FINANCIAL LITERACY AND PERFORMANCE OF SME'S IN UGANDA

CASE STUDY: KASSIDA

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(NKOZI)

Dedication

This dissertation is dedicated to my father and sisters who have believed in me and supported me throughout my studies, and to my Supervisor Mr. Magara Mugaga who has been there to guide me in all stages during this research.

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I thank the Almighty God, the provider of knowledge and wisdom for seeing me throughout my studies and for enabling me to undertake my research successfully. Without His grace I wouldn’t have made it.

I extend my deep appreciation to my supervisor Mr. Magara Mugaga , for his full support, guidance and advice provided during the study that made it possible for me to successfully complete this report.

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May Almighty Lord bless you abundantly!

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Glossary of Abbreviations and Acronyms

AMA: American Marketing Association

BOU: Bank of Uganda

GDC: German Development Cooperation

GDP: Gross Domestic Product

GEM: Global Entrepreneurship Monitor

MPA: marketing performance assessment

NSSF: National Social Security Fund

RCTs: Randomized Control Trials

SMEs: Small to medium enterprises

SPSS: Statistical Package for Social Sciences

UIA: Uganda Investment Authority

Abstract

This study discussed the relationship between financial literacy and performances of Small and Medium Enterprises. The study established how investment decisions, savings, and financial accounting affect the performance of SME's in terms of profitability, revenue, assets base of the business. There is greater population of people who start up SME's in Uganda and are still financially challenged and so end up making uninformed and ineffective decisions with regards to their resources. The study adopted a case study.

A sample size of 65 respondents was used. The study used both qualitative and quantitative research approaches for data collection and therefore data was collected using questionnaire and interview guide. Data was analyzed using SPSS and findings were presented in a tabular format showing frequencies and percentages.

The findings revealed a positive and significant effect of Investment decisions on business performance with Adjusted R Square value of 0.479 (47.9%). A positive and significant effect of savings on business performance with Adjusted R square value of 0.67 (67%) was also revealed. The study further revealed a positive and significant effect of financial accounting and business performance with Adjusted R Square value of 0.122 (12.2%). The findings conclude that employees have the adequate knowledge of basic investment concepts, have also improved access to external resources for instance through securities for investments and that better investment decisions in capital expenditure result in to improved efficient productivity. It was also revealed that SMEs that always put money aside in order to consume or invest at a later date are at a better advantage and that Savings have created capital formation and it further leads to technical innovation and progress which has also led to fuller utilization of available scarce resources in an efficient way. The study also showed that some SME that have proper financial records and book keeping, prepare of financial statements available for public consumption and that all revenues and expenses are accounted for and reported on the income statement achieve significantly improved performance

Finally the study recommended that the SMEs should redesign there financial reporting systems aimed at reducing cost, improving speed, and providing services consistently throughout the organization. It was also recommended that steps should be taken to strengthen the leadership of SMEs through training, coaching and mentoring. This will ensure improved quality of financial reports.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

This study is about assessing the effect of financial literacy on business performance of SMEs in Uganda. Different variables under financial literacy were studied in order to examine their effect on performance of SME's in Uganda. In this study, financial literacy is the independent variable and performance of SMEs in Uganda is the dependent variable. The chapter covers the background of the study, problem statement, broad objective, specific objective, conceptual frame work, research questions, scope of the study, significance of study, and justification of the study.

1.2 Background of the Study

Financial literacy globally, is defined as the ability to understand how money works in the world: how someone manages to earn it, how that person manages it, how he or she invests it, and how that person donates it to help others (Giesler & Veresiu 2014). On their recent paper Lusardi and Mitchell (2013) succinctly alluded that financial literacy is peoples 'ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions which become increasingly important to enable individual and household to cope with the ever growing complexity of products and service in financial market.

From the African perspective, the need for personal financial management has gained the surging popularity following the recent financial crises that showed that increasing complexity of financial systems and client's inability to cope with has emerged as a challenge to well-functioning financial system (Zakaria and Sabri, 2013). According to Matewos Kebede

Navkiranjit Kaur and Jasmindeep, (2012) results of limited empirical studies implemented to evaluate financial education programs, including those in few African countries, showed that enhancing financial literacy and personal financial decision making capabilities of people would enhance the outcome of financial inclusion and other poverty reduction initiatives for the fact financially literate people can demand and properly use beneficial financial services such as savings, microcredit, insurance. Moreover, enhancing financial literacy is at the advantage of financial service providers and contributes to the development of a stable financial system, a sustainable economic growth. Thus, policy makers and academics in African developing countries need to understand the level of financial literacy in the population in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio economic welfare and building an inclusive financial system and sustainable economic growth.

A 2011 Bank of Uganda (BOU) report defines financial literacy as having the knowledge, skills and confidence to manage ones finances well. To an ordinary Ugandan, being financially literate involves the ability to save, having access to banking services, having records of financial transactions, investing, among others (Namasinga 2013). Despite the significant investments made in SME's, financial literacy is still lacking in Uganda (Bitature, 2013). There is a huge demand for financial information among many Ugandans in SME's namely; farmers, fishermen, traders and many Ugandans across the socio-economic divide. They need knowledge on how to save and budget for their revenue (Morawczynski 2013).

Many financial Literacy Programs that have been undertaken are largely piecemeal, project based, uncoordinated and lack genuine strategic direction and so this calls for need to adopt a comprehensive strategy to strengthen financial literacy (Bank of Uganda 2013). Such a strategy would help individual businesses and persons to manage their personal finances better (Namasinga 2013) In August 2013, the minister of Finance launched the strategy for financial Literacy in Uganda, a national strategy which has been developed by a broad range of stakeholders, spearheaded by Bank of Uganda and supported by German Development Cooperation (GDC).

Today, a significant number of people are in the SME's are engaging in Financial Literacy compared to the past years. NSSF together with Bank of Uganda are working together to provide that service to people available (BOU 2015). In Uganda, a small enterprise is defines as one employing 5-50 people with annual sales turnover of up to 360 million shillings. On the other hand, medium enterprises employ more than 50 people and has annual sales turnover of more than 360 million shillings (UIA, 2015). Small and Medium Enterprises are seen as a driving for the promotion of an economy (Khan& Jawaid2014). This is because they contribute a big part of the economic development of any country (Abor, 2010). In economy of Uganda, 80% of SME's are located in urban city; Kampala (hatega2007). SME's contribute 30% of the Gross Domestic Product (GDP) Uganda Investment Authority (world fact book 2012; World bank 2013) its contribution is measured in terms of job creation, income generation and poverty reduction (Agye, 2011) Approximately 2.5 million people are employed in SME's (Osunsan& Sumil 2012; Sands 2012). Therefore, their performance is very important to individuals and Uganda at large.

Performance comprises the actual output or result of an organization as measured against its intended output (or goals and objectives). Business performance is defined as a composite result of all performance indicators categorized in different perspectives, views and models (Andreesc 2008). Performance indicators have specific relevance for the business system performance which depends on the business's vision and direction. Business performance is further seen as the cumulative results of components and their interdependences (Bontis, 2006). Business performance has an important area that should be looked at, that is Business Performance Management.

Business performance management can be defined as a combination of systems, processes, metrics, methodologies for monitoring and managing a company's business performance (Rayner, 2002). Furthermore, business performance management is defined as a process by which the company manages its performance in line with its corporate and functional strategies and objectives (Bititci, Carrie, McDevitt, 1997). Business performance measurement is an essential part of the performance management. By measuring, people transform complex reality into simplified numeric concepts that can be easily communicated and acted up on (Lebas 1995). Business performance measurement system is an information system that supports managers in performance management process mainly fulfilling two primary functions that is, enabling and structuring communication between organizational units and collecting, processing and delivering information on performance of people, activities, products etc (Forza & Salvador 2000). After respective business performance management, we are able to know whether the business is a success as planned or not.

1.3 Statement of the problem

Financial literacy is relevant for everyone in modern society regardless of income level, education, age, rural or gender because it is these same people who start up SME's in the near future and without being financially informed, there businesses find it hard to perform as they had earlier targeted (Mutebile, 2013). Despite the huge amounts of money ploughed into the financial Literacy program s, still very few entrepreneurs are fluent in the money language

(Kulabako, 2011) Savings and investment, among others are still responsibly hard for many (Kulabako 2011). The greater populations of people from rural areas who start up SME's in Uganda are still financially challenged and so end up making uninformed and ineffective decisions with regards to their resources (Taha 2011).

Financial literacy gives a clear insight about many important areas of financial management like book keeping and financial statements, microfinance services, money and capital markets among others. Under microfinance industry in Uganda, financial and non-financial services are often provided, for example, loans, savings, micro insurance, money transfer services, deposit taking, advanced financial education among others(Nahamya 2013). But due to lack of financial literacy, appropriate knowledge about the above is left out. Despite it all, the effect of financial literacy on business performance still remains ambiguous because there are many different perceptions from different scholars, so it necessary to study and understand it better.

1.4 Main objective of the study

The study was to determine the effect of financial literacy on business performances of Small and Medium Enterprises.

