FINANCIAL LITERACY AND THE GROWTH OF SMALL ENTERPRISES IN MASINDI MUNICIPALITY, UGANDA, ACASE STUDY OF TRADERS IN NYANGAHYA DIVISION.

BY

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DECLARATION

I Muzoora Bob declare that this is my original work and has not been presented to any University for the award of degree and that the material that is not my original has been dually acknowledged**.**

Signed: …………………………………

Date: ……………………………………

MUZOORA BOB

(RESEARCHER)

APPROVAL

This is to certify that this research Dissertation entitled "**Financial Literacy and the Growth of Small Enterprises in Masindi Municipality, Uganda, a case study of traders in Nyangahya Division** has been conducted by Muzoora Bob under my supervision and hereby approved.

Signed: ………………………….

Date: …………………………

DR. REGIS ZOMBEIRE

(SUPERVISOR)

DEDICATION

This research dissertation is dedicated to my family members.

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First and foremost, I would like to acknowledge the Almighty God for His Grace, strength and protection during my academic struggle.

I'm grateful to trading community of Nyangahya division especially business owners and staff of small enterprises that sacrificed their valuable time to respond to my questionnaires and interviews. Thank you very much.

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TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

ASIC	Australian Securities and Investments Commission
FSA	Financial Services Authority
OECD	Organisation for Economic Co-operation and Development
SEs	Small –Medium Enterprises
UBOS	Uganda Bureau of Statistics
UK	United Kingdom

ABSTRACT

The study was about Financial Literacy and the growth of Small Enterprises in Masindi Municipality, with specific reference to traders in Nyangahya Division in Masindi District. The study was guided by the following objectives: To examine how financial knowledge affects the growth of SEs within the community of traders in Nyangahya Division, to determine the effect of financial behavior on the growth SEs within the community of traders in Nyangahya Division and to investigate the effect of financial attitude on the growth SEs within the community of traders in Nyangahya Division

The study used a cross sectional study design where data was gathered in a period of time in order to answer research questions. The study used a population of 240 with a sample size of 150

Which was determined using the Solven's formula, simple random sampling was used to select the sample, self administered questionnaire and interview guide were the main data collection instruments.

This study concluded that SEs operators are able to understand financial terms and concepts, communicate effectively on financial issues. It was further revealed that, there is a strong positive effect of financial literacy on growth of SEs and those who are more successful are run by entrepreneurs who are financial literate . it was further revealed that, Financial literacy facilitates the decision making processes such as proper debt management. The study also concludes that there is a higher a chance for financially literate SEs to be more successful than those with low level of financial knowledge.

This study recommends that there should be training of small SEs regarding financial literacy in order to grow and transform into more solid enterprises. And there is need for the government to work towards streamlining coordination of institutions implementing SEs activities. The study also came up with areas of further research which include: Financial attitude and performance of SES in Nyangahya Division Masindi District, financial behavior and growth of SEs in Uganda and Intellectual capital and performance of SEs in Uganda. Transaction cost theory was also recommended.

CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

The study was about Financial Literacy and the growth of Small Enterprises in Masindi Municipality, with specific reference to traders in Nyangahya Division. The overall goals of the Municipality is "to reduce by 10%the proportion of people living in extreme poverty, by the end of 2020", to promote proper accounting practices, to encourage forecasting or planning skills, to avail skilled human resources and proper management practices (Mansidi business Report, 2017).

SEs cover all enterprises which are considered as an entity engaged in an economic activity, irrespective of legal form. In particular reference, this includes self-employed persons and family businesses engaged in technical or other activities, and partnerships or associations regularly engaged in an economic activity" (Leopairate ,1997).

SEs can be formed to meet a number of objectives. The broad objective of the SEs Development Policy is to create a conducive environment to develop SEs activities; to foster job creation, income generation and to maximize value addition through supporting their efforts to improve growth of SEs and competitiveness (Brush et al, 2009).

Small Enterprises (SEs) are the engine of economic growth (Tarash et al, 2011). They play a significance role in poverty alleviation and economic development. SEs are labour-intensive and mainly employ low-skilled labour from the rural sector. Thus, the contribution of Small and Medium Enterprise (SEs) towards poverty alleviation is directly obtained through income generation, revenue collection by the government, the number of employment openings created, increasing new investment and the change of the capital formation entity engaged in an economic activity, irrespective of legal form.

The growth of SEs is measured by the level of individual decisions regarding the magnitude of funds to be invested to enable a firm to accomplish its ultimate goals, the kind of assets to be acquired, the pattern of capitalization, the pattern of distribution of the firm's income (Cui et al 2003). These decisions are crucial for the well-being of a firm because they determine the firm's ability to obtain the required amount of inventories and receivables, to avoid burdensome fixed charges when profits and sales decline and to avoid losing control of the entity (Cude et al 2006).

Financial Literacy is the mastery of a set of knowledge attitudes and behaviours. It is defined by Danes and Hira, (1997), as "the ability of an individual to make informed judgement and take effective decisions regarding the use and management of money". These authorities added that such person also possesses a facilitating attitude to the effective responsible management of financial affairs, that is to say, the ability to manage and communicate personal financial conditions that affect well-being; and the ability to read, to analyze choices, to discuss money and other financial issues without discomfort.

Financial Literacy has assumed a role in allowing people to make responsible decisions as they strive to attain financial well-being (Abiodun, 2016). It has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today, to the extent that, as per Atkinson and Messy (2012), governments around the world are interested in finding effective approaches of improving Financial Literacy of their populations through developing strategies for financial education with the main aim of providing various learning opportunities. Consequently, Financial Education has come to be defined by (Abiodun, 2016) as a process of developing abilities of people to facilitate making decisions that are correct so as to manage finances successfully. It can therefore be concluded that Financial Education is knowledge that is key among other factors involved in Financial Literacy.

Adams (1787) contends that the history of Financial Literacy is remarkable and all who have shared in the global growth of the Financial Education Movement should be proud of the substantial impact of our collective efforts, from city to city, and from generation to generation. Jefferson (1787) recognizes the need for Financial Literacy thus: “All the perplexities, confusions, and distresses in America arise, not from defects in their constitution or confederation, not from a want of honor or virtue, so much as from downright ignorance of the nature of coin, credit, and circulation.”

Financial Liberalization (2000) asserts that in Japan, the Minister of Finance convened meetings on the urgent need of Financial Literacy due to the rapid financial liberalization in the country. The Financial Services Authority (FSA) in the United Kingdom (UK) started a national strategy on financial capability in 2003. The term “financial capability” gained more widespread use in several countries throughout Europe and Africa, Financial Capability (2003). According to the Organisation for Economic Co-operation and Development (OECD) and Global Financial Literacy (2003), the OECD started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles.

In accordance with National Consumer and Financial Literacy Taskforce (2004), the Australian Government established a National Consumer and Financial Literacy Taskforce in 2004, which recommended the creation of the Financial Literacy Foundation. The Foundation established an educational website titled “Understanding Money” and the functions of the Foundation were later transferred to the Australian Securities and Investments Commission (ASIC). The World Bank and Russia's $15 Million Financial Literacy Program (2008) state that the World Bank and the Russian Federation announced a partnership to support an international program in Financial Literacy and Financial Education through the $15 million Russia Financial Literacy program. Financial Literacy in Sri Lanka (2011) indicates that the Central Bank of Sri Lanka announced Financial Education initiatives designed to make citizens aware of facilities available in the financial sector and to promote Financial Literacy among low-income groups. From Training Manual (2012), in Uganda, more than 600 business communities were trained in Financial Literacy and how to manage family businesses. The training further focused on strengthening people's financial literacy that improves their understanding of how to manage personal finances, increase the level of people accessing financial services, know which products meet their needs, manage risks and increase savings.

According to Financial Literacy in Uganda (2013) a step change is needed in the current levels of Financial Literacy, namely, a major strengthening. In order to bring about this step change, a substantial increase is required in both the breadth and ways of work towards strengthening Financial Literacy. The development and implementation of the Strategy for Financial Literacy in Uganda will help to ensure that there is a more comprehensive, more sustainable and more effective range of programmes than has previously been the case and to avoid unintended gaps and unnecessary overlaps. It will provide focus and momentum, improve co-ordination and help to generate active support from a full range of stakeholders.

Masindi Municipality envisions "transformation to a thriving industrialized entity with exemplary leadership and a better quality life for all by year 2040 and ―serving its people through coordinated delivery of services with focus on national and local priorities to promote sustainable development" Mugimba and Atama, (2015). According to Masindi Municipality: Strategic Policy of Trade Association (2009), the overall goals of the Municipality is to reduce the proportion of people living in extreme poverty by 10% by the end of 2020, and outlines a number of objectives, among which are the following ones that are directly relating to this researcher's concern including: focusing on proper accounting practices; providing proper resource management practices; and encouraging forecasting or planning skills.

According to Masindi Business report (2017), Small Enterprises in Masindi Municipality face a number of challenges that affect their growth to the extent that only a few survive in operation for more than two years and very few achieve sustainable growth. It is uncommon for Small Enterprises to transform to medium scale enterprises. This is mainly as a result of low profits, lack of access to credit and poor saving culture. I addition, many business owners lack financial management and entrepreneurship skills which lead to poor supervision of their businesses and thus slow growth.

1.2. Statement of the Problem

Lusardi and Mitchell (2008, 2011) FSD (2009) reveal that individuals with higher financial literacy are better able to manage their money, participate in the stock market and perform better on their portfolio choice; they are likely to accumulate higher amounts of wealth, have better saving skills and avoid high interest payments. However, traders in Nyangahya Division face a number of challenges including overly-high indebtedness, high expenditure, wrong use of credit and poor money management practices, all of which have hampered the productivity and growth of traders (Uganda Bureau of Statistics-UBOS, 2016). According Nyangahya Division annual report (2017), small scale enterprises do not maintain proper financial records, at time it is difficult to separation between the finances of the business and the personal finances of the owner. This has led to diminishing their ability to contribute effectively to sustainable development. Traders in Nyangahya Division suffer from stress resulting from lack of essential business basics, such as: accounting practices, forecasting/planning skills, stock/inventory follow-up, skilled human resources and management practices in general. It is in this context that the study sought to investigate the Effect of Financial Literacy on the Growth of traders in Nyangahya Division.

1.3. Purpose of the Study

The purpose of the study was to examine how financial literacy ensured growth of SEs within the community of traders in Nyangahya Division in Masindi Municipality.

1.4. Objectives of the study

1) To examine how financial knowledge affects the growth of traders in Nyangahya Division.
2) To investigate the effect of financial attitude on the growth of traders in Nyangahya Division
3) To determine the effect of financial behavior on the growth of traders in Nyangahya Division.

1.5. Research Questions

1) How does financial knowledge affect the growth of traders in Nyangahya Division?
2) How does financial attitude affect the growth of traders in Nyangahya Division?
3) How does financial behavior affect the growth of traders in Nyangahya Division?

1.6. Research Hypotheses

The following were the hypotheses of the study:

$H0_1$:There is no significant relationship between financial literacy and the growth of SEs within the community of traders in Nyangahya Division.

$H1_1$: There is a significant relationship between financial literacy and the growth of SEs within the community of traders in Nyangahya Division.

1.7. Scope of the Study

The scope of the study covered mainly the content scope, geographical scope and time scope.

1.7.1. Content Scope

The subject was confined to financial literacy as an independent variable and growth of SEs as a dependent variable subjecting on the following objectives: To examine how financial knowledge affects the growth of SEs within the community of traders in Nyangahya Division, to determine the effect of financial behavior on the growth SEs within the community of traders in Nyangahya Division and to investigate the effect of financial attitude on the growth SEs within the community of traders in Nyangahya Division.

