine how financial literacy affects financial resilience of Youth-led enterprises in Northern Uganda. The study adapted the dimensions of financial literacy savings literacy, investment literacy and credit management literacy to conceptualize financial literacy. Financial literacy was measured by absorptive capacity, speed of recovery and knowledge on trends. These were chosen for testing in this study because prior studies indicate that for resilience to be built amongst individuals, they ought to embrace the culture of saving and investment. However, this was yet to be embraced by youth-led enterprises which continue to face financial shocks.

### **1.7.2 Geographical Scope**

The study was conducted in Northern Uganda and specific focus was on the youth led enterprises in Gulu City. This area of study was considered because it is the area that has experienced challenging situations over years such as insurgencies. Therefore, driving economic development in this area through building financial resilience would be a priority. At the same time, according

to PSFU Survey Report (2020), the study area is as well confined with a number of youth enterprises that have fallen victims of financial shocks and emergencies which accounts for the highest failure rates of businesses in the area.

### **1.7.3 Time Scope**

Credible research material, literature, and situations from the years 2015 to 2022 were considered and reviewed for this study. This period was considered in this study because it was within this period that Northern Uganda has been recovering from insurgency challenges that affected the region. A number of youth-led enterprises have gradually grown within this period and therefore it was prudent to carry out an investigation on how the enterprises can be supported to build financial resilience.

### **1.8 Significance of the study**

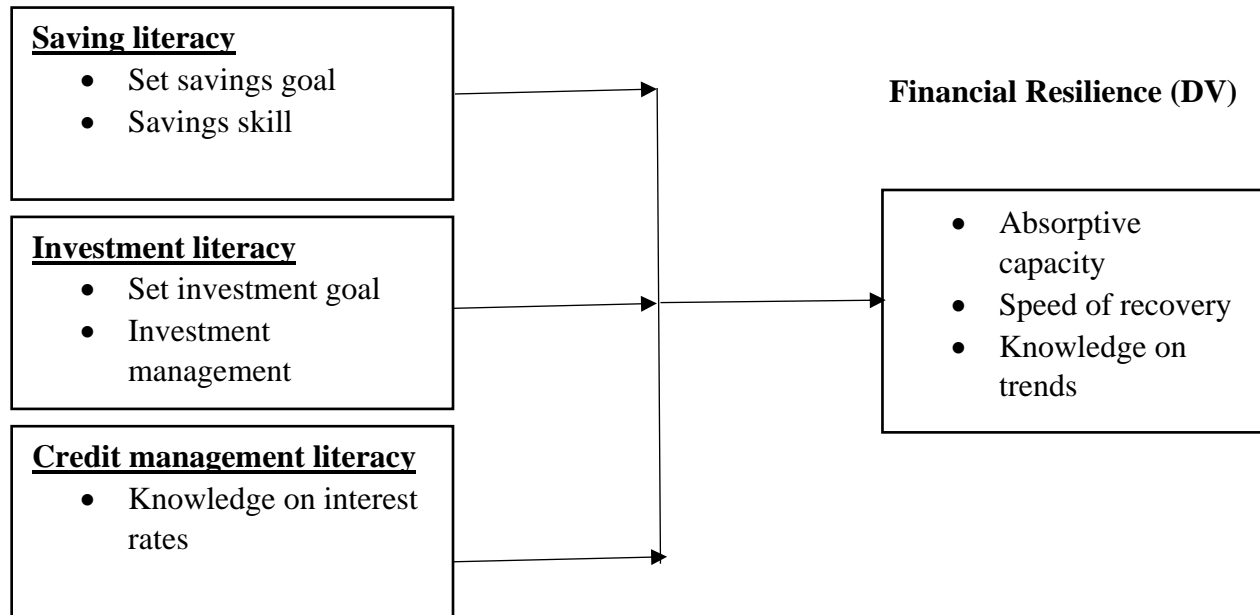
**To policy makers;** the study provides a wealth of information to Ministry of Finance and Economic Planning required during enactment of policies aimed at building a financial resilient society and specifically youth businesses.

**To researchers;** the study supplements to the existing literature on financial literacy and financial resilience which can be used by future researchers to inform their studies in related areas.

**To owners and managers of enterprises;** the study findings demonstrate how financial literacy affects financial resilience which can be helpful for owners and managers of enterprises to refocus on the specific areas of improvement in relation to developing a saving and investment culture and also capacity to manage credit.

## 1.9 Conceptual framework

### Financial Literacy (IV)



**Figure 1. 1: Conceptual framework**

*Source: Adapted from Klapper and Lusardi (2020), Tarko 2017 and modified by the Researcher (2023)*

According to the framework, financial resilience (DV) of youth enterprises is hypothesized to be influenced by financial literacy (IV) which is a multi-dimensional construct. Financial literacy was conceptualized into savings literacy, investment literacy and credit management literacy. The rationale for focusing on savings literacy, investment literacy, and credit management literacy in this study was because Inter Media Financial Inclusion Insights (FII) (2021) notes that Youth-led enterprises in Gulu City face key challenges along inadequate savings, poor investment decisions, or mismanagement of credit. Therefore, adopting these concepts for the study addresses these given their urgency in promoting financial resilience. Similarly, the study by Nassuna (2021) highlights that savings literacy, investment literacy, and credit management literacy are the

financial components that are immediately impactful or critical to the survival and growth of youth-led businesses in Gulu City.

Financial resilience was measured by absorptive capacity (ability to experience large financial shocks without major negative consequences), speed of recovery (ability to recover very fast after experiencing financial shock) and knowledge on trends (ability to forecast likely credit changes) as adapted from (Tarko, 2017, Adger, 2006 and Klapper & Lusardi, 2020).

In conclusion, the study hypothesises that financial literacy, particularly in savings, investment, and credit management, directly affects the financial resilience of youth-led enterprises.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section presents the previous research works that have demonstrated the relationship between financial literacy and financial resilience. It highlights on the methodological approaches adopted by those studies and probable literature gaps that exist.

#### **2.1 Theoretical literature**

The study was guided by the Resource Based Theory (RBT) attributed to the works of Barney (1991) to provide clear understating of the implications of financial literacy on financial resilience of youth led enterprises in a setting like Uganda. According to this theory, organizations are made up of a combination of valuable, uncommon, unique, and non-replaceable resources. The theory asserts that when these resources are used effectively, the organization can grow and gain competitive advantages (Barney, 1991). The collection of resources a company has at its disposal is crucial for creating competitive advantage and can be used for a variety of activities to spur growth (Barney, 1991).

To demonstrate how Youth led enterprises might gain a competitive advantage, the RBV presented a framework (Shafeey & Trott, 2014). According to Stacey (2011), businesses obviously need to be financially literate to manage their financial resources so as to achieve their plans. Businesses that are financial resilient get a competitive edge in a fast-paced business climate because they will withstand financial shocks and thus offer value to clients at all times which rivals cannot match.

According to the logic of the theory, one would argue that financial literacy is one of the fundamental resources alongside nonfinancial and financial assets, capabilities, organizational processes, information and technology among others that determine whether an organization succeeds or fails to become financial resilient (Adamako & Danso, 2014). Therefore, this study focused on testing whether financial literacy as a resource itself or a pivotal requirement for managing organization's resources especially in Youth led enterprises in order to make wise financial and commercial decisions for financial resilience.

Whereas, the study was anchored on RBT, studies such as Adamako and Danso (2014) indicate that financial literacy, as a core resource under RBT, is not static. Its value and application evolve as the business progresses through different life cycle stages. The capacity to utilize financial literacy effectively to enhance resilience depends on the stage of the business and the specific financial challenges it faces at that stage. Similarly, businesses that develop financial resilience through the strategic use of financial literacy navigate different life cycle stages successfully, particularly in challenging economic conditions.

In this case therefore, the study was also informed by Life Cycle Theory of Saving and Consumption that was developed by Modigliani and Miller (1958). According to the theory, people aim to optimize their utility or level of personal well-being by balancing their lifelong stream of

earnings with their lifetime spending pattern. The life-cycle concept has been extensively used to study people's savings and retirement behavior especially the elderly (Browning & Crossley, 2001). The theory asserts that at different stages of the life cycle, consumption needs and income are frequently out of balance. The younger people such as youth frequently have higher consumption needs than they can afford. Their primary requirements are quite ambitious and as a result they do not have much money saved up. As incomes increase, it becomes easier to pay off debts and build savings (Gourinchas & Parker, 2002).

The theory has therefore received wide recognition in the area of financial resilience. There are a number of studies on building financial resilience that have been informed by the Life Cycle Theory of Savings and consumption (Fernandez-Villaverde & Krueger, 2011). However, research on the saving patterns of youth has been inconclusive in terms of whether the observed patterns of saving and dissaving match those predicted by the life-cycle hypothesis. This therefore formed the basis for the current study.

In conclusion therefore, integrating Resource-Based Theory and Life Cycle Theory on this study provided a comprehensive understanding of how financial literacy, as a resource, contributes to financial resilience across the different stages of a business's life cycle. This dual framework allowed for a dynamic examination of how financial literacy enhances business resilience, helping Youth-led enterprises in Gulu to manage financial challenges effectively and maintain long-term sustainability.

## **2.2 Empirical literature**

### **2.2.1 Saving Literacy and Financial Resilience**

Saving literacy plays a critical role in shaping individuals' and businesses' financial resilience. By equipping individuals and businesses with the knowledge and skills needed to save effectively, savings literacy enables them to build financial buffers, plan for the future, and navigate economic uncertainties. This literature review explores the relationship between savings literacy and financial resilience, synthesizing findings from research conducted in various contexts and populations.