1.5 Specific objectives

I. To examine the effect of investment decisions on business performance of SMEs
II. To establish the effect of savings on business performance of Small and Medium Enterprises.
III. To examine the effect of financial accounting on financial performance of SME's

1.6 Research questions

i. What is the effect of investment decision on financial performance of SME's?

ii. What is the effect of savings on financial performance of SME's?

iii. What is the effect of financial accounting on business performance of SME's?

1.7 Scope of the study

1.7.1 Study scope:

This study covered the relationship between the two variables, that is, Financial Literacy and performances of SME's, the performance of SME's before and after application of serious literature. Under this, the relationship between investment decisions, savings, financial accounting; and business performance was examined.

1.7.2 Time scope:

This study considered 3 years that is; May 2014 to May 2017. This is because this period had enough relevant information to the study.

1.7.3 Geographical scope:

This study was carried out in Katwe, Kampala, Central Uganda; particularly Katwe Small scale industries Association (KASSIDA). This is because KASSIDA consists of a group of many different small scale businesses both newly founded and growing ones which will be useful during field research of the study.

1.8 Significance of the study

The study findings may help in guiding formulation of policies and strategies to facilitate business performance of SME's in the country. This may improve the general economic performance of Uganda and also the individual earnings of the citizens of Uganda and thus leading to improved living standards.

It may help individual SME's to acquire easy management of their finances effectively which may in lead to improved financial efficiency thus growth of SME'S. This may help eradicate unnecessary losses incurred during operations of SME's and also enable SME's be able to make informed financial investment decisions

The study may help the future researchers to acquire a basis for their study in the same field and so improve further the performances of businesses. The future researchers may use the findings of this study to back up their arguments as a basis for further research in the field and thus bridge knowledge gaps

The study may also broaden the knowledge of all individuals and get a clearer attitude about Financial Literacy. This may lead to significant improvement in upcoming and current SME's within Uganda. This is through having knowledge of the correct application of financial concepts like book keeping, financial reporting standards, among others.

It may help improve in the level of investments and savings in Uganda once people get informed about its significance in the world today. This is because the entrepreneurs may be able to understand and predict the risks involved in a given investment before they can take it up. The level of savings may increase as more entrepreneurs understand how important it is for the achievement of strategic goals of the business.

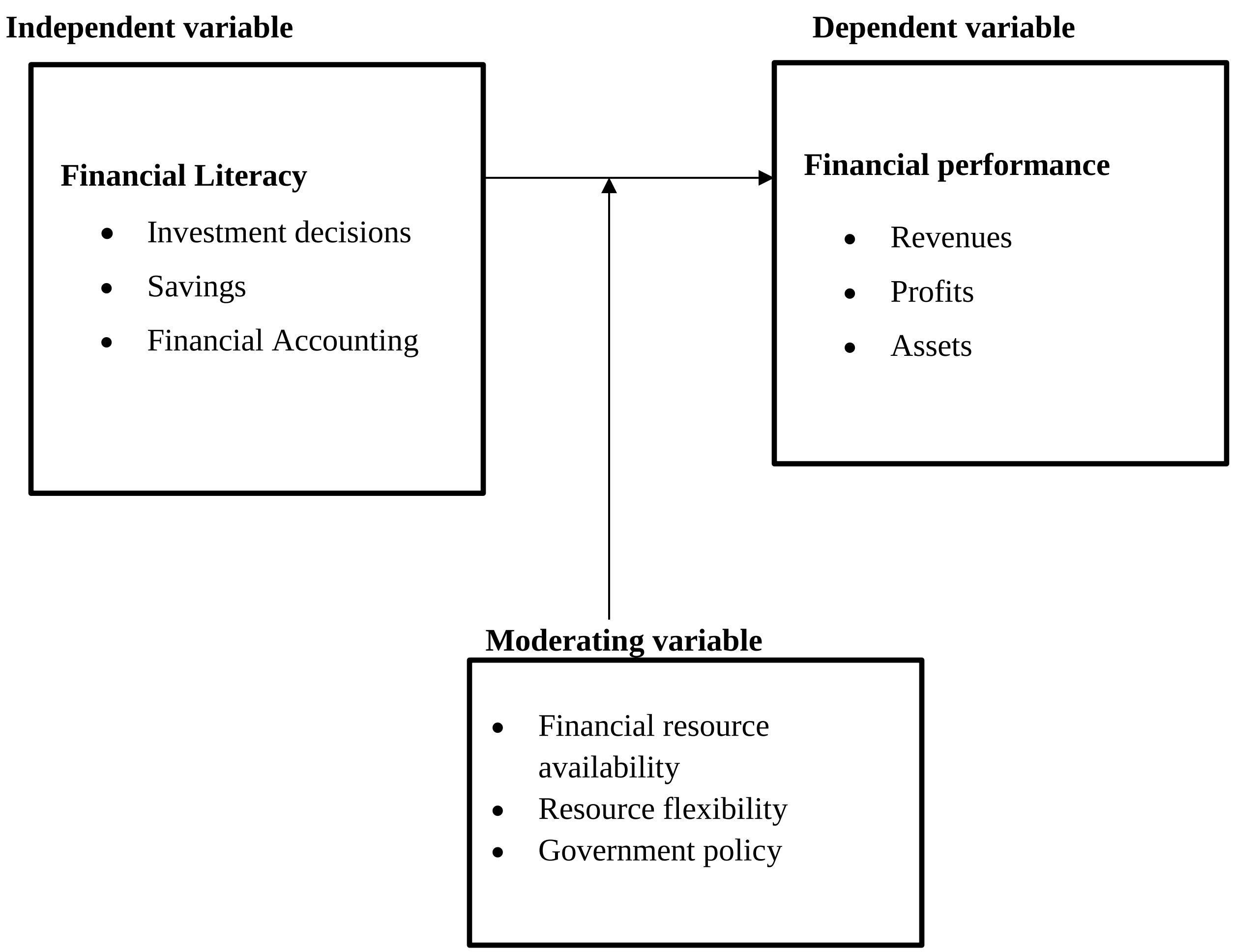
1.9 Justification of the study

Gale.; Levine. 2010, Namasinga. 2013, Tumusiime. (2013), among others are some of the scholars who have researched and written about this study, and recommended for more research on some of the areas that are not clearly covered or which need more clarification. Oseifuah, (2010) also called for further research on the impact of financial literacy on youth entrepreneurs.

There is need for this study because as time passes, trends change and by this current year, there is a possibility of witnessing change in results of the study. Therefore carrying out this study is very essential.

1.10 Conceptual frame work

Figure 1. 1: Conceptual Framework.



Source: Cherugong.P (2015)

Investment decisions affect performance of SME's in a way that if capital is invested in a non-viable business, the business will fail to make any profits as expected. Thus implementation of investments is critical for a company for its future success and survival, and depends on the correct predictions and prudent decisions made by firms' managers. Karunakar Patra, (2006) states that; Investment decisions indicate the amount of assets to be held in the business. There are two types of investment decisions that is short term and long term decisions. The short term decisions are linked to managing working capital of the firm and long term known as capital budgeting. The importance of investment decision to financial performance is vital, the investment decision is purely as strategic decision, as it contains financial, human and organic resources of the company and is the only way for managers to keep the company alive for a long time, (Baumol & Wolff, 1983). According to Cohen and Klepper, (1996) in the past, researchers have documented a significant positive relationship between investment decisions and a firm's productivity through its financial performance. It can be assumed that better investment decisions in capital expenditure result into improved efficient productivity, growth in sales turnover and profit performance of firms and thus exert a positive contribution in their financial performance (Ericson and Pakes, 1995).

Savings affect performance in a way that they can be used to invest in another profitable business opportunity that may come up abruptly thus increasing total revenue and profits. Savings left in the bank accounts are an important part of money. To the extent the banks decide to finance business investment with respect to the amount of deposits they received, an increase of savings could foster investment by the established firms (Valentino. P, 2003). Savings are also used to finance working capital management in times of scarcity (Hurst et.al., 2005).

Financial accounting affects performance of SME's in a way that a business is able to monitor and evaluate value for money thus reducing on unnecessary costs and increase profits. Financial accounting is important because it provides an organization's stakeholders with business statements, allowing them to know if the organization is making or losing money. This information is essential in determining if a company is able to maintain profitability (Madu. F, 2008).

1.11 Conclusion

In this chapter, the researcher addressed a number of issues which included; background to the study, problem statement, general objectives, specific objectives, research questions, justification, significance, scope of the study and conceptual framework. This chapter was to direct the researcher in reviewing the available literature related to Financial Literacy and business Performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the review of literature related to financial literacy and performance of SME'S in Uganda. The review then focuses on the objectives which are to examine the effect of investment decisions on business performance of SMEs, examine the effect of savings on business performance of Small and Medium Enterprises and to examine the effect of financial accounting on financial performance.

2.1 Theoretical review

2.1.1 Goal Setting Theory

The study was focused on the goal setting theory. Goal-setting theory refers to the effects of setting goals on subsequent performance. Researcher Edwin Locke found that individuals who set specific, difficult goals performed better than those who set general, easy goals. More recently, expectancy theory has been integrated with goal setting theory (Hollenbeck, 2013). Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation, Locke and Latham (2013) find that individual goals are likely to determine how well they perform to related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your -best goals. To be effective, goal setting theory assumes that individuals must be committed to the goal, must get feedback and must have the ability to perform the task. This means that financial literacy programs should be more effective when they are motivated by perceptions and concerns about financial well-being later in life. Motivational theory suggests that measures of financial literacy should be related to financial behavior that is in the consumers‟ best interests. Hilgert, Hogarth and Beverly (2003) formed a Financial Practices Index based upon (self-benefiting) behavior in cash flow management, credit management, saving and investment practices. When they compared the results of this index with scores on financial literacy quiz, they found a positive correlation between financial literacy scores and Financial Practices Index Scores. Their results suggest that financial knowledge is related to financial practices.