1.7.2. Geographical Scope

The study was carried out in Nyangahya Division, located in Masindi Municipality. The study covered Small Enterprises that employ a small number of workers, low initial start costs, depending on the specific business model and what products or services are being sold and does not have a high volume of sales as well. Such enterprises are generally privately owned and operated sole proprietorships, corporations or partnerships. It is chosen because the researcher believes there are numerous SEs who could have benefited from this relation thus this provided adequate ground for empirical research on the growth of SEs.

1.7.3. Time Scope

The study covered a literate of 2007-2017 because this period helped the researcher to be provided with updated information on the effect of financial literacy on the growth of Small-Medium Enterprises. This study expected to be completed within a period of four months in order to work with the effort of traders of Nyangahya Division which enabled researcher to meet the time bound.

1.8. Significance of the Study

The findings of this research study are anticipated to be of benefit to the following entities, among others:

1.8.1. Researchers and Academicians

This study shall be an important addition to the existing repository of knowledge and hence will be of interest to both researchers and academicians who seek to explore or investigate the importance of financial literacy, among other factors, on the growth of Small Enterprises in Masindi District with specific reference to the community of traders in Nyangahya Division or in any other location in any given country.

1.8.2. The Government and Financial Regulators

The results of this research shall provide information on by policy makers' possible ways the government can tackle the issue of financial literacy among business owners and possible ways of promoting financial education among the entrepreneurs and small business owners which will in turn promote the profitability of the SE's. Also, it will help the government and financial regulators on incorporating these SE's in their policies on areas like having access to credits and other financial benefits which shall eventually provide greater opportunities fort he participants in that industry and the poor.

1.9 Investors and Financial Institutions

This study shall be useful to investors because it will highlight the benefits that will be derived

bytheirfirmsfromacquisitionoffinancialliteracy.Thesebenefitswillincludeproperfinancial management skills that will lead to growth of their firms. Also, for investors who are assisted by others, it will emphasis the importance of financial literacy so they can be able to understand financial reports of the firm, how assets area allocated, what ratio of debt to equity to be used and how to derive further profits. For financial institutions, it will help them asses the credibility of an SME by the financial knowledge of the owners.

1.10 Justification of the Study

Noting that financial literacy contributes to the, financial knowledge, financial attitude and financial behavior of the growth of SEs. it is noted that, lack of these variables leads to the traders' failure to fulfill their set objectives which inter alia include increased growth via sensitizing the involved business community.

1.11. Arrangement of the study

The research dissertation was phased in eight chapters;

Chapter one presents the background of the study, problem statement, and purpose of the study, objectives and research questions, hypotheses, scope of the study and significance and arrangement of the study.

Chapter two presents a review of the literature related to the study. The literature is divided into subsections and these are the literature survey literature review and theoretical review. The literature survey looks at research work conducted locally by other researchers in Uganda under the area of study. The literature review looks at the theories and models explaining the key variables so as to set the study in line with the current practices.

Chapter three shows the methods and procedures of data collection and analysis. It proposes the design, population, sample, research methods and quality of instruments, and analysis, validity and reliability of instruments, data processing and the limitations to the study.

Chapter four presents the findings on how financial knowledge affects the growth of traders in Nyangahya Division.

Chapter five presents findings on the effect of financial attitude on the growth of traders in Nyangahya Division.

Chapter six presents findings on the effect of financial behavior on the growth of traders in Nyangahya Division.

Chapter eight presents the summary, conclusion and recommendations

Finally, references and Appendices

CHAPTER TWO

STUDY LITERATURE

2.0 Introduction

This chapter presents the major existing literature on financial literacy and the growth of SEs. The study literature is in three sections, namely: Literature Survey which contains local research and writings that provide the gaps of this study. Furthermore, the literature review presents literature about the study variables from the background of the study and the conceptual framework to link the research variables. The presentation follows the order of the objectives to establish how financial literacy contributes to the growth of SEs.

2.1. Literature Survey

This section looked at the survey of financial literacy and the growth of SEs in Uganda in general, It covers what other authors have written down in relation to the current topic within Uganda.

Akinyi (2011) conducted a study on factors influencing SEs' growth in Kiira Town Council using a qualitative method that involved interpretation and observation. The study found, among others, that entrepreneurial knowledge, education of employees, marketing, technology, innovation, management and employment competence factors, are impacting negatively on firm growth. However, this study did not look at the effect of financial knowledge on the growth of SEs.

Mukasa (2010) examined internal and external factors hampering SEs growth in Wakiso District. The study applied a qualitative approach. The study revealed that the major obstacles were: the lack of access to finance, competition, barriers to trade, management incompetence, lack of skilled labour, low investment in R&D, and acquisition of new technology. This study, as well, did not consider how financial behaviour contributes to growth of SEs.

Kyokunda (2008) did a study on internal policies as effective tools for survival of firms and growth in Kaseses District and found that government has created appropriate policies to favour the SEs. However, the government used market approaches to moderate price which includes minimum support prices, farm income insurance, and a price stabilization fund. The study suggested that good government policy resulted into an improvement in the business environment for domestic business towards growth. However, financial attitudes, though immensely incapacitating to SEs' growth, received limited attention in this study.

2.2. Literature review

The aim of this chapter is to present a review of existing literature on the importance of financial literacy on the growth of Small and Medium Enterprises. It will focus on literature sources covering effects upon the growth of Small Enterprises of financial knowledge, financial behaviour and financial attitude.

2.2.1. Financial Knowledge on the Growth of SEs

An examination of a broad range of the literature emphasizes how the management of personal finances is crucial to financial planning as a critical factor towards achieving short- and long-term financial objectives. The literature emphasizes why individuals must invest their personal assets and income effectively, as set out in their financial plan better so as to better their position in guaranteeing financial security during their working life, as well as after retirement. Consequently, the literature underscores why sound financial knowledge is essential to understanding financial management related issues as well as to plan and manage personal finances efficiently (Huston, 2010). Without the necessary financial knowledge, personal financial management may be a challenging obstacle to overcome and often results in erroneous financial decisions (Boon, Yee & Ting, 2011). Cude, Lawrence, Lyons, Metzger, LeJeune, Marks and Machtmes (2006) explain that financial knowledge involves a process by which individuals use a grouping of resources, skills and background knowledge to effectively manage information and make decisions with insight of the financial consequences of that decision. According to Van Nieuwenhuyzen (2009), financial knowledge comprises the capacity to read, manage, analyse and communicate about one's personal financial state of affairs that influence material well-being.

Tarfasa et al (2016) adds that financial knowledge encompasses the capability to distinguish between financial options, discuss money and financial issues without (or regardless of) uneasiness, plan for the future and respond knowledgeably to life events that influence everyday financial decisions, including events in the broader economy. Hogarth (2002) opines that financially knowledgeable individuals are well informed on the issues of financial management and various other financial matters such as banking, investments, credit, insurance and taxes. Tarfasa et al (2016) add that financially knowledgeable individuals understand fundamental concepts underlying money and asset management, which allows them to effectively plan and implement financial decisions that will maximise their financial position and return. Therefore, Dupas and Robinson (2009) believe that the only way individuals can obtain financial security, and ultimately, long-term financial well-being, is through financial education.

High debt levels, low income levels and a lack of personal financial knowledge combined will have negative consequences on tertiary students' financial well-being (Sabri et al., 2012). Personal financial knowledge, also referred to as financial literacy (Lusardi, Mitchell and Curto, 2010), is defined by the Organisation for Economic Co-operation and Development (OECD) as the knowledge and skills that enables individuals to identify financial risks and opportunities, resources that can assist with complex financial matters and effective actions to improve financial well-being (OECD, 2005). It is therefore suggested, that a financially knowledgeable individual is likely to portray a favourable attitude towards personal finances and learning and understands the importance of taking control of personal finances. In addition, these individuals can distinguish between good financial decisions and bad ones, and is able to employ personal financial management skills, thereby making the management of personal finances more practical (Louw, Fouchè and Oberholzer, 2013).

Personal financial knowledge has captured the attention of a variety of role players in the economy, including major financial institutions, educational institutions, community interest groups, government agencies and more importantly, the consumer. According to Tarfasa et al (2016), the interest from these role players arises from the fact that many countries are characterized by low savings rates and high levels of debt and spending, which suggests that individuals lack financial knowledge. Harvie and Lee (2005) add that the interest may also arise from a concern that a lack of financial knowledge- and capability, may have a negative impact on financial decision-making.

This negative impact, in turn, adversely affects financial well-being, which ultimately results in financial difficulties. In the international arena, several studies pertaining to financial knowledge have been conducted. The Hofstede and Hofstede (2005) study found that borrowers in the

United Kingdom lack financial knowledge concerning mortgages and interest rates. Hofstede and Hofstede (2005) in their study report low scores on financial numeracy and knowledge among individuals from various European nations. Lusardi and chell (2007) uncovered that 71 percent of adult Japanese participants lack financial knowledge in the areas of equity and bond investments and that more than 50 percent know little about what is necessary for effective saving plans. In addition, Jacobs (2011) found that a lack of financial knowledge is common in developed countries such as New Zealand, Germany and Korea.

As such, Van Nieuwenhuyzen (2009) concludes that personal financial knowledge levels are low worldwide, which according to Louw et al. (2013), indicate that inadequate personal financial knowledge is not an isolated problem. There have been three main scholarly studies pertaining to university students' financial knowledge, namely Danes and Hira (1987), Volpe, Chen and Pavlicko (1996) and Chen and Volpe (1998). All of these studies report that students lack financial knowledge and that they need to improve their knowledge concerning personal finance. Tali (2016) opine that the lack of financial knowledge among students in South Africa can be attributed to the exclusion of personal financial management in most degrees. As a result, tertiary educational institutions fail to prepare students to take on with confidence the financial challenges that await them in the near future. In addition, Tali (2016) identify the lack of financial empowerment as one of the major challenges faced by the South African population. This is due to failure in the South African educational systems to provide structured and targeted education and training of school children, students and adults in the field of personal financial management. This failure in the education system may possibly lead to a financially uneducated community with no perceptiveness into its financial dealings and a possible resultant adverse impact on the micro venture, the economy, and the personal financial circumstances of millions of people in this country. Hence, it appears as if education internationally fails to equip generations of the future with the necessary personal financial knowledge.

Deficiencies in the level of financial knowledge can have distressing negative consequences. The most prominent disadvantages associated with being unequipped with the necessary financial knowledge include the inability to interpret financial information (Agnew and Szykman, 2005), over-confidence and the inability to understand the effect of compound interest (Lusardi and Mitchell, 2007). Additional negative consequences include inadequate savings and ineffective credit management, such as increased debt and high spending (Sabri et al., 2012).There is agreement among several authors (Braunstein and Gugerty, 2007) that insufficient financial knowledge may have an effect on an individual's everyday financial resource management, credit rating, and capability to attain long-term goals. Examples of long-term goals includes purchasing property and a vehicle, obtaining insurance and bank loans, saving for higher education, as well as reaching the desired savings level for retirement. Volpe et al (1996) opine that it is doubtful whether financially uneducated individuals are planning for retirement and add that these individuals are unlikely to accumulate wealth. While the lack of personal financial knowledge may have important implications for the individual and the manner in which they manage their personal finances, it could also have detrimental consequences for the economy. Some of these consequences include impaired business cycles, greater variation in the distribution of income and wealth, depreciation of the value of the currency as well as inflation (Lind, 2005). In addition, financial institutions face the risk of higher-than-expected financial losses and a negatively affected financial standing owing to individuals' ineffective financial decisions, financial misbehaviors and in extreme cases, personal bankruptcies (Lind, 2005).

According to Borden, Lee, Serido and Dawn (2008), higher levels of financial knowledge are associated with sound record keeping. Furthermore, the probability that individuals will choose the most appropriate option when provided with a hypothetical scenario concerning a financial decision is higher than for those individuals who lack personal financial knowledge. Moreover, high levels of financial knowledge may positively influence individuals to make better-informed financial decisions that will likely result in the attainment of long-term financial goals (Lind, 2005). In addition, greater financial knowledge may exert positive financial attitudes, such as paying all account balances in full every month (Robb and Sharpe, 2009). Van Nieuwenhuyzen (2009) posits that improved financial knowledge results in markets that function more effectively, improves social cohesion and the degree of personal wealth, leads to efficient debt management and decreases financial stress levels. Mahdzan and Victorian (2013) conclude that a higher degree of financial knowledge makes it easier to engage in personal financial planning activities, including investments in shares, property and life insurance.

