THE RELATIONSHIP BETWEEN FINANCIAL LITERACY TRAINING AND FINANCIAL PERFORMANCE OF   SMALL AND MEDIUM SIZE ENTERPRIZES IN MUKONO MUNICIPALITY. A CROSS-SECTIONAL STUDY.

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Abstract
Background
The research sought to determine the effect of financial literacy training on financial performance of SMEs SMEs in Mukono Municipality, Uganda.
Methodology
Explanatory research design was utilized in the assessment of the relationship between microfinance services and the financial performance of SMEs. The target population of the research was 782 SMEs in Mukono Municipality and the sample size was 260 SMEs. A stratified and simple random sampling method was utilized in choosing the 260 SMEs. Semi-structured questionnaires were utilized in the collection of primary data. Descriptive statistics such as frequency distribution, mean, standard deviations, and variance were used. Inferential statistics in the form of multiple regression analysis was used to test the effect of microfinance services on the financial performance of SMEs.
Results
Financial literacy training was found to have an insignificant effect on the financial performance of SMEs in the Mukono Municipality. Most of the respondents concurred that there are easy learning procedures and finally, respondents agreed that financial literacy training helped them utilize on best credit management practices as indicated by the mean of 3.74.
Conclusion
The study further concluded that Small and Medium Enterprizes in Mukono Municipality, Uganda faced challenges in accessing financial literacy training that could positively impact on their financial performance.
Recommendations
The study recommends that policy makers should come up with policies to make it mandatory for microfinance institutions to conduct capacity training programs as part of the corporate social responsibility to Small and Medium Enterprizes owners to boost their awareness and knowledge about the same to enhance the utilization of microfinance services in Uganda.

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Introduction

Xitian (2013) undertook a study on microfinance and the development of SMEs in Taizhou, China. The data used for the research was derived from investigation results of designed questionnaires to conduct an independent survey. According to the study, the total of employees determines the business size. Moreover, the study added that SMEs are also characterized by the availability of training. The study pointed out that the projection of the growth of an SME and the level of productivity is highly possible in the case of the availability of training. This is because there is a higher tendency for improved productivity and employee satisfaction for SMEs that train their employees regularly. The study concluded that microfinance services are very essential for the development of SMEs.

A study was done about SMEs by the Organization for Economic Cooperation and Development (OECD) in 2013 in the United Kingdom, New Zealand, Poland, Belgium, Canada, and Turkey discovered these as motives attributed to why SMEs are reluctant to partake in financial training programs: inadequate time, exorbitant training costs, and struggle to apply the training to meet the needs of the business venture (Baron and Kenny 1986). In addition, it was discovered that businesses failed to partake in training programs because felt they had the adequate skill set

required for doing business. It thus behooves microfinance establishments to train owners of SMEs to help them acquire the requisite knowledge for efficient utilization of the resources that they obtain. The complications in making financial choices necessitate that owners of businesses make well-informed decisions about credit, savings, capitalization, and spending of financial resources.

International Labour Organization (ILO, 2013) argues that financial skills can help advance the level of output and proceeds in the informal sector and create prospects to connect with the formal sector. Hence, training provides a variety of instantaneous benefits to business innovators and personnel while providing support to medium-term strategies that will ensure the incorporation of the informal economy with the mainstream economy. This contention is largely important in Sekondi-Takoradi where a greater proportion of SMEs fall under the informal sector; their conversion to the formal sector would generate a bigger tax base for them as well as provide more formal employment opportunities.

Rotich (2014) researched microfinance products and the performance of SMEs in Kenya. The researcher adopted an explanatory research design in studying 429 registered MSMEs in the Githurai market, using self-administered questionnaires. The studies revealed that the MSME owners were somehow satisfied with the services provided by microfinance institutions: savings, training in MSME investment, and credit. The study established some extent of correlation between services provided by microfinance organizations and the performance of micro-enterprises, and that microfinance considerably affected the performance of MSMEs. A conceptual gap was left as a result of ignoring insurance as a microfinance service.

