

**THE IMPACT OF ENTREPRENEURIAL COMPETENCE ON FINANCIAL
LITERACY OF SMALL ENTERPRISES, A CASE STUDY OF
RETAIL SMALL SCALE BUSINESS UNITS
IN PALLISA TOWN COUNCIL**

ATYANGA EVERLINE

BU/UP/2018/2874

**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT
SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF BACHELOR'S DEGREE OF BUSINESS
ADMINISTRATION OF BUSITEMA UNIVERSITY**

APRIL, 2022

DECLARATION

I, the undersigned, ATYANGA EVERLINE declare to the best of my knowledge that, the work presented in this Research Report is truly my original work and has never been submitted for the requirement of the Award of a Degree in this or any other university or Institution of learning. Where work of others has been used, due acknowledgement has been made.

Date

Signature.....

ATYANGA EVERLINE

STUDENT

APPROVAL

This is to certify that this dissertation has been prepared and submitted in partial fulfilments of the requirement for the award of a Bachelor's degree in Business Administration of Busitema University under my approval as university supervision and guidance.

Signature:..... Date:.....

Name: MR EMOJONG RONALD

DEDICATION

I would like to dedicate this study to my lovely parents, Mayende Wilber and Tai Justine and the entire family who have supported me in every way. Your belief in me has propelled me to heights. I also dedicate this Research Report to the staff members of Busitema University on a special note, I also dedicated this research to my supervisor, Mr. Emojong Ronald for his endless guidance.

May the almighty highest father award you accordingly, amen!

ACKNOWLEDGEMENTS

I wish to thank my supervisors, Mr. Emojong Ronald for his support and continued guidance during this research study.

My sincere gratitude goes to the management of Busitema university Pallisa for the support you forwarded to help me accomplish this study. I highly commend you.

I am indebted to the owners and / or managers of the SMEs in Pallisa who accepted and responded to the Questionnaire(s) of this survey. Finally, to the Almighty ALLAH be the glory for his faithfulness to me and without whom I would never have come this far. I owe all of you this achievement and to you I will remain sincerely indebted.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
TABLE OF CONTENTS	v
LIST OF TABLES.....	viii
LIST OF FIGURES	ix
ABSTRACT	x

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study	1
1.2 Statement of the Problem.....	2
1.3 Purpose of the Study.....	3
1.4. Objectives of the Study.....	3
1.5 Research Questions.....	3
1.6 Scope of the Study	4
1.6.1 Content Scope.....	4
1.6.2 Geographical Scope.....	4
1.6.3 Time scope.....	4
1.7 Significance of the Study.....	4
1.10 Definition of the Key Concept.....	6

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction.....	8
2.1 Theoretical review Theory of self-efficacy	8
Theory of Goal Setting of Motivation.....	8
2.2 The Effect of Personal Competence on Financial Literacy	9
2.3 The Effect of Managerial Competence on Financial Literacy.....	11
2.4 The Effect of Innovation Competence on Financial Literacy	14

2.5. Summary of the Literature Reviewed.....	16
--	----

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction.....	17
3.1 Research Design	17
3.2 Study Population.....	17
3.3 Sample Size	18
3.4 Sampling Method	18
3.5 Type of Data	19
3.6 Data Collection Methods	19
3.7 Data Analysis Plan.....	19
3.9 Data Analysis Techniques and Methods.....	20
3.10 Reliability and Validity	20
3.11 Limitations of the study	20
3.12 Ethical Considerations	21

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.0 Introduction.....	22
4.1 Response Rate.....	22
4.2 Demographic Information	22
4.2.1 Gender of Respondents	22
4.2.1 Education of the Respondents.....	23
4.2.3 Age of the Respondents	25
4.2.4 Nature of the Business	26
4.2.5 Period Worked in the Retail Business	27
4.3. The effect of Personal Competence on Financial Literacy.....	28
4.3.1 Manner in which the Organization uses to educate about Personal Competences	29

4.4.2 Application of managerial competence in regards to financial literacy	32
4.4.3 Managerial competence improving productivity in the organization	33
4.5 The effect of innovation competence on financial literacy	34
4.5.2 Application of innovation competence on financial literacy	35