2.2 Investment decisions and business performance of SMEs

The effect of investment decisions that an SME makes on the resulting business performance is of vital use in assessing the effectiveness of a firm's investment decisions. The importance of investment decision to financial performance is vital, the investment decision is purely a strategic decision, as it contains financial, human and organic resources of the company and is the only way for managers to keep the company alive for a long time, (Baumol & Wolff, 2013). Thus implementation of investments is critical for a company for its future success and survival, and depends on the correct predictions and prudent decisions made by firms‟ managers. One way that the impact of investment decisions made by managers can be assessed is by measuring the level of a business performance.

The effect of prudent investment decision making capability of a SMEs owners on its advantage in analyzing a target investment's resultant true performance is vital, managers are perceived to have more information than other investors regarding an investment, thus managers are vital in making prudent investment decision analysis that shall lead to better performance of a company in both financial and non-financial parameters (Akintoye & Olowolaju, 2010). According to (Olivier, Rhee, & Summers, 2012) the concept of having prudent investment decisions from managers so as to improve a business value is of importance since market valuation methodologies seems to play a limited role in unlocking a target investment true financial performance in terms of its value compared to the aspect of evaluation of decisions through a fundamental analysis. This highlights the importance of managers in investment decision making process where they should be guided by fundamentals and not by just the market valuation process thus being able to fundamentally detect accurately a business true performance.

An investment is based upon an analysis and its main goal is to promise of principle sum invested and to earn the satisfactory risk. Practice of investing is not new; it has probably been in existence for as long as the aspect of trading has been in existence, investors are present in all settings worldwide (Levisauskait, 2010).

Investment behavior is critical to an individual's future; investment decisions may be contingent on many factors. According to (Alleyne, 2010) it has been argued that individual attitudes among other variables can predict the investment decision process that the individual undertakes. Financial literacy is also vital in enhancing prudent decision making capabilities to an individual, this is supported by the fact that prior research has suggested that that improvement of education in financial management positively correlates with decision making on critical investment activities (Chen & Volpe, 1998). Despite the importance of financial management literacy in prudent investment decision making ability there is still less knowledge on financial management matters by the SME sector players.

According to Ogiji & Ejembi, 2007) it is worthwhile to note that many people do not have the adequate knowledge of basic investment concepts required to make prudent investment decisions. This deficit of basic economic concepts has led to massive training to various potential and existing investors on aspects of financial literacy since improved financial education leads to an increase in the investment behavior in an individual which improves the business performance

According to Cohen & Klepper, (2016) in the past, researchers have documented a significant positive effect of investment decisions on a firm's productivity through its business performance. It can be assumed that better investments decisions in capital expenditure result in to improved efficient productivity, growth in sales turnover and profit performance of firms and thus exert a positive contribution in their financial performance (Ericson & Pakes, 2015) .In essence good investment decisions result not only in better business performance progress but also do improves access to external resources for instance through securities for investments in general and for further investments in research and development in particular, this aids in ensuring that a firm has adequate liquidity levels .

The benefit of making investment decisions with regard to expected output or expected product demand and its effect on SMEs business performance is vital since investment with regard to market expectations sensitivity helps to fight off the competitive pressure from other firms within or outside the industry by improving effectively the firm's expected sales performance thus ensuring profitability and growth of the firm, (Levasseur, 2012). Firms invest in research and development aspects in order to enhance their competitiveness and capability to earn profits to boost their business performance

2.3 Savings and business performance of Small and Medium Enterprises.

Savings can be defined as the action of putting money aside in order to consume or invest at a later date. Money saved can be kept at home, deposited in the savings account or invested in different types of capital/assets. Savings in monetary terms is a way to manage liquidity at the household level. In the long term, however, savings can contribute to increase the income base, for example, by investing in children‘s education, buying a cow or a new sewing machine. Therefore, savings has been defined as the amount kept aside in the current period and it is not income minus consumption/expenditure; it is a function of cash flow

Initially, microfinance was called microcredit and lending was their main focus (Morduch, 2005). The transition from microcredit to microfinance has brought a change of outlook, a growing realization that the low income households can profit trough a broader set of financial services than just credit. Notably, new initiatives are underway to create deposit accounts with terms and features that appeal to the low income customers (Murduch, 2015). Savings has long been a controversial issue in microfinance. In recent years, there has been increasing awareness among policy makers and practitioners that there is a vast number of informal savings schemes and MFIs around the world (in particular, credit union organizations) have been very successful in mobilizing savings.

These developments attest to the fact that low-income clients can and do save. The World Bank‘s Worldwide Inventory of Microfinance Institutions found that many of the largest, most suitable institutions in microfinance rely heavily on savings mobilization. In 1995, over $19 billion are held in the surveyed microfinance institutions in more than 45 million savings accounts compared to nearly $7 billion in 14 million active loan accounts. Often neglected in microfinance, deposits provide a highly valued service to the world’s poor who seldom have reliable places to store their money or the possibility to earn a return on savings (Ledgerwood, 2002)

Savings creates capital formation and it further leads to technical innovation and progress which helps with the economies of large-scale production and increases specialization, which helps to accelerate the productivity of labour, it further resulting increased GDP. Thus savings leads to fuller utilization of available scarce resources in an efficient way, increase in the size of national output, income and employment, thereby solving the problems of inflation, unemployment and balance of payment, poverty, inequality; and making the economy free from the burden of foreign debt and leads to state of better welfare. The vicious circles of poverty in developing countries can also be broken through sufficient savings, and it is the main key to economic development as well.

Amu and Amu (2012) reported that in general knowledge about savings in many districts is low and that households save more in the informal forms than in the formal forms. They also found out that personal, societal and organizational constraints inhibit the individual‘s ability to save. It was revealed further that households do not have any particular pattern for saving as they save as and when they have excess income. They recommended an outreach programme to educate the rural households on savings, among other things.

Efforts to measure the impact of savings can be seriously affected by statistical biases, especially selection bias. The selection problem occurs when we form the control group: if we simply look at a population and compare savers to non-savers we risk comparing two different types of people. Savers may be better planners, or more educated; they may have more disposable income, or they may be more risk averse. These differences can be important enough to skew impact studies, since what would seem like an impact of saving might instead be an impact of a general propensity to plan well. The root problem is that we can easily control for, say, age in statistical analysis, but something like the ability to plan ahead is difficult to quantify, and thus difficult to properly take into account (Heenetigala & Armstrong, 2009).

Experience shows that the best way to deal with this problem is with Randomized Control Trials (RCTs). By randomly assigning potential participants from the same sample population into treatment and control groups at the outset of the program, RCTs ensure that the treatment and control groups are, on average, similar except for participation in the program. This allows researchers to establish causality: if there is any difference between the groups after participation in the program. It will be due to the program and not any confounding factors. Comparing the two groups thus gives a clean, unbiased measure of the welfare gain to access

Additionally, it is notable that the slow rate of development in third world countries are usually attributed to the low levels of national savings, that constraint their capacity to invest in capital formation. This leads to lower level of economic growth and development than other countries that contribute enough savings. So saving is usually considered as the main source of economic growth

2.4 Financial accounting and financial performance of SME's

According to Levasseur, (2012), financial accounting is a specialized branch of accounting that keeps track of a company's financial transactions. Using standardized guidelines, the transactions are recorded, summarized, and presented in a financial report or financial statement such as an income statement or a balance sheet. It can also be Financial accounting (or financial accountancy) is the field of accounting concerned with the summary, analysis and reporting of financial transactions pertaining to a business. This involves the preparation of financial statements available for public consumption. Stockholders, suppliers, banks, employees, government agencies, business owners, and other stakeholders are examples of people interested in receiving such information for decision making purposes.

Financial accounting is the process of recording, summarizing and reporting the myriad of transactions resulting from business operations over a period of time. These transactions are summarized in the preparation of financial statements, including the balance sheet, income statement and cash flow statement that encapsulate the company's operating performance over a specified period (Heenetigala & Armstrong, 2009)

Financial reporting occurs through the use of financial statements. The financial statements present the five main classifications of financial data: revenues, expenses, assets, liabilities and equity. Revenues and expenses are accounted for and reported on the income statement. Financial accounting results in the determination of net income at the bottom of the income statement. Assets, liabilities and equity accounts are reported on the balance sheet. The balance sheet utilizes financial accounting to report ownership of the future economic benefits of the company

Good financial management is critical to the success of any business, but it is particularly important in small to medium enterprises (SMEs) where the risk of insolvency is often little more than an unpaid invoice away. A key concern for small business owner-managers is cash flow management, or more specifically the cash conversion cycle. This is the firm's ability to generate cash from its customers' invoices, and the time it takes to collect these accounts receivable.