A study by Haider, Asad, and Fatima (2017) on microfinance and the performance of micro and small enterprises in Punjab indicated that training was very vital in ensuring that businesses enjoy better performance. The study adopted a questionnaire as the data collection instrument. A sample of 384 micro and small enterprise owners was chosen using a simple random sampling technique. The study revealed that training of MSE owners facilitates the growth of their businesses. Hence, as part of the recommendations, the researcher suggested that business training modules should be developed in business studies to develop entrepreneurial skills among business students (Amjad et al., 2020). Additionally, microfinance institutions should make it a duty to offer training to MSE owners to improve on the loan recovery rate.

RESEARCH METHODOLOGY

Research Design

The study used a descriptive, correlational and cross-sectional research design. Further, the study was quantitative.

The study was descriptive in nature because the researcher used tables to explain the findings of the study. The research design was also correlational because the researcher established the relationship between study variables. The study was also cross-sectional because it took a short period of time. Lastly the study was quantitative in nature because the researcher used both words and figures to explain the findings of the study.

Population of the study

According to the Mukono Performance report (2021), there are 800 registered SMEs in Mukono municipality which includes but not limited to provision and retailing shops and supermarkets, restaurants and food vendors, hair dressing and barbering saloons, clothing and tailoring shops, carpentry and furniture making shops as well as small scale manufacturers of assorted items such as fruit drinks, sachet water.

Sample size

The study adopted the Krejcie and Morgan (1970) table to attain the sample size as shown in Appendix III. According the table, the sample size was 260. The proportional allocation of sample size was applied to assign sample sizes to each SME sector.

Table 1: Sample Size Determination

Strata	Population	Sample Size
Supermarkets and Retail Shops	234	234/800*260= 76
Restaurants and Food Vendors	120	120/800*260= 39
Chemical and Drug Stores	43	43/800*260= 14

Wooden and Furniture Processing	21	21/800*260= 7
Trader	314	314/800*260= 102
Services	68	68/800*260= 22
Total	800	260

Source: Researcher (2021).

Sampling techniques

The researcher adopted a stratified random sampling technique in choosing the respondents. According to Singh and Belwal (2008), stratified sampling ensures that each stratum within the strata is represented; offering an augmented likelihood of accuracy and increased precision and dependability of estimates. The respondents were grouped into sectors including supermarkets and retail shops, restaurants and food vendors, chemical and drug stores, wooden and furniture processing, traders, and services. After the use of stratified sampling, simple random sampling will be used in choosing the sample size to ensure that everyone has a chance of being selected to avoid sample bias and ensure that the results are reliable enough for generalization.

Sources of data collection

The researcher collected data from both primary and secondary sources for this study.

Primary sources of data

The researcher used a questionnaire method to collect primary data for this study. The researcher used both close-ended questions to respondents to collect detailed information for the study.

Secondary sources of data

The researcher collected secondary data for this study from documents such as reports of SMEs and microfinance institutions, the internet, and record files.

Data Processing

Data collected from the field was coded, validated, organized, and harmonized using Microsoft Excel. After harmonizing the framework of variables of interest, the researcher added missing variables in the original MS Excel database and exported them to SPSS software.

Data analysis

The processed data was analyzed using SPSS to uniquely produce the results of the study. The analysis looked at individual analysis of each variable of the study, bi-variate analysis as well as multivariate analysis. Correlation analysis of the independent and dependent variables which are numeric was also carried out using Pearson's product-moment (Bosco, 2016).

Validity

The researcher used the expert judgment method. After constructing the questionnaire the researcher contacted the supervisor and experts in this area of study to ensure that the instruments were clear, relevant, specific, and logically arranged. The experts were requested to rate the validity of each item using the following relevant or not relevant. The content validity index was found to be 0.76 and according to Mugenda & Mugenda (2003) if the Content Validity Index is above 0.6 the instrument is said to be valid.

Reliability

A test-retest method was used to test the reliability of the questionnaire. A pilot test on 15 SME owners who were not included in the final study. The results for reliability testing are presented in Table 2.

Table 2: Summary of Reliability Statistics.

