

THE RELATIONSHIP BETWEEN FINANCIAL ILLITERACY, PERFORMANCE AND THE SUSTAINABILITY OF SMEs. A CASE STUDY OF BUKEDEA TRADING TOWN, BUKEDEA DISTRICT.

BY

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DECLARATION

I, OTAI JAMES PETER, hereby declare that this research proposal is my original effort and has not been submitted to any other University or academic institution for the award of any qualification or degree.

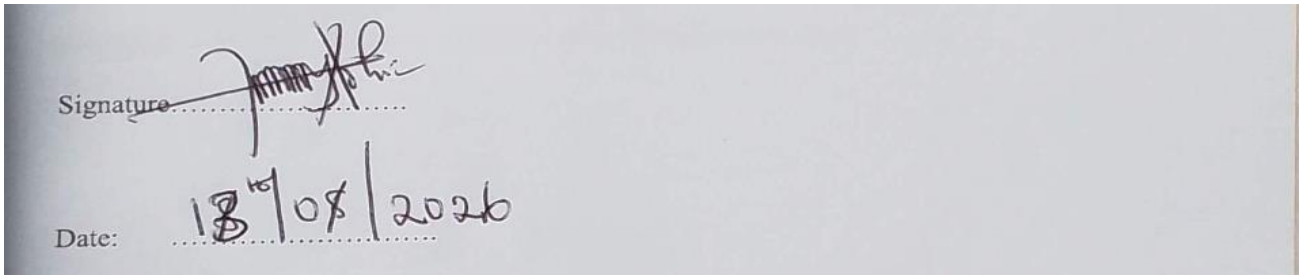
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APPROVAL

This report has been thoroughly reviewed and approved by Mr. Lokiru John Aleper in his capacity as a University supervisor and is hereby submitted for examination.

Name: MR. LOKIRU JOHN ALEPER.



DEDICATION

I dedicate this work to the Almighty God for the gift of good health throughout my academic journey and the provision. I also extend my heartfelt appreciation to my parents OKELLO GIRIFASIO and ADONG FLORENCE, My Sisters AKOL JENIFER, ATUKO SUZAN, ADONG FLORENCE, ATUKEI GRACE and ACAM STELLA ROSE, my brothers OKELLO ROBERT, OKWII JAMES and AKOL PETER, my beloved friends most especially ROBERT ECWEU and colleagues for their tireless support and encouragement which made this academic journey possible. In a special way, I also want to thank my supervisor Mr. LOKIRU JOHN ALEPER for his constructive feedback and professional guidance throughout this study.

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ACRONYMS

The following are the acronyms in the research report and their full forms as used in the report study.

SME :Small and Medium Enterprise.

SMEs :Small and Medium Enterprises.

UBOS : Uganda Bureau of Statistics.

SACCOs: Savings and Credit Cooperative Organizations.

PDM : Parish Development Model

NPHC : National Population and Housing Centers.

MTIC : Ministry of trade, industry and cooperatives.

OECD : Organization for economic cooperation and development.

HCT : human capital theory

BDLG : Bukedea district local government.

RBV : Resource based view

EPRC : Economic policy research center.

VRIN : Valuable, rare, inimitable and non-substituted.

ABSTRACT

This preface study examined the relationship between financial illiteracy and SME performance and sustainability of SMEs in Bukedea Trading Town, Bukedea, and the it specifically, it focused; To assess the level of financial illiteracy among SME owners in Bukedea trading, examine the relationship between financial illiteracy on business performance and sustainability in Bukedea trading town and to identify financial management challenges affecting SME owners in Bukedea trading town. A cross-sectional approach was used and both quantitative and qualitative data to collect data from 40 respondents to arrive at the conclusions. The quantitative results produced a relatively low grand mean (2.49) and the Pearsons correlation showed that there is a negative correlation between financial illiteracy and SME performance while the regression results show that a percentage of about 46.8% contributing to SME collapse attribute to financial illiteracy and the remaining comes from other factors. This study has also cited out key problems facing the SMEs in Bukedea such as poor financial records, mixing of funds, poor loan repayment plans, high loan interests and recommends financial training, separating of personal and business funds, and encourages government and SAACO institutions to provide advisory services in order to achieve SME sustainability.

CHAPTER ONE

INTRODUCTION

1.0 Introduction.

This chapter presented the background of the study, problem statement, research questions, scope of the study, justification of the study, conceptual framework. By detailing the fundamental elements, the chapter established the critical context for examining whether financial illiteracy was the major cause of business failure in Bukedea trading town. The discussion combined both global and local studies and identified the gap between the available capital and existing practical financial skills acquired for business sustainability. This introduction therefore served as a road map to illustrate how limited financial skills led to business failure.

1.1 Background of the study.

Bukedea trading town is located in Eastern region of Uganda Bukedea district along the major Soroti -Mbale highway (A-109) and it is approximately 35 kilometers North west of Mbale city and 69 Kilometers (43M) south East of Soroti city according to Official Bukedea portal. According to UBOS NPHC (2024), Bukedea district is 282,864 people (133,204) males and 149,660 females living in 55,960 households. Bukedea town is occupied by 15,061 people. The town serves as an administrative and commercial center with very many retail shops, produce stores, restaurants, hardware shops, mobile money outlets, agricultural and animal farms provide households income and employment. The commercial growth of the town is being stimulated by increasing population, improved infrastructures inform of roads, electricity and start-up capital from SACCOS, PDM, Emyooga and their personal savings though Lusardi & Mitchell, (2023), Ainebyoona et al., (2024) and henry Mugisha et al., (2021) testify that SMEs performance majorly depends on how owners manage debt, prepare budgets, keep records and keep business resources separate from personal resources.

On the international scale, SMEs are viewed as the pillars of economic development given because they contribute to poverty reduction, employment opportunities, innovation and economic development (World bank, 2024; OECD, 2023). SMEs account to more than 90% businesses and 50% employment worldwide making them very essential for economic development According to world Bank, (2024); Liu et al., (2020); Molosiwa & Holland (2025); Owusu et al., (2019); Mitchell (2023); Arockia Dass & Nithya, 2025; et al., (2019); Offiong et al., (2019) found out that despite the importance of SMEs most towns and semi-

urban areas, of countries like Ghana, Nigeria, and very many others, most of the SMEs experience poor performance, high declining and failure rates due to inadequate financial knowledge and weak financial practices.

MTIC, (2024; UBOS, (2024), In Uganda, have confirmed that SMEs are the highest contributors of hold income in Teso region, central region and other parts of the country, taxes and employment opportunities and yet they continue to face financial management challenges. Research by Mugisha et al., (2021); Otim, (2024). Show that poor budgeting, inadequate book keeping, weak debt management, poor savings culture and financial management negatively affect business performance and survival while Ainebyoona, A., Jackson, T., & Nomugisha, M. (2024), found that bookkeeping literacy and debt management illiteracy are the major dictators of performance of SMEs in Uganda. similarly, Mugisha et al., (2021) reported that enterprise is managed by financially literate individuals are more likely to generate more profits and longtime sustainability than those that are managed by financially illiterate individuals. Otim (2024) further realized that financial illiteracy limits the ability to borrow formal capital because they do not have proper records required by the financial institutions. Despite access to some sources of funds such as local SACCOs, government programs like parish development model, give direct and many others, SMEs still fail in Uganda due to poor financial management according to findings from MTIC; (2024) and Nassaka & Sendagi, (2024).

Locally In Bukedea trading town, financial illiteracy is important because most of the businesses are informal, owner managed and depend mostly in cash inflows. In this enterprises, the owner's behavior directly influences the replacement of the stock, loan repayment, pricing, savings and reinvestment according to (Ainebyoona et al., 2024; Mugisha et al., 2021). Opejo (2024), found that financial literacy and technical skills positively influence and operational longevity of SMEs in Bukedea trading town. However, businesses still continue to take loans without repayment, fail to restock, mix personal finances, fail to keep records accurately and at the end fail to know their profits. Consequently, despite increased access to capital and growing local market, SMEs still experience poor performance and close within a shorter time. This study therefore seeks to examine the relationship between financial illiteracy and the performance and sustainability of SMEs in Bukedea district.