Inadequate financial knowledge among students makes this consumer segment particularly susceptible to the aggressive marketing tactics of financial institutions, which may be harmful to their financial freedom (Borden et al., 2008). Financially uneducated students often misunderstand the immediate effect of credit card usage (Joo, Grable and Bagwell, 2003). This may be attributed to the lack of knowledge on the fee structures employed or the penalties financial institutions apply when one fail to comply with the terms and conditions of credit card use (Norvilitis et al., 2006). In addition to the short-term effects, the long-term consequences related to the misuse of credit are much more severe and are often overlooked by students. These include the psychological costs associated with financial problems, such as increased levels of stress and decreased levels of well-being, which students have to account for (Joo and Grable, 2004; Shim et al., 2009). Other long-term consequences include years of financial debt and low credit scores that delay future plans (Borden et al., 2008).

The most cited explanation for students, who cease their education, is financial pressure (Falahati, Paim, Ismail, Haron and Masud, 2011). Financially knowledgeable students tend to make effective financial decisions related to savings, credit and investments and have more sensible opinions with regards to finance (Joo and Grable, 2004; Norvilitis et al., 2006). This is because financial knowledge has the greatest effect of all the factors considered being indicative of responsible financial behaviour. Therefore, personal financial knowledge is essential to assist students in matching their needs with their financial resources. In a addition, financial knowledge will aid students with understanding financial activities such as the function of money and the use of financial services (Cui et al, 2003).

Atkinson and Messy (2012), provide, not only an embracing term that could include financial knowledge, financial ability, financial culture, etc, as Financial Literacy, but also a complete and widely accepted definition of financial literacy. This definition gather three important concepts: knowledge, attitudes and behaviors, which are, nowadays, the three pillars that completely describe financial literacy, and results at the following definition: “financial literacy is a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (Atkinson and Messy, 2012).

Financial literacy is regarded as a combination of awareness, knowledge, skill, attitude, and behavior needed to make sound financial decisions and ultimately achieve individual financial well-being (Hung, Parker and Yoog, 2009). Thus, the said authors address financial literacy in three dimensions: financial knowledge, financial behavior, and financial attitude. This explanation adopts such a definition, where financial literacy is defined as a combination of financial behavior, financial knowledge, and financial attitude. This choice is justified because this concept is widely used in the literature, and it encompasses the largest number of dimensions.

Knowledge is about understanding how business growth of SEs and business condition are measured using the mental model to facilitate, support, or enrich decision-making (Lusardi & Michell, 2007; Moore, 2003). Lusardi and Michell (2006) suggested that financial literacy is needed to create a measure of financial competence and to stay knowledgeable about financial matters. These literate people are more participating in financial markets because they know financial matters.

2.2.2. Effects of Financial Behaviour on Growth of SE's

Research has shown that financial literacy consistently predicts measures of financial behavior of individuals (Hung, Parker, & Yoong, 2009). Some findings like that of (Potrich et al., 2016) who came up with various models that could beused to measure financial literacy indicated that financial knowledge and financial attitude have positive impacts onf inancial behavior .Sullivan (2012), highlighted that a good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties of businesses and individuals. These activities generate more financial assets, prevent over-indebtedness, finance retirement, and insure against major life contingencies. Good financial behavior is argued by (Gugerty, 2007) to be the ability to diversify assets across multiple types of investment as different investment types are affected by its own specific risk profile.

2.2.3. Determinants of Financial Behaviour

Budgeting and Planning

A budget is an important aspect of business planning. It is defined as a master financial document that states the expected contribution from the activities of an organization in terms of expected cash or revenues and expenditures over a certain period of time (Harvie and Lee, 2005).

Debt Management

Debt management is the ability to perform activities of a business within a budget. A plan is usually created to help people manage their debts especially those with too much debt, often referred to as debt management plan (Beal and Delpachitra, 2003). (Beal and Delpachitra, 2003) emphasized that debt management skill is a necessary financial literacy measure that gives the ability to obtain capital at minimum cost. Researches have shown that most Micro and Small entrepreneurs are not financially literate when it comes to the aspect of obtaining finance for their business (Attanasio and Banks, 2001). However, the findings of (Beal and Delpachitra, 2003) suggested that micro entrepreneurs are very much aware of the consequences and penalties that come with poor debt management.

One of the challenges of micro and small entrepreneurs encounter in debt management is the in ability to perform accurate calculations and lack the level of numeracy skills especially for the elderly, female and less educated population (Plakalovi, 2015). He highlighted in his 2011 publication that the less financially literate are not able to properly estimate their debt burden and they borrow at inflated costs, therefore, they end up with excessive borrowing and many non- performing loans. Acquiring debt management skills is henceforth very important for SME mangers for greater growth of SEs.

Saving

Saving behavior is said to be a very significant component of financial literacy, security and reduction of credit reliance (Atkinson & Messy, 2012). It pays attention to the saving habit of people. Saving was defined by (Beal and Delpachitra, 2003) as an economic security and accumulation of wealth for enhanced living standard. It involves putting aside some part of income for use in the future. It was found by (Tali, 2016) , that most women involve in informal type of saving that accumulated no interest. Also, they highlighted low income earners like to save their surplus money rather than use it for investments purpose. A study on the financial behavior of rural residents in Latin America's findings shows that most people use their surpluses for investment rather than in financial form (Jacqueline, 2012). The argument behind their strategy was that having "nonworking" funds is a poor money management strategy and those rural residents with static savings only keep it for emergencies. Saving is a necessary skill for micro entrepreneurs that want to advance their business skills. Chen and Volpe (1998), cited that individuals are said to be financially illiterate if they are unable to save. However, it was argued by Mandell & Klein (2009) that financial literacy does not necessarily mean one is savings-oriented and does not give better financial behaviour.

Record Keeping

Record keeping also known as book keeping is an important accounting process that involves recording of all business transactions for sustaining and expanding a business. These include theprocessofcollecting,organizing,storingandanalyzingthefinancialinformationofanentity to facilitate its day to day operations and preparations of statements, tax returns and internal reports.Enterprisesrequirerecordstobeusedbymanagersasguidesforroutineaction,decision making, formulation of policies and maintaining relationships with stakeholders (Lusimbo & Muturi, 2016).

According to Beal and Delpachitra, 2003, it is an important skill for business owners because it provides vital information for decision-making. He added that it is a measure of financial literacy because not all summaries of daily transactions cannot be recorded in the human memory.

2.3 Effects of Financial Attitude on Growth of SE's

Financial attitude is one of the factors that have significant impact on financial management practice. It was defined by (Hudon, 2004) as "psychological tendency that is expressed by valuating a particular entity with some degree of favor or disfavor". That is, it a psychological predisposition when it comes to agreeing or disagreeing with certain financial management practices.

(Latif et al., 2011) defined financial attitude as the creation of value in decision making and resource management through application of financial principles. Financial attitude is improved through procurement of adequate information (Abiodun, 2016). Research has shown that financial literacy can be boosted through the attainment of the right financial attitude in terms of risk appetite, training and time orientation to mention a few. Aboidun observed that financial attitude of SEs managers influences their access to finance and expansion of capital among other business activities. He added that successful people are financially literate such that they had long-term savings and investments that are future oriented.

2.3.1 Determinants of Financial Attitude

Risk Taking

Risk and uncertainty play a role in almost every important economic decision in a business (Dohmen et al., 2011). Understanding individual attitudes towards risk is therefore, intimately linked to the goal of understanding and predicting economic behavior. The financial attitude of businesspeopleisrelatedtohowtheycommitresourcestoprojectsthatareofelevatedriskwith the expectations of bigger returns. It has been argued that most successful entrepreneurs are risk-takers (Abiodun, 2016). (Thompson & David, 2010), classified risk attitudes into four; pragmatists with a belief that the world is uncertain; conservators who take high risks; maximizers who see the world as self-correcting and managers who are moderately risky.

Jing, Alhabeeb, Gong-Soog, & George (2001), did a study that examined the risk-taking behavior among family business owners. They found that risky decisions made by these businesseshavesignificantimpactonconsumptionofthefamiliesandotherstakeholdersofthe business. Also, their findings suggested that family business owners are risk tolerant and age, race, net worth and number of employees affect risk-taking attitudes of managers.

2.4 Financial Literacy and Growth of SEs

The growth of SEs is measured by the level of individual savings. According to Ahmed (2002) saving is keeping money aside for future use. He explains that saving is the result of careful management of income and expenditure, so that there is something left to be kept aside for future use. According to Miller and Van Hoose (2001), saving is a forgone consumption. To them, forgone consumption is when one does not spend all the income that is earned within a given period. They explain that, once part of what is earned today is left for future use, there is a saving. So savings can be defined as absence of spending.

2.4.1 Types of Savings

Economists have established a relationship between income and savings. Based on income accessible to the individuals, firms and corporate bodies, saving can be classified as household sector saving, private sector saving and public sector saving. Household savings consist of savings done by individuals in household. Individuals saving behavior are made up of money in cash and financial assets. Private sector saving is savings made in the private owned corporations. The sector consist of non-government non-financial companies; commercial banks and insurance companies; co-operative banks, credit societies and non-credit societies; and non-banking financial companies. Public sector savings include government savings, and savings made by the public sector in the form of internal resources.

2.4.2. Nature of Saving

Savings is a forgone consumption. It is also cash or physical products put aside for future utilization. Previously, individuals saved in products like grains- millet, beans, groundnut, maize; livestock- goats, pigs, chickens, cows; and processed food- millet flour, smoked fish, smoked beef. Those in low-income communities usually saved in undisclosed places like roof, pot, walls, underground and under a bed. Other saved through traditional credit rotation groups, gold and land. Nowadays people normally save in durable goods and financial products like shares, stocks, mutual funds, treasury bills, certificate of deposit and bonds.