According to Tugume and Kihunda (2018), savings behavior among Ugandans is influenced by the levels of financial literacy and access to savings institutions. They argue that individuals with higher savings literacy are more likely to set aside emergency funds, invest in financial products, and ultimately exhibit higher financial resilience in times of economic shocks. Similarly, the study by Amuriat and Okwen (2022) on micro-entrepreneurs in Uganda, it was found that those with knowledge of savings products, such as savings accounts and mobile money savings, were better equipped to manage financial crises, especially during the COVID-19 pandemic. The study indicated that micro-entrepreneurs who consistently saved, regardless of the amount, were able to maintain business operations and meet personal financial obligations during economic downturns.

Moreover, Mukasa (2020) points out that savings literacy is pivotal for both individuals and businesses in Uganda. He found that rural and urban SMEs with strong savings practices were more financially resilient, as they were able to self-finance during periods of low liquidity or external financial challenges, without having to resort to borrowing under unfavorable terms. Erdem and Rojahn (2022) have emphasized that financial services like digital payments, credit,

insurance, and savings may boost resilience. A greater understanding of the mechanisms through which financial literacy affects financial resilience is still needed, as is the identification of the policy levers required to get around the current obstacles to financial inclusion in order to attain financial resilience. To them, having a reserve of at least three months' worth of expenses for emergencies, maintaining cash and cash equivalents, such as savings accounts with banks or credit unions, money market funds, or short-term certificates of deposit play a significant role in developing financial resilience.

Tinta et al. (2022), in their study on the micro determinants of financial inclusion and resilience in Africa, which involved a survey of 40 African nations, found that savings are common among women, young people, and people living in rural areas, which has improved financial resilience. According to FCNB Annual Report (2021), financial literacy is crucial to one's capacity to develop financial resiliency and handle life's ups and downs. The over rising emergencies have demonstrated the value of having strong financial resilience since many firms lost business and people lost their employment, and yet they had to take on more family responsibilities, or faced severe financial hardships. The survey established that the youth and many women were among those who were heavily impacted.

Global Findex Database (2021) asserts that having savings culture is the best approach to handle financial emergencies in businesses and private life. Businesses owners who rely on savings for emergency cash are more confidence in their capacity to obtain it easily than members of their cohort who rely on other sources, regardless of the population's segmentation by area, income level, or gender. However, just 18% of business owners in emerging nations choose savings as their primary source of income, and less than a fifth of this group feel it would be challenging to obtain money from this source.

Similarly, Global Findex database (2021) further stresses that even those who are really impoverished can and do save little amounts over time. The study established that low savings may explain why few people or business owners have no strong financial foundations. In support, Bijak (2021) also asserts that businesses are able to make higher risk, higher return investments that lessen vulnerability to upcoming shocks when they use savings or loans to make strategic investments.

Savings, according to McKnight and Rucci (2020), help businesses to deal with financial shocks and emergencies that may occur owing to a brief decrease in income or an unanticipated spike in expenses. Hall (2021) exploited several promising opportunities to promote the growth of some savings. They produced a mixed bag of findings for instance, they noted that businesses split refunds, if they save part of the profits.

Hassan, Kassim and Ma'on (2018) have also noted that how much individual saves for a specific purpose and how persistent he or she is in doing so over time is very vital in building financial resilience. Most of the time, the problem is not that business owners do not have enough money left over to save; rather, it's that they are stocking things which do not fetch right investments. Therefore, with this mentality, there is likely to be low financial resilience.

According to Despard et al. (2017), financial literacy is crucial for reducing social inequalities both financially and educationally and, consequently, for increasing financial resilience. The study by Wachira and Kihiu (2012) highlighted ways that financial literacy on financial services can increase resilience. Financially literate people can use financial services to manage risk and make profitable investments. Without access to financial instruments like savings accounts, loans, and

insurance, people can only engage in low-risk, low-return activities that have a limited capacity to increase their future income and wealth.

Conclusively, based on what has already investigated by earlier researcher, one would argue out that financial literacy directly affects financial resilience. More specifically, the least financially literate business owners who have savings have the highest levels of financial resilience, which makes it easy for them to make rational financial decisions. Financial resilience is typically correlated with two levels of financial literacy

### **2.2.2 Investment Literacy and Financial Resilience**

Investment literacy, a key component of financial literacy, plays a critical role in shaping the financial resilience of individuals and organizations. This literature review explores the relationship between investment literacy and financial resilience, drawing insights from various studies and theoretical frameworks.

A study by Aga and Otim (2019) on youth entrepreneurship in Uganda found that young entrepreneurs with higher investment literacy were more resilient during economic hardships. These youth-led enterprises were able to diversify their income streams, invest in scalable business models, and leverage both formal and informal financial systems to buffer against market fluctuations. The study emphasized that promoting investment literacy among Ugandan youth could enhance their financial resilience and reduce their vulnerability to external economic pressures.

Tugume and Kihunda (2018) explored how SMEs in Kampala managed to maintain their business activities amidst economic shocks. The study revealed that SMEs with a clear understanding of

investment opportunities and risks were better able to allocate their resources strategically and withstand financial stress. These businesses had diversified portfolios that allowed them to remain afloat even when one revenue stream was affected by economic conditions. Similarly, Mukasa (2020), also established that there is a positive correlation between investment literacy and financial security in Uganda, where individuals who understand investment options such as stocks, bonds, and small-scale businesses are more capable of building wealth and sustaining financial resilience.

Hamid et al. (2023) assert that financial literacy should involve having a solid understanding of finances. It aids individuals in making wise and knowledgeable financial decisions. Understanding finances is crucial for making decisions in daily life Erdem and Rojahn (2022). It's crucial to understand how to use money wisely, what the appropriate spending limit is based on monthly incomes, how much of that income should ideally be allocated to savings each month to create a safety net, how to invest money in the best financial products to maximize returns on savings, and how to borrow money prudently while avoiding toxic loans with high interest rates (Salignac et al. 2023)

Bialowolski, Cwynar and Weziak-Bialowolska (2022) noted that businesses can lessen their susceptibility to shocks by investing in risk-mitigating technologies or preventative health measures for commercial or agricultural objectives through credit or savings literacy. According to Lusardi et al. (2021), investing on risk-reduction areas can help in building financial resilience. Studies such as Setyorini, Indiworo and Sutrisno (2021), Nicolini and Haupt (2019) contend that investment literacy as a form of financial literacy modifies financial resilience through driving more profitable choices that mitigate risk.

The survey by Inter Media Financial Inclusion Insights (FII) (2021) from seven South Asian and Sub-Saharan African countries on Building financial resilience through financial and digital literacy in South Asia and Sub-Saharan Africa revealed that saving, borrowing, and risk management were directly contributing to financial resilience.

Whereas, Setyorini et al. (2021) contend that financial resilience is paramount, he established that financial literacy does not work in isolation but rather human capital is another resource that one needs in making investment decisions. Human capital has an impact on financial literacy because sometimes people learn from others through direct observation.

Huston (2010) also highlighted that financial literacy enables business owners to understand how successfully investing is to the business. It is one thing to have investments, but the ups and downs may be very stressful and lead to poor financial choices. However, financial literacy helps individuals to control financial stress and make plans properly to manage financial shocks. According to Tokar (2015), financial literacy like savings and investment cultures help business owners to be more resilient financially.

All in all, considering the previous studies that have been conducted in the field of financial literacy, they point to the fact that financial literacy plays a very vital role in building financial resilience amongst business. Investment literacy in addition to savings literacy and debt management provide a comprehensive explanation of how financial literacy affects financial resilience. Previous empirical studies demonstrate that financially literate business owners are more financially resilient than those that portray no understanding of financial situations.

### **2.2.3 Credit Management Literacy and Financial Resilience**

One key aspect influencing financial resilience is credit management literacy, which refers to the knowledge and skills necessary to effectively manage borrowing and debt obligations. This literature review explores the existing research on the effect of credit management literacy on financial resilience among businesses, with a focus on youth-led enterprises. Several studies such as Belayeth et al. (2019), Andreou et al. (2023), Bijak (2021) and Bialowolski et al. (2022) demonstrate that investment literacy is crucial.

Hamid, Loke and Chin (2023) assert that financial literacy increases the likelihood of being financially resilient using a sample of 3395 Malaysians. The likelihood of being financially resilient is correlated with greater credit management literacy. OECD's (2020) also asserts that a financial cushion, managing expenses, maintaining financial control, addressing financial stress or shortfalls, having a financial plan, and being alert of fraud are all determinants of financial resilience. Whereas, it is become easier to find credit products, many of which have complicated terms and conditions and exorbitant interest rates. To be financially literate to manage debt and meet cost of debt is very important (Andreou et al., 2023).

The Bank of Uganda (2019) report highlights that many Ugandans, especially in rural areas, struggle with debt management due to limited understanding of credit products, leading to low financial resilience. The report suggests that improving credit management literacy could reduce the rate of loan defaults and enhance the capacity of borrowers to meet their financial obligations, even in difficult times.

Nassuna (2021) conducted research on the relationship between credit literacy and financial resilience among women-led SMEs in Uganda. The findings indicated that women who possessed strong credit management skills, including knowledge about interest rates, loan repayment schedules, and debt restructuring, were more resilient to financial shocks. These women were able to negotiate better loan terms and manage their businesses without falling into unsustainable debt cycles.