CHAPTER FIVE

DISCUSSION OF FINDINGS, SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction.....	37
5.1 Discussion of the Findings	37
5.1.1 The Effect of Personal Competence on Financial Literacy	37
5.1.2 The effect of Managerial Competence on Financial Literacy	38
5.2 Summary of the Findings	39
5.3 Conclusion	40
5.4 Recommendations.....	40
5.4.1. Recommendations for Further Studies.....	40
5.5 Limitations of the Study	41
List of References	42
APPENDIX 1 LETTER OF INTRODUCTION	46
APPENDIX II: QUESTIONNAIRES FOR THE RESPONDENTS	47
APPENDIX III: WORK PLAN FOR 2022	53
APPENDIX IV: RESEARCH BUDGET	54

LIST OF TABLES

Table 3.1: Population of the study	18
Table 4.1: The gender of respondents	23
Table 4.2 Level of education of the respondents	24
Table 4.3 Age of the respondents	25
Table 4.4 Legal status of the business	26
Table 4.5 Period of work experience in retail	27
Table 4.6 The effect of personal competence on financial literacy	28
Table 4.7 The manner personal competence use in the organization	30
Table 4. 8 Ways personal competence improved productivity in the organization	30
Table 4.9 The effect of managerial competence on financial literacy	31
Table 4.10 Application of managerial competence in regards to financial literacy	32
Table 4.11 Managerial competence in improving productivity in the organization	33
Table 4.12 Effect of innovation competence on financial literacy	34
Table 4.13 Application of innovation competence on financial literacy	35
Table 4.14 Innovation competence impact on productivity	36

LIST OF FIGURES

Figure 1.0 Conceptual framework	5
Figure 4.1 Pie-chart showing the gender of respondents	23
Figure 4.2: A Bar Graph Showing Education Levels	24
Figure 4 3: Pie-chart showing percentage of ages of adults	25
Figure 4. 4: Pie-chart showing legal status of the business	26
Figure 4.5: Pie-chart showing working period in the retail business	27
Figure 4. 6: A Bar Graph Showing the effects of personal competence on financial literacy.	29
Figure 4. 7: A Bar Graph Showing the effects of managerial competence on financial literacy.	32
Figure 4. 8: A Bar Graph Showing the effects of innovation competence on financial literacy.	35

ABSTRACT

The study was to examine the impact of entrepreneurial competence on financial literacy of SMEs in Pallisa town council. Specifically, the study sought to determine the effect of personnel competence on financial literacy, to determine the effect of managerial competence on financial literacy, and to determine the effect of innovation competence on financial literacy. The study used descriptive research design with a study population of 36 respondents. Data was collected from the 34 respondents and using self-administered questionnaires as the key data collection instruments. The findings show that personal competence, managerial competence and innovation competence significantly affects financial literacy in Pallisa town council. When personal competence is enhanced, work productivity goes up and this allows key financial literacy skills to be quickly grasped. Managerial competence is an integral part of individual competences, but these have a direct bearing on the welfare of the organization, this need to be polished up to enable increased productivity. The findings from the study show that personal competence has a positive effect on financial literacy. This was also similar in that managerial competence has a positive effect on financial literacy. It was recommended that there is need to conduct trainings that utilize print media and social media to teach employees key competences regarding personal finance so as to increase on financial literacy, Managers must strive to build extra capacity in key areas regarding financial literacy and Innovation and personal creativity must be encouraged by use of creative thinking and facing new challenges. The study had the limitation of the methods, and area of study being limited to Pallisa. Future studies can consider a more qualitative approach and use cross country contexts to investigate.

CHAPTER ONE

1.0 Introduction

This chapter described the background to the study, statements of the problem, purpose of the study, research objectives, research questions, scope of the study, the significance of the study.

1.1 Background of the Study

Despite the benefits of SMEs, globally SMEs are facing many challenges resulted in their poor financial decision. As a result, an increasing number of countries have embarked on developing national financial education strategies and making more investments in related programs (Calderone, 2014). However, there is low level of financial literacy; in Italy for example only 37% are able in financial literacy (Lusardi, 2014). In US, only 57% are financially literacy (Klapfer et al, 2015) and in UK only 67% are financially literacy, In Europe there is an average rate of financial literacy of 52%.and in Indonesia for example, Lusardi and Mitchell (2011) said that there is low financial literacy of around 29.7% meaning that about 67.8% of the total peoples in the country use financial products, only 29.7% are well financially literate (Ojek, 2016).

