THE INFLUENCE OF FINANCIAL LITERACY ON SMES PERFORMANCE THROUGH ACCESS TO FINANCE AND FINANCIAL RISK ATTITUDE AS MEDIATION VARIABLES

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ABSTRACT

The Small and Medium-size Enterprises (SMEs) sector has the crucial role to increase economic growth in emerging countries. Then, the purpose of this study was to examine the determinant variable of the SMEs performance namely financial literacy of the manager. This study utilizes access to financial product and financial risk attitude as the mediation variables. This type of research uses a quantitative approach. The samples of this study 59 person who managed the SMEs in Mukono District in Central division.

This study found the positive impact of financial literacy, access to finance, and financial risk attitude on the SME performance. This study also found the mediation role of access to finance and the financial risk attitude on the relationship between financial literacy on SMEs performance. From the descriptive of statistics, it is also found that the weakness of the manager of the SME regarding the bank and capital market product. The implication of these findings the government needs to create a program to enhance the level of financial literacy among the manager of the SMEs especially the skills and knowledge regarding the bank product, risk management, and capital market product.

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CHAPTER ONE.

1.1 Introduction

This chapter presents the background of the study, statement of the problem, research objectives, research questions and significance of the study.

1.2 Background of the study

The development and role of the private sector have increased in emerging countries, including Uganda. Business people face considerable challenges, incredibly uncertain economic conditions due to global competition, and the strengthening of the dollar against the shilling. The business sector small and medium size enterprises (SMEs), which have the potential to increase economic growth and create new jobs, are expected to make a significant contribution to the Ugandan economy.

A large number of SMEs are scattered in each region, and their contribution to the Ugandan economy does not make SMEs a vital sector and is free from various problems. In general, SMEs often experience delays in their development. According to Abor (2016), most of the SMEs are difficult to develop due to various conventional problems that cannot be resolved entirely, such as problems with the capacity and quality of human resources, ownership, financing, marketing, finance, and various other issues related to business management, so that SMEs find it difficult to compete to bigger companies.

Therefore, strategic efforts are needed to improve the performance and sustainability of SMEs. One of the ways that can be done is by enriching the knowledge of SMEs people on financial expertise so that management and accountability can be better accounted for as befits a large company (Adomako et al., 2016; Sadat & Lin, 2018).

Financial literacy is an important thing that must be owned by SMEs manager in achieving success and improving business performance. However, there are still many people, including SMEs in Uganda, who do not understand financial literacy well. In the third National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2017, the financial literacy index reached 38.03%, and the financial inclusion index 76.19%. Based on the regional strata, for urban areas, the financial literacy index reached 41.41%, and the financial inclusion for urban communities was 83.60%. In comparison, the literacy index and financial inclusion for rural communities were 34.53% and 68.49% (OJKRI, 2017).

Low financial literacy level makes it difficult for SMEs to access funding because they are unable to produce financial reports properly and inaccurate financial management.

Good financial literacy can minimize financial risks that occur in corporate organizations because the financial risk attitude allows entrepreneurs to identify opportunities and risks associated with business and financial decisions. It is also found that financial risk attitudes affect the organization's financial decision-making process. Financial risk attitudes affect the survival and failure rates of companies, as well as their decision making (Gärling et al., 2009).

Based on previous research, there is an impact on financial literacy and access to finance on the performance of SMEs. According to Kimani & Ntoiti (2015), financial literacy allows entrepreneurs to make projections of income and expenditure, thus concluding that debt management, budget planning. Banking services and training on record-keeping that made it easier for them to access credit had a positive effect on business performance.

Also, some research (Aribawa, 2016; Dermawan, 2019; Dewi, Yurniwati, & Annisaa, 2018) obtained significant positive results between the effects of financial literacy, access to finance, and the performance of SMEs. Meanwhile, other research (Eresia-Eke & Raath, 2013; Fowowe, 2017; Kumalasari & Asandimitra, 2019; Olawale & Garwe, 2010; Sibanda, Hove-Sibanda, & Shava, 2018) show a significant negative effect of financial literacy, access to finance, and SMEs performance.