In another study, Ssewankambo (2020) assessed the impact of credit management literacy on rural SMEs' financial resilience in Northern Uganda. The study found that entrepreneurs with better understanding of credit management practices were able to leverage microloans and other forms of credit effectively to expand their businesses, while maintaining the ability to repay loans on time. This in turn reduced their vulnerability to financial crises and enhanced their capacity to recover from business disruptions.

The study by Inter Media Financial Inclusion Insights (FII) (2021) on Building financial resilience through financial and digital literacy in South Asia and Sub-Saharan Africa further supported the need for business owners and managers to have clear understanding of borrowing, and credit risk management which according to the survey were shown to be important building blocks for creating inclusivity and financial resilience.

According to Beck et al. (2020), businesses with higher levels of credit management literacy are better equipped to make informed borrowing decisions, negotiate favorable loan terms, and avoid excessive debt burdens. This knowledge enables businesses to effectively leverage credit as a strategic tool for growth and expansion while mitigating the risks associated with over indebtedness.

According to Belayeth et al. (2019), it is crucial for business owners and managers to understand how to use money wisely, how much of business profits should ideally be allocated to savings in order to build up a safety net, how to invest to maximize returns on savings, how to borrow sensibly while avoiding toxic loans with high interest rates, and how much should actually be borrowed. With this kind of rational decision making, businesses are more likely to become financially resilient.

According to Salignac et al. (2019) having a better understanding of how-to manage credit risks in borrowing, including knowing when to borrow could help individuals and businesses to recover from difficult financial situations. Similarly, Klapper and Lusardi (2019) investigated on financial literacy and financial resilience where the results demonstrated the importance of understanding interest rates, interest compounding, inflation, and risk diversification in constructing resilience. However, Bijak (2021) indicated that credit management literacy won't work unless there are laws protecting borrowers from hazards and encouraging company owners to put money aside.

Salignac et al. (2019), further highlight that how well an individual handles debt, understanding what the mental factors that are motivating the need to take on debt, and how to manage the stress that comes with having a lot of debt are very important in building financial resilience. Credit management literacy enables a business owner to take actions to efficiently deal with debt and keep debt to income ratio modest. Consequently, having a basic understanding of borrowing and associated costs helps an individual to make the best financial decision required to manage financial challenges in the changing environment.

The survey by Clarvis, Bohensky and Yarime (2015) show that only around half of business owners in significant emerging nations which borrow money from a bank or use a credit card are

financially literate that is to say, are able to understand precautionary measures of managing debts. In this situation, it is hard for businesses to escape from financial shocks and emergencies.

In conclusion therefore, from the literature, it has been noted that if people are less able to make the best credit management decisions, the less financially resilient they are. As a result, businesses owners that do not have credit management literacy are more exposed to financial challenges. They are likely to have the lowest levels of financial resilience.

### **2.3 Existing literature gaps**

In regards to the reviewed literature, it was observed that there is still a dearth of empirical research on financial literacy in Uganda, particularly in Northern Uganda. The majority of research has been on Asia and the effects of financial literacy on Chinese households' financial habits, particularly in terms of portfolio choice and investment decisions (Hamid et al., 2023). However, more study was still required because there was disagreement over how financial literacy should be defined and quantified as evidenced by the significant discrepancies in the results of the current studies (Bijak, 2021).

Whereas, various indicators such as savings, investment, credit management, budgeting have been linked to financial resilience, few studies though, have tested at least three of them in the same study. As a result, this study added to the body of knowledge on financial literacy and financial resilience by employing three measures that is to say savings, investments and credit management that was inspired by Erdem and Rojahn (2022) to examine the impact of financial literacy on financial resilience.

Majority of prior studies such as Salignac et al. (2019) and Belayeth et al. (2019) have utilized data from non-random sample. However, this focused on using micro-level data from randomized

samples from two districts of Northern Uganda. Furthermore, the reviewed literature shows that emphasis has been on individual behavior and very limited studies focused on youth led enterprises.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodological approach employed by this study to achieve the study objective. The major contents in this chapter include; research design, study population, sample and sample determination, data collection approaches, quality control, measurement of variables and data analysis techniques used.

#### **3.1 Research design**

This research adopted a cross sectional survey design where a multiple of firms were studied at a single point in time as supported by Creswell (2013). In the same way, a mixed method was employed in the study where a combination of qualitative and quantitative approaches were used simultaneously (Leech & Onwuegbuzie, 2009). The Mixed methods approach was amenable to more complex multi-disciplinary research. It brought into play a combination of the qualitative and quantitative approaches benefiting from the strengths of each, allowing for triangulation (Creswell, Hanson, Clark Plano & Morales, 2007). Besides this, the mixed methods approach through qualitative method guaranteed broad participation and an in-depth expression of the voice of the participants so as to supplement to the quantitative findings.

Therefore, this study relied on qualitative approach to explore issues in-depth and find answers to unanswered questions without addressing frequencies of occurrences and ranges (Bryman, 2006). Qualitative research was appropriate for answering aspects of the study including assessing the influence of financial literacy on financial resilience.

On the other hand, Quantitative approaches are premised on quantifiable data collection and analysis. Quantitative approach was used because it had the advantage of broader coverage for which a large section of the samples unlike in the qualitative approach. Additionally, it documented descriptive (frequencies and ranges), correlations and regressions which the qualitative could not measure (Bryman, 2006).

### **3.2 Study Population**

This study was conducted in Gulu City. The study area was selected due to its prevalence of youth-led enterprises facing financial challenges (UBOS Report, 2023). The unit of analysis comprised of Youth Led Enterprises which have been in operations for at least 5 years and are owned or managed by individuals aged 18 to 35 years.

Therefore, according to Gulu City Council Business Assessment Report (2020), the Youth Led Enterprises that met this study criteria were 240 enterprises where Bardege-Layibi Division has 136 firms and Laroo-Pece Division has 104 firms.

### **3.3 Sample and Sample Size Determination**

The sample size of this study was 160 determined using Sample Size Calculator developed by Raosoft (2004). The sample size was a representative and statistically significant at a confidence level of 95% and margin of error at 5% ([Sample Size Calculator by Raosoft, Inc.](#)).

### **3.4 Sampling Method**

The study used various sampling techniques. To arrive to the final sample size of 148 enterprises for survey, first, the study used purposive sampling to arrive to the firms that meet the selection criteria of having been in operations for at least 5 years and are owned or managed by individuals aged 18 to 35 years. Secondly, the study arranged the enterprises into strati based on different

sectors that include manufacturing, Agro business, Trading and Services given their significant differences. After which, the study used simple random sampling to pick enterprises from each stratum until the expected sample size of 148 firms is arrived to.

Meanwhile, for participants to interviews, a total of 20 participants were anticipated to participate in the interviews and a sample of 12 was considered. These included the 3 market trader’s association officials, 3 City officials, 3 representatives from financial institutions and 3 youth operating businesses in Gulu City central market. The interview respondents were selected using purposive sampling since they were expected to have the information necessary for accomplishing the objective of this study.

**Table 3.1: Population and sample for the study**

<b>Data collection Methos</b>	<b>Firm Category</b>	<b>Population</b>	<b>Sample</b>	<b>Sampling technique</b>
<b>Survey</b>	Manufacturing	57	37	Simple random
	Service	55	35	Simple random
	Agribusiness	43	30	Simple random
	Merchandize	85	46	Simple random
	<b>Sub-total</b>	<b>240</b>	<b>148</b>	
<b>Interviews</b>	Sectors players	20	12	Purposive
<b>Overall total</b>		<b>260</b>	<b>160</b>	

### 3.5 Data Sources

The study used primary and secondary sources of data. Primary data sources were used to collect data directly from the respondents using a self-administered questionnaire and interviews. Secondary sources were involved using reports from government and from the businesses.

### **3.6 Data Collection Methods**

The main data collection methods were questionnaire method and semi structured interviews.

#### **3.6.1 Questionnaire Method**

Questionnaire method was relevant for gathering data due to a wide geographic coverage of Gulu City (Roopa & Rani, 2012). Additionally, they were cost effective than other methods. For these reasons, this method was a preferred option. In this method, a self-administered questionnaire was designed containing a list of structured questions and probable answers.

#### **3.6.2 Interviews**

Also, an interview guide was created for the study's utilization of interviews. By using this strategy, a more in-depth data was gathered which lessened our reliance on one type of data that would be subjected to inaccuracies of the findings. The interviews incorporated direct communication between the researcher and respondents, providing a chance to elicit further details, obtain explanations, allay concerns, and build rapport with respondents, as supported by (Sekaran & Bougie, 2003).

### **3.7 Data Collection Instruments**

Two main tools used in this project to gather data were: a questionnaire and an interviewing guide.

#### **3.7.1 Self-Administrated Questionnaire**

Self-administered questionnaires were the main method used in the study to collect data. Lists of closed-ended questions were included in the questionnaire's layout for respondents to answer. The questionnaire was created in accordance with the objectives of the study in order to collect all the data needed for the current investigation. The questionnaires had closed ended questions which

according to Sekaran and Bougie (2003) are designed to facilitate respondents in making speedy selections and also make it easier for the researcher to code the data for later analysis.

### **3.7.2 An Interview Guide**

An interview guide was used by the study to assist in gathering comprehensive information from the key informants. It provided a list of typical questions for inquiries on which respondents are asked to express their opinions and judgments. The interview guide was expected to elicit detailed information that a self-administered questionnaire wouldn't provide as supported by (Mugenda & Mugenda, 2003).