2.5 Theoretical review

Transaction Cost Theory

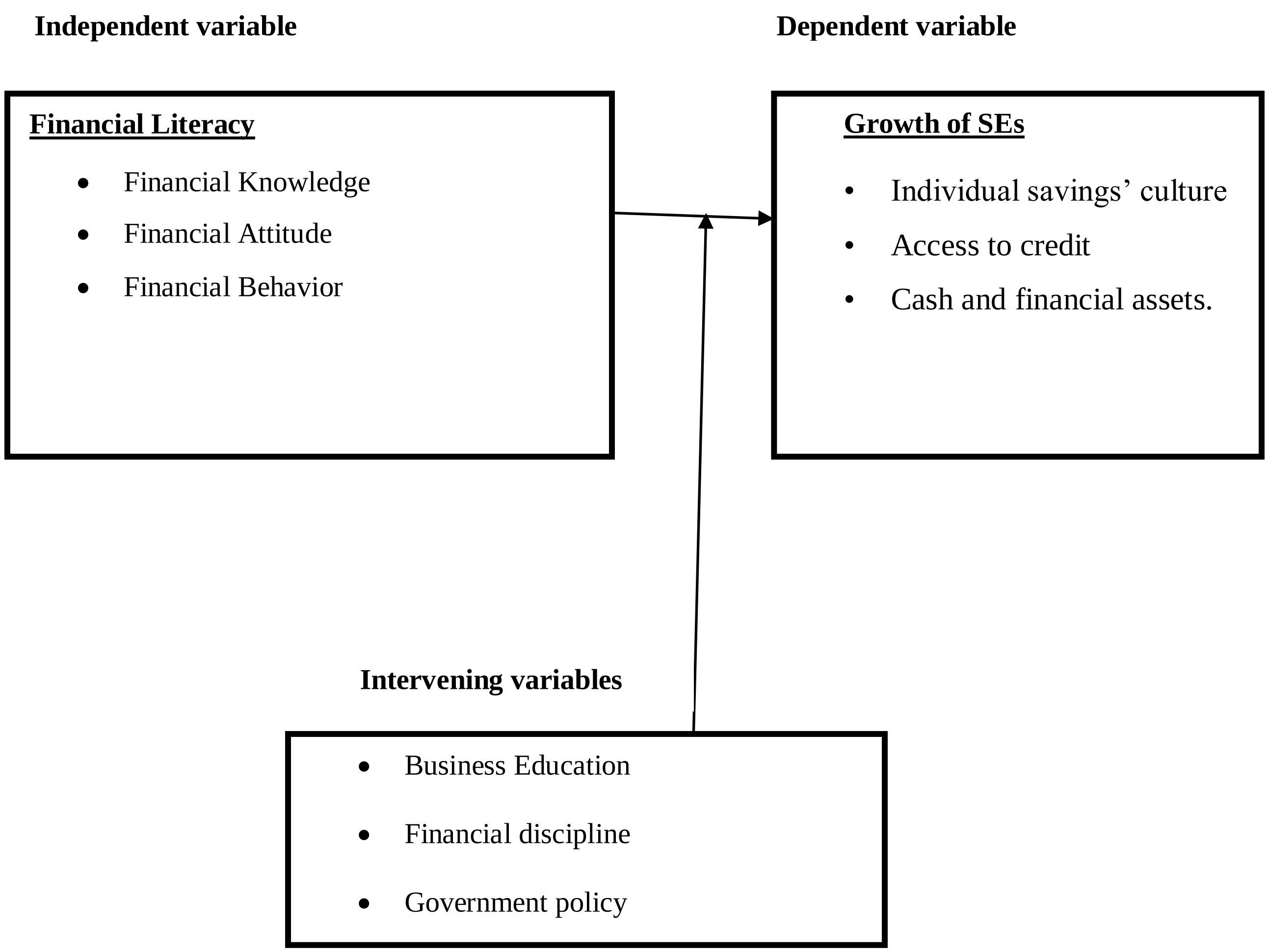
Transaction Cost Theory was developed by Walle (1998) and it is used to analyze the "comparative costs of planning, adapting, and monitoring task completion under alternative governance structures." The transaction cost theory explains the existence of different contracts by means of a broad range of variables including the institutional framework, bounded rationality and uncertainty.

Transaction cost economics exist in many variants is essentially a theory of coordination of transactions between and within business organizations. The theory assumes that organizations incur costs of, such as costs of writing contracts, supervision costs, costs associated with opportunistic behavior, and costs associated with specific assets (in particular those that are not easily used for different transactions). Forms of governance mechanisms that minimize transaction costs include markets, common law and regulations all provide (Wnnie, 2015).

Since all transaction involve costs, this theory is useful to this study. The transaction cost of running firms involves production costs, market cost as well as the costs associated with laws and regulations, which may be thought of as the costs of doing business. Firms must be able to overcome these costs/constraints in order to survive and grow. Therefore, based on the transaction cost theory, it can be argued that firms that cannot overcome the transaction costs are more likely to experience limited growth.

2.6 Conceptual Framework

The conceptual Framework explains the diagrammatic relationship (Figure 2.1) that exists between financial literacy as an independent variable, intervening variables and growth of SEs as dependent variable. The presented Conceptual Frame work assumes that, if the traders are financially literate, and acquires financial knowledge, financial attitude, and financial behavior they will make money via access credit, level of individual savings, wise use of credit and credible money management and growth as well as expansion of their enterprises as long as they are supported by business education, financial discipline, presence financial institutions and a conducive government policy.



Source: modified by the researcher from Mukasa (2010)

Figure 2.1 Conceptual Framework

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents a detailed description of the research design that was employed in conducting the study. It involved study population, sample size and selection, sampling technique and procedure, data collection methods and instruments and validity and reliability of research instruments. It further describes the data processing and analysis that is employed in the study and concludes with measurement of variables.

3.1 Research Design

A research design is a detailed plan which guides and study. According to Mugenda (2003) a research design is the plan and structure of investigation conceived so as to obtain answers from reach questions. The current study used descriptive survey designs. A cross sectional survey design is where data is gathered on a period of time in order to answer research questions (Sekaran, 2003).

3.1.1. Research approach

Research approaches are plans and the procedures of research that span the steps from broad assumptions to detailed methods of date collection, analysis, and interpretation. This plan involves several decisions. This study used the phenomenological research approach which focuses on understanding why something is happening rather than describing why it is happening.

3.1.2 Research Strategy

According to Saunders et al, (2007), research strategy is a general plan that help researcher in answering the research question in systematic way. This study employed the survey strategy through a case study and this is because it allows the collection of large amount of data from a sizeable population in an economical way. In a case study, a single person, program, event, process, institution, organization, social group or phenomenon is investigated within a specified time frame, using a combination of appropriate data collection devices (Creswell, 1994)

3.1.3 Research Duration

The strategies, approaches and classifications were used for triangulation purposes and help in getting data from the field for this study. The study covered a period of 2007-2017 because this period helped the researcher to be provided with updated information on the effect of financial literacy on the growth of Small-medium enterprises. This study took a period of four months in order to work with the effort of traders of Nyangahya area which enabled researcher to meet the time bound.

3.2 Study Area

The study was conducted in Nyangahya Division, Masindi Municipality with Nyangahya Market as the base and eventually spreading out to the diverse trading centres. It is in these spots that the researcher targeted and identified the various persons/groups/entities that had applied and enhanced their financial literacy so as to achieve the growth of their SEs

3.3 Population of the Study

The study target 240 employees and owners of SEs in Nyangahya Division. This is the population that has been identified as being viable to yield first-hand information about their growth requirements.

3.4 Sampling

Sampling is the process of selecting individuals, groups, families and other entities from a population of interest so that by studying the sample the researcher may reasonably relate the results back to the population from which they are chosen.

3.4.1 Sample size

Yamane (1967) provides a simplified formula to calculate sample sizes. It is based on two assumptions: 95% confidence level and P= 0.5%

$$n = \frac{N}{1 + N(e)^2}$$

where n is the sample size,

N is the population size,

e is the level of precision, = 0.05=

$$n = \frac{240}{1 + 240(0.05)^2}$$

$$n = \frac{240}{1.6} = 150$$

Therefore, the sample size for this study is 150 respondents.

3.4.2 Sampling Methods

Sampling technique is a statistical method of selecting the sampling unit that would be representative of the population in a study. Probability sampling is further described as a sampling process that utilizes some form of random selection where each unit has an equal chance of being selected in the sample. In this research, a simple random sampling was used to select sample from the entrepreneurial population of traders. Simple random sampling was used in this study because to the best of the research, there is no estimated criteria for grouping or segregating the SE's that are owned by the traders.

Table 3.1: Sample Size Determination

Category of responses	Sample size	Sampling Technique
Employees	70	Simple random Sampling
Business owners	80	Simple random Sampling
Total	**150**	

Source Primary Data 2018

3.5 Sources of Data

There were two sources of data- Primary and Secondary sources.

3.5.1. Primary Sources of Data

Primary data is a raw data collected from the field with the help of data collection tools like questionnaires, direct interviews and physical observations. Primary source of data collection method is adopted in order to obtain a reliable data to help achieve the stated objectives of this study. This form of data collection is chosen because it provides an efficient means by which statistical quantifiable information can be collected. The primary source provides first hand and original information on the variables of the study.

3.5.2 Secondary Data

Secondary data involves data that has already been collected, organized and related to the variables of the study. Data was obtained from various sources such as journals, textbooks, periodicals, training manuals, magazines, internet, reports and unpublished research reports.

3.6. Background information

This presents an analysis and interpretation of biographic information of respondents. The background information focused on gender, age group, and their qualifications. Details of the findings are presented below:

Gender

The study asked respondents to state their gender and the results are indicated in table 3.2:

Table 3.2: Gender

		Frequency	**Percent**
Valid	Males	80	53
	Female	70	47
	Total	**150**	**100.0**

Source: Primary data (2018)

From table 3.2, majority of the respondents 80(56%) were male and 70(44%) were female. Majority of the respondents were males and this implies that most SEs in Nyangahya Division are owned and managed by males than females. It was discovered that, Men owned enterprises exhibited faster growth than women owned enterprises. This could be attributed to the assertion that men tend to acquire knowledge on financial literacy earlier in life while women will do so late in life particularly in anticipation of death of a spouse. In addition, males were more willing to provide data and thus they had more opportunities to participate in research than females.

3.1.2 Age of the respondents

Respondents were asked to state their age and the results are indicated in table 3.3.

Table 3.3: Age group

		Frequency	**Percent**
Valid	Between 15-20	40	27
	21-30 Years	35	33
	31-40 years	40	20
	41-50 years	20	13
	Above 50 years	15	7
	Total	**150**	**100**

Source: Primary data (2018)

From table 3.2, 40(20%) of total respondents were aged between 15-20 years of age, 35(33%) of them were aged between 21-30 years of age, 40(27%) were aged 31-40 years of age, 20(13%) 41- 50 years and 15(7%) were above 50 years . The results obtained indicate that majority respondents were aged between 31-40 years which implies businesses in Nyangahya Division are owned and managed mature people since the majority were above 20 years. In addition, these mature people are still young who are innovative and creative since the majority were below 50 years. It was indicated that the majority of the respondents who participated in the study hard enough experience as far as Financial Literacy are concerned and hence providing relevant data required in the current study.

Highest Academic Qualification

Respondents were asked to state their highest academic qualification and the results are indicated in table 3.4.

Table 3.4: Highest Academic Qualification

		Frequency	**Percent**
	O,Level	30	20%
	A, Level	30	20%
	Diploma	35	23%
	Bachelors	24	16%
	Masters	16	11%
	PhD	-	-
	None of the above	15	10%
	Total	**150**	**100**

Source: primary data (2018)

From the above 3.4 table, 30(20%) O, Level, 30(20%) A, Level, 35(23%) Diploma, 24(16%) Bachelors, 16(11%) Masters, 0(0%) PhD, 15(10%) None of the above. Majority of the respondents had atheist attained 0, level and this means that they would read and interpret the questions research questions and thus they provided reliable data.

Marital Status

Respondents were asked to state their marital status and the results are indicated in table 3.5.

Table 3.5: Marital status

		Frequency	Percent
	Married	50	33%
	Single	90	60%
	Divorced Separated	10	7%
	Total	**150**	**100**

Source: primary data (2018)

From the above 3.5 table, 50(33%) were married, 90(60%) were single, 10(7%) were Divorced /Separated. Majority of the respondents were single and this implies that, single people had enough time to open up and manage businesses in Kasese Municipality. In addition to that, single people had enough time to provide data and hence they were considered for the study.

Duration of business participation

Respondents were asked to state their duration of employment and the results are indicated in table 4.6.

Table 4.6: Duration of business participation

		Frequency	Percent
Valid	Below 1	40	27
	1 - 3 Years	50	33
	3 - 5years Above 5	40 20	27 13
	Total	**150**	**100**

Source: Primary data (2018)

From table 4.6, 40(27%) of total respondents hard spend in business for one year and below, 50(33%) 1-3 years, 40(27%) 3-5 years, 20(13%) above 5 years. The results obtained indicate that majority respondents had stayed in the business for at least one year and above and this implies that, the study considered respondents who had experience as far as the study was concerned , thus gave valid data.

3.7 Data Collection Methods

The questionnaire survey, interviews and documentary review methods was used to obtain high quality data that is related to conflict management and organizational growth of SEs.