Previous research on the effect of financial literacy and financial risk attitudes on SMEs performance has also found several different results. According to Esiebugie, Richard, & Emmanuel (2018), the financial attitudes affect the performance of SMEs. However, most SMEs managers and owners have poor attitudes towards their financial activities. Their low future orientation evidence this, inability to take risks, and lack of participation in training programs that can promote their financial skills despite the knowledge of the importance of directing short-term activities towards the long-term goals of the company. Meanwhile, research by Eniola & Entebang (2017) shows that financial literacy has a significant effect on the performance and growth of SMEs.

However, financial attitudes do not have a substantial impact on company performance.
With there are still differences in previous research and based on the background of the research object, it is interesting for researchers to research the effect of financial literacy on the performance of SMEs through mediating access to finance and financial risk attitudes in Mukono Central division.

1.4 Objectives of the study

i) To establish the impact of Financial Literacy on SMEs Performance
ii) To determine the impact of access to Finance on SMEs Performance
iii) To assess Impact of Financial Risk Attitude on SMEs Performance

1.5 Research questions

i)What is the impact of Financial Literacy on SMEs performance?
ii)What is the impact of access to finance on performance of SMEs?
iii)What is the impact of financial risk attitude on performance of the performance of SMEs?

1.6 Scope of the study

1.6.1 Subject scope

The study will focus on credit access and performance of SMEs using selected SMEs in Mukono Municipality as the case study.

1.6.2 Geographical scope

The study will be carried out in Mukono municipality, Mukono District found in central region of Uganda about 24 kilometers from Kampala city

1.6.3 Time scope

The study will consider small scale businesses that have been in existence for at least five years and the researcher intends to carry out this study within a period of 4 months. This period will enable the researcher come up with coherent information from the respondents

1.7 Significance of the study

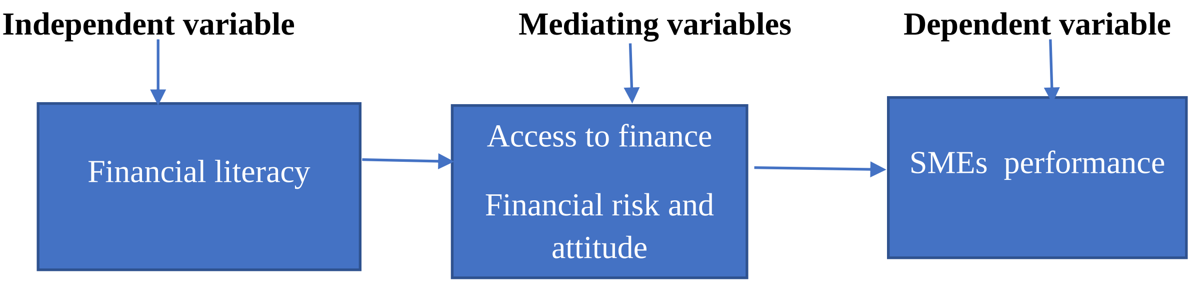
The information that will be captured in this research will assist owners of SMEs in determination of procedures and policies adopted by MFIs and other financial institutions from which they obtain financing.

It will help small entrepreneurs in tackling the stringent terms and conditions required by the financing institutions.

Micro-finance institutions will also use the information obtained from this study to determine in depth the various challenges SMEs face in their access to financing from inception through all stages of development.

The study will help future academicians when carrying out research of the same kind.

1.8 Conceptual Framework



The conceptual framework suggests that financial literacy has a direct influence on access to finance and financial risk attitude. Moreover, access to finance and financial risk attitude, in turn, mediate the relationship between financial literacy and SMEs performance. This framework implies that higher financial literacy can lead to better access to finance, a more favorable financial risk attitude, and ultimately improved performance for SMEs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on finance access and performance of small-scale businesses. It also deals with the actual review of literature that was done by previous scholars objective by objective. The rationale of the literature review is to discuss the existing literature with the objective of revealing contribution made by earlier scholars.

2.2 The impact of Financial Literacy on SMEs Performance

According to Remund (2010), financial literacy is knowledge of all the basics of finance, understanding financial concepts, and is used as an individual or individual or company decision-making. Meanwhile, Aribawa (2016) explains that financial literacy is knowledge of financial concepts, abilities, and skills related to financial concepts, skills in business management, the ability to make strategic business decisions, relatively precise and fast in certain situations. Moreover, Financial Services Authority of Indonesia (OJK) in 2016 defines that financial literacy is not limited to the understanding the product and services in financial institutions. This financial literacy can make the ability for people to arrange the financial goals, to compile financial planning, to manage finances and be able to make a good financial decision in using financial products and services.