Closely related to the cash conversion cycle is the working capital cycle, which is the movement of cash and other liquid assets through the business as a process of regular trading. How efficiently a business manages its working capital, and speed of its cash conversion cycle will impact on firm's overall profitability (Heenetigala & Armstrong, 2009).

Accounting information is a part and parcel of today's life which is necessary to understand the accurate financial situation of the organization and used as the basis of making strategic decisions. Accounting plays a critical role in the success or failure of contemporary business institutions (Levasseur, 2012).

Accounting information serves as a critical tool for recording, analyzing, monitoring and evaluating the financial condition of companies, preparation of documents necessary for tax purposes, providing information support to many other organizational functions, (Amidu et al., 2011). In the context of SMEs, accounting information is important as it can help the firms manage their short-term problems in critical areas like costing, expenditure and cash flow, by providing information to support monitoring and control.

The range of accounting information users is a broad one, and it has different information needs, but the same quality requirements in terms of accounting information contained in the financial statements. Even if a number of criticisms and limitations can be brought and attributed to accounting information, it remains the most important substantiation source of financial decisions for most small and medium scale business.

According to Ademola et al (2012), accounting information is essential to business management. It involves identification, classification, storage and protection, receipt and transmission, retention and disposal of records for preparation of financial statements.

Within contemporary economic conditions, a successful small scale business owner needs a lot of reliable accounting information in order to be able to make quality business decisions (Miko, 1998). Economical information especially financial and accounting ones are the information which always small scale business owners use in short term and strategic decisions and they may have most application among different variables effective in decision-making and in all types of decisions, thereby boosting productivity and profitability of the business.

As a result of the increasingly important role that the financial-accounting information plays today in small and medium scale business as “social good”, accounting has consolidated its central place within the information system of any enterprises, be it public or private, clearly bringing its’ contribution in an area of complex social, multilateral and multidimensional relations (Heenetigala & Armstrong, 2009).

The impact of accounting information is a function of the benefit that are derived by the members of the society who had bind themselves into the social organization of their survival and want satisfaction quest (Anyigbo 1999).

Business benefit from availability of accounting information, equality important is the availability of accounting information which facilitates the solution or resolution of business planning, organization and control function of the enterprises as a social organization (Levasseur, 2012). The numbers of Small and medium scale enterprises in Nigeria tend to increase continuously, they are the largest business cluster in Nigeria, yet with little or no criticisms they are regarded as the primary business organisms that could help enhance and sustain wealth of an economy in the long run.

Small and Medium Enterprises (SMEs) have been very important in many countries, because of its role for the country's economic growth. This contribution is judged from providing employment to skilled and unskilled workers, enhancing national Gross Domestic Products, and providing support to other small and large business s mall scale business enterprise (Heenetigala & Armstrong, 2009). Recognition of small business contribution motivates public and private organizations to support the small business sector by providing them with a diverse range of services. They are also important to the development of trades and job market, moreover some Small and Medium Enterprises have high potential to expand their enterprises to a larger scale, despite challenges especially in financial and accounting systems.

2.5 Conclusion.

This study has showed to the knowledge of financial literacy and performance of SMEs in which it can be considered representative of the Small and Medium Enterprises in Uganda. As seen in the literature review, there is plenty of literature about financial literacy and performance of SMEs around the world although most is focused on developed countries. Therefore, descriptive findings of financial literacy and Business performance of SMEs in this study expand on the general literature about the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presented the methodology that was used in the study. It covered the research design, area of study, study population and sample, data collection methods and their corresponding data collection instruments, data management and analysis procedures, reliability and validity and ethical considerations.

3.1 Research Design.

Bryman A. (2003) defines research design as the frame work for the collection and analysis of data. A case study design approach was adopted in this study. The data that was analyzed was both quantitative and qualitative in nature; therefore also qualitative approach was used while collecting respondents' views during the interviews while quantitative approach was used to collect information from respondents through questionnaires.

3.2 Area of study.

The study was confined in SMEs in Katwe Small Scale industries Association, Kampala Uganda. This particular area was selected because of the low productivity of SMEs and nearly 50% of them fail in their first three years of operation (Kagera et., 2010)

3.3 Population

Cooper et.al (2003) states that population is the total collection of elements about which we made some inference. It can also be defined as a group of individuals, objects, or items from which the items are taken for measurement. The study population was the 80 owners of SMEs within KASSIDA(Kassida Report). This population was representative for both men and women entrepreneurs who are fully registered under KASSIDA. The researcher then selected some owners, management members and elites to be investigated because they were well equipped with the most knowledge about the topic and, hence gave the researcher a proper understanding of the study.

3.4 Sample size and Selection.

According to Amin (2005), once the sample frame has been prepared, the researcher decides on the sample size. According to Trochim (2005), Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen. The respondents were grouped according to their positions they hold such as chief executive officer or managing director and subordinates. The respondents were chosen to participate in the study because they were directly involved in the management practices of the SMEs. A sample size representative of the study population was selected using simple random sampling and purposive sampling. The sample size was determined using Krejcie and Morgan (1970) technique of sample size determination and a total of 66 respondents was selected for the study.

3.5 Data Collection instruments

(a) Questionnaire

This is a formulated written set of questions that will be used to obtain information about the study objectives from the study population (Amin, 2005). The questions were formulated basing on the fact that the variables such as views, opinions, perceptions and feelings of the respondents were not observed (Sekaran, 2003). The researcher formulated both close and open-ended questionnaires that were answered in written form by the owners of the SMEs. Those to the management members and elites were in order to acquire different forms of information so that the researcher can come up with a reliable conclusion.

(b) Interviewing

In this method, the researcher interviewed the members face to face to obtain in-depth information on the study. The researcher used a structured interview guide on the targeted respondents. All responses were captured by the researcher himself. The interview guide was used to collect qualitative data to supplement the information that were obtained from the questionnaire

(c) Records

The researcher also reviewed publications and reports from various SMEs and other researcher-generated documents, journals and reports. References from which data was drawn were recognized in this study.

3.5 Sources of Data

The researcher used both primary and secondary data collection methods. Both qualitative and quantitative techniques were used to examine the topic under investigation.

3.5.1 Primary Data

Primary data was collected by using questionnaires and an interview guide.

3.5.2 Secondary Data

Secondary data was obtained by reviewing existing published and unpublished information related to the study.

3.6 Validity and Reliability

3.6.1 Validity

Validity refers to the extent to which questions in an instrument accurately measure the variables therein (Hair et al., 2003). In other words, Validity is the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda, 1999). The questionnaire was subjected to expert face validity and theoretical content validity tests. A content validity index (CVI) is an indication of the degree to which the instrument corresponds to the concept it is designed to measure. A content validity index of 0.7 was used.

3.6.2 Reliability

Reliability refers to the degree to which a set of variables are consistent with what they are intended to measure (Amin, 2005). The researcher used a Test-retest approach in order to measure the reliability of the research tool. This was done by administering the same test twice over a period of time to a group of individuals. Therefore, reliability of data was indication of stability and consistency.

3.7 Data Management and Analysis

3.7.1 Quantitative Data Analysis

The researcher presented the way data was analyzed systematically and finally presented in the next Chapter. The process of data processing involved editing in order to check for errors and omissions, coding was employed to reduce the data to a meaningful pattern of responses and tabulation of the findings was done in order to prepare data, analyze and compile the research report. Collected data was analyzed and computed using the Statistical Package for Social

Sciences which is a tool or software for analyzing data quantitative data and qualitative data was grouped to find out the opinions of the respondents in different forms. Data was collected from the questionnaires and presented using descriptive statistics like pie charts, graphs and frequency distribution tables to explain the phenomenon behind the data.

3.7.2 Qualitative Data Analysis

Qualitative data analysis involved identification and transcribing the qualitative findings into different themes (Mugenda and Mugenda, 1999). Field notes from the data collection instruments were compiled and edited at the end of each working day to ensure accuracy in recording and consistency of information given by respondents. Themes were identified and put in coding categories. A scheme of analysis was worked out following the coding categories, using quotations and the most occurring ideas (Amin,2005). The themes were then also be edited, coded and arranged in different categories to generate useful conclusions and interpretations on the research objectives which were also deduced for reporting in a narrative form

3.8 Measurements of Variables (Quantitative studies)

The variables were measured by operationally defining concepts. For instance the questionnaire were designed to ask responses about the studies. These were channeled into observable and measureable elements to enable the development of an index of the concept. The characteristics of the respondents were measured at nominal and ordinal. The study considered a likert scale ranging from 1-5 that is Strongly Disagree, Disagree, Not Sure, Agree and Strongly Agree.

3.9 Ethical Considerations

The researcher sought an introductory letter from the UMU which was presented to the management of the various organizations to seek permission and consent.

The data obtained from the respondents was treated purely as academic and confidential for the safety, social and psychological well-being of the respondents.

Informed consent was sought and appropriate documentation was kept and respondents were selected for their willingness to participate without compulsion and no risks to the respondents were identified at any stage during the research

Questionnaires were coded guarantee anonymity as no one of the respondents were named at any time during the research or in the subsequent study

3.10. Limitations

The researcher experienced a challenge of limited finances with respect to this study. The finances were not adequate enough to cater for all costs. For example, printing, photocopying, transport, among others. The researcher tried to minimize these costs by prioritizing expenditure.