3.7.1 Questionnaire Survey

In this study, questionnaires were used as an appropriate method for data collection. A questionnaire survey is the appropriate method for data collection because it saves time, and gives valid information since it is completed at the respondent's convenience. It is also used to collect data a relatively large number of respondents from their natural setting. The questionnaires method involves use of a set of questions printed in a logical order. This method was used to collect from the respondents at the district. A self-administered questionnaire with likert scale was used.

3.7.2 Interview Method

An interview is a guide that makes it possible to get the required data to meet the study objectives, in that it provides in-depth data that is not possible to get using questionnaires. The interview faced to face session that was held between the researcher, research assistants and respondents. The researcher used structured interview questions to collect qualitative data.

3.7.3 Documentary Review

Documentary review is the use of outside source, documents to support the view point or argument of an academic work. The researcher used documents that discuss various aspects of the effects of financial literacy on the growth of Small Enterprises in Masindi District.

3.8 Data collection instruments

The following data collection instruments was used:

3.8.1 Self Administered Questionnaire (SAQs)

A structured questionnaire with open ended questions was developed and administered to the respondents to extract information on their opinions on the effects of financial literacy on the growth of Small Enterprises in Masindi District. This is the method of data collection where by the researcher got the written document to the respondent and ask them to what is taking place in the district and the researcher used the structured questionnaire where the respondents were able to answer the questions provided by the researcher and indicate the date of returning back the questionnaire.

The reason for selecting the questionnaire is that it is an appropriate method for collecting data on the relationship between conflict management and organizational growth of SEs, because it offers greater assurance of anonymity, can be filled at the respondent’s convenience and hence increasing chance of getting valid information and it is a cheap way of collecting data from a wide geographical area (Amin, 2005).

3.8.2 Interview guide

Personal interviews will be used to collect data from the informants. This was conducted to persons with information on small enterprises within Nyangahya Division in Masindi district. The method was preferred because it gives an opportunity to interview the respondents on the variables in the questionnaire. Some questions that were asked in the questionnaire were used in the interview guide as well. This enabled the researcher to correlate the data collected.

3.8.8. Documentary checklist

The document checklist helped the research to collect data from various reports, Journals pertaining financial literacy and growth of traders in Nyangahya Division.

3.9 Data quality control

Prior to using the questionnaire to collect data it should be pilot tested. The purpose is to refine the questionnaire so that the respondents have no problem in answering the questions. This also enables the assessment of questions validity and likely reliability of the data. The issues of reliability and validity will be taken into account by this study. This is because the data collected have to be reliable and valid (Saunders et al, 1997), if accurate conclusion is to be drawn. Reliability is about consistency of the research scales (White, 2002).

3.9.1 Reliability

Cronbach Alpha was used to measure reliability of research tool. The reliability of the questionnaire formed a pilot of 40 traders for Nyangahya traders in Masindi district Reliability is important because the data collection method must have the ability to consistently yield the same results when measurements are taken of the same individuals under some conditions (Koul, 2004: 130).

Reliability is concerned with consistency of measures. The level of an instrument's reliability is dependent on its ability to produce the same results when used repeatedly. The role of reliability is to minimize errors and bias in the study. Reliability ensures that the operation of the study such as the data collection procedures can be repeated with the same results. The greater the degree of consistency and stability in an instrument, the greater is the reliability (Koul, 2004:130). The following formula was used;

$$\alpha = \frac{k}{k-1}\left(1 - \frac{\sum \sigma_k^2}{\sigma^2}\right)$$

Where

$\sum \sigma^2_k$ = the sum of the variances of the k parts (usually items) of the test.

σ = standard deviation of the test (items in the instrument).

α = reliability coefficient.

The results obtained were as follows;

Table 3. 3: Showing the reliability analysis

Variable	**Number of items**	**Cronbach's alpha coefficient**
Individual savings' culture	9	0.9
Access to credit	8	0.78
Cash and financial assets.	8	0.78

Sources: from primary data reliability test

Table 3.3 above show the alpha values of = 0.9; Individual savings' culture = 0.76; Access to credit Cash and financial assets. = 0.95 which are higher than 0.60 recommended for social research by Koul, 2004: 130) suggesting that all the items used to measure each variable were consistent in measuring the variable.

3.9.2 Validity

White (2002) intimated that validity is concerned with idea that the research design fully addresses, the research objectives and hypothesizes that have to be answered and achieved. In the current study validity was established through a validity test using the content validity index (CVI). It was the main tool for assessing the accuracy of the data. CVI is where representative experts in the area of the study give their opinion on the sustainability or accuracy of the question. Content validity index is a process of employing the services of experts on the validity of the instrument for data collection. Therefore, the instrument(s) were given to rates who rated the relevancy of each item and a content validity index (CVI) was computed using the following formula.

$$CVI=\frac{R}{R+N+IR}$$

Where

CVI = content validity index; R= Total number of items rated as relevantly N = Total number of items rated as Neutral; and IR= Total number of questions rated as irrelevant

So using the formula above, the researcher calculated the content validity index for the questionnaire as follows;

$$CVI = \frac{R}{R+N+IR}$$

Relevant (R), Neutral (N), to Irrelevant (IR).

The closer to one the CVI the more valid is the instrument. The results of the CVI are shown in table 3.7 below.

Table 3. 2: Showing the Content Validity Index of the study variables

Variable	**Number of items judged**	**Number of items**	**CVI**
Individual savings' culture	10	8	0.8
Access to credit	10	7	0.7
Cash and financial assets	10	6	0.6
Average			**0.7**

Source: From expert judgment

The computed CVIs were above the 0.60 threshold postulated by White (2002) and an average of 0.7 is above this implying that the tools that were used in collection of the data were valid.

3.10 Data Collection Procedures

Upon the approval of the proposal from Nkumba University, I will obtain a letter of introduction to Masindi district focusing on Nyangahya traders as a means to secure permission to carry out the study. A letter of consent will be presented to the respondent and then serve them with the questionnaires which are expected to be filled in one week's time. Questionnaires collected later after their being filled. They were sorted, coded under the supervision of a trained research assistant who guided in the proper data entry, cleaning, pretesting and coding errors, completeness and consistency.

3.11. Data analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information gathered (Abbott and Mc Kinney, 2013). The raw data collected from the field was edited and coded to ensure accuracy and consistency. Some tables and figures such as graphs was used for the presentation of information to enable easy reading and analysis.

3.11.1 Quantitative Data Analysis

The data collected through the questionnaires was analyzed using the Statistical Package for Social Scientists version 20 (SPSS), because this is the most recommendable package for analyzing social science research data (Sekaran, 2003). The statistics focused on the measures of central tendencies (Min, Max and Mean) and measures of dispersion (Standard deviation).

Qualitative data analysis processes involve editing, coding, classification and presentation data in form of tables and graphs so that data was liable for analysis. The analysis entailed computation of descriptive statistics and relational statistics like correlation and regression analysis, through which relationships supporting or conflicting with the hypotheses was subjected to statistical tests to determine the extent to which data indicated any conclusions (Kothari, 2004). The objectives of the study were tested using the Regression Analysis to test the effects between the study variables.

3.11.2 Qualitative Data Analysis

Qualitative data was analyzed the way it was collected from the field. The analysis of interview responses and documentary reviews involved linking them to the variables under the study. The information from interview responses was analyzed by relating the findings with what was revealed by the standard questionnaire. Findings from the interviews confirmed or refute the findings from the general questionnaires. The relationship between financial literacy and growth of SEs was evaluated using Pearson's correlation coefficient and the regression analysis with a function Y= a + bx.

3.12 Ethical considerations

The research put into consideration the ethical issues related to gender, religion, honesty, fairness and confidentiality and effectiveness balanced and give equal chances to the respondents. The researcher made sure that the records information given by respondents is not from his or her own interest. The researcher also considered the validity and reliability of data collected and monitored at all the stages of data collection and analysis.

3.13 Limitation of the study

Some respondents were busy with office work related activities hence responding required persuading them to spare some time to answer the questions in questionnaires. Some respondents were suspicious of spies on their jobs, but the researcher managed to explain to them the academic purpose of this research.

Time and financial challenges affected the study, however, the researcher tried as much as possible to engage and solicit support from others to help in the accomplishment of the tasks involved.

CHAPTER FOUR

FINANCIAL KNOWLEDGE AND GROWTH OF SEs

4.0 Introduction

The objective one of the study was to examine how financial literacy ensures growth of SEs within the community of traders in Nyangahya Division in Masindi Municipality. Many questions were set to respondents and the results are presented in the proceeding tables.

4.1 Retained earnings are sources of capital for starting a business.

Businesses can increase funds by retaining profits and not distributing them for their shareholders as dividends. The shareholders therefore expect the retained profits to be invested so as to achieve a competitive rate of return. Some businesses as per their finance regulations retain 50% of profits to fund expansion. Retained Profits are often termed as Retained Earnings which act as the internal sources of finance. Respondents were asked to state whether they are aware of the retained earnings sources of capital for starting a business and the results are indicated in the table 4.1 below:

Table 4.1: Retained earnings are sources of capital for starting a business.

		Frequency	Percent	Cumulative percentage
Valid	Strongly Disagree	0	0	-
	Disagree	0	0	-
	Not Sure	20	13.3	13.3
	Agree	60	26.7	40
	Strongly Agree	90	60	100
	Total	**150**	**100**	

Source: Primary data (2018)

According to the table above, 90(60%) strongly agreed, 60(26.7%) agreed and 20(13.3%) were not sure. Majority of the respondents agreed with the statement that they are aware of the retained earnings sources of capital for starting a business. Majority of the respondents agreed and this implies they are aware of the retained earnings sources of capital for starting a business. The study revealed that, SEs in Nyangahya Division use retained earning because it is long term source of finance for the business and there is no compulsory maturity like term loans and debentures.

In addition, *respondents through interviews told the researcher that retained earnings are not characterized by fixed burden of interest or installment payments like borrowed capital.*

4.2: They are able to make financial choices and discuss financial issues without difficulty.

The study asked respondents whether they are able to make financial choices and discuss financial issues without difficulty and the results are indicated in the table 4.2:

Table 4.2: They are able to make financial choices and discuss financial issues without difficulty.

		Frequency	**Percent**	**Cumulative percentage**
Valid	Strongly Disagree	10	6.7	6.7
	Disagree	30	20	26.7
	Not Sure	-	0	26.7
	Agree	20	13.3	40
	Strongly Agree	90	60	100
	Total	**150**	**100**	

Source: Primary data (2018)

The table above indicates that, majority of the total respondents 90(60%) Strongly Agreed, 20(13.3%) agreed, 30(20%) disagreed and 10(6.7%) strongly disagreed. Majority of the respondents agreed with the statement that SEs in Nyangahya Division they are able to make financial choices and discuss financial issues without difficulty. However, as indicated under the under the academic qualification of respondents, many had advanced level of education and below meaning that making right financial choices becomes difficult. *The study through interviews also found out that, many of SEs in Nyangahya Division have failed due to poor financial management and this has affected their growth.* This is in line with Chen and Volpe, 1998 who argues that problems resulting from poor financial management also affect the productivity of both business owners and employees.

The management of SEs in Nyangahya Division told the researcher that they always suffer from stress as a result of money problem behaviors which include: over-indebtedness, overspending, unwise use of credit, poor money management and inadequate resources to make ends meet which impacts negatively on their productivity at work.

4.3: They are able to communicate effectively on financial issues.

Communication is vital for business growth and expansion and therefore, the study asked respondents whether they are able to communicate effectively on financial issues and the results are indicated in the table 4.3:

Table 4.3: They are able to communicate effectively on financial issues.

		Frequency	**Percent**	**Cumulative percentage**
Valid	Strongly Disagree	0	0	-
	Disagree	40	26.7	26.7
	Not Sure	0	0	26.7
	Agree	90	60	86.7
	Strongly Agree	20	13.3	100
	Total	**150**	**100.0**	

Source: Primary data (2018)

According to the table above, 20(13.3%), strongly agreed, 90(60%) agreed and 40(26.7%) Disagreed and 0(0%) were not sure. Majority of the respondents agreed with the statement and this implies that they are able to communicate effectively on financial issues.