Previous research argue that the level of personal financial literacy has an impact on their ability to make the right financial decisions. Knowledge of personal finance will affect their financial future (Chen & Volpe, 1998; Lusardi & Mitchell, 2011). The findings can also be adapted for companies. In this case, MSMEs that have good financial literacy will be able to make the right business decisions, have a business development orientation and be able to survive in their business. Furthermore, it is also found that the low level of financial literacy in financial statement will make the small business financial condition poorly (Dahmen & Rodríguez, 2014). Moreover, it is mentioned that the financial literacy will make the small business survive in the competition (Wise, 2013). Financial literacy refers to the financial knowledge and abilities which enable entrepreneurs to implement effective financial management strategies for their enterprises. Literacy is defined as the ability to read and write a well as knowledge and competence in a specified area (Atkinson, 2017). Financial literacy is defined as the degree to which one understands essential financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions

(Remund,2 010). Huston, (2010) acknowledged that a generally accepted definition of financial literacy among researchers did not exist and this has led to researchers developing their meaning of the construct. For that reason, Zuhair et al., (2015) argued that a lack of a commonly used definition was indicative of the fact that financial literacy was multi-dimensional and had a different meaning to researchers and academicians.

However, according to Klapper et al., (2012) financial literacy is a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing, this was basically in line with what Lusardi, (2013) said, that financial literacy is a blend of awareness, knowledge, skill, attitude, and behavior essential to make full financial decisions and ultimately accomplish individual financial well-being. Recently, Schuhen, (2014) convey the most and widely accepted definition for financial literacy all over the world consisting of three main pillars as financial knowledge, attitudes and behaviours.

However, financial literacy has got an increasing interest in both developed, and developing countries including Uganda. Nonetheless, Matewos, (2016) carry out a review on financial literacy for developing countries in Africa and the result showed low level of financial literacy in both developed and developing countries and concludes that policymakers and academics in African developing countries need to understand the level of financial literacy in the population, in order to devise suitable financial education and other related policy interventions to improve personal financial literacy for its benefits of enhancing individual socio-economic welfare and building an inclusive financial system and sustainable economic growth.

Consequently, according to Eresia-Eke and Raath, (2013) financial literacy is about discernment and making effective decisions on utilization of financial management. With that the person can use various substitutes for instituting financial objectives which relate to an individual knowledge of financial concepts and products which in turn affects the individual's value system and behavior, consequently impacting positively on the personal decision on financial matters (Fatoki, 2014). Notably, on the increasing complication of financial markets (Miller et al., 2009, Lusardi & Mitchell, 2013b) increasing cost of business failure (Chepkemoi et al., 2017, Lusardi & Tufano, 2015) which all demand personal financial management capability in both individual and business, are among the repeatedly cited reasons behind enhancing financial literacy in both developed and developing countries (Matewos, 2016).

Moreover, Matewos, (2016) emphasized that financial literacy is not only at the benefit of individuals or business, but is equally at the paramount interest of financial service providers and soundness of the financial system. Chepkemoi, (2017) studied the effects of financial literacy training on business profitability by SMEs in the coastal region of Kwale County on a sample of 74 SMEs drawn from the Kinang, Matuga and Msambweni. The findings revealed that financial literacy positively influenced the performance of SMEs and enhanced profitability. Four variables were examined: working capital management, savings, bookkeeping and financial accessibility skills, profitability being the dependent variable.

The findings concluded that financial literacy affected the profitability of SMEs. Additionally, the study was also in line with the findings of Sabana Beatrice, (2014) studied the influence of financial literacy and performance of microenterprises in Nairobi County, Kenya and the result established that financial literacy has a statistically significant influence on microenterprise performance. It is also consistent with a study carried out by Joseph, (2017) on the correlation between credit schemes and financial accessibility, and the findings establish a clear correlation between business performance and financial access.