But in developing countries, the majority of informal businesses have limited access to financial services which many factors contribute to this. Lack of financial literacy has been identified as one of the factors limiting financial access among SMEs (OECD, 2012). Low financial literacy is a common drawback among small business owners who contribute to high failure rates of 85% out of 100 among small businesses (Klein et al, 2010) and poor financial management (Eniola & Entebang 2017). In sub-Saharan Africa, it is very small (24%) among the SMEs (Beck & Cull, 2014) due to the lack of managerial decision skills and low financial literacy levels (Carlson, Dabla-Norris, Saito & Shi, 2015). In most of these cases, SMEs fail to manager and this testifies to the high failure rate.

List of References

1. Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of consumer affairs Official publication of the American Council on Consumer Interests*, 44(2), 358–380.
2. Abood, N., & Aboyasin, N. A. (2014). Impact of the Entrepreneurial Attributes on Business Performance in a Sample of Jordanian Institutions. *International Journal of Professional Management*, 9(1), 1-18.
3. Abdulwahab, M. H., & Al-Damen, R. A. (2015). The Impact of Entrepreneurs Characteristics on Small Business Success at Medical Instruments Supplies Organizations in Jordan. *International Journal of Business and Social Science*, 6(8), 164-175.
4. Plakalovic, N. (2015). Financial Literacy of Smes Managers. Paper presented at the Management, Knowledge and Learning Joint International Conference 2015.
5. OJK. (2016). *Survey National Literacy Dan Inclusion Kelantan 2016*. Retrieved from Jakarta: Pamela, Peabody, R., & Winandi, R. (2016). Competence Kewirausahaan Dengan Keberhasilan Usaha Pasternak Sappi Perch Upon, Malang. *Journal Agribusiness Indonesia*, 4(1), 57-66.
6. LEI. (2018). Ini Kontribusi Koperasi Dan UMKM Terhadap PDB Nasional 2017. Legal Era Indonesia
7. Sari, N. M. W., Suwarsinah, H. K., & Baga, L. M. (2016). Pengaruh Karakteristik Kewirausahaan terhadap Kinerja Usaha Mikro, Kecil dan Menengah (UMKM) Gula Aren di Kabupaten Lombok Barat. *Jurnal Penyuluhan*, 12(1),
8. Kumar and Rao (2015)
9. Gallery, N., Newton, C., and Palm, C. 2011a, financial literacy and pensions decisions. *Financial accountability and management*. 27 (3). 286-307.
10. Barney, J. B. (1991a). "Firm resources and sustained competitive advantage." *Journal of Management*, 17, pp. 99-120
11. Adomako, S., & Dans, A. (2014). Financial Literacy and Firm performance: The moderating role of financial capital availability and resource flexibility

12. Eniola, A. A., & Entebang, H. (2016). Financial literacy and SME firm performance. *International Journal of Research Studies in Management*, 5(1), 31-43.
13. Armstrong. (2006), *A Handbook of human Resource management practice*, 10th ed., Kogan page, London.
14. Hormiga, E., Batista, R.M.and Sanchez, M.A. (2011), The role of intellectual capital in the success of new ventures, *international enterpreneurialship and management Journal*, Vol.7, PP.71 92.
15. Lusardi, A., Van Rooij, M., & Alessie, R. (2007). Financial literacy and stock market participation. *NBER Working Paper*, 13565(2007), 162.
16. Lusardi. A & Mitchell. O.S (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature* 2014, 52(1), 5–44
<http://dx.doi.org/10.1257/jel.52.1.5>
17. Kebede, M., Kaur, N., & Kaur, J. (2017). Financial Literacy among Urban Dwellers in Addis Ababa, Ethiopia. *International Journal of Accounting and Financial Management*, 4, 27–49.
18. Mitchelmore, S. & Rowley, J. (2013). Growth and planning strategies within womenled SMEs. *Management Decision*, 5(1), 83- 96.
19. Jappelli, Tullio & Padula, Mario, 2013. "Investment in financial literacy and saving decisions," *Journal of Banking & Finance*, Elsevier, vol. 37(8), pages 2779-2792.
20. **Sandal et al (2011)** on "managerial competence and non-performance of small firms in a developing economy", 72 questionnaires were administered.
21. Machirori, T.L. (2012). The impact of networking on access to finance and performance of SMES in the Buffalo City Municipality, Eastern Cape, South Africa.
Master's thesis. University of Fort Hare. South Africa.
22. Darrol.(2013) Red tape stifles small business. Retrieved From, <Http://Www.Fmi.Co.Za/?Q=Corporate-News/What-Small-Businesses-See-Their-Main-Obstacles-Business-Growth>.