1.2 Problem statement.

Despite Small and medium enterprises (SMEs) being critical drivers of economic development, employment generation and poverty reduction within rural and peri-urban hubs like Bukedea District (Ministry of trade, industry sand cooperatives according to [MTIC], 2024), over 60% of newly micro and small enterprises in Uganda collapse within their first three (3) years of establishment and operation (Ssekakubo et al., 2020). Although several studies in Uganda, have examined the relationship between financial literacy and SME performance, there is limited empirical evidence on the relationship between financial illiteracy and SME performance in small trading towns such like Bukedea trading town. Consequently, there is inadequate localized evidence that explains how financial illiteracy is contributes business failure amongst SMEs operating in the area. This knowledge gap justifies the need for this study since it seeks to investigate the relationship between financial illiteracy and business performance and sustainability with the aim of generating evidence to inform financial education programs, policy intervention and enterprise initiatives.

1.3 Purpose of the study

The purpose of this study is to therefore examine the relationship between financial illiteracy, performance and the sustainability of SMEs in Bukedea trading town, Bukedea district. Specifically, the study also seeks to find out the level of financial illiteracy among SMEs owners, examine how financial illiteracy affects business performance and survival and identify financial management challenges that hinder business growth and long-term survival. The study intends to generate empirical evidence that can inform policy makers, financial institutions, local government authorities, entrepreneurship development agencies education and SME owners in designing appropriate financial literacy programs to improve enterprise performance, enhance sustainability and promote economic development in Bukedea trading town.

1.4 Objectives of the study.

General objective.

To examine the relationship between financial illiteracy, performance and sustainability of SMEs in Bukedea trading town, Bukedea district.

Specific Objectives.

The main objectives of this research are as follows:

a) To assess the level of financial illiteracy among SME owners in Bukedea trading.
b) To examine the relationship between financial illiteracy on business performance and sustainability in Bukedea trading town.
c) To identify financial management challenges affecting SME owners in Bukedea trading town.

1.5 Research Questions.

i. What is the level of financial illiteracy among owners of small and medium enterprises in Bukedea trading town, Bukedea district.
ii. What is the relationship between SME performance and survival in Bukedea trading town.
iii. What financial management challenges associated with financial illiteracy that affect the performance and sustainability SMEs in Bukedea trading town, Bukedea district.

1.6 Justification of the study.

This study was justified because SMEs are the major source of house hold income supporting hundreds of thousands of families in Bukedea trading town, proving employment and contributing more 50% of the countries GPD. When they experience high rate, families suffer, GPD reduces and employment opportunities reduce. This study therefore came up with recommendations that will be used by government leaders, SACCO leaders, SME owners and local leaders to organize financial literacy training programs for SME owners other than just giving financial support which gets wasted, teach them loan repayment planning to ensure that SME owners are able to plan well and repay loans borrowed. It also contributes academically to already existing articles on financial accounting and specifically on the relationship between financial illiteracy and SME performance and sustainability in semi-urban trading centers like Bukedea and others in various regions of the world hence this makes this research very important.

1.7 Scope of the study.

1.7.1 Geographical scope

Location of Bukedea District

.



The study was conducted in Bukedea trading town, Bukedea District in Eastern Uganda. The area was selected because it is a rapidly growing commercial center with many SMEs operating in retail trade, produce, food services, Agri-produce and farms, saloons, hardware and related sectors. The area provided an appropriate setting for examining the relationship between financial illiteracy, performance and sustainability of SMEs due to increasing number of business establishments and persistent management challenges faced many entrepreneurs

Figure 1.1

1.7.2 Population Scope.

This study composed 40 respondents in Bukedea trading town which included, SME owners, SACCO leaders, business association leaders and local leaders in Bukedea Trading town. SME owners will provide firsthand information regarding their financial literacy levels and business performance while SACCO leaders, business association leaders, and the government leaders will provide additional insights into the financial management practices, sustainability challenges and support mechanisms available to SMEs. These categories of the respondents are considered appropriate because of their direct involvement and financial management within the area being studied.

1.7.3 Content scope.

The study examined the relationship between financial illiteracy, performance and sustainability of small and medium enterprises. Financial illiteracy, which was the independent variable was assessed using indicators like budgeting skills, record keeping practices, savings behavior, borrowing decisions, debt management, financial planning and cash flow management. The dependent variable, performance and sustainability of SMEs was measured using indicators like business growth, business survival, ability to meet financial obligations, customer retention and continued operations. This study examined financial

management challenges that influence the relationship between financial illiteracy and SME performance and sustainability.

1.7.4 Time scope.

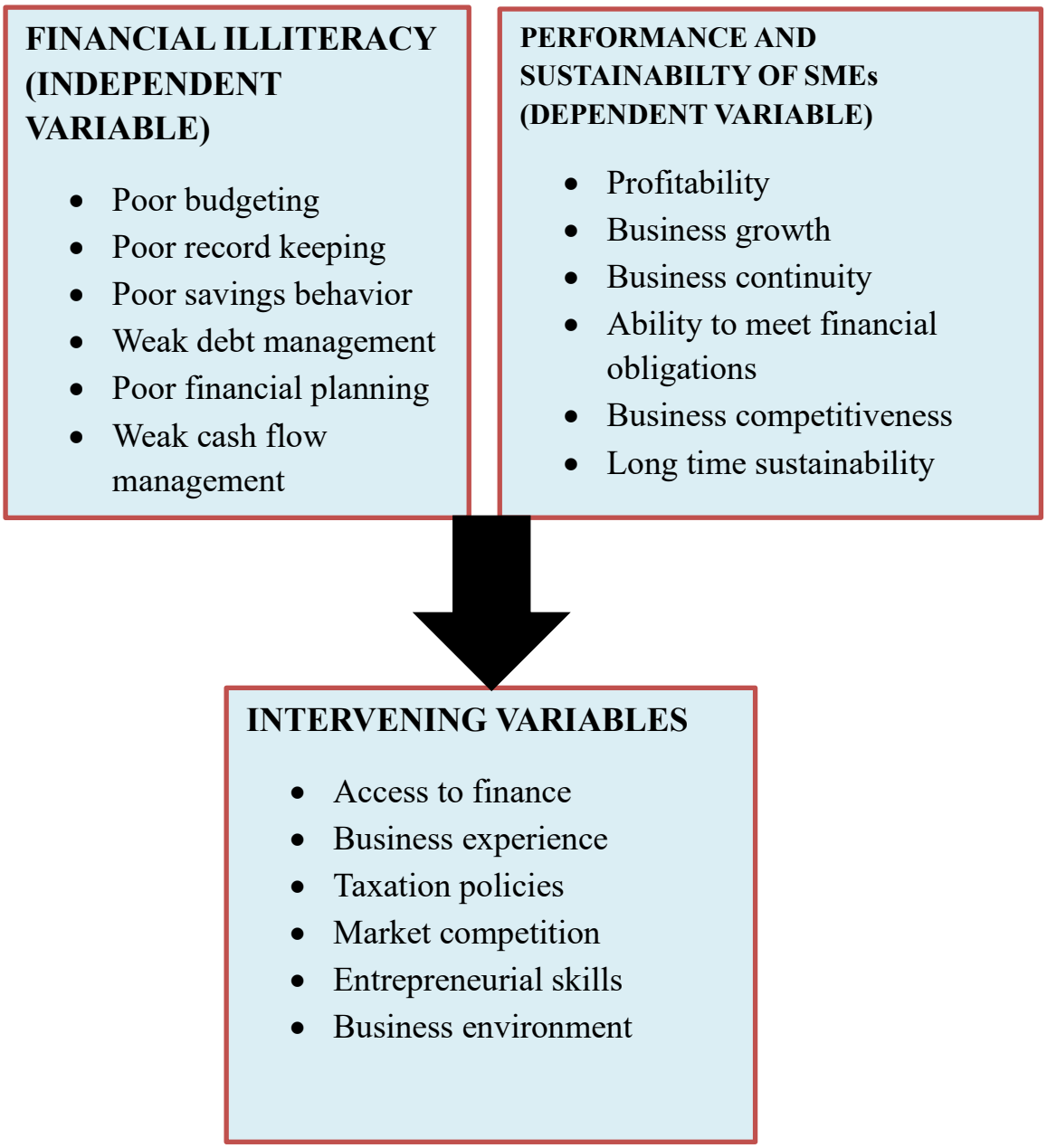
This study covered a period from APRIL 20 to AUGUST 2026. This was sufficient time for data collection, reach to the target respondents, interpret and analyze data ensuring the data which was collected is current and relevant.