In addition, it further confirms the findings of Jacqueline Siekei, (2013) who carried out a study on the effect of financial literacy education on performance of small businesses in Njoro, Kenya and established that training in financial awareness, budgeting and credit management improved the performance of entrepreneurial business owners. In confirming the influence of financial literacy on the business performance of entrepreneurs, the study achieved the fourth objective of the study by founding the influence of financial literacy on entrepreneurial business performance in Bauchi metropolis Nigeria. Moreover, Njoroge, (2013) studied the relationship between financial literacy and entrepreneur success among SMEs in Nairobi City County, Kenya and the findings established that financial literacy had a statistical significance influence on entrepreneurial business performance. Similarly, Cherugong Patrick, (2015) studied the effect of financial literacy on the performance of

SMEs among 85 small and medium scale enterprises in Trans Nzoia County and the findings established that financial literacy has a statistically significant effect on SMEs performance.

2.3 Impact of access to finance on SMEs performance

Access to finance is defined as the ability of individuals, households, entrepreneurs, and companies to access and utilize various financial services if they choose to do so (Adomako et al., 2016). Access to Finance increases financial inclusion and contributes to the deepening of the financial sector and overall economic growth. Financial inclusion aims to attract the unbanked population into a formal financial system to enable them to access a variety of financial services including savings, payments, money transfers, credit and insurance (Hannig & Jansen, 2010). Development theory also emphasizes the importance of access to finance in overcoming income inequality and achieving a country's economic growth (Nkundabanyanga et al., 2014). Access to finance also plays an essential role in the development of Small and Medium Enterprises (SMEs) (Kimani & Ntoiti, 2015; Nkuah et al., 2013).

Waithanji (2014) studied the relationship between of financial accessibility on the financial performance of small and medium enterprises in Kiambu County, Kenya. The study was done through the use of survey design. Out of the 2,061 SMEs licensed, the study randomly sampled 60 SMSs. The study found that there is a direct relationship of financial accessibility and financial performance of the companies. The study also concludes that the enterprises benefit from loans from microfinance institutions, the SMEs seek financial assistance from the MFIs due to interest rate, easy loan repayment and amount offered (Osoro and Muturi, 2013). There is need to provide an enabling environment for SMEs to grow and thrive, therefore there is a need to develop strategies to enhance increased access to financial accessibility by SMEs from commercial banks and microfinance institutions. In a related view, financial accessibility in Uganda provides assistance to SMEs in the area of accounting, financial management and entrepreneurship that complies with national accounting requirements and/or best practices, this will improve the performance of SMEs (Nkurunziza, 2015). The inaccessibility of credit and capital is a major impediment to the development of SMEs, particularly because it prevents them from acquiring the new technology that would make them more productive and more competitive.

Moreover, the results of previous studies found that financially literacy of the SMEs increase their access to financial resources through the timely dissemination of financial information that can be used to related parties, such as bankers or lenders, thereby convincing funders. However, SMEs with low financial knowledge, they find it challenging to access finance (Mashizha & Sibanda, 2017; Van Auken & Carraher, 2013). In addition, the result of previous studies found that financial literacy improves the physical access and feasibility of SMEs to financial resources, as well as makes finance more affordable and makes it easier to create a healthy capital structure, thereby improving business performance (Adomako et al., 2016; Cowling et al., 2014; Hussain et al., 2018; Kimani & Ntoiti, 2015). Measurement of the variable access to finance for MSME manager in this study consists of indicators of ownership and utilization of accounts for service providers and financial services which refers to Adomako et al. (2016).

There is a strong relationship between financial accessibility and performance of SMEs (Kasekende and Opondo, 2013). The inaccessibility of credit and capital is a major impediment to the development of SMEs, particularly because it prevents them from acquiring the new technology that would make them more productive and more competitive. Access to finance will provide assistance to SMEs in the area of accounting, financial management and entrepreneurship that complies with national accounting requirements and/or best practices, which will improve the performance of SMEs (Turyahebwa et al., 2013). Entrepreneurs and small business owners often turn to access to finance in order to establish or expand their business ventures. Business enterprises that choose this method of securing funding, which is commonly called debt financing, need to be aware of all components of those loan agreements, including interest.