Reliability Statistics			
Cronbach's Alpha			
Variable		N of Items	Conclusion
Micro loan	0.837	5	scale was reliable
Micro Savings	0.758	4	scale was reliable
Financial literacy training	0.811	5	scale was reliable
Micro Insurance	0.824	5	scale was reliable
regulation	0.906	9	scale was reliable
Overall Reliability	0.930	28	Instrument was Reliable

The test was done to establish the reliability of the constructed research instrument in collecting the data required. Internal consistency was tested by the utilization of Cronbach's Alpha. The threshold for Cronbach's Alpha was $\alpha = 0.7$ where variables with alpha greater than 0.7 are considered to have internal consistency or reliability. As shown in Table 2, all the variables had an alpha of more than 0.7 which confirmed that the scale used in the questionnaire construction was reliable. The overall reliability of the entire research instrument was 0.930 which also implied that the entire research instrument was reliable. However, the results of the pretest resulted in the alteration of some of the questions to make them clearer to respondents, as some respondents complained that the questions were unclear.

Ethical Consideration

The researcher got permission from the graduate school and obtained an introductory letter to go within the field. The researcher promised participants to use the provided information for academic purposes only and ensure that the data provided is treated with maximum confidentiality.

Results

Response Rate

The results in Table 3 show the response rate of the study. The results show valid, rejected, and total samples in terms of frequency and percentages. The study sample entailed 260 small and medium scale enterprises. Out of the 260 questionnaires administered, a total of 256 were retrieved, of which 249 were considered valid for analysis. The 7 out of the 256 were rejected on the grounds that they did not meet the requirements of the study, that is, the business had been in operation for less than three years. This represented a 95.8 percent response rate which was rated very high and adequate for analysis. A response rate of 50 percent, 60 percent and 70 percent is considered adequate, good and very good respectively (Mugenda & Mugenda, 2003).

Demographic Characteristics

This section demonstrates the findings for demographic characteristics of the respondents. These included gender, age bracket, marital status and level of education. These characteristics serve a crucial role in the adoption of microfinance services and further determine the performance of SMEs.

Table 3: Response Rate

Respondents	Frequency	Percent (%)
Valid	249	95.8
Rejected	11	4.2
Total	260	100

Table 4: Demographic Characteristics of the Respondents

Demographic Characteristics	Category	Frequency	Percent (%)
Gender of Respondents	Female	115	46.2
	Male	134	53.8
	Total	249	100
Age of Respondents	Less Than 20	8	3.2
	21-30	42	16.9
	31-40	66	26.5
	41-50	84	33.7
	Over 50	49	19.7
	Total	249	100
Marital Status of Respondents	Single	59	23.7
	Married	99	39.8
	Divorced	22	8.8
	Widowed	21	8.4
	Separated	48	19.3
	Total	249	100
Level of Education	No Formal Education	12	4.8
	Primary	59	23.7
	O'Level	72	28.9
	A'Level	57	22.9
	Vocational School	28	11.2
	Tertiary	21	8.4
	Total	249	100

According to the results in Table 4, 53.8 percent were male respondents while 46.2 percent were female. This finding suggested that the study sample included SMEs owned or managed by both males and females hence there was no gender bias in the selection of the sample for this study. The results further show that the sample included respondents of Various age categories. For instance, those above 50 years were 19.7 percent while those less than 20 years were 3.2 percent, however, a greater proportion of the study sample was 41 to 50 years. These results could imply that the startup

capital for businesses may be quite high for persons below 20 years to acquire, as compared to those aged 41 to 50.

The study also wanted to find out the marital status of the respondents. The results in Table 4 show that married were 39.8 percent, singles were 23.7 percent, divorced were 8.8 percent, widowed were 8.4 percent, and finally separated were 19.3 percent. The findings were a reflection of normal society which comprises individuals with varying marital status. However, most of the respondents indicated they were married, a reflection of a typical African society that still values marriage.

In addition, the study sought to establish the level of education of the respondents. This was important because consumption of financial services mainly depends on financial awareness and education level. The fairly educated are more informed about financial services which increases their probability of consumption, compared to the less educated. The study results depict that respondents with no formal education were 4.8 percent, the primary level was 23.7 percent, O'Level was 28.9 percent, A'Level was 22.9 percent, vocational school was 11.2 percent and finally those with tertiary level of education were 8.4 percent. This finding implied that management and ownership of SMEs in Uganda were not entitled to people who had attained a certain level of education. SMEs in Uganda were owned and managed by persons who had diverse levels of education.