The researcher also faced a problem during data collection as some respondents were not willing to openly respond to the questions under the questionnaire. They were given enough time to fill in the questionnaires without any pressures.

3.11 Conclusion

The chapter is basically the backbone of the research, because it sought for information about the financial literacy and performances of Small and Medium Enterprises, by using different data collection methods. The next chapter looks at the presentation, analysis and interpretation of the study findings.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter partitioned sections into themes and sub themes to generate a flow of the study results putting into consideration the objectives of the study which were; To examine the relationship between investment decisions and business performance of SMEs, establish the relationship between savings and business performance of Small and Medium Enterprises and to examine the relationship between financial accounting and financial performance of SME's.

4.1 Response rate

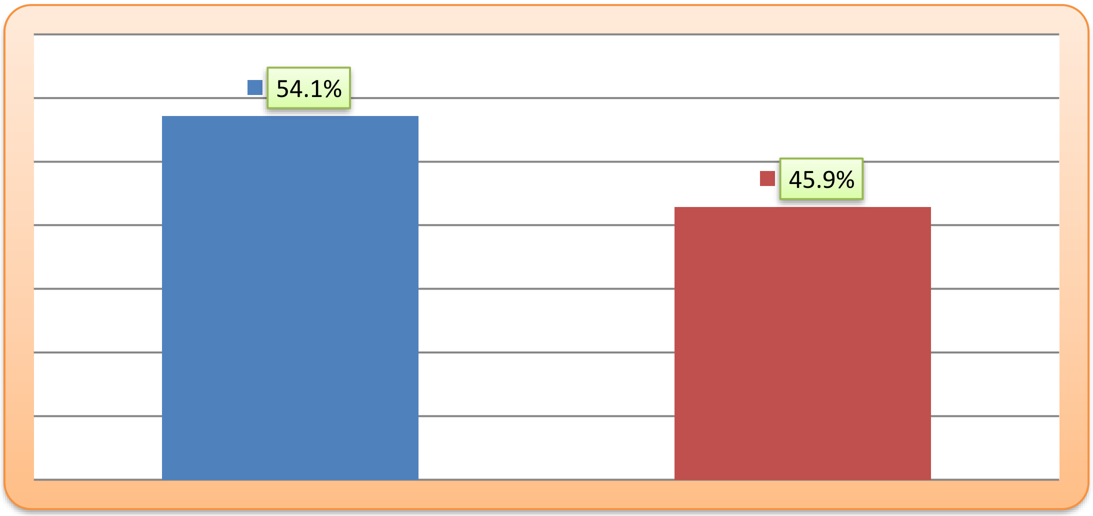
From the study, out of the sixty six (66) respondents from SMEs targeted in in Kassida, (66) questionnaires were administered to the respondents, sixty five (65) were returned and passed the data response cleanup process for acceptance for data analysis. This represented a response rate of 98.4%. According to Amin (2005) a response rate equivalent to 50% is good, however that above 97.2% is excellent

4.2 Background of the respondents

Under this section, efforts were made to document the background information of the respondents such as gender, marital status, age bracket and academic qualification

4.2.1: Gender of the Respondents

Figure 4. 1: Showing the Gender of the Respondents



Source: Primary data 2017

According to figure 4.1, it is presented that the majority (54.1%) of the respondents were females whereas the minority (45.9%) of the respondents were males. This evidenced that there was gender imbalance as there were more females than men.

4.2.2 Age of the respondents

Table 4.1: Showing the Age of the Respondents

Age	**Frequency (F)**	**Percentage (%)**
Below 20 years	0	0.0%
20 – 25 years	8	12.3%
26 – 30 years	15	23.1%
31 – 35years	25	38.5%
36 – 40 Years	12	18.5%
Above 40 years.	5	7.6%
Total	65	100.0%

Source: Primary data 2017

Results from table 4.1 show that the majority (38.5%) of the respondents were aged between 31 to 35 years, these were followed by (23.1%) in age group of 26-30 years, then (18.5%) between 36 to 40 years, (12.3%) belonged to the age group of 20-25 years while the minority (7.6%) of the respondents were above 40 years. This implied that the most workers at the entities were still energetic and young which was affiliated with the company need to have active and industrious workers.

4.2.3 Marital Status of the Respondents

Table 4.2: **Showing the Marital Status of the Respondents**

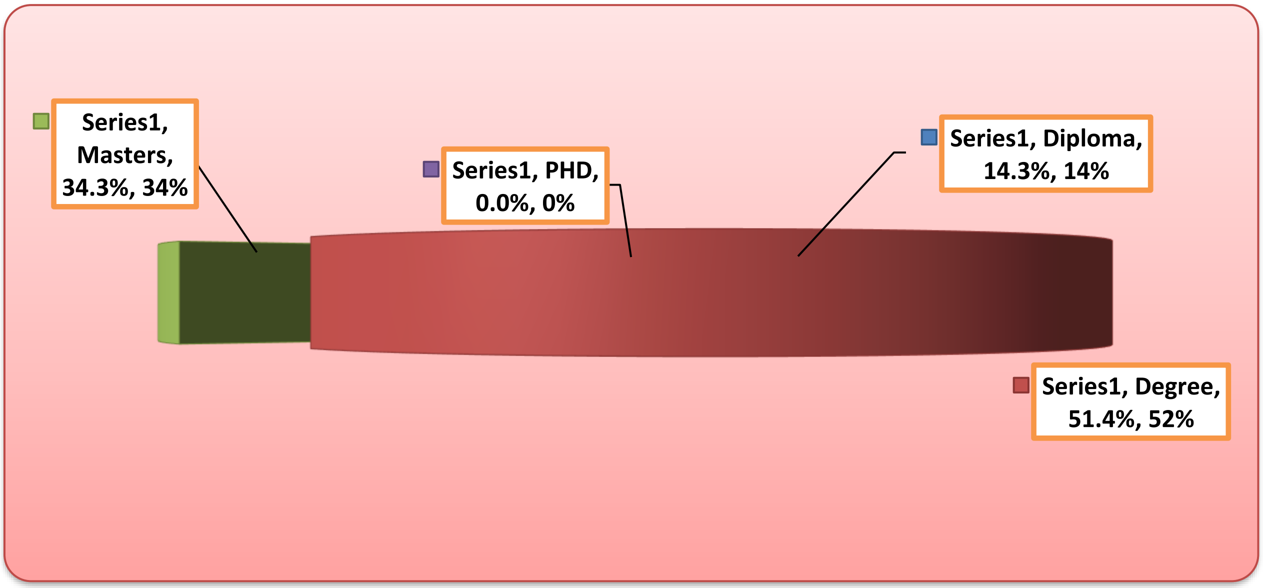
Status	Frequency (F)	Percentage (%)
Single	20	30.6%
Married	30	46.2%
Divorced	10	15.4%
Widowed	5	7.8%
Total	65	100.0%

Source: Primary data 2017

In relation to table 4.2 above, it is indicated that the majority (46.2%) of the respondents were married, these were followed by those who were still Single (30.6%), then the respondents who were widowed/divorced (23.2%). This signified that most employees at Small and Medium Enterprises had family responsibilities and this also assisted the researcher to obtain views from different group thus avoiding bias in the data.

4.2.4 Academic Qualification

Figure 4. 2: Showing the Academic Qualification



Source: Primary data 2017

Results from figure 4.2 above showed that the majority (51.4%) of the respondents had degrees; these were followed by those who had attained a Master's Diplomas (34.3%), then certificates holders (14.3%). This implied that employees of SMEs had attained some education with needed knowledge and skills to run operations of the entities. This also helped the researcher in avoiding time wastage during answering of questionnaires since the respondent employees could easily interpret questions.

4.3 Investment decisions and business performance of SMEs

The first objective was to establish the relationship of the Investment decisions and performance. To achieve this, the researcher explored the level of agreement and disagreement with the statements. The following abbreviations were used; SA = (Strongly Agree)**, A =** (Agree)**, NS=** (Not Sure)**, D = (**Disagree), **SD =** (Strongly Disagree). The findings are shown in table 4.3 below

Table 4.3: Showing Investment decisions and performance

Investment decisions and performance	**SA**		**A**		**NS**		**D**		**SD**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
We have the adequate knowledge of basic investment concepts	35	53.8%	23	35.4%	4	6.2%	2	3.1%	1	1.5%
Better investments decisions in capital expenditure result in to improved efficient productivity	33	50.7%	28	43.1%	4	6.2%	0	0.0%	0	0.0%
They have also improved our access to external resources for instance through securities for investments	35	53.8%	24	36.9%	5	7.7%	1	1.6%	0	0.0%
It is also vital in enhancing prudent decision making Capabilities	46	70.7%	18	27.7%	0	0.0%	1	1.6%	0	0.0%
Managers are perceived to have more information than other investors regarding an investment	34	52.3%	24	36.9%	5	7.7%	0	0.0 %	2	3.1 %
Investment decisions have enhanced our competitiveness	33	50.7%	32	49.3%	0	0.0%	0	0.0%	0	0.0%
Investment decisions have enhanced our capability to earn profits to boost their financial performance	30	46.2%	24	36.9%	5	7.7%	5	7.7%	1	1.5%

Source: Primary Data 2017

The findings from the study as shown in the table 4.3 reveal that the majority (89.2%) of the respondents strongly agreed and agreed that they have the adequate knowledge of basic investment concepts. (6.2%) were not sure and about 4.6% of the respondents strongly disagreed and or disagreed from the statement. However, According to Ogiji & Ejembi, 2007), it is worthwhile to note that many people do not have the adequate knowledge of basic investment concepts required to make prudent investment decisions. This deficit of basic economic concepts has led to massive training to various potential and existing investors on aspects of financial literacy since improved financial education leads to an increase in the investment behavior in an individual which improves the business performance

In relation to the study findings as shown in the table 4.3, it was observed that the majority (93.8%) of the respondents strongly agreed and agreed that Better investments decisions in capital expenditure result in to improved efficient productivity; while the minority (6.2%) of the respondents were not sure. One of the interviewed respondents said that

'Better investments decisions in capital expenditure result in to improved efficient productivity, growth in sales turnover and profit performance of firms and thus exert a positive contribution in their financial performance'.