1.8 Conceptual framework.

The conceptual framework shows the relationship between financial illiteracy and (independent variable and the performance and sustainability of small and medium enterprises (dependent variable). Financial illiteracy is conceptualized in terms of inadequate budgeting skills, poor record keeping, weak savings behavior, poor borrowing decisions, ineffective debt management, poor financial planning and weak cash flow management. These dimensions affect the ability of SME owners to make informed financial decisions.

The independent variable, performance and sustainability of SMEs, will be measured through indicators such as profitability, business growth, business continuity, ability to meet financial obligations, business competitiveness and long-term survival. The relationship between the independent and the dependent variables may be influenced by intervening variables such as access to finance, business experience, government support programs, taxation policies, market competition, entrepreneurial skills and the prevailing business environment.

Conceptual framework diagram showing the relationship between the financial illiteracy (independent variable) and SME business sustainability.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the existing theoretical, conceptual and empirical literature on the relationship between financial illiteracy, performance and the sustainability of SMEs. It also examined existing knowledge on financial illiteracy SME performance and sustainability that established foundation for the study.

2.1 Level of financial illiteracy among SME owners.

Globally, financial illiteracy continues to constrain small and medium Enterprise (SME) growth despite expanded digital financial services and entrepreneurship training. scholars widely define financial literacy as a mix of knowledge, attitudes, and behaviors crucial for sound decision making (OECD,2023; Lusardi & Mitchell, 2023). This perspective is strongly reinforced by empirical studies showing that highly literate entrepreneurs exhibit superior budgeting, strategic, investment, and innovation (Liu et al., 2022; Metriana et al., 2022). Conversely, a major school of thought argues that access to finance does not guarantee business survival if basic management skills are missing (Molosiwa & Holland , 2025; Arockia Dass & Nithya, 2025). While some primarily to macroeconomic factors (Terrano et al., 2015), others contend that internal factors like poor cash flow management are true drivers of mortality. Ultimately global literature from Cole et at., 2019 agrees that financial illiteracy is not just a bottle neck but a behavioral bottle neck that severely weakens the enterprise competitiveness and long-term sustainability.

In Uganda, wide spread financial illiteracy persists among SME owners despite state led initiatives like emyooga, the Parish Development Model (PDM), and SACCO funding . national studies show that local entrepreneurs lack basic competencies in book keeping, cash-flow forecasting, and debt management. (Mugisha et al., 2024; Otim, 2024). This skill deficit directly impedes their ability to secure formal credit or survive past their first year (Nangoli et al., 2020). While some demonstrated that targeted training interventions significantly boost SME performance (Nassaka & Sendagi, 2024) others warn that injecting state capital in businesses without building these capacities is largely futile (Centonze & Mbok, 2025). Furthermore, existing studies on Ugandan SMEs exhibited a very heavy geographical bias as they focused on mostly urban cities like Kampala , Wakiso, Mbarara (Ocici, 2019).

Consequently, there has been lack of empirical literature addressing how these literacy dynamics play out in smaller, remote trading centers.

At local level, empirical evidence regarding financial illiteracy among SMEs is highly fragmented among SME owners in Bukedea trading town. A few regional studies suggest that localized technical skills and financial training positively influence business longevity in Eastern Uganda. (Opejo, 2024; Okello, 2021). However broader national assessments indicate that rural trading centers suffer heavily from poor record keeping, weak debt control, and mixing on business money with personal accounts. (Mugisha et al., 2021; Ainebyoona et al., 2024; Otim, 2024; Nassaka & Sendagi, 2024). While some local reports blame poor infrastructure and high interest rates for business failures(Otero, 2020; Epodoi, 2022), others blame that one root cause is lack of financial competencies (Obore 2023; Amongin, 2019). This divergence highlights a critical research gap. There is insufficient localized empirical evidence capturing the actual level of financial illiteracy in Bukedea trading town. The present study directly addresses this gap by assessing this financial literacy levels to generate context-specific data that can inform targeted policy interventions.

2.2 Relationship between financial illiteracy and the SME performance and sustainability.

Globally, a strong consensus exists that financial literacy is a determinant of SME performance and sustainability, though scholars debate the weight of its SME performance and sustainability, though scholars debate the weight of its independent influence. Proponents of human capital theory argue that financially literate entrepreneurs make highly rational decisions, allocate resources efficiently, and manage risks dynamically, directly driving profitability. (Lusardi & Mitchell, 2023; Liu et al., 2020). This is reinforced by strong empirical evidence linking strong financial competencies to superior budgeting, innovation capacity, and long-term resilience (Metriana et al., 2022; Molosiwa & Holland, 2025). Conversely a prominent counter-perspective cautions that financial literacy is not a guarantee, its benefits are easily neutralized by external barriers such as poor infrastructure, tight credit markets and high inflation (OECD, 2023; Arockia Dass & Nithya, 2025). Other scholars that internal financial behaviors shape daily performance, macroeconomic shocks and technological disruption ultimately dictate the survival time of the enterprise thus global literature shows a complex interplay where financial is essential but remains constrained by other factors.

In wider African context, empirical studies confirm that robust positive correlation between financial literacy. In west Africa, SME owners have demonstrated that strong financial management directly minimizes operational risks, improves debt restructuring, and enhances resource efficiency (Owasu et al., 2019; Offiong et al., 2019; Msomi & Nzama, 2022). Furthermore, literacy has been shown to boost creditworthiness and loan repayment discipline, allowing SMEs to secure crucial capital (Mohamed, 2025). However parallel studies contend that financial literacy overlooks critical confounding variables like prior entrepreneurial experience, family business background, and institutional support systems (Masson et al., 2020). According to Ntwiga, 2021, he states that training alone cannot drive performance unless accompanied by structural financial inclusion and favorable lending policies. Ultimately, this regional insight consistently demonstrates that financial literacy heavily dictates business longevity, it acts as part of a wider ecosystem of developmental factors.

In Uganda, evidence consistently demonstrates that financial illiteracy severely undermines SME performance through poor book-keeping, weak cash-flow control, and high debt faults. National studies show that budgeting and debt illiteracy are directly tied to superior profit margins and faster enterprise growth (Mugisha et al., 2021; Ainebyoona et al., 2024). Conversely, lack of this skill prevents firms from accessing formal banking, forcing reliance informal lenders(Otim, 2024). While targeted training has proven to rescue struggling municipal enterprises (Nassaka & Sendagi, 2024; Nagoli et al.,2020), warn that state funded injections will fail if beneficiaries lack basic financial management capacities (Ssengozi & Mbok, 2025). Locally although some evidence indicates that financial literacy determines the business longevity in Bukedea (Opejo, 2024; Okello 2021), widespread reports of mixed personal finances and high default rates persist (Obore, 2023; Amongin, 2019). This stark contrast exposes a clear research gap. There is lack of empirical evidence explaining financial illiteracy directly influences both the performance and long-term sustainability of SMEs in Bukedea trading town, which this study addresses.

2.3 Financial management challenges associated with financial illiteracy affecting the performance and sustainability of SMEs.

Globally, financial management challenges linked to financial illiteracy are the major drivers of business closure, especially within the resource constrained enterprises. Tijjani, 2025; Chuquimia Rivero, 2026; Hasan et al., 2023) argue that systematic failures in manual book keeping, cashflow management severely hinder long-term planning. This problem is compounded by a digital deficit; while digital accounting systems streamline, illiterate

entrepreneurs to adopt these tools, leading to severe operational inefficiencies. (Andreani, 2026; Chen, 2025; Idrus & Rastina, 2025). Furthermore, researchers underline a strong divide on these challenges impact survival. One of the group of economists asserts that inadequate cash planning directly triggers insolvency in macroeconomic crisis (Gaitan-Angulo, 2026; Hostika, 2026; Alkan et al., 2020). Conversely, another perspective holds that credit aversion and poor debt management are the most managing behaviors as they prevent SMEs from securing formal credit or navigating increasing inflation according to Gumel, 2026, Akinrinde et al., 2025; Gata & Ayodele, 2025. This global dialogue suggests that financial management challenges are multidimensional, spanning digital exclusion, operational errors, and credit limitations.