### **3.7 Data Collection Procedures**

After a successful proposal defence, an introduction letter was obtained from Kyambogo University graduate school. The introductory letter gave the researcher permission to collect information. Besides, a letter of authorization was sought from Gulu City that permitted the researcher to collect data. The consent of the business owners was sought before commencing data collection. Questionnaires were physically delivered to the respondents and online questionnaires were sent to those respondents that were unable to complete a physical one. Interviews were held at the premises of key informants for not more than 20 minutes until when the number of respondents reached the point of saturation.

### **3.8 Data quality Control and Management**

The study-maintained validity and reliability all throughout the study for accuracy and consistency.

#### **3.8.1 Validity**

Given that the questionnaire may have contain questions that are self-rated, the study tested for construct validity through conducting factor analysis to check for common method bias and

common latent factors. Each item's loading were greater than .50, as suggested by (Creswell & Miller, 2000). In addition, Content Validity Index was computed to establish face validity and ensure that all the variables were captured.

Content Validity Index was computed using the formula provided below.

$$\text{Content Validity Index (CVI)} = \frac{\text{Number of items declared valid}}{\text{Total number of items}}$$

$$\text{CVI} = \frac{22}{30}$$

$$\text{CVI} = \underline{\underline{0.73}}$$

This implied that from the test results, the data instrument was valid since Content Validity was 73% which was within the acceptable range above the threshold of 0.7

### 3.8.2 Reliability

Reliability of the questionnaire was tested using factor analysis and Cronbach alpha coefficient. Cronbach alpha coefficients for the study variables that were considered were only those above the threshold of 0.7 (Field, 2009) while for each item loading was greater than .50 at t-Value ( $t > 2.0$ ) as supported by (Creswell & Miller, 2000). From the test results as indicated in Appendix 3, only items with factor loading of 0.5 and above as indicated in the Table above were included in the questionnaire in order to ensure reliability.

**Table 3.2: Cronbach's Alpha coefficients**

Variable	Reliability Statistics	
	Cronbach's Alpha	N of Items
Savings Literacy	.810	7
Investment Literacy	.791	6
Credit management literacy	.723	5
Financial Resilience	.812	6

*Source: Primary Data (2023)*

From the reliability tests in Table 3.2, it was observed that all variables were reliable with Cronbach's alpha coefficients above 0.7. This implied that the instrument was reliable and good enough for data collection.

### **3.9 Measurement of variables**

The study variables were measured as discussed below.

*Financial literacy*; which was an independent in this study was conceptualized based on three elements that were used by Klapper and Lusardi (2020) which include; savings literacy which was measured by asking respondent to gauge their specific savings goals such as saving for emergencies, expansion, or investment opportunities. Additionally, respondents were asked to gauge their proficiency in saving, including their ability to budget effectively, allocate funds to different purposes, and adhere to their savings plans. Investment literacy on the other hand was measured by assessing investment objectives, such as achieving growth, diversification, or long-term returns. Credit management was measured by asking respondents to gauge their knowledge on different types of interest rates.

*Financial resilience*; The study measured financial resilience which was a dependent variable for this study using absorptive capacity, speed of recovery and level of knowledge on trends. Financial records were used to identify and quantify the proportion of revenue derived from different sources such as product sales, services, grants, or investments (Klapper & Lusardi (2020).

*Control variables*; The major control variables in this study were; age which was measured in years, education levels which was measured by qualification attained, tenure which was measured in years an employee served in the organization and Length of operation which was measured in

years an organization has existed. Others control variables were gender and position of service (Tarko 2017).

### **3.10 Data processing and analysis**

The data underwent cleaning, with all missing values eliminated and outlier inconsistencies omitted to ensure accuracy and completeness. Subsequently, the cleaned data was entered into SPSS software version 24.0 for processing and analysis. Descriptive analysis was conducted on sample characteristics, and the results were presented in the form of frequencies and percentages.

Furthermore, Pearson's correlation analysis was performed to establish the coefficients explaining the association between financial literacy dimensions and financial resilience. Regression analysis was conducted to test the study hypothesis and establish the significance of the effect of financial literacy on financial resilience.

Conversely, for the qualitative aspect of the study, the transcribed information from the interviews was analyzed using software, specifically NVivo. In this analysis, the study coded and established patterns that emerged from the data, as supported by Wickham (2016).

### **3.11 Limitations of the study**

First and foremost, the key limitation of this study was sample selection error. The accuracy of sample selection was difficult because there could have been a probability that firms that participated may not be an accurate representation of the population. This may have therefore influenced the findings of the study. However, this study adopted all possibilities of minimizing sampling error by adopting a random sample selection procedure to eliminate possible bias.

Secondly, there might have been self-reported data from respondents where respondents provided answers, they believe were expected rather than accurate information as it existed at a time of survey. This was minimized through explaining the intention of the study to the respondents and the relevance of the study to their firms.

In addition, the response rate was not 100% which was as a result of non-response or unwillingness from some respondents to reveal all the information. This could have affected the findings of the study especially when other participants were involved more than others. However, this study minimized this through using trained research assistants by explaining the relevance of the study to respondents.

In light of these limitations, it is important for future research endeavors to continue striving for improved methodologies and techniques to enhance sample representativeness, minimize response bias, and maximize response rates.

### **3.12 Ethical considerations**

Ethical standards are crucial in research since integrity of the research process and protection of all involved parties are very fundamental for the credibility of the study (Artal & Rubinfeld, 2017).

Given that the study was conducted in Gulu City, there were challenges regarding confidentiality. Participants were concerned about the disclosure of sensitive business information, such as their earnings. Similarly, respondents were hesitant to provide critical feedback or express dissenting views, fearing retribution or negative consequence. In cases like this, the researcher applied several strategies to address these ethical dilemmas;

The study guaranteed adherence to the rules of ethics in research. For instance, the letter of introduction was obtained and used to seek for approval from the City Clerk of Gulu City.

In addition, before data collection, the researcher sought participants consent to participate in the study. The respondents were required to sign on the consent form before being availed with the questionnaire or required to participate in the interview process. This helped the respondents understand the purpose, risks, and benefits of the study.

They respondents were assured of the confidentiality of their responses. This was achieved by implementing robust data protection measures such as anonymizing data to protect participant identities, and limit access to sensitive data to only the researcher and institution only.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS**

#### **4.0 Introduction**

This chapter presents the analysis and interpretation of the study findings. It begins with an examination of the response rate, followed by descriptive statistics. The effect of financial literacy on financial resilience is then discussed in the last section, with the presentation of regression results.

#### **4.1 Response rate**

A total of 148 questionnaires were distributed to the respondents of which a total of 136 valid questionnaires were completed and returned from the selected respondents yielding a response rate of 91.8%. A total of 12 interviews were conducted. The response rate being greater than 50% provided a clear indication that the sample was large enough to represent the population of the study as supported by Lindner and Wingenbach (2002).

#### **4.2 Characteristics of respondents**

The characteristics of the firm included gender, age, marital status, position of the respondent, length in business and nature of business. These were analysed using descriptive statistics as presented in Table 4.1 below.

**Table 4.1: Sample characteristics**

<b>Category</b>		<b>Frequency</b>	<b>Percent</b>
Gender of Respondents	Male	69	50.7
	Female	67	49.3
	<b>Total</b>	<b>136</b>	<b>100.0</b>
Age of Respondent	18-20 years	8	5.9
	21-25 years	59	43.4
	26-30 years	39	28.7
	31-35 years	30	22.1
	<b>Total</b>	<b>136</b>	<b>100.0</b>
Marital status of respondent	Married	44	32.4
	Single	83	61.0
	Divorced	9	6.6
	<b>Total</b>	<b>136</b>	<b>100.0</b>
Position of respondent	Owner	71	52.2
	Manager	20	14.7
	Others	45	33.1
	<b>Total</b>	<b>136</b>	<b>100.0</b>
Length in Business	5-10 years	98	72.1
	10-15 years	31	22.8
	More than 15 years	7	5.1
Nature of Business	Trading	44	32.4
	Manufacturing	15	11.0
	Agro-business	18	13.2
	Service	59	43.4
	<b>Total</b>	<b>136</b>	<b>100.0</b>

**Source: Primary Data**

Results in the above Table 4.1 indicate a relative distribution of gender of respondents that participated in the study. For instance, female respondents constituted 50.7% and male constituted 49.3% of the respondents. This implies that there was a balanced representation of genders among youth owned businesses in Gulu City.

In terms of the age, results show that majority of the respondents were aged between 21-25 years (43.4%). This was followed by those aged between 26-30 years (28.7%), 31-35 years (22.1%) and those aged between 18-20 years comprised 5.9%. This implies that majority of the youth owned business in Gulu City are between 21-25 years.

Regarding marital status, majority of the respondents were single, constituting 61% and the married constituted 32.4%. Only 6.6% of the respondents had separated with their spouses. This implies that majority of the youth led enterprises are started by unmarried youth who are working to earn a living and settle in marriage in a future time.

Regarding the position, 52.2 % of the respondents were owners, 14.7% of the respondents were at managerial level. Those that held other positions such as accountants and sales constituted 33.1% of the respondents. Regarding the length of time the business was in operation, majority of the firms had been in business for a period of 5-10 years constituting 72.1% and 22.8% of the firms had been in business for a period of 10-15 years and only 5.1% had existed for a period of more than 15 years. This means that majority of the firms were in their early years of operations which would require them to develop strategies for financial resilience.

The results also show that majority of youth led enterprises in Gulu City are operating service businesses (43.4%). Those enterprises in trading constituted 32.3%. Those that are dealing in agro-business are 13.2%. Lastly, only 11% of the businesses are in manufacturing sector. This implies that service businesses such as restaurants, unisex saloons were easy for youth to start than manufacturing.