4.4: They are able to understand financial terms and concepts

The study asks whether they are able to understand financial terms and concepts and the Results are presented in the 4.4 tables below:

Table 4.4: They are able to understand financial terms and concepts

		Frequency	**Percent**	**Cumulative Percent**
Valid	Strongly Disagree	30	20	20
	Disagree	10	6.7	26.7
	Not Sure	10	6.7	43.4
	Agree	40	26.6	60
	Strongly Agree	60	40	100
	Total	**150**	**100.0**	**100.0**

Source: Primary data (2018)

From the table above, 60(40%) strongly agreed, 40(26.7%) agreed, 30(20%) strongly disagree, 10(6.7%) disagreed and 10(6.7%) were not sure. Majority of the respondents agreed and this implies that they are able to understand financial terms and concepts**.** However, a good number of respondents represented by 26.7% also disagreed, meaning that some SEs operators do not understand financial terms and concepts. The study revealed that, management of financial of a firm is not an easy task; SEs need to have the necessary skills and knowledge in order to understand the financial terms and concept. This is supported by Jacqueline, (2012) who argues that, for someone to manage well his/her business, he/she must poses a set of skills and knowledge that allows him to make informed and effective decisions with all of his financial resources.

4.5: They are aware of financial risks and their mitigation.

The study asks respondents whether they are aware of financial risks and their mitigation and the results are indicated in the table 4.5 below:

Table 4.5: They are aware of financial risks and their mitigation.

		Frequency	**Percent**	**Valid Percent**
Valid	Strongly Disagree	20	13.4	13.4
	Disagree	-	-	13.4
	Not Sure	-	-	13.4
	Agree	40	26.6	40
	Strongly Agree	90	60	100
	Total	**150**	**100.0**	**100.0**

Source: Primary data (2018)

According to the table above, 90(60%) strongly agreed, 40(26.7%) agreed, 20(13.4%) disagreed. Majority of the respondents agreed and this implies that they are aware of financial risks and their mitigation. However, some respondents told the researcher that, others find their businesses closing.

4.6: They have the ability to manage money and other assets of the business.

The study asked respondents whether they have the ability to manage money and other assets of the business and the results are indicated in the table 4.6:

Table 4.6: They have the ability to manage money and other assets of the business.

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	50	33.4	46.6
	Not Sure	20	13.3	60
	Agree	30	20	80
	Strongly Agree	30	20	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 30(20%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents disagreed and this implies that most of the SEs operators in Nyangahya Division have no ability to manage money and other assets of the business. The study through interviews with respondents found out that, business people in Nyangahya Division has credit difficulties and tends to borrow loans to repay loans and admit that they are not in control of their finances. This means that acquisition of financial literacy skills would have a positive impact on an individual's behaviors in terms of increased savings, wealth accumulation and avoidance of unnecessary expenses.

4.7: They always match my business needs to financial resources

The study asked respondents whether they always match their business needs with financial resources and the results are indicated in the table 4.7.

Table 4.7: They always match their business needs with financial resources

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	50	33.4	46.6
	Not Sure	20	13.3	60
	Agree	30	20	80
	Strongly Agree	30	20	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 30(20%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents disagreed and this implies that they always not match their businesses needs to financial resources. Managers of SEs in Nyangahya Division told the researcher that, majority of the business operators lack skills and knowledge of matching businesses with financial resources and this has affected their growth.

4.8: Timely payments and accounts balances at the end of each month.

The study asked respondents whether they are able to effectively pay ad effect their accounts balance fully at the end of each month and the results are indicated in the table 4.8:

Table 4.8: Timely payments and accounts balances at the end of each month

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	30	20	33.3
	Not Sure	20	13.3	46.6
	Agree	30	20	66.6
	Strongly Agree	50	33.4	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 50(33.3%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 30(20%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents agreed and this implies that they are able to pay their accounts balance fully at the end of each month. The study found out that, SEs operators from Nyangahya Division are committed to pay their bills whether their businesses are doing well or not.

4.9: They are aware of the effect of interest rate on borrowing.

The study asked respondents whether they are aware of the effect of interest rate on borrowing and the results are indicated in the table 4.9.

Table 4.9: They are aware of the effect of interest rate on borrowing.

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	30	20	33.3
	Not Sure	10	6.7	40
	Agree	40	26.7	66.7
	Strongly Agree	50	33.3	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 50(33.3%) strongly agreed, 30(20%) agreed, 10(6.7%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents agreed and this implies that they are aware of the effect of interest rate on borrowing and means that majority of them avoid getting loans from commercial banks.

CHAPTER FIVE

FINANCIAL ATTITUDE AND GROWTH OF SEs

5.0: Introduction

Obtaining additional information about financial literacy can lead to improved financial attitude. The study discovered that, acquiring financial increases peoples' attitude towards opening up new businesses. The financial experts from Nyangahya Division in Masindi district told the researcher that, attitude acts as an engine for SEs growth and development and therefore, many questions were set in regard it is important to control monthly expenses and the results are presented in the proceeding tables.

5.1. It is important to control monthly expenses

The study asked respondents whether it is important to control monthly expenses and the results are indicated in the table 5.1.

Table 4.5: It is important to control monthly expenses

		Frequency	**Percent**	**Cumulative Percent**
Valid	Strongly Disagree	20	13.4	13.4
	Disagree	-	-	13.4
	Not Sure	-	-	13.4
	Agree	40	26.6	40
	Strongly Agree	90	60	100
	Total	**150**	**100.0**	**100.0**

Source: Primary data (2018)

According to the table above, 90(60%) strongly agreed, 40(26.7%) agreed, 20(13.4%) disagreed. Majority of the respondents agreed and this implies that, it is important to control monthly expenses. Consequently, growth may be achieved quickly, slowly, or not at all. It depends on the way expenses are managed. The study through interviews with the respondents revealed that, most of entrepreneurs in Nyangahya Division aspire to grow either for recognition as founders of business empires or to serve their customers better forgetting that, for any business to increase its profitability base, must take care of the business expenses and thus ending failing. This is in line with Huston, 2010 who noted that, many business owners spend mysteriously and thus affecting the growth of their businesses.

5.2. It is important to establish financial target for the future

The study asked respondents whether it is important to establish financial target for the future and the results are indicated in the table 5.2:

Table 5.2: It is important to establish financial target for the future

		Frequency	**Percent**	**Cumulative Percent**
Valid	Strongly Disagree	10	6.7	6.7
	Disagree	40	26.7	33.4
	Not Sure	-	0	33.4
	Agree	50	33.3	66.7
	Strongly Agree	50	33.3	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 50(33.3%) strongly agreed, 50(33.3%) agreed, 10(6.7%) strongly disagree and 40(26.7%) disagreed. Majority of the respondents agreed with the statement and this implies that it is important to establish financial target for the future. The study through interviews with respondents discovered that setting up financial targets is for the expected contribution from the activities of any business in terms of expected cash or revenues and expenditures over a certain period of time and this means that, every business must have it.

5.3: The way they manage their money today will affect their future

The study asked respondents whether the way they manage their money today will affect my future and the results are presented in the tables 5.3.

Table 5.3: The way they manage their money today will affect my future

		Frequency	**Percent**	**Cumulative Percent**
Valid	Strongly Disagree	0	0	0
	Disagree	10	6.7	6.7
	Not Sure	10	6.7	13.4
	Agree	40	26.6	40
	Strongly Agree	90	60	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 90(60%) strongly agreed, 40(26.6%) agreed, 0(0%) strongly disagree, 10(6.7%) disagreed and 10(6.7%) were not sure. Majority of the respondents agreed and this implies that the way they manage their money today will affect their future.

5.4: Making risky decisions adds value to their returns

The study asked respondents whether making risky decisions adds value to their returns and the results are indicated in the table 5.4.

Table 5.4: Making risky decisions will add value to their returns

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	20	13.3	26.6
	Not Sure	0	-	26.6
	Agree	40	26.7	53.3
	Strongly Agree	70	46.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

According to the table above, 70(46.7%) strongly agreed, 40(26.7%) agreed, 20(13.3%) strongly disagreed, 20(13.3%) disagreed and 0(00%) were not sure. Majority of the respondents agreed and this implies that making risky decisions will add value to their returns. *The study through interviews with respondents revealed that, risky projects are more profitable, however, this can be done when some one has the necessary knowledge*. It was further discovered that, sound financial management is critical to the survival and growth of SEs because financial literacy skills empower and educate business so that they are able to evaluate financial products and make informed decisions and facilitates proper debt management which improves the credit worthiness of potential borrowers.

5.5: Preventing risk ensures security of their business

The study asked respondents whether preventing risk ensures security of their business and the results are indicated in the table 5.5:

Table 5.4: Preventing risk ensures security of their business

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	0	0	0
	Disagree	10	6.7	6.7
	Not Sure	20	13.3	20
	Agree	80	53.3	73.3
	Strongly Agree	60	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 80(53.3%) agreed, 40(26.7%) Strongly agreed, 10(6.7%), agreed and 20(13.3%) were not sure. Majority of the respondents agreed and this implies that preventing risk ensures security of their business. The study found out that, the owners of SEs through interviews told the researcher that, financial literacy also builds the risk management skills of individuals. This is supported by Lusardi and chell (2007) who argues that financial literacy prepares business people for tough financial times through strategies that mitigate risk such as accumulating savings, diversifying assets and avoiding over indebtness. It was discovered that, some of the risks affecting SEs in Nyangahya Division include inflation.

5.6: Short-term decisions are influenced by their long-term financial goals

The study asked respondents whether all their short-term decisions are influenced by their long-term financial goals and the results are indicated in the table 5.5:

Table 5.5: Short-term decisions are influenced by their long-term financial goals

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	30	20	20
	Disagree	-	-	20
	Not Sure	30	20	40
	Agree	50	33.3	73.3
	Strongly Agree	40	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 40(26.7%) strongly agreed, 50(33.3%) agreed, 30(20%) were not sure 0(00%) disagreed and 30(20%) strongly disagreed. Majority of the respondents agreed with statement and this implies that all their short-term decisions are influenced by their long-term financial goals.

5.7: Social environment has contributed so much to their financial skills

The study asked respondents whether their social environment has contributed to their financial skills and the results are indicated in the table 5.6 below

Table 5.6: Social environment has contributed so much to their financial skills

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	50	33.4	46.6
	Not Sure	20	13.4	60
	Agree	30	20	80
	Strongly Agree	30	20	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 30(20%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents agreed and this implies that their social environment has contributed so much to their financial skills**.** The study through interviews with respondents revealed that SEs owners in Nyangahya Division are surrounded by financial challenges and hardships. Therefore, they are forced to attain finance knowledge in order to make their business successful.

5.8: Parents have influenced their money management skills

The study asked respondents whether their parents have influenced their money management skills and the results are indicated in the table 5.7:

Table 5.7: Their parents have influenced their money management skills

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	80	53.3	53.3
	Disagree	10	6.7	60
	Not Sure	20	13.3	73.3
	Agree	0	0	73.3
	Strongly Agree	40	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 0(0.0%) agreed, 40(26.7%) strongly agreed, 10(6.7%), disagreed, 20(13.3%) were not sure and 80(53.3%) strongly disagreed. Majority of the respondents agreed and this implies that their parents have not influenced them in respect to money management skills. The study through interviews with respondents found out that, most of the parents were ignorant about business management and therefore, they had little or nothing to advise their children.