In Uganda, SMEs face severe operational bottlenecks due to management challenges that persist despite state led fundings like emyooga and parish Development Model (PDM). Local studies consistently show that Ugandan entrepreneurs suffer with book keeping, inadequate cash reconciliation and loan defaults. (Mugisha et al., 2021; Ainebyoona et al., 2024; Otim, 2024). Some analysts argue that this operational failure stems directly from low quality theoretical entrepreneurship training that fails to deliver practical, hands-on practical skills. (Kigozi, 2025; Nangoli et al., 2020). Others contend that injecting capital into is ineffective if the owners lack basic competency in tracking cash inflows and outflows (Ssengozi & Mbok, 2025). Moreover, parallel research shows that lack of structured financial records prevents rural firms from accessing bank loans, forcing them into costly informal debt cycles (Nassaka & Sendagi, 2024; Ocici, 2019). While these national studies identify critical bottlenecks, they primarily examine urban commercial hubs. This regional bias leaves a gap in the literature regarding how these challenges manifest in a smaller, remote environments.

At local level, empirical literature addressing financial management challenges in Bukedea trading town remain highly fragmented. Regional studies suggest that Eastern Uganda SMEs suffer from severe financial control failures, particularly the co-mixing of family and business cash reserves. (Opejo, 2024; Okello, 2021). Whie some local assessments blame external factors such as high interest rates and others minimal infrastructure for poor business longevity (Otero, 2020; Epodoi, 2022), others argue that internal mismanagement like poor debt control and lack of poor cash flow forecasting is the primary driver of enterprise mortality. (Obore, 2023; Amongin, 2019). This debate exposes a critical research gap. There is lack of localized empirical data that systematically connects specific financial management challenges to

financial illiteracy in Bukedea Trading Town. The present study directly addresses this gap by identifying these specific operational challenges to provide targeted, context-specific evidence.

2.4.0 Theoretical review

The theoretical review provides the conceptual foundation explaining how entrepreneurs' financial knowledge, skills, and strategic behaviors influence business survival. This study is anchored on Human Capital Theory (HCT) as the primary framework and supported by the Resource Based View (RBV) as a complementary model. Together these frameworks explain how financial literacy transitions from individual cognitive capability into organizational resource that drives business performance. (Becker, 1964, Barney, 1991). While HCT focuses on how acquiring financial skills enhances individual decision making and reduces operational errors, RBV explains how these developed skills form a rare, internal capability that fosters competitive advantage (Schultz, 1961; Wernerfelt, 1984). By combining these perspectives, this review establishes a dual layered lens to evaluate how both individual knowledge deficits and strategic resource management influence SME sustainability (Lusardi and Mitchell, 2023). Consequently, these theories provide a robust structure to analyze the impact of financial illiteracy on SMEs within Bukedea trading town.

2.4.1 Human Capital Theory.

Originally developed by Gary Becker (1964) and advanced by Schultz (1961), Human capital theory states that investments in education , training and skills directly raise economic productivity. Within the SME sector, apply this theory by treating financial literacy as a cognitive asset that enables owners to budget, forecast cashflows, and manage credit according to Lusardi & Mitchell, 2023; Liu et al., (2020); Metriana et al., (2022). Empirical evidence consequently demonstrates that higher levels of human capital translate to superior investment choices and reduced business mortality (Mugisha et al., 2021; Ainebyoona et al., 2024; Molosiwa & holland, 2025). However, critics argue that HCT over emphasizes on individual skills while ignoring structural constraints such as weak infrastructure, high interest rates, and volatile markets. (OECD, 2023; World bank, 2024). Despite these limitations, HCT remains highly relevant to this study. It provides necessary baseline to evaluate whether the level of financial illiteracy among SME owners in Bukedea is a primary intentional driver of poor performance and operational failure**.**

2.4.2 Resource Based View (RBV)

The resource-based view, pioneered by Barney (1991), asserts firms achieve sustainable competitive advantage by developing internal resources that are valuable, rare, inimitable, and non-substitutable. (VRIN). In this study, financial literacy is conceptualized not merely as a personal education but a strategic organizational capability that prevents resource financial leakage and optimizes capital structure. Scholars argue that when owners possess strong financial skills, the business is better equipped to exploit market opportunities and survive economic shocks (Molosiwa & holland, 2025; Otim, 2024). Nevertheless, critics of RBV point out that the theory remains excessively inward looking, failing to account for how external (Barney (1991))macroeconomic crises or regulatory changes can neutralize internal capabilities. Despite this RBV perfectly complements HCT for this study. It explains how converting personal financial knowledge into an embedded business practice can directly secure the long-term operational sustainability of SMEs in Bukedea Trading town.

2.5 research Gap

Although extensive research has examined the relationship between financial literacy and the performance of small and medium Enterprises (SMEs), important knowledge gaps remain. Most existing studies have concentrated on broad indicators such as profitability, business growth, access to finance, and financial inclusion, with relatively limited attention given to financial illiteracy as a direct factor influencing both enterprise performance and long-term sustainability. Moreover, most of the available evidence has been generated from developed economies, major urban centers and commercial municipalities, where SMEs operate under economic, institutional, and conditions that differ considerably from those emerging rural trading centers.

Within Uganda, previous studies largely focused on municipalities and cities such as Kampala, Mukono, and Mbarara, leaving limited empirical evidence on SMEs operating smaller trading towns. As a result, there is insufficient localized understanding of the actual level of financial among SME owners, extent to which financial illiteracy influences enterprise performance and sustainability, and sustainability, and the specific financial management, challenges faced by entrepreneurs in rural commercial settings such as Bukedea trading town. Given that SMEs in these areas are predominantly owner-managed, operate largely within the informal sector, and depend heavily decisions, findings from urban-based studies may not adequately reflect their operational realities. Therefore, this study seeks to bridge these knowledge gaps by providing empirical evidence from Bukedea trading town, Bukedea district specifically, the

study will assess the level of financial illiteracy among SME owners, examine its relationship with the performance and the sustainability of SMEs, and identify financial management challenges associated with financial illiteracy. The findings are expected to contribute to the existing body of knowledge while providing context specific evidence that can inform financial literacy programs, the enterprise development initiatives, and policy interventions aimed at improving the performance and sustainability of SMEs in rural and emerging centers.

CHAPTER THREE

METHODOLOGY.

3.0 Introduction

This chapter represents the methodology that was used to examine the relationship between financial illiteracy and the performance and the sustainability of small and medium enterprises (SMEs) in Bukedea trading town, Bukedea District. The methodology provided a systematic framework for collecting, processing, analyzing and interpreting data to address the study objectives and answer research objectives outlined in Chapter one. The chapter is organized into sections namely:- Research design, and approach, study area, study population, sample size, sampling techniques, data collection methods, data collection instruments, validity and reliability of the research instruments, measurement of study variables, data collection procedures, data analysis methods, data collection procedures, data analysis methods, alignment of the study objectives with data collection analysis, ethical considerations and study limitations.

3.1 Research Design and Approach.

This study adopted a cross-sectional research design within a mixed-methods approach. The mixed methods research approach combines both quantitative and qualitative methods of data collection and analysis that provided a more comprehensive understanding of the relationship between financial illiteracy and the performance and sustainability of SMEs. Quantitative data enabled the me to measure the level of financial illiteracy and SME performance and the sustainability, identify the prevalence of financial management challenges among SME owners. Qualitative data will be used to provide detailed explanations and contextual insights in to financial management practices, experiences and challenges and challenges faced by SME owners thereby complementing quantitative findings. According to J. David Creswell (2023), mixed methods research enhances the validity and completeness of findings by integrating numerical evidences and perceptions.