### 4.3 Descriptive Statistics

This section presents the descriptive statistics of the variables under investigation. Respondents were asked to rate their perceptions regarding each item in given variables using Likert-Scale of 1-5. The findings are presented in the sections below.

#### 4.3.1 Respondents perception on Savings Literacy

This study tasked respondents to indicate the extent to which they perceived a culture of savings. They were required to rate their understanding of saving literacy and where they rank in terms of knowledge regarding saving for sustainability. Table 4.2 below illustrates the results from the survey.

**Table 4. 2: Descriptive statistics for Savings Literacy**

Items	Mean	Std. Dev
In this business, I embrace a culture of saving	4.03	.769
I often ensure I keep close watch on all financial affairs of this business	3.99	.821
The savings culture has greatly benefited this business in times of finance	3.96	.820
In this business, there is a clear short or medium-term saving goal	3.82	.759
In this business, the savings have grown over years	3.80	.949
In this business, there is a clear long-term saving goal to be achieved	3.61	.936
In this business, I am able to manage all the savings appropriately	3.49	1.109
<b>Grand mean</b>	<b>3.81</b>	<b>0.88</b>

*Source: Primary data (2023)*

As indicated in table 4.2 above, there is statistical evidence that the youth highly embrace the culture of saving given that it emerged with the highest mean of 4.03 and standard deviation of .769. Respondents also revealed that they often ensured that they kept a close watch of all their financial affairs of their businesses (mean=3.99, standard deviation=0.821). The study revealed

that the saving culture had greatly benefited the businesses in terms of finance (mean=3.96, standard deviation=0.820). it was also established that the firms had a clear short or medium saving goal and plan (mean=3.82, standard deviation=0.759). Findings also indicated that savings among the firms had grown over the years (mean=3.80, standard deviation=0.949). The respondents also revealed that their firms had a clear long-term saving goal to be achieved (mean=3.61 and standard deviation=0.936). Lastly, findings revealed that firm's youths could ably manage all the savings appropriately (mean=3.49, standard deviation=1.109).

Referring to the interview responses, when asked to comment on the state of saving among youth who owned or managed businesses in Gulu City, the respondents highlighted the following;

*“...generally, the saving culture among youth has been so poor over years. However, there is a big change in their mind-set. Today, majority of the VSLA in Gulu City are in the hands of the youth. The youth who are saving are mostly in business. There is a tremendous growth in the savings literacy levels among youth and saving portfolios are gradually growing.”*

Therefore, from the findings, there is observable growth in the saving literacy levels among youth in Gulu City. This implies that youth-led enterprises can rely on the savings in times of financial shocks hence contributing to financial resilience.

#### **4.3.2 Respondents perception on investment Literacy**

This study tasked respondents to indicate the extent to which they perceived a culture of investment. They were required to rate their understanding of investment literacy and how it ranks among them regarding knowledge on investment for sustainability. Table 4.3 below illustrates the results from the survey.

**Table 4.3: Descriptive statistics for Investment literacy**

<b>Items</b>	<b>Mean</b>	<b>Std. Dev.</b>
In this business, the investments made are aimed all increasing the pool of resources for the business	4.07	.716
In this business, I manage all the investments appropriately	3.99	.620
In this business, I embrace the culture of investment which is our collective responsibility	3.97	.807
In this business, there is a clear long-term investment goal to be achieved	3.75	.925
In this business, I often ensure I invest all idle or excess finances	3.64	.964
The investments I make in this business are purely for the growth of business	3.20	1.114
<b>Grand mean</b>	<b>3.77</b>	<b>0.858</b>

*Source: Primary data (2023)*

Statistics in table 4.3 above revealed that the investments made by the firms are aimed at increasing the pool of resources for the business (mean=4.07, standard deviation=0.716). Furthermore, findings indicate that respondents are able to manage all the investments appropriately (mean=3.99, standard deviation=0.620). It was also established that firms embrace the culture of investment which is their collective responsibility (mean=3.97, standard deviation=0.807). The respondents also revealed that they laid down clear long-term investment goals to be achieved (mean=3.75, standard deviation=0.925). Investing all idle and excess finances (mean=3.64, standard deviation=0.964), lastly, results also indicated that the investments made by firms were purely used for the growth of business (mean=3.20, standard deviation=1.114). The overall mean score was 3.77 which was above the average indicating an agreement by respondents that the investment literacy existed among the firm's proprietors.

In reference to the interviews that were conducted with some youth traders in Gulu City Central market, the following highlights were noted;

*“...investing business profits to multiple income generating activities have helped our businesses to remain sustainable. Majority of the youth in Gulu city are running multiple businesses. This thinking among youth has helped the businesses to grow their income sources. The youth no longer feel comfortable to rely solely on single source of revenue for business operations. Actually you find even if the youth operating in single enterprises, they either have diversity in product dealings.”*

Therefore, based on the findings it is clear that the youth in business have investment knowledge which has enabled them to diversity income sources of their businesses by investing in a multitude of enterprises rather than counting on single product or enterprise.

### **4.3.3 Respondents perception on credit management Literacy**

This study tasked respondents to indicate the extent to which they perceived their credit management knowledge and skills. They were required to rate their understanding of how important knowledge and skills in managing borrowings can support their businesses to build resilience financially. Table 4.4 below illustrates the results from the survey.

**Table 4. 4: Descriptive statistics for Credit management literacy**

<b>Items</b>	<b>Mean</b>	<b>Std. Dev.</b>
In this business, I only borrow when there is a clear plan on what funds are going to be used for	4.01	.760
In this business, I often budget for interests to be repaid per annum	3.85	.824
In this business before any borrowing is made, I evaluate different interest rates for different financial institutions	3.82	.896
In this business, I often prepare loan repayment schedule to help in trac	3.67	.974
In this business, I make a list of all credits, track them closely and monitor	3.64	.932
In this business, I manage all its debts	3.13	1.210
<b>Grand mean</b>	<b>3.69</b>	<b>0.933</b>

*Source: Primary data (2023)*

From table 4.4 above, the findings revealed that firms only borrow when there is a clear plan on what funds are going to be used for (mean=4.0, standard deviation= 0.760). The findings further revealed that firms often budget for interests to be repaid per annum (mean=3.85, standard deviation 0.824). Evaluating the different interests of different financial institutions scored a mean of 3.82 and standard deviation of 0.896. Besides, it was also established that firms often prepare loan repayment schedules to help in tracking how much has been repaid (mean=3.67, standard deviation 0.974). Findings also revealed that firms make a list of all credits, track them closely and monitor their maturity date (mean=3.64, standard deviation =0.932) lastly findings revealed that firms ensure that they manage all their debts.

The findings above were concurring with the interview responses from interviews conducted with money lenders in Gulu City regarding credit management literacy of youth in business who noted that;

*“...credit management literacy has grown among the youth especially those in business. This is because the default rates have dropped over years. The youth are able to understand why they are borrowing, when they need the money and what they need to have in order to access the loans. Those youth borrowing for business reasons are able to understand that borrowing is for business growth. Majority of the youth that borrow money for business have low risk of failure to pay compared to the youth that are not having any business.”*

In accordance to the findings, it can therefore be agreed that credit management literacy among youth led enterprises has improved in Gulu City. The youth are able to understand the basic requirements for one to borrow which is key for reducing default rates that have forced youth to sale of businesses.

#### 4.3.4 Respondents perception on financial resilience

This study tasked respondents to indicate the extent to which they perceived the level of financial resilience of their enterprises. They were required to rate financial resilience of their firms to manage financial shocks and emergencies over time. Table 4.5 below illustrates the results from the survey.

**Table 4.5: Descriptive statistics on financial resilience of Youth Led Enterprises**

	<b>Mean</b>	<b>Std. Dev.</b>
My business has a pool of channels for raising funds whenever there is a	3.82	.952
My business is often able to deal with liquidity challenges on time	3.69	.865
My business is not often strained by debts since they are often paid on t	3.61	.998
My businesses business does not often run short of money to meet daily expenditures	3.55	1.002
My business often able to pay off all credits in full	3.21	1.123
My business is able to clear off all unpaid expenses in full without borrowing	2.90	1.216
<b>Grand mean</b>	<b>3.46</b>	<b>1.026</b>

*Source: Primary data (2023)*

Results in table 4.5 above indicate that firms have pools of raising funds whenever there is a need for more funds (mean=3.82, standard deviation =0.952). Findings also revealed that firms were able to deal with liquidity challenges on time (mean=3.69, standard deviation =0.865). It was further established that firms were not often strained by debts since they are often paid on time (mean=3.61, standard deviation =0.998). Besides, findings also revealed that firms do not often run short of money to meet daily expenses (mean= 3.55, standard deviation =1.002). Firms being able to pay off all credits in full scored a mean of 3.21 and standard deviation of 1.123 and business

being able to clear off all unpaid expenses in full without borrowing scored a mean of 2.90 and standard deviation of 1.216.

The findings above were concurring with the responses from interviews that were conducted with money Gulu City’s commercial officers regarding financial resilience of youth led businesses who noted that;

*“... there is an observable improvement in the resilience of businesses in Gulu City. Initially, the fall out rate of businesses has been high at an average of 40%. But currently the closure rate has declined to below 30%. It was only COVID 19 that was a suprising shocker that took businesses unaware but ever since, businesses are able to withstand small financial emergencies.”*

Therefore, based on the above findings, it can be concluded that financial resilience among youth led enterprises of Gulu City is high. Businesses are able to withstand financial shocks and are prepared to handle emergencies.