According to Kelley and Nakosteen (2015), financial accessibility is not a problem as long as the borrowed money is invested in ventures with high rate of return. They however found out that for this to be achieved, a big amount of capital should be accessed by the borrowers in order for them to increase their levels of investment so as to enjoy economies of scale. Their finding was confirmed by Koech (2011) who found out that loan performance is influenced by the loan size and loan repayment period. According to him, the bigger the amount of borrowed money with longer repayment, period the better will be the liquidity of the enterprise as well as high levels of profitability that will be achieved after meeting the obligation of loan repayment

2.4 The Impact of financial risk attitude on SMEs Performance

There are two important measurements of financial risk attitudes, namely risk perception and risk propensity. Perceptions of risk play an important role in human behavior, especially in relation to decision making in uncertain situations. Perceived risk is defined as a person's assessment of a risky condition (uncertainty) which is strongly influenced by psychological factors and the decision-making situation. The degree of uncertainty will be evaluated and assessed differently by different decision makers. The tendency to risk is the tendency of a decision maker to take or avoid risks. The likelihood of risk changes as circumstances change so that it is considered an accumulated result of (Ye & Kulathunga, 2019). Business and financial risks are assumed to increase rapidly in line with economic instability in developing countries such as Indonesia. SMEs entrepreneurs must face challenging economic conditions and must be prepared to survive in the midst of global competition.

This explains that SMEs in emerging markets must manage risk efficiently to ensure the survival of their organizations (Oláh et al., 2019). Moreover, the results of previous research found a positive relationship between financial literacy and financial risk attitudes. High financial literacy can manage financial risk attitudes efficiently so that SMEs actors can solve problems and make decisions appropriately in running their business (Goswami, Hazarika, & Handique, 2017; Hsiao & Tsai, 2018). Measurement of the variable of financial risk attitudes of SMEs players in this study consists of indicators of risk perception and risk tendency which refers to the research of Ye & Kulathunga (2019).

SMEs are regarded as engines of economic growth and development in any given economy. According to Ariyo (2005), SMEs are responsible for about 97 percent of all businesses in Nigeria, employing about 50 percent of Nigeria's workforce and accounted for about 50 percent of the industrial outputs in the country. More so, SMEs facilitate, in a more equitable and decentralized manner economic growth distribution, eliminating concentrated populated areas, and facilitating equitable wealth distribution in an emerging economy. According to Ogechukwu (2011), SMEs are the active participants in mobilizing natural resources for businesses and assist in reducing the number of job seekers in the labor market.

The concept of performance can be viewed as the achievement of set goals. To small and medium enterprises, it connotes the rendering of a service or goods, which is acceptable to their potential customers who are willing to pay the price for such goods or services. The payment for the goods or services translates into survival, growth, and profit for the enterprise in question. In the opinion of Cokins (2004), the primary reason for embarking on performance measurement is to assist business operators to sense business uncertainties early and respond appropriately to them more quickly. However, the concept of performance measure is contextual in relation to enterprise, industry, and sector. The parameter for performance measurement has been a matter of debate amongst several authors. Several authors have developed methods, which includes operations, products or services, sales, employment, customer satisfaction, quality and flexibility, internal process perspective and survival, growth and sustainability in business. Performance measurement, according to Carton and Hofer (2006), is an important variable in business operation and research.

On the other hand, Bowman in 1979 established a negative relationship between profit and risk based on the fact that firms can increase profits while risk is reduced at the same time. By implication, if SMEs fails to handle its risk exposures, its performance level will drop and vice versa. In the same vein, Boermans (2011) revealed that there existed a significant negative relationship between financial constraints, risk and profits. Similarly, Qin and Pastory (2012) supported the assertion put forward by Boermans (2011).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methods that will be used in the study. It describes the research design, study population, sample size and selection, data collection methods and instruments, data analysis of quantitative and qualitative data and the measurement of variables

3.2 Research Design

The study will adopt a descriptive cross-sectional design using both qualitative and quantitative approaches. The cross-sectional approach will be used. The quantitative approach is used to answer the questions of how much and how many and was concerned with the casual relationships between variables. Qualitative approach will be used to examine the subjective experience of a phenomenon or process holistically and thoroughly when little is known about the topic

3.3 Study Population

The study will target a population of 100 registered small and medium enterprises, which comprises of retail shops, hardware shops, groceries, and dealers in general merchandise

3.4 Sample Size and Selection

A sample size of 62 respondents will be selected using statistical tables for Morgan and Krejcie (1970).