The study specifically employed a cross-sectional survey design in which data was collected from respondents at a single point in time. This design was appropriate because it enabled me get the current level of illiteracy among the SME owners, examines its relationship with enterprise performance and sustainability and identify the prevailing financial management challenges without requiring prolonged follow-up of respondents

The quantitative component of the research targeted SMEs using structured questionnaire questions on a five-point Likert scale. The quantitative data was analyzed using the descriptive statistics including frequencies, percentages, means, and standard deviations as well as inferential statistics such as Pearson's correlation and linear regression to determine the relationship between financial illiteracy and the performance and sustainability of SMEs. The qualitative component will involve key informant interviews with SACCO leaders, business association leaders, and local government leaders who possess extensive knowledge of SME operations within Bukedea trading town. The information obtained through these interviews were analyzed thematically to enrich and explain the quantitative findings. Integrating both approaches helped to improve credibility, validity and comprehensiveness of study findings while generating evidence capable of informing financial literacy interventions, enterprise development programs and policy decisions aimed at improving the SME performance.

3.2 Study Area

The study was conducted in Bukedea trading town, located in Bukedea district in Eastern region of Uganda. Bukedea trading town serves as the administrative and commercial headquarters of the district along the Mbale Soroti highway (A-109), approximately 35 kilometers northwest of Mbale city and 69 kilometers southeast of Soroti city. The town occupies a strategic location that facilitates trade and movement of goods and services between Eastern and North-Eastern Uganda. According to the Uganda bureau of statistics (UBOS) National population and housing census (2024), Bukedea district has a population of 282,864 people living in 55,960 households, while Bukedea trading town has 15,061 people.

Bukedea trading town is characterized by rapidly growing business environment dominated by small and medium Enterprises (SMEs). These enterprises include retail shops, wholesale businesses, produce stores, restaurants, hardware shops, mobile money outlets, salons, transport businesses, Agri-input dealers, agricultural produce traders and other service-oriented businesses. Most of these businesses are privately owned and managed by individual entrepreneurs who make daily financial decisions relating to budgeting, record keeping, savings borrowing, debt repayment, pricing, stock replacement investment. The growth of commercial activities within the town has been supported by improved road infrastructure, population growth, expanding local markets and government initiatives such as Parish Development Model (PDM), Emyooga, SACCO financing and other enterprise development programs though despite this opportunities, many SMEs continue to experience low profitability, poor business growth, financial distress, premature business closure and raisin

concerns about financial management capacity of business owners. The reasons behind selecting Bukedea trading town is due its suitable setting with many SMEs that operate in informal sector, financial decisions being made directly by owners, making it ideal for assessing the relationship between financial illiteracy and the performance and sustainability of SMEs providing localized evidence since previous studies have concentrated on urban centers like Kampala, Mbarara, Gulu, Wakiso and others.

3.3 Study Population

The study population consisted of SME owners, SACCO leaders, business association leaders, and local leaders in Bukedea Trading Town. SME owners are included because they are directly responsible for business financial decisions such as budgeting, record keeping, borrowing, saving, and reinvestment. SACCO leaders are included because they understand borrowing patterns, repayment problems, and financial discipline among local entrepreneurs. Business association leaders and local leaders are included they provide information on common business challenges, enterprise closure patterns, and available support programs. The SME owners constitute the principal respondents since they make day-to-day financial decisions. The responses provided primary information on the level of financial illiteracy and its relationship with business performance and sustainability. SACCO leaders were included because they regularly interact with SME owners through savings and credit services and therefore possess valuable information regarding entrepreneurs borrowing behavior, loan repayment patterns and common financial management challenges.

3.4 Sample size and sampling techniques.

3.4.1 Sample size

The study sample size consisted of 40 respondents, distributed across the relevant stakeholder groups. for the SME owner component, the sample selected SACCO leaders, business association leaders, and local government leaders in Bukedea trading town based on their knowledge of SME operations.

Table 3.1 Sample size and technique.

Category	Sample size	Sample technique
Business Association leaders.	**2**	**Purposive**
SACCO leaders	**2**	**Purposive**
Local leaders	**1**	**Purposive**

SME Owners	**35**	**Simple random**
TOTAL	**40**	

This sample size was considered adequate because it included key stake holders directly involved in financial management and enterprise development. Since the sample size is relatively small and accessible, this approach will help to ensure that adequate information is obtained from respondents with relevant knowledge and experience regarding financial illiteracy.

3.5 Sampling Techniques

3.5.1 Simple Random Sampling

Simple random sampling will be used to select SME owners in Bukedea Trading Town. This technique was suitable because it gave each potential SME owner an equal chance of participating in the study. I first SMEs operating in the town and then randomly select 35 owners from the accessible list. This helped to reduce selection bias and increased the representation of the SME owner responses. The chosen SME owners comprised of different types of business such as retail shops, produce businesses, restaurant, mobile money outlets, salons, and hardware shops and others.

3.5.2 Purposive Sampling.

Purposive sampling comprised of 5 key informants which included SACCO leaders, business association leaders, and local leaders. This method was good because these respondents chosen based on their knowledge, experience and direct involvement with SMEs in Bukedea Trading Town. SACCO leaders provided information on borrowing and repayment behavior, while business association leaders and local leaders provided insights on common financial management challenges and business failure patterns. Purposive sampling was therefore aligned with the quotative component of the study. Their responses will provide qualitative on how the SME owners borrow, how they managed financial challenges, took advantage of business support programs and elaborated on the factors affecting the Small and Medium enterprises and its sustainability.

3.6 Data Collection Methods

This study used both quantitative and qualitative methods of data collection ensured more information was obtained regarding the relationship between financial illiteracy, performance and sustainability of SME in Bukedea District, Bukedea trading town.

3.6.1 Primary Data collection.

Primary data was collected using questionnaires and key information interviews. The questionnaire was given to SME owners and it consisted of structured questions on demographic characteristics, financial illiteracy, financial management practices, business performance, survival, and financial challenges. Key informant interviews were conducted with SACCO leaders. These interviews explained common borrowing loopholes, problems faced while paying back loans, poor record keeping, and other practices related to SME failure.

3.6.2 Secondary Data Collection.

Secondary data was obtained from government reports, district records, UBOS publications, EPRC reports, academic journal articles, and relevant SME policy documents. These sources provided background information on SME, financial literacy, business performance, and enterprise support programs. Secondary data helped to compare the findings from Bukedea with evidence from other Ugandans and developing-county studies.

3.7 Data collection instruments.

The study employed use of structured questionnaire and a key informant interview guide. The questionnaire for SME owners contained closed-ended questions organized according to the study objectives. Section A captured demographic and business characteristics such as gender, age, education, type of business, years of operation, and number of employees. Section B assessed the level of financial illiteracy using items on budgeting, record keeping, savings, borrowing, loan repayment, and cash-flow management. Section C examined SME performance and survival using items on profitability, growth, ability to meet obligations, stock replacement, and closure risk. Section D will identify financial management challenges faced by SME owners.

The interview guide was used to collect qualitative information from SACCO leaders, business association leaders, and local leaders. It will include questions on common financial mistakes made by SMEs, reasons for business failure, loan repayment problems, existing support programs, and possible solutions for improving SME sustainability, budgeting, debt management, and financial planning as key dimensions of financial literacy and SME performance. It consisted of open-ended questions to ensure that respondents give more elaborate explanations.

3.8 Validity and reliability of the research instruments.

To ensure validity, the research questionnaire and the interview guide was taken to the research supervisor plus other knowledgeable individuals for review to ensure relevance, adequacy and clarity. For the reliability of the research instruments, I conducted a pilot study to a sample population containing similar characteristics but did not participate in the actual study to test. Cronbach's Alpha coefficient through SPSS was used to determine the reliability of the questionnaire. Instruments will be considered reliable if in case a coefficient of 0.70 or higher is obtained.

3.9 Operationalization/ Measurement of Variables.

The variables were studied, measured as shown below in table 3.2 to guide data collection, interpretation and analysis.

Table 3.2 measurement of variables.

OBJECTIVE	VARIABLE	INDICATORS	MEASUREMENT SCALE
To determine the level of financial illiteracy among SME owners in Bukedea trading, Bukedea District	independent variable (financial illiteracy)	Cash-flow management, savings and borrowing, budgeting skills, record keeping and debt management.	5-point Likert scale.
To examine the relationship between financial illiteracy and the performance and sustainability of SMEs.	Dependent variable (SME performance and sustainability)	Business survival, ability to meet financial obligations, profitability and business growth	5-point Likert scale.
To point out financial management challenges encountered by	Financial management challenges.	Poor cash-flow management, poor loan management, poor decision making of finance,	5-point Likert scale.

