



**FINANCIAL LITERACY AND FINANCIAL PERFORMANCE OF SMALL AND  
MEDIUM ENTERPRISES IN UGANDA A CASE OF IGANGA DISTRICT**

**BY**

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UNIVERSITY**

**AUGUST 2025**

## DECLARATION

### DECLARATION

I, Katagaya Sandra do confirm that this research report is entirely my original work and has not been previously submitted to this university for any academic qualification.

Signature ..... 

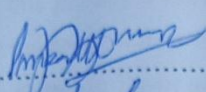
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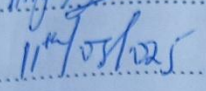
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### APPROVAL

This research report is submitted for examination with approval of the undersigned academic supervisor.

Signature.....

Date .....

Mr. OKIROR ISMAEL

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## **DEDICATION**

I dedicate this work to God, whose boundless grace and blessings have guided me through every step of this journey. I am deeply grateful to my parents Mrs. Namugabwe Harriet and Mr. Ngobi Livingstone for their unwavering moral support and encouragement. To my siblings especially bro Katagaya Stuart and others, friends, course mates, and lecturers; thank you for your inspiration, companionship, and the knowledge you've shared along the way.

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May God's blessings be abundantly upon each of you.

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|              |                                                |
|--------------|------------------------------------------------|
| <b>CVI</b>   | Content Validity Index                         |
| <b>GDP</b>   | Gross Domestic Product                         |
| <b>IDLG</b>  | Iganga District Local Government               |
| <b>MOLG</b>  | Ministry of Local Government                   |
| <b>MTIC</b>  | Ministry of Trade, Industry and Cooperatives   |
| <b>SME</b>   | Small medium Enterprises                       |
| <b>SMEDA</b> | Small medium Enterprises Development Authority |
| <b>SPSS</b>  | Statistical packages for social sciences       |
| <b>UIA</b>   | Uganda Investment Authority                    |

## **ABSTRACT**

The study was carried out to examine the effect of the financial literacy on financial performance of Small and Medium Enterprises in Uganda a case study of Iganga District Local Government. More specifically, the study examined the effect of financial knowledge on financial performance, evaluated the effect of financial behaviour on financial performance and assessed the effect of financial attitude on financial performance of SMEs in Iganga District. The researcher used a descriptive research design. A sample of 52 SMEs was selected using simple random sampling technique. The study employed questionnaires to collect data from the field. Data was typeset using SPSS to ease preparation of the report. Data was then tabulated and presented using descriptive statistics. The results of the research indicate that financial knowledge, financial behaviour and financial attitude have a statistically significant and positive effect on financial performance of SMEs. The study recommends local governments to strengthen financial knowledge and budgeting skills, improving bookkeeping literacy to ensure accurate record-keeping and accountability, should also cultivate disciplined spending, structured saving, and strategic investing practices and finally enhance the perception of money, build financial confidence, and reinforce core financial principles. In regards to the study findings, the study concluded that financial literacy has got a significant positive effect on the financial performance of SMEs.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter covers; the background of the study, statement of problem, purpose of the study, objectives, scope of the study, significance, conceptual framework and definition of the key terms.

### **1.1 Background of the Study**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Muriuki et al., 2018). Musthafa et al. (2023) mentioned that performance means how well someone or something achieves the intended goals and objectives it's essentially a measure of success. According to Iramani et al., (2018) financial performance is closely tied to profit growth, reflecting how well SME managers can assess key financial indicators like increases in sales and profits. The ability to evaluate these metrics is essential for making informed decisions that propel the business forward. SMEs are established to reach specific goals, whether that's growth, profitability, or community impact. Understanding financial performance helps them stay on track and achieve their objectives (Anshika & Singla, 2022). Goals can be realized when strong performance is achieved. Therefore, performance serves as an important indicator of financial well-being over a specific period. By tracking this performance, businesses can assess their financial health and make necessary adjustments to stay on course (Cherugong, 2015). A company's performance is gauged by how well it meets its planned objectives. This includes assessing financial success, market performance, and profit levels over time. Essentially, it reflects the company's ability to turn its goals into tangible results (Savanna, 2014).

Financial literacy encompasses a range of knowledge, attitudes, and behaviours that empower individuals to make informed decisions regarding money management (Nkundabanyanga et al., 2014). For SMEs, financial literacy is essential as it equips entrepreneurs with the tools needed to make sound financial decisions. When business owners understand fundamental concepts such as budgeting, cash flow management, and investment strategies, they can utilize resources more effectively, reduce expenses, and ultimately enhance their profitability. Additionally, those who possess strong financial knowledge tend to engage in better planning, leading to improved credit management and access to funding. This financial insight not only bolsters the resilience and sustainability of SMEs but also fosters their growth and competitiveness in the marketplace (Esiebugi et al., 2019).

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