According to the findings of the study in the table 4.3, it was indicated that the majority (90.7%) of the respondents strongly agreed and agreed that they have also improved our access to external resources for instance through securities for investments; (7.7%) were not sure whether they have also improved our access to external resources for instance through securities for investments, and (1.6%)of the respondents disagreed. One of the respondents interviewed attested that;

"In essence good investment decisions result not only in better business performance progress but also do improves access to external resources for instance through securities for investments in general and for further investments in research and development in particular, this aids in ensuring that a firm has adequate liquidity levels"

The findings of the study as shown in the table 4.3 showed that the majority (98.4%) of the respondents were in agreement with the statement that it is also vital in enhancing prudent decision making capabilities; while a few (1.6%) of them disagreed. This was in line to (Alleyne, 2010) who argued that individual attitudes among other variables can predict the investment decision process that the individual undertakes. Financial literacy is also vital in enhancing prudent decision making capabilities to an individual, this is supported by the fact that prior research has suggested that that improvement of education in financial management positively correlates with decision making on critical investment activities

Also it was shown in the table 4.3 that the majority (90.1%) of the respondents was in agreement with the statement that managers are perceived to have more information than other investors regarding an investment while (7.7%) were not sure and the minority (3.1%) disagreed with the statement. This was supported by Akintoye & Olowolaju, (2010) who noted that the relationship between prudent investment decision making capability of a SMEs owners and its advantage in analyzing a target investment's resultant true performance is vital, managers are perceived to have more information than other investors regarding an investment, thus managers are vital in making prudent investment decision analysis that shall lead to better performance of a company in both financial and non-financial parameters.

In relation to the study findings as shown in the table 4.3, it was observed that the majority (100.0%) of the respondents strongly agreed and agreed that Investment decisions have enhanced their competitiveness.

According to the findings of the study as shown in the table 4.3, it was indicated that the majority (83.1%) of the respondents agreed that Investment decisions have enhanced capability to earn profits to boost their financial performance; those were followed by 7.7% were not sure whether they have also improved our access to external resources for instance through securities for investments, and 9.2% of the respondents disagreed. One of the respondents interviewed attested that;

'In most cases firms invest in research and development aspects in order to enhance their competitiveness and capability to earn profits to boost their business performance'

The study has generally demonstrated that Investment decisions are important in the organizational performance.

4.3.1 Regression analysis on Investment decisions and business performance of SMEs

A regression analyses was also carried out to ascertain the effect of Investment decisions and business performance of SMEs and below are the findings of the study.

Table 4. 4 Regression analysis on Investment decisions and business performance of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699[a]	.489	.479	7.14817

a. Predictors: (Constant), Investment decisions

Table 4.4 shows regression of the independent variable, which are Investment decisions. The value of R being equal to 0.699 and the coefficient of determination (R square) is equal to 0.489. Adjusted R Square linear value of (0.479) meant that Investment decisions affect business performance of SMEs by 0.479(47.9%). This means that Investment decisions have a positive effect on business performance of SMEs. The remaining 52.1% is due to other factors. These finding rhymed with Baumol & Wolff, (2013) who argued that the effect of investment decisions that an SME makes on the resulting business performance is of vital use in assessing the effectiveness of a firm's investment decisions. The importance of investment decision to financial performance is vital, the investment decision is purely a strategic decision, as it contains financial, human and organic resources of the company and is the only way for managers to keep the company alive for a long time,

4.4 Savings and business performance

The second objective was to establish the relationship between Savings and business performance. To achieve this, the researcher explored the level of agreement and disagreement with the statements. The following abbreviations were used; SA = (Strongly Agree)**, A =** (Agree)**, NS=** (Not Sure)**, D = (**Disagree), **SD =** (Strongly Disagree). The findings are shown in table 4.5 below

Table 4.5: Showing Savings and business performance

Savings and business performance	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
We always putting money aside in order to consume or invest at a later date	32	49.2%	16	24.6%	10	15.4%	5	7.7%	2	3.1%
Savings has created capital formation and it further leads to technical innovation and progress	28	43.1%	34	52.3%	3	4.6%	0	0.0%	0	0.0%
Savings has also led us to fuller utilization of available scarce resources in an efficient way	26	40.0%	30	46.1%	5	7.7%	3	4.6%	1	1.5%
Poor business performance is attributed to the low levels of national savings	24	36.9%	26	40.0%	10	15.4%	3	4.6%	2	3.1%
We make sure to spend less and increase savings balances.	36	55.3 %	20	30.8%	8	12.3%	1	1.5%	0	0.0%

Source: Primary Data 2017

The findings from the table 4.5, it was revealed that the majority (73.8%) of the respondents were in agreement that they always putting money aside in order to consume or invest at a later date, while 10.8% of the respondents disagreed and strongly disagreed with the statement. (15.4%) were not sure at all. Savings can be defined as the action of putting money aside in order to consume or invest at a later date. Money saved can be kept at home, deposited in the savings account or invested in different types of capital/assets. Savings in monetary terms is a way to manage liquidity at the household level (Morduch, 2005).

In relation to the study findings as shown in the table 4.5, it was bestowed that the majority (95.4%) of the respondents were in agreement with the statement that Savings has created capital formation and it further leads to technical innovation and progress while 4.6% of the respondents were not sure. One of the respondents who was interviewed attested that;

> "*Savings creates capital formation and it further leads to technical innovation and progress which helps with the economies of large-scale production and increases specialization, which helps to accelerate the productivity of labour, it further resulting increased GDP"*

Also the findings of the study as shown in the table 4.5, it was indicated that the majority (86.1%) of the respondents agreed that savings has also led them to fuller utilization of available scarce resources in an efficient way, those were followed by the (7.7%) were not sure whether savings has also led them to fuller utilization of available scarce resources in an efficient way, (6.1%) of the respondents disagreed. This implied that savings leads to fuller utilization of available scarce resources in an efficient way, increase in the size of national output, income and employment, thereby solving the problems of inflation, unemployment and balance of payment, poverty, inequality; and making the economy free from the burden of foreign debt and leads to state of better welfare as agreed by Amu and Amu (2012)

As shown in the table 4.5, the study also showed that the majority (76.9%) of the respondents agreed that Poor business performance is attributed to the low levels of national savings while (7.7%) disagreed with the statement while (15.4%) were not sure. This implied that low levels of savings can ignite poor business performance

Also table 4.5 shows that about 86.1% of the respondents agreed that they make sure to spend less and increase savings balances, 12.3% were not sure whether they make sure to spend less and increase savings balances.while 1.5% of them disagreed with the statement. slow rate of development in third world countries are usually attributed to the low levels of national savings, that constraint their capacity to invest in capital formation. This leads to lower level of economic growth and development than other countries that contribute enough savings. So saving is usually considered as the main source of economic growth as agreed by Levasseur, (2012). This study found out that the statement of savings are important in planning thus improve organizational performance.

4.4.1 Regression analysis on Savings and business performance of SMEs

A regression analyses was also carried out to ascertain the effect of savings and business performance of SMEs and below are the findings of the study.

Table 4. 6: Regression analysis on savings and business performance of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.411[a]	.105	.067	1.009

a. Predictors: (Constant), savings

The findings as shown in the table 4.6 revealed that there is positive and significant relationship between savings and business performance represented by R 0.411 (41.1%). The adjusted R Square value is 0.67 (67%) indicates that if SMEs focus on savings, it resulted in a positive effect of 10.5% on their performance. This means that savings has a positive effect on business performance of SMEs. This was in line with Levasseur, (2012) who pointed out that savings involve the action of putting money aside in order to consume or invest at a later date. Money saved can be kept at home, deposited in the savings account or invested in different types of capital/assets. Savings in monetary terms is a way to manage liquidity at the household level. In the long term, however, savings can contribute to increase the income base, for example, by investing in children‘s education, buying a cow or a new sewing machine.