23. Moffitt, T. E., Arseneault, L., Belsky, D., Dickson, N., Hancox, R. J., Harrington, H., & Caspi, A. (2011). A gradient of childhood self-control predicts health, wealth, and public safety. *Proceedings of the National Academy of Sciences of the United States of America*, 108, 2693–2698. doi:[10.1073/pnas.1010076108](https://doi.org/10.1073/pnas.1010076108)
24. Biljanovska, Nina and Palligkinis, Spyros, (2015) Control Thyself: Self-Control Failure and Household Wealth.
25. Faber, R. J., & Vohs, K. D. (2004). *Self-control and self-regulatory failure in purchase behavior*.
26. Mitchelmore, S. and Rowley, J. (2010), “*Entrepreneurial competencies: a literature review and development agenda*”, *International Journal of Entrepreneurial Behaviour & Research*, Vol. 16 No. 2, pp. 92- 111.
27. J. Gathergood (2012) **Self-Control, Financial Literacy and Consumer OverIndebtedness** *J. Econ. Psychol.*, 33 (2012), pp. 590-602
28. J.J. Choi, D. Laibson, B.C. Madrian (2011) **\$100 bills on the sidewalk: Suboptimal investment in 401 (k) plans** *Rev. Econ. Stat.*, 93 (3) (2011), pp. 748-763
29. Simon, A., Parker, A., Stockport, G. and Sohal, A. (2017), “*Towards an adapted MHP strategic capabilities model for moderating challenges to quality music festival management*”, *International Journal of Event and Festival Management*, Vol. 8 No. 2, pp. 151-171.
30. Stonehouse, G. and Pemberton, J. (2002), “*Strategic planning in SMEs – some empirical findings*”, *Management Decision*, Vol. 40 No. 9, pp. 853-861.
31. Man, T.W. and Lau, T. (2000), “*Entrepreneurial competencies of SME owner/managers in the Hong Kong services sector: a qualitative analysis*”, *Journal of Enterprising Culture*, Vol. 8 No. 3, pp. 235-254.
32. Hanson, D., Hitt, M., Ireland, R. and Hoskisson, R. (2014), *Strategic Management: Competitiveness & Globalisation*, 5th ed., Cengage Learning, Melbourne.
33. Hörisch, J., Johnson, M.P. and Schaltegger, S. (2015), “*Implementation of sustainability management and company size: a knowledge-based view*”, *Business Strategy and the Environment*, Vol. 24 No. 8, pp. 765-779.

34. Adam, Sara, Abeer A. Mahrous, and Wael Kortam. 2017. The relationship between entrepreneurial orientation, marketing innovation and competitive marketing advantage of female entrepreneurs in Egypt. *International Journal of Technology Management & Sustainable Development* 16: 157–74.
35. Spinelli, S., Timmons, J. A., & Adams, R. J. (2011). *New venture creation: Entrepreneurship for the 21st century* (9th ed.).
36. Tamimi, H. A. H. a.-., & Kalli, A. A. B. (2009). Financial literacy and investment decisions of UAE investors. *Journal of risk finance: The convergence of financial products and insurance*, 10(5), 500–516.
37. Biljanovska, N. and Palligkinis, S. (2018). Control thyself: Self-control failure and household wealth. *Journal of Banking and Finance*, 92: 280–94. Available: <https://doi.org/10.1016/j.jbankfin.2016.10.010>