SMEs in Bukedea trading town.		poor loan repayment, inadequate financial knowledge.	

3.10 Data collection procedure.

I obtained an introductory letter from the university that will introduce the researcher to the study area. Permission to carry on the study was sought from Bukedea trading town and pretesting of the data collection instruments. The research questionnaires were administered to the SME owners and interviews to the responsible informant group. After completing, there was assessment of questionnaires for completeness and the recording of the interview responses for comprehensive analysis. Throughout the research process, voluntary participation, confidentiality and seeking consent of participating individuals shall be observed.

3.11 Data analysis.

Quantitative data from questionnaires was be coded, entered into Microsoft Excel, cleaned, and analyzed using descriptive and inferential statistics. Descriptive statistics such as frequencies, means, percentages, and standard deviations was used to summarize respondent characteristics, levels of their financial illiteracy, the indicators of business performance, and daily financial management difficulties they encounter. The results were presented in tables, charts, and narrative explanations. Inferential analysis was used to examine the effect of financial illiteracy on SME performance and survival. Correlation analysis may be used to determine whether poor budgeting, weak record keeping, poor borrowing decisions, and weak cash-flow management influence business performance indicators. simple regression was applied to examine the effect of financial illiteracy on SME performance and survival. Qualitative data from key informant respondents was analyzed thematically by grouping responses into themes such as , taxation, and limited advisory support, poor record keeping, debt stress, misuse of capital, lack of training.

3.12 Ethical considerations.

To consider ethics, I sought permission from the university department and local authorities like Bukedea town council before collecting data. I informed respondents about the purpose of the study, and participation was out of will. I also assured respondents that there will be was confidentiality on their responses, no disclosure of names, business identities, or sensitive financial information.

Due to the fact this study involved business finances and possible business failure, some respondents felt uncomfortable or ashamed discussing their practices. I ensured the use of humble and respectful language, avoided forcing respondents to answer questions, and allowed participants to withdraw in case they feel at any stage. The data collected was kept safel and reported in summary format so that no individual respondent is subjected to embarrassment or harm.

3.13 Study limitations.

The study faced limitations such as, time, finance, reluctance by respondents to disclose business information, limited records among SME owners, time constraints, and bias. Some SME owners overstated their financial knowledge, under reported poor practices such as mixing personal and business funds. These limitations were managed by assuring respondents of confidentiality, use of simple and clear questions, and data collection from both SME owners and key informants.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS.

4.0 Introduction

This chapter shows the analysis, interpretations and the findings from the research study on the relationship between financial illiteracy, performance and the sustainability of SMEs (SMEs) in Bukedea trading town, Bukedea district. This chapter will consist of respondent's response rate, their demographic characteristics, report on findings of their financial illiteracy levels, the effect of financial on SME performance and business sustainability and the challenges faced by SMEs in Bukedea District.

4.1 Response Rate

The study which had targeted up to 40 respondents with 35 SME leaders and up to 5 key informants was recorded. All 40 successfully participated in the study making to 100%. The researcher was able to reach to all the available and they were able to fully participate hence making this research appropriate and acceptable.

Table 4.1 Respondents Rate table.

Respondent Category	Targeted response number	Actual respondents	Response rate.
SME owners	**35**	**35**	**100%**
SACCO	**2**	**2**	**100%**
Business Association Leaders	**2**	**2**	**100%**
Local Government leaders	**1**	**1**	**100%**
TOTAL	**40**	**40**	**100%**

Source: Bukedea Trading Town 2026

Interpretation of the findings.

The above table shows the actual respondents that participated and returned the questionnaires out of the beset number which was 40 respondents.

but the high response rate shows that the collected data was enough to address the research objectives and give a comprehensive analysis.

4.2 Demographic characteristics of respondents.

This section shows the demographic traits of the respondents that participated in this study. They include Gender, Age, educational level, type of the business, business type and how long the business has lasted. They were very many in analyzing and interpreting study findings

Table 4.2 Distribution of Respondents by Gender of SME owners. (n=35)

Gender	**Frequency**	**Percentage%**
Female	**18**	**51.4%**
Male	**17**	**48.6%**
TOTAL	**35**	**100%**

Interpretation of the data in the table.

The findings of the gender participation in 4.2.1 shows that women/Females participated more than the males account up to 51.4% of the total percentage though the difference is slightly very small with males having 48.6% reflecting gender balance in the research study. Both genders provided balanced and comprehensive views on financial illiteracy and business performance. The high composition of females shows that women also participate a lot in SME ownership.

4.2.2 Distribution of Respondents by age.

This table shows the various age categories of the SMEs in Bukedea district.

Table 4.3 Distribution of SME owners (n=35)

Age category (years)	Frequency	Percentage(%)
18-30	8	22.9
31-40	8	22.9
41-50	14	40
50 and above	5	14.3
TOTAL	**35**	**100**

Source: Primary data 2026.

Interpretation.

The data in table 4.2.2 shows that the majority of the respondents were in the bracket of 41-50 years accounting to 40% of the total SME respondents, those who were 50 and above were only 5 constituting to 14.3% of the total study while those from 18-30 and 31-40 years tied at a draw of 8 per bracket contributing 22.9% each. This findings therefore, shows that the highest composition of SME owners in adults between 41-50 years' operating based on their experience.

4.2.3 Respondents distribution by education level.

Table 4.4 SME owners' education level. (n=35)

Education level	frequency	Percentage (%)
Primary	**6**	**17.1**
Secondary	**11**	**31.4**
Certificate	**5**	**14.3**
Diploma	**9**	**25.7**
Degree	**4**	**11.4**
Total	**35**	**100**

Source: Primary data 2026

Interpretation.

These results show that secondary leavers constituted the highest percentage of respondents with 31.4% of the total number. This was seconded by certificate holders which contributed up to 25.7% then 14.3% had certificates while only 11.4% had a university degree showing a few could be possessing the financial management skills to effectively sustain business for long time.

4.2.4 distribution by type of the Business of every respondent.

This table shows different business types run by SMEs in Bukedea trading Town.

Table 4.5 type of business operated (n=35)

Type of Business	Frequency	Percentage (%)
Retail shop	11	31.4
Hardware	2	5.7
Restaurant	6	17.1
Mobile money	4	11.4

Salon	3	8.6
Produce business	3	8.6
Others	4	11.4
TOTAL	**35**	**100**

Source: Primary data 2026.

Interpretation.

This tables shows that retail shops dominated the highest number of respondents contributing up to 31.4%, followed by the restaurants that contributed 17.1% of the total percentage. Mobile money and other unclassified businesses contributed 11.4% each, produce businesses was 8.6% while hardware was the least with 5.7%. the diversity in this table shows diversity of SMEs in Bukedea district which makes it appropriate to assess the relationship between financial illiteracy and business performance and sustainability.

4.2.5 Distribution by years taken in the business.

This table shows the number of years taken by SME owners respondents operating an SME business in Bukedea trading town.

Table 4.6 Years of operation in the business.

Years in Business	Frequency	Percentage (%)
Less than a year	4	11.4
1-3	10	28.6
4-6	13	37.1
Above 6	8	22.3
TOTAL	**35**	**100**

Source: primary data 2026.

Interpretation.

The findings in table 4.6 that 13 (37%) of the total respondents had been running business for the past 4-6 years, while 10 (28.6%) had operated for 1-3 years. Respondents beyond 6 years of operation had 22.3% and the least 11.4% showing most of the respondents had some experience when it comes business operation hence the data provided is considered appropriate regarding financial management, financial literacy and SME performance.

4.3 Findings on the level of financial illiteracy among SME owners.

This section presents the result summary of the first study objective, which was to determine the level of financial illiteracy among SME owners in Bukedea trading town. Every respondent was asked to give their level of financial on a 5-point Likert scale in relation to record keeping, financial planning, cash-flow management, understanding financial and savings behavior where 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1= Strongly Disagree.

Table 4.7: Descriptive statistics on the level of financial illiteracy among SME owners.