Business Characteristics

This section covers business characteristics which include business ownership, duration of the business, number of employees, type of business, and source of business finance. This provides a background overview of the businesses that were incorporated in the research to provide a contextual comprehension of the study findings.

Table 5: Background Information on Businesses

Business Characteristics	Category	Frequency	Percent (%)
Business Ownership	Sole Proprietorship	183	73.5
	Partnership	44	17.7
	Others	22	8.8
	Total	**249**	**100**
Duration of Business	3-5 Years	98	39.4
	Over 5 Years	151	60.6
	Total	249	100
Number of Employees	Less Than 10	189	75.9
	10-49	60	24.1
	Total	**249**	**100**
Type of Business	Supermarket and Retail Shops	72	28.9
	Restaurants and Food Vendors	46	18.5
	Chemical and Drug Stores	15	6
	Wooden and Furniture Processing	7	2.8
	Trader	90	36.1
	Services	19	7.6
	Total	**249**	**100**
Sources of Finance	Personal Savings	138	55.4
	Family And Friends	53	21.3
	Bank Loans	44	17.7
	Others	14	5.6

	Total	249	100

The findings in Table 5 show that most of the respondents owned/managed sole proprietorships which was represented by 73.5 percent while partnerships were 17.7 percent. This finding varies from the study by Kimaru, (2014) who discovered private companies as the dominant legal form of business in Uganda with 72 percent.

The results further showed that 60.6 percent of the SMEs had operated for over 5 years while 39.4 percent had operated for 3-5 years. The study therefore included SMEs of various operating durations which was good for the study since microfinance services consumption differs with SMEs depending on their duration of operation. The results further show that the majority (75.9 percent) of the SMEs had less than 10 employees which implied that they were micro-enterprises ideal for microfinance services.

On the type of business, the results show that supermarket and retail shops were 28.9 percent, restaurants, and food vendors were 18.5 percent, chemical and drug stores were 6 percent, wooden and furniture processing were 2.8 percent, traders were 36.1 percent, and in services were 7.6 percent.

Last but not least, the study intended to find the sources of business finances, and the outcomes depict that 55.4 percent of the respondents specified they relied on personal savings, 21.3% indicated they sourced their finances from family and friends while 17.7% indicated they used bank loans. In a report by FAO (2017), inadequate access to financial services was identified as the third principal challenge to youth and agribusiness ventures. Most financial service providers are reluctant to provide their services – including credit, savings, and insurance to rural youth due to their lack of collateral and financial literacy training, among other reasons.

Financial literacy training

This section presents the descriptive analysis of financial literacy training among SMEs in Mukono Municipality, Uganda.

Table 6: Descriptive Analysis for Financial literacy training

	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Mean	Std Dev
The financial literacy training services by microfinance institutions is adequate	8.0%	10.0%	15.7%	51.4%	14.9%	3.55	1.11
Financial literacy trainings are easy to access	17.3%	42.6%	8.0%	26.1%	6.0%	2.61	1.21
Financial literacy training has improved the book keeping skills of my business	2.8%	10.4%	10.0%	53.0%	23.7%	3.84	0.99
There are easy learning procedures	2.8%	9.6%	10.4%	52.2%	24.9%	3.87	0.99
The financial literacy training has helped me on utilizing on best credit management practices	6.0%	10.4%	8.0%	54.2%	21.3%	3.74	1.09
Overall Mean Score						3.52	

The study sought to find out whether financial literacy training services by microfinance institutions is adequate, the results show that majority as indicated by mean of 3.55 agreed. The study also sought to find out whether financial literacy trainings are easy to access. The results show that majority disagreed as indicated by the mean of 2.61. These findings implied that financial literacy trainings for SMEs were difficult to access in Mukono Municipality, Uganda.

The mean of 3.84 indicated that majority of the respondents agreed that financial literacy training improved the bookkeeping skills of their business. The results also illustrated that most of the respondents concurred that there are easy learning procedures and finally, respondent agreed that financial literacy training helped them on utilizing on best credit management

practices as indicated by the mean of 3.74. From table 4.8, it can be observed that all the standard deviations are greater than 1 except that of improved book keeping skills and easy learning procedures, and therefore very far from the mean. This also indicates that the responses by respondents lacked consensus.