4.5 Financial accounting and performance

The third objective was to investigate the relationship of financial accounting and performance. To achieve this, the researcher examined the level of agreement and disagreement with the statements. The following abbreviations were used; disagreement with the statements. The following abbreviations were used; SA **=** (Strongly Agree)**, A =** (Agree)**, NS=** (Not Sure)**, D = (**Disagree), **SD =** (Strongly Disagree). The findings are shown in table 4.7 below

Table 4.7: Showing Financial accounting and performance

Financial accounting and performance	**SA**		**A**		**N**		**D**		**SD**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
We have proper financial records and book keeping	26	40%	30	46.2%	5	7.7%	3	4.6%	4	6.2%
We also prepare of financial statements available for public consumption	34	52.3%	16	24.6%	8	12.3 %	7	10.7%	0	0.0%
All revenues and expenses are accounted for and reported on the income statement.	30	46.2%	35	53.8%	0	0.0%	0	0.0%	0	0.0%
We use financial records as a basis of making strategic decisions	32	49.2%	20	30.8%	8	12.3%	0	0.0%	5	7.7%
Financial records have also helped us to manage our short-term problems in critical areas like costing	36	55.4%	15	23.1%	10	15.4%	4	6.2%	0	0.0%

Source: Primary Data 2017

The findings of the study as shown in the table 4.7 showed that the majority (86.2%) of the respondents all agreed that they have proper financial records and book keeping, 7.7% were not sure whether they have proper financial records and book keeping while about 10.7% of the respondents disagreed. This implied that the organizations try to ensure that they keep proper financial records

The study as shown in the table 4.7 also bestowed that the majority (76.9%) of the respondents agreed that they also prepare of financial statements available for public consumption while (12.3%) were not sure and the minority (10.7%) of the respondents disagreed. This was in agreement with Henetigala & Armstrong,(2009) who pointed out that Financial accounting (or financial accountancy) is the field of accounting concerned with the summary, analysis and reporting of financial transactions pertaining to a business. This involves the preparation of financial statements available for public consumption. Stockholders, suppliers, banks, employees, government agencies, business owners, and other stakeholders are examples of people interested in receiving such information for decision making purposes

According to the study findings as shown in the table 4.7, it was imparted that all the respondents (100%) were in agreement with the statement that All revenues and expenses are accounted for and reported on the income statement .One of the respondents who was interviewed attested that

> *The financial statements present the five main classifications of financial data: revenues, expenses, assets, liabilities and equity. Revenues and expenses are accounted for and reported on the income statement*

It was also indicated in the table 4.7 that the majority (80%) of the respondents agreed that they use financial records as a basis of making strategic decisions, 12.3% were not sure about the use financial records as a basis of making strategic decisions and 7.7% disagreed to it.One of the respondents who was interviewed also said that

> *Accounting information is a part and parcel of today's life which is necessary to understand the accurate financial situation of the organization and used as the basis of making strategic decisions.*

It was revealed from the study as shown in the table 4.7, that the majority (78.5%) of the respondents agreed that Financial records have also helped them to manage their short-term problems in critical areas like costing, (15.4%) were not sure while the minority (6.2%) of the respondents disagreed. This was backed by Amidu et al., (2011). noted that in the context of SMEs, accounting information is important as it can help the firms manage their short-term problems in critical areas like costing, expenditure and cash flow, by providing information to support monitoring and control.

4.5.1 Regression analysis on Financial accounting and performance

In this case, the regression analysis was also carried out to ascertain the relationships between Financial accounting and performance and below are the findings of the study

Table 4. 8: Showing the Regression analysis on financial accounting and performance
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.276[a]	0.230	0.122	0.15073

a. Predictors: (Constant) financial accounting

From the regression table 4.8 above, it is seen that financial accounting has a positive and significant effect on performance of SMEs indicated by Adjusted R squared 0.122(12.2%). This shows that an increase in financial accounting will result into an increase in performance of

SMEs. This was in line with Heenetigala & Armstrong, (2009) who Argued that Financial accounting is the process of recording, summarizing and reporting the myriad of transactions resulting from business operations over a period of time. These transactions are summarized in the preparation of financial statements, including the balance sheet, income statement and cash flow statement that encapsulate the company's operating performance over a specified period

4.6 Findings on performance

The findings on performance and the findings were presented, analysed and interpreted in percentages, and frequencies as indicated below. They are categorized on how the respondents Strongly Agree, (SA), Agree (A), Not Sure (N), Disagree (D) and Strongly Disagree (SD).

Table 4. 9 Performance

Performance	SA		A		N		D		SD	
	F	%	F	%	F	%	F	%	F	%
We have been able to improve on our profitability.	26	40.0%	23	35.0%	5	7.5%	7	10.0%	4	6.2%
The quality of work produced has improved.	20	30.0%	24	37.5%	7	10.0%	8	12.5%	6	9.2%
The operational costs have been reduced.	29	45.0%	18	27.5%	7	10.0%	10	15.0%	0	0.0%
The sales of the organization have increased.	35	53.8%	28	42.5%	0	0.0%	2	2.5%	0	0.0%
The revenue has improved.	34	52.5%	28	42.5%	2	2.5%	0	0.0%	0	0.0%
The client base has improved.	38	58.5%	23	35.0%	0	0.0%	2	2.5%	2	2.5%
Our market share has significantly increased.	37	57.5%	24	37.5%	1	1.5%	0	0.0%	2	2.5%
We have achieved our goals and objectives.	33	50.0%	23	35.4%	8	12.5%	0	0.0%	0	0.0%

Source: Primary Source 2017

According to the study findings as shown in the table 4.9, it was indicated that the majority (75.0%) of the respondents were in agreement with the statement that they have been able to improve on profitability whereas the other (7.5%) were not sure and the (16.1%) disagreed. this implied that financial literacy has improved their profits. These findings are also in agreement with Mullin, (2015), who notably said that by enhancing financial literacy, the organizations are able to minimize costs, can achieve their economic related goals and this enhances their profitability..

In relation to the study findings as shown in the table 4.9, it was presented that the majority (67.5%) of the respondents agreed that the quality of work produced has improved, whereas (10.0%) of the respondents were not sure, and (21.7%) disagreed. These findings are in line with Deakin and Walsh (1996) who notably said competitive strategies can lead to better accountability which attains competitive advantage for entity

From the findings of the study in the table 4.9, it was shown that the (72.5%) of the respondents agreed that the operational costs have been reduced, (10.0%) were not sure, and the minority (15%) disagreed. This implied that financial literacy has enabled firms to reduce operational costs. It was indicated that the majority (96.3%) of the respondents agreed, that the sales of the organization has increased, whereas the minority (2.5%) disagreed. This justifies the increase in profitability as a result of financial literacy

It was indicated a shown in the table 4.9, that the majority (52.5%) of the respondents strongly agreed, (42.5%) agreed that they have been able to improve on their revenue, (2.5%) were not sure, whereas the other (2.5%) disagreed. This implied that financial Literacy is key in improving revenue. These findings are in line, with Gartner, (2010) who noted that financial Literacy helps the origination to have the ability to satisfy the need of customers hence repeat Business. This enhances the revenue of the organization.

In relation to the study findings as shown in the table 4.9, it was presented that the majority (58.5%) of the respondents agreed that the client base has improved, those were followed by (35.0%) agreed whereas (2.5%) disagreed and strongly disagreed. These findings are also in line, with Gartner, (2010) who noted that thorough financial literacy can illuminate the business system to facilitate improve the firm's strengths and weaknesses in each activity, and also be able to attract more customers for the products.

According to the study findings as shown in the table 4.9, it was indicated that the majority (57.5%) of the respondents strongly agreed, that market share has significantly increased (37.5%) agreed whereas the other (1.5%) were not sure and (2.5%) strongly disagreed. This also shows why the profits and revenue of the organization improved. These findings are in line with Deakin and Walsh (2010) who notably organizations can be able to attain better accountability which this competitive advantage and a bigger market share

In relation to the study findings as shown in the table 4.9, it was presented that the majority (50.0%) of the respondents strongly agreed that they have achieved goals and objectives, those were followed by (34.5%) agreed whereas (12.5%) of the respondents were not sure. Competitive strategies can help to establish, build, defend and maintain its competitive advantage. Managerial judgment is important in coping with environmental ambiguity and uncertainty in strategic marketing as agreed by Owomoyela, et al, (2013).

4.7 Conclusion

This chapter provided logical flow and discussion of the study results putting into consideration the objectives of the study which were; To examine the relationship between investment decisions and business performance of SMEs, Establish the relationship between savings and business performance of Small and Medium Enterprises and to examine the relationship between financial accounting and financial performance of SME's. . The study further summarizes and concluded the findings as seen in chapter five that follows.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings and conclusions derived from the study based on the findings presented in data analysis and the study objectives. The chapter also brings forward the recommendations, as well as identifying the areas for further studies.

5.2 Summary of the findings

5.2.1 Demographic characteristics

From the study, it is presented that the majority (54.1%) of the respondents were females, aged between 31 to 35 years, and also majority of the respondents were married (46.2%) which signified that most employees at Small and Medium Enterprises were mature, had family responsibilities. It was further revealed that majority of the respondents had degrees (51.4%), meaning that they had attained some education with needed knowledge and skills to run operations of the entities.