Statement	**Mean**	**Standard deviation**	**Interpretation.**
I prepare my business budget before spending.	2.18	1.09	Low financial literacy
I separate personal finances from business finances	2.48	1.14	Poor financial management discipline.
I regularly save part of my business finances.	2.39	1.12	Low saving culture
I understand how loan interest is calculated	2.55	1.03	Limited financial abilities
I keep accurate financial records	2.21	1.06	Poor record keeping
I understand basic financial statements.	2.36	1.17	Poor financial management
I prepare cash flow plans for my business.	2.42	1.08	Poor cash-flow planning
I make financial decisions based on business records.	2.27	1.11	Poor/ weak financial decision making
Grand mean	**2.36**	**1.10**	**High financial illiteracy level.**

Source: Primary data, 2026.

Interpretation.

This findings of table 4.7 show that with the overall grand mean of 2.36 indicates that there is a high level of financial illiteracy among SME owners in Bukedea trading town. The results show weakness in financial decision making, poor cash flow planning, low levels of record keeping, poor cash-flow planning implying that there is serious weakness in essential financial

management skills. Although a few respondents had moderate and very few on being able to calculate the interests, there general score remained low showing that still many cannot do it, with a number of respondents significantly admitting to mixing personal income with business income hence unable to even have a cash flow of their finances. In overall, the results show that there is a financial illiteracy still remains a common challenge among SME owners in Bukedea trading town, with those with skills also not practically applying.

4.4 Effect of financial illiteracy on the performance and sustainability of SMEs.

This section presents the results for the second objective of the research study which targeted to examine the effect of financial illiteracy on the performance and sustainability of SMEs in Bukedea trading town, Bukedea district. Here, descriptive statistics was first used to assess the level of SME performance and sustainability, followed by Pearson correlation break down to determine the relationship between financial illiteracy and SME performance. Furthermore, linear regression analysis was done to establish the to which financial illiteracy forecasts the performance and sustainability of SMEs.

4.4.1 Description statistics on SME performance and sustainability.

This table presents the summary of 35 businesses held by respondent SME owners in Bukedea Trading Town.

Table 4.8 Descriptive statistics on SME performance sustainability (n=35)

Statement	mean	Standard deviation	interpretation
My business profits have increased over the past two years	2.67	1.08	Moderate increase in sales.
My business meets its financial obligations in time.	2.36	1.15	Poor financial ability
My business is financially stable	2.48	1.06	Low financial stability
May sales have rapidly increased	2.39	1.12	Low sales increase/ growth
I expect my business to operate more years ahead.	2.58	1.01	Moderate sustainability expectations.

GRAND MEAN	**2.49**	**1.09**	**Low performance and financial stability.**

Interpretation of the findings.

The findings above in table 4.8 shows that the general grand mean of 2.49 shows relatively low performance and sustainability in SME owners of Bukedea trading town since most of the respondents testified limited financial stability, low sales, low expansion rates and limited growth showing that SMEs in Bukedea continue to experience operational and financial challenges.

Table 4.9 the Pearsons correlation between financial illiteracy and SME performance and sustainability.

Variables	**Financial illiteracy**	**SME performance and sustainability.**
Financial illiteracy	1	-0.684
SME performance and sustainability	0.684	1

Correlation is significant at 0.01 level (2-tailed)

Interpretation of the correlation results.

The findings according to Pearson correlation show that there is solid negative and significant relationship between financial illiteracy and the SME performance and sustainability of SMEs in Bukedea trading town given this result ($r= -0.684$, $P< 0.001$). this therefore indicates that increase in financial illiteracy leads to decline in Business performance and sustainability, while improvements better business performance and long-term sustainability.

4.4.2 Linear regression Analysis.

This was conducted to find out whether financial illiteracy suggestively foresees the performance of SMEs necessitating the use of simple regression analysis.

Table 4.10: Model summary

Mode R	R Square	Adjusted R	Std. Error
0.684	0.468	0.451	0.612

Interpretation.

The model summary illustrates that **R^2 value 0.468, showing that an estimate of 46.8% of** the disparity in SME performance and sustainability can be explained by financial illiteracy. The residual 53.2% may be attributed to other features not observed in this study.

Discussion of findings.

The results show that financial illiteracy is a significant determinant of SME performance and sustainability in Bukedea trading town. The strong negative correlation and significant regression results propose that deficiencies in record keeping, financial planning , debt management and record keeping lower business profitability reduces growth and puts business survival at risk.

4.4.3Financial management challenges faced by SME owners in Bukedea trading town.

This section brings results on the last (third objective) which pursued to identify financial management challenges faced by the small and medium enterprise owners in Bukedea trading town, Bukedea district. When asked them to point to the financial management challenges, the respondents cited out limited access to financial training, poor budgeting practices, mixing of personal and business funds, hardships in accessing credits, high interest rates charged on borrowing, and poor record keeping. The responses were measured in a 5-point Likert scale and used when finding the levels of financial illiteracy.

Table 4:11: financial management challenges faced by SME owners (n=35)

Financial challenge	**mean**	**Standard Deviation**	**interpretation**
I lack inadequate skills in preparing business budgets	3.97	1.05	Big challenge
High interest rates affect my expansion ability.	3.88	1.08	Big challenge
Challenges in managing daily cash-flows.	4.21	0.87	Big challenge
I face difficulties in maintaining proper financial records.	4.09	0.94	Big challenge
I find it difficult to separate business funds from personal	3.94	1.02	Big challenge

I find it difficult to access business funds.	3.82	1.11	Big challenge
I have difficulty in understanding loan conditions and repayment terms.	4.06	0.98	Big challenge
I face difficulties in proper financial management.	**4.15**	**0.91**	**Big challenge**
Grand mean	**4.15**	**1.00**	**Face high levels of financial management challenges**

Source: Primary data 2026.

Interpretation of findings.

The findings in table 4.13 show that there are financial management challenges d=faced by SME owners in Bukedea trading town given the overall of 4.02 grand mean. This therefore indicates that financial management challenges most likely influence the rate of their business survival.

Discussion of the findings.

The findings in table 4.13 show that SME owners in Bukedea trading town face very financial management challenges. Secondly, the results also come to an agreement with Mitchell (2023), OECD (2023), and also correspond with the evidence from developing countries which emphasize the importance of financial literacy for entrepreneurs to enable proper planning, business resilience, manage available resources and ensure responsible borrowing. This results in conclusion stress that to improve SME performance in Bukedea should go beyond capital provision to financial literacy training, advisory services and coming up with SACCOs that can provide credit with relatively low interest rates. The three research objectives therefore show that SME owners in Bukedea trading town experience high levels of financial illiteracy as cited above acting as a major barrier to business long term survival. There is therefore need to promote financial illiteracy among the SME owners in Bukedea trading town to promote business longevity.

4.6 Qualitative findings from key informant interviews (n=5).

This section presents results obtained from key informant business leaders in Bukedea trading town , SACCO leaders, and government leaders. This was aimed at getting deeper explanations about SME performance since they interact with SME owners. The data was thematically analyzed and results were obtained in line with the study objectives. The major challenges cited out by the informant respondents included; poor financial practices and inadequate financial literacy/knowledge.

4.6.1 poor financial practices affecting SME performance.

Informant responds, spotted that there is poor application of financial administration among SME owners which among the top list was mixing of personal with business funds, failure to prepare cash flows and limited budgeting skills. SACCO leaders stated " most SME owners ferry in personal money to business and business to family use making it hard to realize profits/loses". The SACCO leaders stress that the mixture of this income is the major cause of business failure among SMEs in Bukedea because most of them usually end up using business money for their social interests most especially among the male SME owners.

4.6.2 limited financial knowledge among SME owners.

The results in this section show that very few SME owners in Bukedea trading town are financially literate and apply the knowledge in daily practices rather most of them start business as the option at hand, because of experience or due the available capital. One government leader said " business owners receive money free capital from government, and get loans but do not plan but rather only know how to sell products but fail to properly account for the income they get from sales". These findings therefore complement Lusardi and Mitchell (2023) who say that financial knowledge is an important component of successful financial decision making because it enables individuals to understand financial concepts and apply them effectively in real life.

4.6.3 challenges in getting affordable financial services.

The informant interviewee exposed that low interest financial services remain a major challenge to SME owners in Bukedea trading town, there are financial institutions but require organized financial and business records which are not available and also most of them require collateral security on top of high interest rates that keep draining these businesses and at the end start to decline and eventually collapse. One business leader stated that " Most entrepreneurs qualify for loans but lack collateral security and proper financial documents to

present hence end up being denied or given with high interest rates due to fear by financial institutions and at the end, the mostly fail to repay it back". The cited out related challenges like poor financial planning hence these findings still correspond with the previous on the importance of financial literacy for proper business management, decision making and efficient resource utilization.