#### 4.4 The relationship between study variables

The study carried out a Pearson’s Correlation analysis to establish the nature of relationships that existed between the study variables and the results are presented in the table 4.6 below.

**Table 4. 6: Relationship between savings literacy, investment literacy, credit management literacy and financial resilience**

Variable	Correlation	Grand Mean	Grand S.D	1	2	3	4
1 Savings Literacy	Pearson	3.81	0.88	1			
2 Investment Literacy	Pearson	3.77	0.858	.534**	1		
3 Credit management Literacy	Pearson	3.69	0.933	.386**	.334**	1	
4 Financial resilience	Pearson	3.46	1.026	.404**	.438**	.334**	1

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

Source: Primary data (2023)

According to findings in table 4.6 above the study established that there is a statistically significant positive relationship between savings literacy and financial resilience of Youth led enterprises ( $r=0.404$  at  $P<0.01$ ). This means that savings literacy is associated with financial resilience of firms.

Similarly, the results show that there is a statistically significant relationship between Investment literacy and financial resilience of Youth led Enterprises ( $r=0.438$  at  $P<0.01$ ). This means that financial resilience and investment literacy are positively related. When one increases and so is the other.

Lastly, results indicate that credit management literacy has a statistically significant relationship with financial resilience of Youth Led Enterprises ( $r=0.334$  at  $P<0.01$ ). This means that financial resilience positive associated with credit management literacy.

#### **4.5 The effect of financial literacy on financial resilience**

In order to establish the effect of financial literacy on the financial resilience of Youth Led Enterprises, regression analysis was performed by the study and the findings are presented below.

#### **4.5 The effect of saving literacy on financial resilience**

In order to establish the effect of saving literacy on the financial resilience of Youth Led Enterprises, regression analysis was performed by the study. Table 4.7 below presents the results.

**Table 4.7: Regression analysis on Savings Literacy and financial resilience of Youth Led Enterprises**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.583	.373		4.246	.000
	Savings Literacy	.493	.096	.404	5.105	.000

F-statistic= 26.064,  
P<0.05  
R-square= 0.163  
Adjusted R-square= .157

a. Dependent Variable: Financial resilience

**Source: Primary data (2023)**

According to results in Table 4.7 above, the model was a good fit for the data and it is statistically significant given the fact that F-statistic= 26.064 at P<0.05). Relatedly, results indicated that savings literacy was responsible for 15.7% variation in the financial resilience of Youth Led enterprises (Adjusted R-square = 0.157). This implies that 84.3% is explained by other factors not investigated by the current study. It was further established the contribution of savings literacy to financial resilience of firms is  $\beta=0.493$  implying that a unit increase in savings literacy among youth led enterprises leads to 0.493 increase in the financial literacy of these firms. In this case, the study rejected the hypothesis that stated that savings literacy has no significant effect on financial resilience and concludes that savings literacy has a significant effect on financial resilience.

Therefore, in modelling the effect of savings literacy on financial resilience, the equation below was used;

$$FR = \beta_0 + \beta_1 SL_{it} + e_{it}$$

$$FR = 1.583 + 0.493SL + e.....(i)$$

Where FR is Financial Resilience, SL is Savings Literacy and e is standard error.

The findings above were in agreement with the responses from interviews that were conducted with key players in the sectors who noted that;

*“...many youth entrepreneurs understand the importance of saving, but they often don’t know how to implement effective saving strategies. They need more education on the benefits of regular saving habits. Financial institutions have a key role to play. We’re working with banks to develop targeted savings programs that cater specifically to youth-led enterprises, providing both education and accessible saving products. Therefore, there is a clear connection between savings literacy and business growth. When young entrepreneurs save effectively, they can reinvest in their businesses, explore new opportunities, and ultimately contribute to economic growth”*

#### 4.5 The effect of investment literacy on financial resilience

In order to establish the effect of investment literacy on the financial resilience of Youth Led Enterprises, regression analysis was performed by the study. Table 4.8 below presents the results.

**Table 4.8: Regression analysis on investment literacy and financial literacy of Youth Led Enterprises**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.461	.360		4.059	.000
	Investment Literacy	.531	.094	.438	5.634	.000
F-statistic=31.745						
R-square=0.192						
Adjusted R-square=0.185						

a. Dependent Variable: Financial resilience

*Source: Primary data (2023)*

Results in table 4.8 indicate that the model was a good fit for the data and it was statistically significant given the F-statistic =31.745 at P<0.05. Furthermore, findings also point to the fact that investment literacy explains an 18.5 % variation in financial resilience of Youth Led Enterprises. Results further indicate that a unit increase in investment literacy leads to a 0.531 increase in financial resilience ( $\beta=0.531$ ). Based on this evidence, the study rejects the hypothesis that stated

that investment literacy has no significant effect on financial resilience and concludes that investment literacy has a significant effect on financial resilience.

Therefore, in modelling the effect of Investment Literacy on financial resilience, the equation below was used;

$$FR = \beta_0 + \beta_1 IL_{it} + e_{it}$$

$$FR = 1.461 + 0.341IL + e \dots \dots \dots (ii)$$

Where FR is Financial Resilience, IL is Investment Literacy and e is standard error.

The findings above were in agreement with the responses from interviews that were conducted with key players in the sectors who noted that;

*“Most young entrepreneurs have a limited grasp of investment concepts. They often focus on immediate gains rather than understanding how investments can provide long-term financial stability. When youth understand investment literacy, they make much better choices. For example, those who have attended our investment workshops are more likely to diversify their portfolios, which strengthens their financial resilience. There’s a direct link between investment literacy and growth. Therefore, businesses that invest wisely tend to expand faster and create jobs, which is essential for the economy. When they’re financially literate, they become not just consumers but also contributors to economic growth.”*

#### 4.5 The effect of credit management literacy on financial resilience

In order to establish the effect of credit management literacy on the financial resilience of Youth Led Enterprises, regression analysis was performed by the study. Table 4.9 below presents the results.

**Table 4.9: Regression analysis on credit management literacy and financial literacy of Youth Led Enterprises**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	2.058	.348		5.921	.000
	Credit management Literacy	.380	.093	.334	4.104	.000
F-statistic =16.845						

R-square = 0.112  
Adjusted R-square =  
0.105

a. Dependent Variable: Financial resilience

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**Source: Primary data (2023)**

Results in table 4.9 above indicate that the model was statistically significant and it was a good fit for the data (F-statistic=16.845, P<0.05). The study further revealed that credit management literacy causes a 10.5% variation in the financial resilience of Youth Led Enterprises (Adjusted -  $R^2=0.105$ ). Besides, findings also established that a unit increase in credit management literacy contributes a 38% increase in financial resilience of enterprises ( $\beta= 0.380$ ). In this case, the study rejected the hypothesis that stated that credit management literacy has no significant effect on financial resilience and concludes that credit management literacy has a significant effect on financial resilience.

Therefore, in modelling the effect of credit management literacy on financial resilience, the equation below was used;

$$FR = \beta_0 + \beta_1 CL_{it} + e_{it}$$

$$FR = 2.058 + 0.380CL + e \dots \dots \dots (iii)$$

Where FR is Financial Resilience, CL is Credit management Literacy and e is standard error.

The findings above were in agreement with the responses from interviews that were conducted with key players in the sectors who noted that;

*“We often hear stories of youth-led businesses struggling with debt because they didn't fully understand the terms of their loans. Poor credit management not only jeopardizes their current operations but can also hinder their chances for future growth. Therefore, businesses that are financially literate and manage their credit wisely are far more likely to succeed and grow. When youth entrepreneurs understand their financial obligations, they can expand their businesses and create more job opportunities.”*

**Table 4.10: Regression analysis on saving literacy, investment literacy, credit management literacy and financial resilience of Youth Led Enterprises**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.594	.434		1.368	.173
Savings Literacy	.231	.112	.189	2.054	.042
Investment Literacy	.341	.109	.281	3.118	.002
Credit management Literacy	.191	.094	.168	2.030	.044

F-statistic = 15.071

R-square = 0.255

Adjusted R-square = 0.238

a. Dependent Variable: Financial resilience

*Source: Primary data (2023)*

As results in table 4.10 above indicate, the regression was statistically significant with F-15.071,  $P < 0.001$  indicating that the regression model was a good fit for the data. The study further revealed that a combination of savings literacy, investment literacy and credit management literacy explains a 23.8% variation in financial resilience of youth led enterprises. However, there was a recognizable variation in the individual contribution of these factors to the overall financial resilience of the enterprises. For instance, when all combined together, investment literacy was identified to be the strongest contributor to financial resilience ( $\beta = 0.341$ ) and this was followed by savings literacy ( $\beta = 0.231$ ) and lastly the least contributor to financial resilience was credit management literacy ( $\beta = 0.191$ ). This alludes to the fact youth led enterprises that embrace investment literacy and savings literacy is those that will realise an increase in their financial resilience.

Therefore, in modelling the joint effect of savings literacy, investment literacy, and credit management literacy on financial resilience, the equation below was used;

$$FR = \beta_0 + \beta_i SL_{it} + \beta_{ii} IL_{it} + \beta_{iii} CL_{it} + e_{it}$$

$$FR = 0.594 + 0.231SL + 0.341IL + 0.191CL + e \dots \dots \dots (iv)$$

Where FR is Financial Resilience, SL is Savings Literacy, IL is Investment Literacy and CL is Credit management Literacy and  $e$  is standard error.