5.2.2 Investment decisions and performance

The findings revealed that there is a positive, moderate weak and significant effect of investment decisions on business performance represented by R 0.479 (47.9%). This meant that Investment decisions affect business performance of SMEs by 47.9%. The findings testified that the majority (89.2%) generally agreed that they have the adequate knowledge of basic investment concepts. it is worthwhile to note that many people do not have the adequate knowledge of basic investment concepts required to make prudent investment decisions. It was also revealed that majority (93.8%) of the respondents also agreed that better investments decisions in capital expenditure result in to improved efficient productivity and that they have also improved our access to external resources for instance through securities for investments. It was revealed by majority (98.4%) that it is also vital in enhancing prudent decision making capabilities which implied that financial literacy is also vital in enhancing prudent decision making capabilities to an individual. This is supported by the fact that prior research has suggested that that improvement of education in financial management positively correlates with decision making on critical investment activities. It was also revealed by majority (89.2%) that managers are perceived to have more information than other investors regarding an investment. Investment decisions have also enhanced the majority's (83.1%) competitiveness and capability to earn profits to boost their financial performance.

5.2.3 Savings and business performance

The findings revealed that there is a positive, moderate weak and significant effect of savings on business performance represented by R 0.67 (67%). This means that savings has a positive effect on business performance of SMEs. The study revealed that majority of the respondents (73.8%) agreed that they always putting money aside in order to consume or invest at a later date meaning that savings involve the action of putting money aside in order to consume or invest at a later date. Money saved can be kept at home, deposited in the savings account or invested in different types of capital/assets. It was also agreed by (95.4%) that Savings have created capital formation and it further leads to technical innovation and progress. The study also revealed by (86.1%) that savings have also led to fuller utilization of available scarce resources in an efficient way, increase in the size of national output, income and employment, thereby solving the problems of inflation, unemployment and balance of payment, poverty, inequality; and making the economy free from the burden of foreign debt. According to (76.9%) poor business performance is attributed to the low levels of national savings and that majority, (86.1%) make sure to spend less and increase savings balances.

5.2.4 Financial accounting and performance

The findings revealed that there is a positive, moderate weak and significant effect of financial accounting on business performance represented by R 0.122 (12.2%). This shows that an increase in financial accounting will result into an increase in performance of SMEs. The study further revealed that the majority of the respondents (86.2%) agreed that are they have proper financial records and book keeping. The majority (76.9%) of the respondents also agreed that they also prepare of financial statements available for public consumption which showed that organizations involve the preparation of financial statements available for public consumption. Stockholders, suppliers, banks, employees, government agencies, business owners, and other stakeholders are examples of people interested in receiving such information for decision making purposes. They study findings also revealed by 100% that All revenues and expenses are accounted for and reported on the income statement. Financial records have also helped majority 80% to manage their short-term problems in critical areas like costing and that they use financial records as a basis of making strategic decision. It was revealed from the study that the majority (78.5%) of the respondents agreed that financial records have also helped them to manage their short-term problems in critical areas like costing. Therefore, financial accounting is crucial for the successful operation of the business.

5.3 Conclusions

5.3.1 Investment decisions and performance

Conclusively, Investment decisions have an impact and relationship on performance of SME. This is because they have the adequate knowledge of basic investment concepts. Better investments decisions in capital expenditure result in to improved efficient productivity and that they have also improved our access to external resources for instance through securities for investments. It was revealed that it is also vital in enhancing prudent decision making capabilities; managers are perceived to have more information than other investors regarding an investment; Investment decisions have enhanced their competitiveness and capability to earn profits to boost their financial performance

5.3.2 Savings and business performance

It can also be concluded that there is a positive relationship between savings and business performance since they always putting money aside in order to consume or invest at a later date and Savings has created capital formation and it further leads to technical innovation and progress. The study also revealed that savings has also led us to fuller utilization of available scarce resources in an efficient way, Poor business performance is attributed to the low levels of national savings and that they make sure to spend less and increase savings balances

5.3.3 Financial accounting and performance

Additionally, it can be concluded from the study that financial accounting has a positive relationship with performance of SMEs. This is because some that are they have proper financial records and book keeping. They also prepare of financial statements available for public consumption. They study findings also revealed that All revenues and expenses are accounted for and reported on the income statement, Financial records have also helped us to manage their short-term problems in critical areas like costing and that they use financial records as a basis of making strategic decision

5.4 Recommendations

The study reveals that investment decisions have an effect on performance. Therefore, SMEs operators need to continuously analyze the investment decisions and expenditures that they make and align them with the firm's objective for them to be effective accountable in their operations. Suitable documentation for SMEs is vital for their continuous analysis of business investment expenditure as well as their financial performance

Since financial accounting affects the performance of SMEs, the study recommends that the government should provide accounting training programs for the owner-managers and managers of SSEs so as to help polish their knowledge in financial management and other managerial skills. Field officers should be recruited to coordinate and monitor the provision of training, advice, counsel and provide other non-financial services to these small business operators.

The study recommends the formation of mergers for those SMEs facing constraints in the market in order to remain competitive in the market. SMEs need physical access to markets and help with registration, assistance in finding staff and managing cash flow.

It is also recommended that the organizations emphasize higher usage of computerized accounting and reporting systems because of their flexibility to fit entity needs and eliminates the inaccuracies in financial reporting. The provision of technology based financial services must be preceded with the necessary infrastructures to make its implementation realistic like electricity, network connectivity, general improvement of local population literacy levels and identification of business opportunities and ways of exploitation for the entire population to be economically active and then can discern the relevance of financial literacy training and its influence in usage of technology based financial services and products

5.5 Areas for further study

More study and research should be made on the following areas and topics:

The effects financial reporting on financial growth of SMEs

The impact of financial Literacy on competitiveness

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Appendix I: Questionnaire

Introduction

I am a student of Uganda Martyrs' University and currently collecting data for compilation of my research report. The research I am conducting relates to **the relationship between financial literacy and performances of Small and Medium Enterprises.** The information is purely for academic purposes and all the answers will be handled with utmost confidentiality and you do not need to indicate your identity anywhere on the questionnaire. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given.

SECTION A: Demographic Characteristics

Tick / fill in the most appropriate answer.

1. Gender:

a) Female ☐ b) Male ☐

2. Age

a) Below 20 years ☐ b) 21 – 25 years ☐ c) 26 – 30 years ☐

d) 31 – 35years ☐ e) 36 – 40 Years ☐ f) Above 40 years. ☐

3. Marital status

a) Single ☐ b) Engaged ☐ b) Married ☐ c) Divorced ☐

e) Widowed ☐

4. Highest level of education Qualification

a) Certificate ☐ b) Diploma ☐ c) Degree ☐ d) Masters ☐

e) Others (specify) ……………........................

Please indicate the extent to which you agree or disagree to the following statements by ticking the appropriate number.

Strongly agree	Agree	Not sure	Strongly disagree	Disagree
5	4	3	2	1

SECTION B: Financial Literacy

Investment decisions and performance		**5**	**4**	**3**	**2**	**1**
5.	We have the adequate knowledge of basic investment concepts					
6.	Better investments decisions in capital expenditure result in to improved efficient productivity					
7.	The company has improved access to external resources for instance through securities for investments					
8.	It is also vital in enhancing prudent decision making capabilities					
9	Managers are perceived to have more information than other investors regarding an investment					
10	Investment decisions have enhanced our competitiveness and capability to earn profits to boost their financial performance					

10 (a) in what others ways have Investment decisions improved on performance of Small and Medium Enterprises?

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Section C: Savings and business performance

Savings and business performance						
11	We always putting money aside in order to consume or invest at a later date					

12	Savings have created capital formation and it further leads to technical innovation and progress					
13	Savings have also led us to fuller utilization of available scarce resources in an efficient way					
14	Poor business performance is attributed to the low levels of savings					
15	We make sure to spend less and increase savings balances.					

15 (a) what ways have savings affected business performance of SMEs?

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Section C: financial accounting and business performance

financial accounting and performance						
16	We have proper financial records and book keeping					
17	We also prepare of financial statements available for public consumption					
18	All revenues and expenses are accounted for and reported on the income statement.					
19	We use financial records as a basis of making strategic decisions					
20	Financial records have also helped us to manage their short-term problems in critical areas like costing					

20. (a) In what ways have financial accounting affected the performance of SMEs?

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SECTION C: Performance

No	.	5	4	3	2	1
30	We have been able to improve on our profitability					
31	The quality of work produced has improved					
32	The operational costs have been reduced					
33	The sales of the organization has increased					
34	The revenue has improved					
35	The client base has improved					
36	Our market share has significantly increased					
37	We have achieved our goals and objectives					

37. What recommendations can you give regarding this topic under investigation?

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THANKX YOU FOR YOUR TIME AND COOPERATION

Appendix II: Interview guide

I am **ASIIMWE NOELINE**, a student of Uganda Martyrs' University and currently collecting data for compilation of my research report. The research I am conducting relates to **impact of financial literacy on performances of Small and Medium Enterprises.** You have been selected to share with us your experience and make this study successful. Information given will be treated with utmost confidentiality.

1. What do you understand by financial literacy?
2. What is the relationship between investment decision and financial performance of SME's?
3. What is the relationship between savings and financial performance of SME's?
4. What is the relationship between financial accounting and business performance of SME's?
5. What challenges have you faced in your SMEs regarding financial literacy?
6. What recommendations can you give regarding this topic under investigation?

Thank you for your time

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Appendix III: Sample Size Determination

Note: "N" is population size and "S" is sample size.

N	S	N	S	N	S	N	S	N	S
10	10	*100*	*80*	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	*400*	*196*	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	**70**	260	0	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Source: Krejcie, R. V., & Morgan, D.W. (1970).