4.6.5 overall qualitative findings interpretation.

The qualitative findings indicate that financial illiteracy leads to poor borrowing decisions, weak business planning, poor record keeping which limit expansion chances and profitability hence most likely cause business failure. This results therefore backup the quantitative findings by citing out financial illiteracy as a major challenge that is limiting performance among SMEs in Bukedea trading town.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS.

5.0 Itroduction.

This chapter presents the conclusions drawn from both qualitative and quantitative findings from chapter four, and also presents the areas to be explored in the further study concerning the relationship between financial illiteracy and the performance and sustainability of SME enterprises in Bukedea trading town, Bukedea district.

5.1 Summary of the findings.

5.1.1 level of financial illiteracy among SME owners in Bukedea trading town.

The study found out that there are significantly high levels of financial illiteracy among the SME owners in Bukedea trading town which included; poor financial planning, poor budgeting skills, poor record keeping, and mixing of finances meant for the business with family and personal. If also found out that entrepreneurs in Bukedea trading town operate just based on experience but totally lack financial knowledge hence in a long run fail to account for the losses in the business and how they occur causing decline.

5.1.2 Effect of financial literacy on SME performance and sustainability.

The study realized that financial illiteracy negatively affects SME performance and long-term sustainability because entrepreneurs fail to repay debts, manage business funds, fail to access loans, which lead to reduced stability and cause stagnation. The correlation analysis also showed that financial illiteracy has strongly negative relationship with business performance and sustainability. The findings show that limited financial knowledge affects planning, resource allocation, and debt management hence resulting to high risks of stagnation and collapse.

5.1.3 Financial management challenges faced by SME owners in Bukedea trading town.

The study cited several financial management challenges disturbing SME owners in Bukedea trading town with the major ones being high interest rates, inadequate access to affordable loans, poor record management difficulty in cash-flow management citing that difficulty in accessing loans limits expansion and causes stagnation of the business with these challenges generally consequently limiting SME growth in Bukedea trading town.

5.2 conclusions

Based on the interpretations and study findings, the following conclusions were drawn.

in the first case, the research concludes that there is wide spread financial illiteracy among SME owners in Bukedea trading town with many SME owners only depending on mere experience but totally lack the literacy skills necessary for business survival hence reducing their potential to effectively control the business resources well. Secondly, the research also concluded that financial illiteracy negatively affects the performance and sustainability of SMEs in Bukedea trading town with clear examples of enterprises operated by financially illiterate individuals showing signs and symptoms of cracking down within a shortest period not more than 2 years, experiencing low profitability, high risks with little or no growth at all hence this therefore implies that financial illiteracy is a key determinant factor in SME performance and sustainability. Furthermore, the study also concludes that inappropriate management of funds leads to SME challenges and lastly concludes that financial education, stringer institutional support and financial services help to promote SME performance and sustainability.

5.3 Recommendations.

Based on the derived conclusions, the following are the proposed recommendations to various categories for the betterment of SME performance and sustainability.

5.3.1 To SME owners;

SME owners should get engaged in financial training programs where they get a lot and learn how to manage business funds, budget well, manage business records, track business performance to ensure that make sound decisions that promote business growth and they should also desist from mixing business and personal funds for easy accountability.

5.3.2 To government and local authorities.

The government and local authorities should put more emphasis on SMEs since they are a major backbone, support them with financial training workshops that focus on solving the challenges they face as exhausted above. Government authorities should also collaborate with SACCOs and financial institutions to regulate interest rates, provide advisory services to SME owners to promote longevity of these enterprises.

5.3.3 Recommendations to financial institutions and SACCOs.

SACCOs should alongside with other financial institutions provide financial literacy education services to SME owners not just credit, this will help SME owners to plan well on how to use the money well and have a good repayment plan.

5.4 Areas of further research.

Examining the relationship between financial illiteracy and SME performance and sustainability is not enough to ensure business longevity in Bukedea trading town, the following are further areas this research recommends;

1. I recommend future studies to examine the role of digital literacy/services on SME growth given the rapidly increasing mobile money services and E-banking among SMEs.
2. This research also recommends that this similar research be done in different regions, districts and places to check and compare the financial management challenges.
3. Further research should examine the role of government support such as Emyooga and PDM in ensuring the longevity of SMEs.
4. Lastly, this research asks future researchers to examine the role of other factor on SME performance and sustainability for example high taxation, market competition, technology, infrastructure and others.

5.5 Chapter summary.

This chapter has presented the introduction, major findings and recommendations for the future study. By addressing the challenges cited above in chapter four and five, SME performance will improve, there will be longevity in business survival and improved living standards of SME owners.

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APENDICES.

Appendix I : Questionnaire for SME owners.

Dear respondent, I, am OTAI JAMES PETER from Busitema university pursuing my studies in Bachelor of science and education in Entrepreneurship and Computer studies from the faculty of science and Education. This questionnaire is only intended to collect data on " the relationship between financial illiteracy, performance and sustainability in Bukedea trading town". Your participation in this study is completely voluntarily and you are free to withdraw at any time, please answer honestly as your responses will be highly valued, make recommendations to improve SME performance and note that your responses are highly confidential.

SECTION A: DEMOGRAPIC INFORMATION.

Tick (/)where Appropriate.

1 Gender

☐ Male

☐ Female

2 **Age**

☐ Below 20

☐ 21-30

☐ 31-40

☐ Above 40

3 Education Level

☐ Primary

☐ Secondary

☐ Certificate

☐ Diploma

☐

Degree

4 Type Of Business.

☐ Retail shop

☐ Restaurant

☐ Produce business

☐ Mobile money

☐ Salon

☐ Hardware

☐ Others————————

5 Business Experience

☐ Below 1 year

☐ 1-3 years

☐ 4-6 years

☐ Above 6 years

SECTION B : FINANCIAL ILLITERACY INDEPENDENT VARIABLE)

Indicate what you always do using the scale below by ticking the appropriate column.

1-Strongly disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- strongly Agree.

Statement	Strongly disagree	Agree	Neutral	Agree	Strongly Agree
I keep records accurately					
I separate personal from business money					
I prepare a business before spending					

I understand how to calculate loan interest					
I regularly save part of my business income.					
I prepare cash-flows for my business.					
I understand basic accounting statements.					
I make financial decisions using business records.					

SECTION C: PERFORMANCE AND SUSTAINABILITY OF SMEs

Statement	Strongly disagree	Agree	Neutral	Agree	Strongly Agree
My business has made profits for the past two years					
My sales have steadily increased.					
My business has expanded since it started					
My business meets its financial obligations.					
I expect my business to continue operating for more years ahead.					
My business is financially stable.					

SECTION D: FINANCIAL MANAGEMENT CHALLENGES.

Statement	Strongly disagree	Agree	Neutral	Agree	Strongly Agree
Poor record keeping affects my business performance					
Limited financial knowledge affects my business					
High debts are affecting my business growth.					
Poor cash-flow affects my daily operations.					
Accessing affordable credit is difficult.					
limited financial training affects affect business sustainability.					

APENDIX II: KEY INFORMANT INTERVIEW GUIDE.

Interview questions;

In your opinion, what do you think is the level of SME owners in Bukedea trading town?

1. Which financial literacy skills are mostly do the SMEs in Bukedea trading town lack?
2. What are the common financial management practices demonstrated by SME owners?
3. What financial management challenges affect SMEs in Bukedea District.
4. How does financial illiteracy affect the performance and sustainability of SMEs in Bukedea trading town?
5. Which part do SACCOs, government and others play in ensuring financial literacy among SMEs?
6. What programs have been laid down to support SMEs attain financial literacy.
7. What hinders the effectiveness of this program?
8. What recommendations would you give to improve SME performance and sustainability?

9. Anything additional information you would love to express regarding financial illiteracy and SME performance In Bukedea trading town?

Appendix III Budget.

Description	**Amount (UGX)**
Transport	30,000
Printing	100,000
Miscellaneous	50,000
TOTAL	140,000