5.9: They have participated in training programs for financial skills

The study asked respondents whether they have participated in training programs for financial skills and the results are indicated in the table 5.8:

Table5.8: Traders participat in training programs for financial skills

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	30	20	20
	Disagree	-	-	20
	Not Sure	30	20	40
	Agree	50	33.3	73.3
	Strongly Agree	40	26.7	100
	Total	**75**	**100.0**	

Source: Primary data (2018)

From the table above, 40(26.7%) strongly agreed, 50(33.3%) agreed, 30(20%) were not sure 0(00%) disagreed and 30 (20%) strongly disagreed. Majority of the respondents agreed with statement and this implies that they have participated in training programs for financial skills. Leaders of business people in Nyangahya Division have tried to organize workshops and seminars for their members. It was discovered that, most of these seminars and workshops were regarding records keeping. It was further discovered that, every enterprise requires written records which are used as guides to routine action, taking of decisions, formulation of general rules and maintaining relationships with other organizations or with individuals. Therefore a business without written records is like a blind man without his aid or a vehicle without a driver for it does not know which way it is going. This is supported by Tarfasa et al (2016) who stated that records keeping help in calculating business profits or losses, reveal value of debtors in terms of amount due and when payments are due so as to avoid heavy costs of bad debts, it also help in business planning and are needed by lenders of business finance.

CHAPTER SIX

FINANCIAL BEHAVIOR AND GROWTH OF SEs

6.0: They prepare written financial objectives

Table 6.1: They prepare written financial objectives

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	30	20	20
	Disagree	-	-	20
	Not Sure	30	20	40
	Agree	50	33.3	73.3
	Strongly Agree	40	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 40(26.7%) strongly agreed, 50(33.3%) agreed, 30(20%) were not sure 0(00%) disagreed and 30(20%) strongly disagreed. Majority of the respondents agreed with statement and this implies that SEs operators in Nyangahya Division prepare financial objectives and this leads to business growth and expansion. This is in line with Mandell & Klein, 2009 who argues that the gender of the founder, the amount of capital required at the time of starting the business, commitment of the entrepreneur and growth strategy of the enterprise are the most important factors in predicting growth in a small enterprise.

6.1: Their long-term financial targets influence their expenses.

The study asked respondents whether their long-term financial targets influence the managing of their expenses and the results are indicated in the table 6.2 below:

Table 6.2: Their long-term financial targets influence their expenses.

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	10	6.7	6.7
	Disagree	40	26.6	33.3
	Not Sure	-	0	33.4
	Agree	60	40	73.7
	Strongly Agree	40	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 60(40%) strongly agreed, 40(26.7%) agreed, 10(6.7%) strongly disagree and 40(26.7%) disagreed. Majority of the respondents agreed with the statement and this implies their long-term financial targets influence the managing of their expenses.

6.1.2: They follow a weekly or monthly plan for expenses

The study asks whether they follow a weekly or monthly plan for expenses and the results are presented in the tables 6.3 below.

Table 6.3: They follow a weekly or monthly plan for expenses

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	90	60	73.3
	Not Sure	10	6.7	80
	Agree	20	13.3	93.3
	Strongly Agree	10	6.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 10(6.7%) strongly agreed, 20(13.3%) agreed, 20(13.3%) strongly disagree, 90(60%) disagreed and 10(6.7%) were not sure. Majority of the respondents disagreed and this implies that they do not follow a weekly or monthly plan for expenses. The study through interviews with respondents stated that, Majority of the business owners and staffs in Nyangahya Division are not professionals in accounting and finance and this has led some of the business close. The owners of businesses in Nyangahya Division told the researcher that, employing professionals such as accountants to prepare business plans requires a lot of money which SEs lack.

6.3: They prepare budgets to help them monitor their growth of SEs.

The study asked respondents whether they prepare budgets to help them monitor their growth of SEs and the results are indicated in the table 6.4 below:

Table 6.4: They prepare budgets to help them monitor their growth of SEs.

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	50	33.4	46.6
	Not Sure	20	13.3	60
	Agree	30	20	80
	Strongly Agree	30	20	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 30(20%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents disagreed and this implies that they do not prepare budgets to help them monitor their growth of SEs.

6.1.4: Preparation of written financial statements for their businesses

The study asked respondents whether they prepare financial statements for your business (income statement, balance sheet).and the results are indicated in the table 6.5:

Table6.5: preparation of written financial statements for their businesses

		Frequency	**Percent**	**Valid Percent**
Valid	Strongly Disagree	60	40	40
	Disagree	-	-	40
	Agree	50	33.3	73.3
	Strongly Agree	40	26.7	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 50(33.3%) agreed, 40(26.7%) disagreed and 60(40%) strongly disagreed. Majority of the respondents disagreed and this implies that they prepare financial statements for your business (income statement, balance sheet). The study through interviews with respondents revealed that due lack of financial literacy, it is very difficulty for SEs operators in Nyangahya Division to prepare financial statement and this has affected their growth. Also Tali, (2016) stated that, entrepreneurs, regardless of their age, are consistently engaged in decision-making activities concerning resource procurement, allocation and utilization. Such activities almost always have financial consequences and thus, in order to be effective, entrepreneurs must be financially literate. There is the only reference.

6.5. Their debt management skills have enabled them to access finance

The study asks whether their debt management skills have enabled them to access various sources of finance for their business and the results are indicated in the table 6.6:

Table 6.6: Their debt management skills have enabled them to access finance

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	10	6.6	20.2
	Not Sure	10	6.6	28.7
	Agree	20	13.3	40
	Strongly Agree	90	60	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 90(60%) strongly agreed, 20(13.3%) agreed, 20(13.3%) strongly disagree, 10(6.6%) disagreed and 10(6.6%) were not sure. Majority of the respondents agreed and this implies that their debt management skills have enabled them to access various sources of finance for their business. The study through documentary reviews discovered that, SEs in Nyangahya Division have ability to perform activities of a business within their budget, they usually created a plan to help them manage their debts especially.

6.6. They know the effect of inflation and interest rates on the loans

The study asks whether they know the effect of inflation and interest rates on the loans they borrow for their business and the results are indicated in the table 6.7.

Table 6.7. They know the effect of inflation and interest rates on the loans

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	13.3	13.3
	Disagree	50	33.4	46.6
	Not Sure	20	13.4	60
	Agree	30	20	80
	Strongly Agree	30	20	100
	Total	**150**	**100**	

Source: Primary data (2018)

From the table above, 30(20%) strongly agreed, 30(20%) agreed, 20(13.3%) were not sure 50(33.4%) disagreed and 20(13.3%) strongly disagreed. Majority of the respondents agreed and this implies that they know the effect of inflation and interest rates on the loans they borrow for their business.

6.6. They can determine accurately the total debt position

The study asked respondents to state whether SEs operators can determine accurately the total debt position and the results are indicated in the table 6.8.

Table 6.8: They can determine accurately the total debt position

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	30	20	20
	Disagree	10	6.7	26.7
	Not Sure	10	6.7	43.4
	Agree	40	26.6	60
	Strongly Agree	60	40	100
	Total	**150**	**100.0**	**100.0**

Source: Primary data (2018)

From the table above, 60(40%) strongly agreed, 40(26.7%) agreed, 30(20%) strongly disagree, 10(6.7%) disagreed and 10(6.7%) were not sure. Majority of the respondents agreed and this implies that SEs operators in Nyangahya Division can determine accurately the total debt position**.**

6.7: They can access finance at a minimum cost.

The study asks respondents whether SEs can access finance at a minimum cost and the results are indicated in the table 6.9:

Table 6.9: SEs can access finance at a minimum cost.

		Frequency	Percent	Valid Percent
Valid	Strongly Disagree	20	13.4	13.4
	Disagree	-	-	13.4
	Not Sure	-	-	13.4
	Agree	40	26.6	40
	Strongly Agree	90	60	100
	Total	**150**	**100.0**	**100.0**

Source: Primary data (2018)

According to the table above, 90(60%) strongly agreed, 40(26.7%) agreed, 20(13.4%) disagreed. Majority of the respondents agreed and this implies that SEs can access finance at a minimum cost. The study through interviews with respondents revealed that, some SEs owners and operators in Nyangahya Division have acquired education level up to the University and this means that, they create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively financial regulators are forced to improve the efficiency and quality of financial services.

Hypothesis Testing

In order to examine the nature of relationship between Financial Literacy and performance, correlation, regression, Anova and coefficients tests were performed on the data collected. The results are summarized in the proceeding tables.

Table 6.10 They can determine accurately the total debt position of my business.

		Financial Literacy	Growth of SEs
Financial Literacy	Pearson Correlation	1	0.754**
	Sig. (2-tailed)		0.000
	N	150	150
Growth of SEs	Pearson Correlation	0.654**	1
	Sig. (2-tailed)	0.000	
	N	150	150

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

The correlation result revealed a positive significant relationship between Financial Literacy and growth of SEs (r = 0.654**, $p<0.05$). This implies that Financial Literacy influence growth of Small Enterprises in Nyangahya Division. It is suggested that utilizing Financial Literacy results into growth of SEs.

Regression Analysis

Regression analysis was performed in order to establish the extent to which Financial Literacy explained the degree of variance in performance. The result obtained is presented in the model summary table that follows:

Table 6.11: Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.654	0.4277	0.4037	0.47784

a. Predictors: (Constant), Financial Literacy

The regression analysis result in table 4.26 revealed that financial literacy contributes up to 40% to growth of SEs in Nyangahya Division (Adjusted R square= 0.4277, SEE = 0.47784). This means the remaining percentage (60%) is contributed by other factors outside the scope of this study. These results are in line with Obago (2014) researched on management of business challenges among Small Enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of SEs continue to have a deteriorating performance with 3 in every 5 SEs failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed that 49.5% of those who had received training in their areas of business reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to business success and recommendation that of the need for SEs owners to get trained in an area that is relevant to the business carried.

ANOVA Analysis

ANOVA analysis was performed to test the hypothesis that financial literacy significantly relate with performance. The results are summarized in table 6.12 below:

Table 6.12: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	28.499	1	28.499	124.812	0.000b
1	Residual	21.691	95	0.228		
	Total	50.190	96			

a. Dependent Variable: Growth of SEs

b. Predictors: (Constant), Financial Literacy

According to the ANOVA test results in the table 6.9, it is revealed that Financial Literacy significantly influences growth of SEs (F=124.81, P<0.05). These results are supported by Dupas and Robinson (2009), in their study of the effect of provision of financial Knowledge on the growth of SEs under Kenya Rural Enterprise Program (KREP)in Kisii County using a sample of 86 SEs established that training in financial knowledge had a significant positive impact on the growth of SEs with a standardized beta coefficient of 0.281which indicated that a unit increase in the provision of financial knowledge to SEs resulted to a 28.1% increase in growth.

The study further established that majority of the respondents were very satisfied with the provision of capital investment and basic business skills training in SEs. This suggests that the business skill training most likely improves the capacity of the entrepreneurs to use funds and hence impacts on business growth.

CHAPTER SEVEN

HARMONIZATION OF FINANCIAL LITERACY AND THE GROWTH OF SMALL ENTERPRISES

7.0 Introduction

This chapter harmonizes the relationship between financial literacy and the growth of Small Enterprises in Nyangahya Division. Financial literacy has been treated as independent variable and growth of Small Enterprises as a dependent variable.

7.1 Financial literacy

In this study, financial literacy has been understood as the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Making the right financial choices is very important decision in the life of individuals with long-term financial consequences.

7.2 Growth of SEs

The study found out that, SEs in Nyangahya Division are the backbone of the economy, providing a prime source of new jobs, playing a crucial role in income generation, reducing poverty by helping boost employment in rural areas and recognized as an engine of economic growth and development. Common SEs in Nyangahya Division include farming, agricultural food processing such as juice making, hardware operators, supermarkets, retail shops, carpentry, schools, internet cafes, restaurants, mobile money centers and many others. However, it was revealed that, all these SEs lack the financial knowledge and this has affected their growth. This is in agreement with Agnew and Szykman, (2005) who claims, that a major barrier to rapid development of the Small Enterprises in the whole world lack of financial knowledge. Without financial knowledge, accessing finance becomes difficult and challenges their drive to build productive capacity and to compete, Small Enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms. In addition, due lack of financial knowledge, SEs in Nyangahya Division, can rarely meet the conditions set by financial institutions, because they do not keep records and they are seen as risk because of poor guarantees and lack of information about their ability to repay loans.