**CHAPTER FIVE**  
**SUMMARY, DISCUSSION OF FINDINGS, CONCLUSION AND**  
**RECOMMENDATIONS**

**5.0 Introduction**

This chapter presents the summary, conclusion and discussion of findings in line with the study objectives. The chapter also shows the recommendations, limitations and areas for further research

**5.1 Summary of the findings**

This study examined the effect of financial literacy on financial resilience of youth-led enterprises in Uganda considering the case of Gulu city in Northern Uganda. The specific areas of focus in the study were to establish the extent to which saving literacy, investment literacy and credit management literacy affects financial resilience of firms.

In regards to the first objective, the regression results revealed that savings literacy significantly affects financial resilience. In this case therefore, the null hypothesis was rejected in favour of the alternative hypothesis that states that savings literacy significantly affects financial resilience. The second objective, based on the regression results, it was established that investment literacy has a significant effect on financial resilience. Hence, the null hypothesis was rejected in favour of the alternative hypothesis that stated that investment literacy has a significant effect on financial resilience of Youth-led enterprises in Uganda. In regards to the third objective, the regression results revealed that credit management literacy significantly affects financial resilience. In this case therefore, the null hypothesis was rejected in favour of the alternative hypothesis that states that credit management literacy significantly affects financial resilience.

## **5.2 Discussion of findings**

This section highlights how the current findings of this study align with the findings in various prior studies, individual perceptions and postulates in various theories.

### **5.2.1 Savings Literacy and Financial Resilience of Youth-Led Enterprises**

First and foremost, this study focused on establishing the effect of saving literacy on financial resilience of youth-led enterprises in Northern Uganda. The government of Uganda through its initiatives such as Parish Development Model has prioritized extending financial support to youth in the country to establish income generating initiatives. However, the initiatives have yielded very low success rates. This study therefore undertook to examine whether educating youth and promoting savings would really enhance financial resilience of youth-led enterprises given the fact that government has tried to address financing challenges.

This study therefore established that saving literacy is very paramount in building financial resilience. Over the years, the public outcry has been on the side of financing. Businesses were grappling with challenges of start-up capital. Northern Uganda has been the priority of government and donors over years; however, the region continues to be confined with high poverty rates. Most business continues to fail despite some funding. It is therefore, becoming clear that even after financing challenges have been seemingly addressed, the problem is far way beyond financing. Promoting saving literacy among the youth could save the situation.

The study findings agree with the findings of some prior studies. For instance, McKnight and Rucci (2020), from his study encourage firms to focus on building financial literacy in order to deal with financial shocks and emergencies that may occur which concurs with the current study findings. Similarly, the findings concur with empirical findings of Hall (2021) who noted that

businesses split refunds, if they save part of the profits. Not only that, findings also agree with FCNB Annual Report (2021) where financial literacy has been identified as a crucial factor towards building a firm's capacity to become financially resilient.

Therefore, the over rising emergencies have demonstrated the value of having strong financial resilience. Various surveys have established that youth and women led enterprises are heavily impacted especially in Northern Uganda. In this case, financial literacy could be an everlasting solution to the challenge. Particularly, promoting saving literacy among the enterprises may have a significant influence on financial resilience as highlighted by the findings. According to the Global Findex Database (2021), savings culture is the best approach to handle financial emergencies in businesses and private life which greatly resonates with the current study findings.

### **5.2.2 Investment literacy on Financial Resilience of Youth-Led Enterprises**

The study was also interested in establishing the extent to which investment literacy contributes to financial resilience among youth-led enterprises in Northern Uganda. Based on the survey conducted, the results from the analysis posit that investment literacy significantly affects financial resilience. There have been a lot of initiatives to promote investment culture among youth. Youth-led enterprises may be well positioned to handle financial shocks when the firms choose to invest and re-invest the profits generated from the business. However, what has been short of the youth is whether investment literacy can positively influence financial resilience.

This study therefore stands on the ground that investment literacy should be among the major areas of interest given that it truly influences financial resilience of youth-led enterprises. This agrees with Nicolini and Haupt (2019) who established that investment literacy modifies financial resilience through driving more profitable choices that mitigate risk. This sounds clear that when

firms diversify their investments, they are reducing a risk of reliance on once business line which is subject to shocks each time emergencies occur as it was in the case of Covid-19. Similarly, the current findings support the findings of Bialowolski, et al. (2022) who also established that businesses can lessen their susceptibility to shocks by investing in risk-mitigating technologies. In support of the findings, Huston (2010) also highlighted that investment literacy enables business owners to understand how successfully investing is to the business. However, firms should know that it is one thing to have investments, but the ups and downs may be very stressful and lead to poor financial choices. All in all, investment literacy is paramount in building financial resilience which also agrees with Tokar (2015), who noted that financial literacy like savings and investment cultures help business owners to be more resilient financially.

### **5.2.3 Credit Management Literacy and Financial Resilience of Youth-Led Enterprises**

In Uganda, majority of the businesses generate start-up capital through debt financing. The seed capital is borrowed from banks, relatives and friends which are subject to borrowing costs. This is a good mode of financing the business however; it requires literacy on managing the loan facilities and any form of borrowing. This has been the most challenge for SMEs in the entire country. This study therefore undertook to examine whether enhancing credit management literacy would ideally solve the financial challenge and thus influence financial resilience.

Based on the findings, the study established that financial resilience can be built if firms have credit management knowledge. Credit management literacy plays a pivotal role in ensuring that the businesses are able to prepare to meet the terms and conditions under borrowing. They are able to prepare their repayment schedules and plan well on when to borrow, from whom to borrow and why borrowing. This is what has been a shortfall among youth-led enterprises in the country. This

study therefore supports the fact that should these firms consider building financial resilience, the focus should also be directed towards credit management literacy.

The findings are supported by some of the prior studies such as Belayeth et al. (2019), who noted that it is crucial for business owners and managers to understand how to use money wisely should they focus on building financial resilience. This is because credit management literacy enables the firms to avoid toxic loans with high interest rates, and how much should actually be borrowed. With this kind of rational decision making, businesses are more likely to become financially resilient. Similarly, it is easier to find credit products, many of which have complicated terms and conditions and exorbitant interest rates (Andreou et al., 2023). Not only that, the findings also concur with findings of Clarvis, Bohensky and Yarime (2015) who found out that credit management literacy is very important given that around half of business owners in emerging nations borrow money from a bank or use a credit cards. Therefore, when they are literate, they are able to understand precautionary measures of managing debts. In this situation, it is hard for businesses to escape from financial shocks and emergencies.

Besides, the findings also concur with Salignac et al. (2019) who urged firms to have a better understanding of how-to manage credit risks in borrowing. It is believed that when firms know when to borrow, it could businesses to recover from difficult financial situations. It could help determine where resources can and should be invested in order to help people deal with financial hardship, support the creation of effective policy, and, in the end, improve financial resilience. Similarly, the findings by Klapper and Lusardi (2019) also support the findings of the current study as they also demonstrated the importance of understanding interest rates, interest compounding, inflation, and risk diversification in constructing resilience.

### **5.3 Conclusion**

Regarding the first objective saving is an important element of financial literacy that firms should focus on to foster financial resilience. Knowing when to save and having ability to save is key to driving financial resilience among Youth-led enterprises. Having savings literacy means having ability and knowledge to understand that saving is key for business success.

In regards to the second objective that examined the influence of investment literacy on financial resilience, the study findings revealed that investment literacy has a significant positive effect on financial resilience of youth-led enterprises. In this case, knowing how much to invest and when to invest is fundamental in fostering financial resilience. Investment literacy means a youth with investment knowledge and ability are able to make informed investment decisions for their businesses which generate more additional revenue other than relying on single source of cash inflows.

The third objective assessed the effect of credit management literacy on financial resilience of youth-led enterprises in Uganda. The findings revealed that credit management literacy equally affects financial resilience. Therefore, having knowledge on when to borrow, from whom to borrow and how much to borrow should be a priority of enterprise in this country. A youth who is literate on managing credit is able to assess the level of risks in borrowing, make an informed decision on whether to borrow and avoid risk of losing a business to lending organization due to failure to comply with borrowing contract.

### **5.4 Recommendations**

Based on the findings;

Government and enterprise support organization should foster a culture of saving among youth-Led enterprises through promoting VSLA and Bank Accounts. Finance institutions should encourage the enterprises to open savings accounts or encourage participation in Village Savings and Loan Associations (VSLAs). These savings should be earmarked specifically for emergencies, ensuring quick access to funds when unexpected situations arise.

Enterprise support organizations should build capacity of youth-led enterprises to develop investment plans. Developed investment plans should outline specific goals and strategies. Investment opportunities must be thoroughly analysed with input from relevant stakeholders to ensure informed decision-making.

Youth Led enterprises should also diversify their investment portfolios across different sectors to minimize risks and avoid dependency on a single income source.

Businesses including the youth-Led enterprises should often conduct Interest Rate Analysis before borrowing. The managers should routinely conduct a comprehensive analysis of interest rates across various lenders before securing loans.

Lastly, the enterprises should assess funding sources and compare multiple funding sources before making borrowing decisions. They should establish a clear borrowing plan that includes: When to borrow, from whom to borrow, and Why borrowing is necessary.

### **5.5 Areas for further studies**

This study has demonstrated the fact that financial literacy is relatively important in building financial resilience of youth-led enterprises. However, the challenges in these firms are quiet many. Therefore, this study recommends that further studies be conducted to establish the

investment opportunities that exist for youth-led enterprises in Northern Uganda. Other studies can focus on projecting this study to focus on the effect of budgeting literacy on financial resilience and also some can focus on establishing the relationship between government initiatives such as Parish Development Model and Financial resilience of youth-led enterprises.