The findings in this section implied that most of the respondents concurred that financial literacy training was important for the performance of their business, however, access to such trainings was difficult. The study findings support that of Xitian (2013) that pointed out that the projection of the growth of an SME and the level of productivity is highly possible in the case of the availability of trainings. A study by Haider, Asad and Fatima (2017) in Punjab indicated that training was very vital in ensuring that businesses enjoy better performance.

Table 7: Summary of the Qualitative Data

Themes	Most mentioned factors
Improving micro loans provided by microfinance institutions	✓ Reduce interest rate ✓ Increase loan flexibility ✓ Broaden the understanding of borrowers on the terms and conditions
Reasons for not having a savings Account	✓ Not earning enough to save. Living from hand to mouth ✓ Trying to pay off debts ✓ High expenses and cost of running business ☐ Lack of trust in the financial institutions. ☐ Low interest rates on savings
Improving the micro savings services	✓ Increase rate on savings ✓ Reduce high service charges ✓ Ensure security of savings (assurance that the institution will not collapse)
Improving financial literacy training service	✓ Expand the service to cover all SMEs ✓ Periodic assessment of performance of companies ✓ Organize periodic workshops on financial management
Improving micro insurance services provided by microfinance institutions	✓ Flexible application and easy to understand procedures ✓ Give room for customized insurance (customers should be able to choose their own policies that suit them) ✓ Insurance should not be too expensive

Meeting operational expenses	✓ Side business (earns extra from other activities unrelated to the venture) ✓ I don't, I am heavily indebted ✓ The business is new so I hope to earn more after some time
Improving financial performance of business	✓ Roll out attractive financial support policies ✓ Provide technical business assistance to clients

Improving financial literacy training service

The study also solicited actions that can be taken to better the financial literacy training service provided by the MFIs. The majority of respondents were of the view that only a few SMEs benefited from literacy training services and that it has to be broadened to cover a chunk of the enterprises. Other suggestions also included the monitoring and assessment of the performance of SMEs after training on a particular subject has been conducted.

Hypothesis Three H03: Financial Literacy Training and Financial Performance of SMEs

The third hypothesis of the study was H03: Financial literacy training has no significant effect on the financial performance of SMEs in Mukono Municipality, Uganda. The findings show that the coefficient for financial literacy training was $\beta=0.001$, $p=0.281>0.05$. The findings show that financial literacy training had an insignificant effect on the financial performance of SMEs in Mukono Municipality of Uganda. The study therefore failed to reject this hypothesis.

The findings of this research contradict a study by Haider, Asad, and Fatima (2017) which discovered that training provided to MSE owners greatly impacted the performance of their business establishments. Meanwhile, the results agree with a study by Kisaka and Mwewa (2014) which revealed that training had no significant impact on the growth of SMEs.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In addition, the study sought to establish the effect of financial literacy training on the financial performance of SMEs in Mukono Municipality, Uganda. The findings revealed that the majority of the respondents agreed that financial literacy training was important for the performance of their business, however access to such training was difficult. The findings, however, show that financial literacy training had an insignificant effect on the financial performance of SMEs in Mukono Municipality of Uganda.

Conclusion

The study further concluded that SMEs in Mukono Municipality, Uganda faced challenges in accessing financial literacy training that could positively impact on their financial performance.

Recommendations

The study recommends that policymakers should come up with policies to make it mandatory for microfinance institutions to conduct capacity training programs as part of the corporate social responsibility to SME owners to boost their awareness and knowledge about the same to enhance the utilization of microfinance services in Uganda.

Acknowledgment

LIST OF ABBREVIATIONS

SMEs; Small and Medium Enterprises
MFPED; Ministry of Finance, Planning and Economic Development
MFIs; Micro Finance Institutions
BOU; Bank of Uganda
UMFRA; Uganda Microfinance Regulatory Authority
ROA; Return on Assets

ROE; Return on Earnings
UCB; Uganda Commercial Bank
UDB; Uganda Development Bank
DFI; Development Finance Institutions
SACCOS; Saving and Credit Cooperative Societies
IMF; Inter Monetary Fund

SPSS; Special Package for Social Scientists

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CONFLICT OF INTEREST

The author declares no conflict of interest.

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