7.3 Financial behavior

The study found out that, SEs operators Nyangahya Division love their work meaning that, they have a positive attitude towards the growth of their business and in order to achieve this, they control their monthly expenses by setting financial targets for the future in terms of expected cash or revenues and expenditures over a certain period of time. This is in agreement with Louw et al. (2013) who states that management of monthly expenses and setting financial targets are essential for the growth of SEs and therefore must be broadened to include strategic information, which will indicate whether or not the business will continue to be competitive and grow.

The study also revealed that, SEs operators in Nyangahya Division have been participating in training programs in order to acquire financial knowledge which will enable them to manage their businesses. This is supported by Tarfasa et al (2016) who argue that SEs mostly face challenges that hinder them from attaining economies growth for their businesses and one of them is business training. Therefore, financial literacy therefore is regarded as one of the strategies used by bankers to provide knowledge and skills needed to change attitude and attract more people to start up new businesses.

The study also revealed, majority of SEs operators and owners in Nyangahya Division are good at saving and this has helped them to generate capital for their businesses. It was discovered that, in order to save, they have been writing financial objectives. It was further discovered that, savings is a major source of finance for SEs Nyangahya Division, this is because they can access loans from Banks due to absence of financial statement, and debt management skills. This is supported by Beal and Delpachitra, 2003 who states that SEs are regarded as insecure and costly businesses to deal with because they lack financial management and have the capacity to absorb only small amount of funds from financial institutions. So they are rationed out in their access to credit because of lack of financial records, including the cost of monitoring and enforcement of loan contracts.

The study revealed that financial literacy contributes up to 56.3% to growth of SEs in Nyangahya Division indicated by Adjusted R square= 0.563 and this means the remaining percentage (43.7%) is contributed by other factors outside the scope of this study. These results are in line Jacqueline, 2012 who carried a research on financial literacy and performance. The independent variables studied explain only (59.7%) of the effects of financial literacy on the performance of SEs in Trans Nzoia County as represented by R^2. This means that the other variables not studied in this research contributed (40.3%) and thus further research should be conducted to investigate these other effects of financial literacy on the performance of SEs

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMEDATIONS

8.0. Introduction

This chapter presents the summary of the findings, conclusions, recommendations and areas for further study. The summary of the findings were discussed according to the study objectives.

8.2. Summary

The summary is done in accordance with the study objectives

8.2.1 Financial knowledge and growth of SEs

As presented in chapter , most of respondents indicated that, They are aware of the retained earnings sources of capital for starting a business (basing on 86.7% agree rate), they are able to make financial choices and discuss financial issues without difficulty (basing on 73.3% agree rate), they are able to communicate effectively on financial issues (basing rate 74% agree), they are able to understand financial terms and concepts (basing on 66.7% agree rate), they are aware of financial risks and their mitigation (basing on 87% agree rate), they have the ability to manage money and other assets of the business (basing on 50% agree rate), they always match my business needs to financial resources (basing on 40% agree rate), they are able to pay their accounts balance fully at the end of each month (basing on 53.3% agree rate) and they are aware of the effect of interest rate on borrowing (basing on 54% agree rate).

8.2.2 Financial Attitude and growth of SEs

Regarding the financial attitude of SEs, most respondents indicated that it is important to control monthly expenses (basing on 86.7% agree rate), SEs operators are also aware that the way they manage their money today will affect their future (basing on 87% agree rate), making risky decisions adds value to their returns (basing on 73.4% agree rate), preventing risk ensures security of their business (basing 80% agree rate), all their short-term decisions are influenced by their long-term financial goals (basing on 60% agree rate), their social environment has contributed so much to their financial skills (basing on 50% agree rate), their parents have influenced their money management skills (basing on 60% agree rate) and they have participated in training programs for financial skills (basing on 60% agree rate).

8.2.3 Financial behavior and growth of SEs

Regarding the financial behavior of SEs, majority of the respondents indicated that, They prepare written financial objectives (basing on 60% agree rate), their long-term financial targets influence their expenses (basing on 66.7% agree rate), SEs operators follow a weekly or monthly plan for expenses (basing on 74%), They prepare budgets to help them monitor their growth of SEs (basing 50%), they prepare financial statements for your business (basing on 60% agree rate), their debt management skills have enabled them to access various sources of finance for their business (basing on 86.7% agree rate), they know the effect of inflation and interest rates on the loans they borrow for their business (basing on 50% agree rate), they can determine accurately the total debt position (basing 66.7% agree rate) and they can access finance at a minimum cost (basing 73.3% agree rate).

8.3. Conclusion

This study concludes that SEs operators they are able to understand financial terms and concepts, they are able to communicate effectively on financial issues and they are aware of the retained earnings sources of capital for starting a business.

It was further revealed that, there is a strong positive effect of financial literacy on growth of SEs. SEs that are more successful are run by entrepreneurs who are financial literate and understand key financial concepts that include, risk management, debt management, record keeping and budgetary skills. Financial literacy regarding the budgeting skills assist in reducing the SEs running costs and ultimately enabled advance planning on loan repayment. In addition, financial literacy skills enhanced the ability to do a self internal audit that enabled SES operators to identify resource leakages and ensure proper use of their sources of finance. This revelation appears to compliment Miller's (2009) argument that financial literacy helps in empowering and educating business people so that they are knowledgeable about finance in a way that is relevant to their business and enables them to use this knowledge to evaluate products and make informed decisions.

The study found out that, SEs operators in Nyangahya Division making risky decisions adds value to their returns and they are also aware that the way they manage their money today will affect their future. It is widely expected that greater financial knowledge would help overcome recent difficulties in promoting SEs. Financial literacy prepares business people for tough financial times, through strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance.

Financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes.

The study discovered that, SEs in Nyangahya Division make long-term financial targets influence their expenses and their debt management skills have enabled them to access various sources of finance for their business. The study also concludes that there is a higher a chance for financially literate SEs to be more successful than those with low level of financial knowledge. Financial literacy also seems to go hand in hand with formal education; entrepreneurs that scored high in financial literacy seemed to be well educated and have been attending financial education class or seminars, while in contrast, entrepreneurs with low level of financial literacy demonstrated low level of formal education and failure to run their business.

8.4. Recommendations

This study recommends the training of small traders that are in informal sector and run by few family members. Most of these businesses survive for many years but with minimal or no growth at all, perhaps due to lack of financial knowledge. If trained, SEs in this sector would embrace more risk ventures, diversify investments and raise capital to grow and transform into more solid enterprises. Networking events for entrepreneurs should be established by the associations to enable them to share experiences and marketing information.

There is need for the government to work towards streamlining coordination of institutions implementing SEs activities. This will promote institutional structures necessary for effective policy design, implementation and monitoring of SEs activities for the benefit of entrepreneurs as well. The transactional cost theory was also recommended by this study.

8.5. Areas for further study

i. Financial attitude and performance of SES in Nyangahya Division Masindi District

ii. Financial behavior and growth of SEs in Uganda

iii. Intellectual capital and performance of SEs in Uganda

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APPENDICES

Appendix I: Self Administered Questionnaire

The purpose of this study is purely academic and your participation is entirely voluntary and you retain the right to withdraw at any time. All individual responses will be held in strictest confidence and only group data will be reported. Thank you for agreeing to participate in this questionnaire. In case you may need a preview of the report of this work, you can give your email…………………………...

(Tick against the answer of your choice or where necessary make a brief statement)

SECTION A: RESPONDENT CHARACTERISTICS

1. Gender of the respondent

Male ☐

Female ☐

2. Age group of the respondent

15-20 years ☐

21-30 years ☐

31-40 years ☐

41-50 years ☐

3. Highest education qualification attained

a) O, Level ☐ b) A, Level ☐ c) Diploma ☐ (d) Bachelors ☐ e) Masters ☐ (f) PhD ☐ g) None of the above ☐

4. What is the type of your business?

a) Retailer ☐ b) Whole sale ☐

5. What is the line of your business

a) Food and beverages ☐ b) hardware ☐ c) Textiles and Garments ☐

d) Chemicals and Pharmaceuticals ☐ e) any other please specify ☐

6. What is the nature of your business

a) Sole trader ☐ partnership ☐ Private limited company ☐

7. Years of operation

a) Less than 1 year ☐

b) 1-5 years ☐

c) 6-9 years ☐

d) 10 years and above ☐

SECTION B: FINANCIAL KNOWLEDGE AND GROWTH OF SEs

Use a Likert scale of 1-5 to rate the following statements under each category

Where: 5. Strongly Agree (SA) 4. Agree (A) 3. Not Sure (NS) 2. Disagree (D) 1. Strongly Disagree (SD)

Table 1: FINANCIAL KNOWLEDGE AND GROWTH

S/N	**Statement**	1	2	3	4	5
1.	Am aware of the retained earnings sources of capital for starting a business					
2.	I am able to make financial choices and discuss financial issues without difficulty.					
3.	I am able to communicate effectively on financial issues.					
4.	I am able to understand financial terms and concepts.					
5.	I am aware of financial risks and their mitigation.					
7	I have the ability to manage money and other assets of the business.					
8	I always match my business needs to financial resources.					
9	I am able to pay my accounts balance fully at the end of each month.					
10	I am aware of the effect of interest rate on borrowing.					

SECTION C:

Use numbers in the table to answer the following statements for example strongly agree represents 1 in the table. Strongly Disagree 1, Disagree 2, Not Sure 3, Agree 4 and strongly agree

Table 2: FINANCIAL ATTITUDE AND GROWTH

S/N	**Statement**	1	2	3	4	5
1.	It is important to control monthly expenses					
2.	It is important to establish financial targets for the future					
3.	The way I manage my money today will affect my future					
4.	Making risky decisions will add value to my returns					
5.	Preventing risk ensures security of my business					
6.	All my short-term decisions are influenced by my long- term financial goals					
7.	My social environment has contributed so much to my financial skills					
8.	My parents have influenced my Money management skills					
9.	I have participated in training programs for financial skills					
10.	I have learnt cost/benefits trade off from training programs					

SECTION D: FINANCIAL BEHAVIOR AND GROWTH

Use numbers in the table to answer the following statements for example strongly agree represents 1 in the table. Strongly Disagree 1, Disagree 2, Not Sure 3, Agree 4 and strongly agree

Table 3. FINANCIAL BEHAVIOR

S/N	Statement	1	2	3	4	5
1	I prepare written financial objectives of what I want to achieve in a term for my business					
2	My long-term financial targets influence the managing of my expenses					
3	I follow a weekly or monthly plan for expenses					
4	I prepare budgets to help me monitor my growth of SEs					
5	I prepare financial statements for your business (income statement, balance sheet)					
6	My debt management skills have enabled me to access various sources of finance for my business					
7	I know the effect of inflation and interest rates on the loans I borrow for my business					
8	I can determine accurately the total debt position of my business					
9	I can access finance at a minimum cost					
10	I save a portion of my business monthly income					

Appendix II: Interview guide

1. Do you have knowledge on financial matters? (training or by experience)
2. If you have been trained, can you read some financial statements? (i.e. net profit, gross profit).
3. Do you communicate effectively on financial issues asked by the bank or creditors? (i.e. due date or repayment period).
4. Are you aware of some financial risks? (at the bank, home or at the store).
5. If yes, do you know how to minimize those risks?
6. Have you ever suffered from any financial losses as a result of lack of knowledge?
7. How did you overcome it?
8. Do you have a financial plan for all that your business requires?
9. Are you aware of the effect of interest rate on borrowing?
10. Do you balance your business needs with the financial resources?
11. Are you able to distinguish between business finance and personal finance?

Appendix III: Documentary review checklist

1) Text books
2) Financial reports
3) Journals
4) Websites
5) Periodicals