### **5.5 Limitations and delimitations**

The study experiences some limitation for instance given that the business environment is highly dynamic, the findings in this study may be rendered less important in the nearby future. However, this study will be extended to keep it relevant for firms that may want to use the findings to inform their business models in the nearby future.

The study was limited to Northern Uganda which one would argue that the findings may not be applicable in other contexts of the country. However, this study seeks to apply same variables and validate them based on extended surveys in other contexts of the country. For instance, the study will be extended to Eastern Uganda.

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## APPENDICES

### Appendix 1: Questionnaire for the Study

Dear Respondent,

The researcher is a student of Kyambogo University, pursuing a Masters of Business Administration. The questionnaire is intended to help the study get information on **financial literacy and financial resilience of Youth-led enterprises in Northern Uganda, a case of Gulu City**. The researcher appreciates your participation in this effort.

**Please tick in the box corresponding to your preferred response in as according to the provided scale.**

#### SECTION A: PERSONAL INFORMATION

##### Section A: Demographic information about the respondent

*Instructions:* Please respond to the given items below by ticking the box that applies as guided

##### 1. Gender of respondent

1. Male                       2. Female

##### 2. Age

1. 18 - 20 years       2. 21- 25 years       3. 26 - 30 years       4. 31 - 35 years

##### 3. Marital status

1. Married       2. Single       3. Divorced

##### 4. What is your position?

1. Owner       2. Manager       3. Others  Specify.....

##### 5. How long has your business existed

1. 5 -10 years       2. 10 - 15 years       3. More than 15 years

##### 6. What is the nature of your business

1. Trading  2. Manufacturing  3. Agro-business  4. Service

### Section B: Savings Literacy

In this section, please respond to the items given basing on your level of agreement or disagreement

1	2	3	4	5		
Strongly Disagree [SD]	Disagree [D]	Not Sure (NS)	Agree [A]	Strongly Agree [SA]		
	Items	Response rate				
		SD 1	D 2	NS 3	A 4	SA 5
SL1	I often ensure I keep close watch on all financial affairs of this business in order determine how much finances to save					
SL2	In this business I often plan for all the money generated so as to know how much to save					
SL3	In this business, there is a clear short or medium-term saving goal and plan					
SL4	In this business, there is a clear long-term saving goal to be achieved					
SL5	In this business, the savings have grown over years					
SL6	In this business, I embrace a culture of saving					
SL7	In this business, I am able to manage all the savings appropriately					
SL8	The savings culture has greatly benefited this business in times of financial difficulty					

### Section C: Investment literacy

In this section, please respond to the items given basing on your level of agreement or disagreement

1	2	3	4	5		
Strongly Disagree [SD]	Disagree [D]	Not sure (NS)	Agree [A]	Strongly Agree [SA]		
S/N	Items	Response rate				
		SD	D	NS	A	SA

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
IL1	In this business, I have a short or medium-term investment goal					
IL2	In this business, there is a clear long-term investment goal to be achieved					
IL3	In this business, I often ensure I invest all idle or excess finances					
IL4	The investments I make in this business are purely for the growth of business and not the owner					
IL5	In this business, I embrace the culture of investment which is our collective responsibility					
IL6	In this business, I manage all the investments appropriately					
IL7	In this business, the investments made have multiplied over years					
IL8	In this business, the investments made are aimed all increasing the pool of resources for the business					

### Section C: Credit management literacy

In this section, please respond to the items given basing on your level of agreement or disagreement

1	2	3	4	5		
Strongly Disagree [SD]	Disagree [D]	Not sure (NS)	Agree [A]	Strongly Agree [SA]		
S/N	Items	Response rate				
		SD 1	D 2	NS 3	A 4	SA 5
CR1	My business often pays off all credit on time					
CR2	In this business, I make a list of all credits, track them closely and monitor their maturity date					
CR3	In this business, I manage all its debts					
CR4	In this business before any borrowing is made, I evaluate different interest rates for different financial institutions					
CR5	In this business, I only borrow when there is a clear plan on what funds are going to be used for					
CR6	In this business, I often prepare loan repayment schedules to help in tracking how much has been repaid					
CR7	In this business, I often budget for interest to be repaid per annum					

**Section D: Financial resilience**

In this section, please respond to the items given based on your level of agreement or disagreement

S/N	Items	Response rate				
		SD	D	NS	A	SA
		1	2	3	4	5
FR1	My business is able to meet a major unexpected expense at least once a month					
FR2	My business is able to clear off all unpaid expenses in full without borrowing money that you would have to repay					
FR3	My business is not often strained by debts since they are often paid on time					
FR4	My businesses business does not often run short of money to meet daily expenditures					
FR5	My business often able to pay off all credits in full					
FR6	My business is often able to deal with liquidity challenges on time					
FR7	My business has a pool of channels for raising funds whenever there is a need for more funds					

**Thank you for your cooperation**

## **Appendix 2: Interview guide**

- 1) Would please comment on the financial resilience of your business in regards to ability to withstand financial stocks such as financial shortfalls, rising expenditures, growing interest rates e.t.c
- 2) Would please comment on the level of financial literacy in regards to financial management trainings, knowledge on savings and investments and debt management.
- 3) To what extent do you believe your savings knowledge and skills have helped your business to be financially resilient
- 4) To what extent do you believe your investment knowledge and skills have helped your business to be financially resilient
- 5) To what extent do you believe your debt management knowledge and skills have helped your business to be financially resilient

### Appendix 3: Factor Analysis results

<b>Component Matrix</b>		<b>Component</b>
<b>Savings Literacy</b>		<b>1</b>
SL1		0.726
SL2		0.509
SL6		0.902
SL8		0.779
SL9		0.941
<b>Investment literacy</b>		<b>Component 1</b>
IL2		.907
IL3		.841
IL4		.879
IL6		.811
IL7		.694
<b>Credit management literacy</b>		<b>Component 1</b>
CR1		.769
CR2		.932
CR4		.811
CR5		.880
CR6		.656
<b>Financial Resilience</b>		<b>Component 1</b>
FR1		.606
FR2		.805
FR3		.815
FR4		.823
FR5		.841
FR6		.938
FR7		.699

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Appendix 4: Introduction letter



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Tel: 041 - 4286792 Fax: 256-41-220464

Website: www.kyu.ac.ug, Email: drgt@kyu.ac.ug

**Directorate of Research and Graduate Training**  
*Office of the Director*

---

Date: 21<sup>st</sup> September, 2023

**TO WHOM IT MAY CONCERN**

**RE: OKELLO DICKSON**

Dear Sir/Madam,

This is to introduce to you the above named student Reg: No **21/U/GMBA/14544/PE** pursuing a Master of Business Administration Department of Business administration, Kyambogo University.

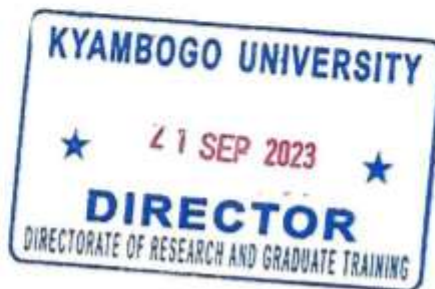
He intends to carry out research on **“Financial Literacy and Financial resilience of Youth-led enterprises in Uganda. A case of Gulu city”** in partial fulfillment of the requirements for the award of Master of Business Administration of Kyambogo University

The purpose of this letter therefore is to request you to grant him permission to carry out his study in your institution.

Any assistance rendered to him will be highly appreciated.

Yours sincerely,

Prof. Bosco Bua  
AG. DIRECTOR



## Appendix 5: Acceptance Letter

OKELLO DICKSON  
C/O Kyambogo University,  
P.O Box 1, Kyambogo,  
Tel: 0781866149

29<sup>th</sup> September 2023

The City Town Clerk  
P.O Box 140  
Gulu City,  
Gulu, Uganda

*Permission granted.  
ATC  
29th/9/2023*



Dear Sir/Madam,

**RE: REQUEST FOR PERMISSION TO CONDUCT A SURVEY ON YOUTH LED ENTERPRISES IN GULU CITY**

I hereby submit my request to your office. My name is Okello Dickson, and I am currently pursuing a Master of Business Administration (MBA) degree at Kyambogo University.

The purpose of my research is to investigate "The Influence of Financial Literacy on the Financial Sustainability of Youth-led Enterprises in Gulu City."

To achieve the objectives of my research, I would like to request permission to:

1. Conduct surveys and interviews with youth-led enterprises operating within Gulu City.
2. Analyze the collected data and draw meaningful conclusions for my research.

I assure you that the information gathered will be used solely for academic research purposes, and all data will be kept confidential and anonymized to protect the privacy and interests of the participants. I will ensure full compliance with any specific requirements, guidelines, or conditions. Your approval will greatly contribute to the successful completion of my MBA program and add valuable insights into the challenges and opportunities faced by youth-led enterprises in the region.

I am looking forward to your favourable response to this request. If you require any additional information or have any questions, please do not hesitate to contact me.

Thank you for considering my request.

Yours sincerely,

Okello Dickson  
MBA Student  
Kyambogo University

## Appendix 6: Plagiarism Report

# Plagiarism

*by* Dickson Okello

---

**Submission date:** 23-Oct-2024 12:01PM (UTC+0100)  
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