3.5 Sampling techniques and procedures

The researcher will use both probability sampling techniques like simple random sampling so that every business will be with a chance to be selected.

3.6 Data Collection Methods

The study will utilize both qualitative and quantitative methods of data collection.

Qualitative methods will involve the use of open-ended questionnaires and interviews while quantitative will involve the use of closed ended questionnaires.

3.6.1 Questionnaires Method

Questionnaire method will be used in the collection of quantitative data. The questionnaire method will help in eliciting specific responses which are easy to analyze. This method will be economical in terms of time management as questionnaires are easy to fill and will take less of respondents` time and that of the researcher in administering and analyzing them (Amin, 2005). The questionnaires will be issued to all the 62 selected respondents.

3.7 Data Collection Instruments

3.7.1 Questionnaires

A structured questionnaire with closed ended questions will be used to collect information from the randomly sampled respondents.

3.7.2 Interview Guide

The interview guide will be developed by the researcher to be used when conducting interviews for the purposive sampling strategy as guided by Marjorie (2003). Marjorie asserts that in every community, family, neighborhood, workplace and schools, there are people who have knowledge and skills to share.

3.8 Data Analysis

Data will be organized in a manner that facilitates analysis and it involves data being converted to numerical codes, a process known as coding. Completed questionnaires will be edited for completeness, accuracy, uniformity and comprehensiveness. The interview guide will be used to check the feedback from the respondents, noting the relationships between the given answers and asked questions. The data analysis will help the researcher to make conclusions on the previously stated hypothesis.

The data collected will be summarized using descriptive analysis such as frequencies and measures of central tendency that is; mean and standard deviation statistics by use of SPSS to enable the researcher meaningfully describe a distribution of scores or measurements. The data will be presented in the form of descriptive tabulations, percentages, frequencies, mean and standard deviation before a comprehensive analysis of statistics is generated to determine their relationships.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the study findings on financial literacy and performance of small-scale businesses. The first section presented response rate, this is followed by background information about the respondents, and finally descriptive and inferential presentation and analysis of the study findings in relation to the specific objectives.

4.2 Response rate

The response rate for this research was 95.2% which was high. Amin (2005) suggested that a high response rate also suggests more accurate survey results.

Table 1: Response rate

Number of questionnaires distributed to respondents	62
Number of questionnaires received back from respondents	59
Number of questionnaires not received back from respondents	3

Source: Primary data

$$\text{Response rate} = \frac{\text{received questionnaires}}{\text{Total questionnaires distributed}} = \frac{59 * 100}{62} = 95.2\%$$

This section gives the number of people who responded to the study against those which the researcher had targeted and also the characteristics of the respondents in relation to gender, age, level of education, current occupation and term of service. This was based on the information provided in the questionnaire and interviews by the respondents.

4.3 Biographic characteristics

4.3.1 Gender of the respondent

Table 2: Gender of the respondents

Sex	Frequency	Percentage %
Male	26	44
Female	33	56
Total	59	100

Source: Primary data

The table 2 above shows that 44% of the respondents were males compared to 56% counterparts who were females. The males were many compared to females.

4.3.2 Age bracket of the respondents.

Table 3: The age composition of respondents

Age bracket	Frequency	Percentage
21-30years	10	17
31-40years	14	24
41-50years	23	39
Above 50years	12	20
Total	**59**	**100**

Source: primary data

Results in table 3 above, show that 39% of the respondents were between the age of 41-50years. And 17% of the respondents were between the age of 21-30 years of age while 24% and20% of the respondents were between the age of 31-40 years and above 50 years respectively.

4.3.3 Education level

Table 4: Level of education attained by the different respondents.

Education level	Frequency	Percentage %
Certificates	5	8
Diploma	10	18
Bachelors	38	64
Masters	6	10
Total	**59**	**100**

Source: primary data

The result in table 4 above, show that 18% of respondents had a diploma, 64% of the respondents had bachelors, 8% of the residents had certificates and 10% had masters which means that people operating small scale businesses are literates.

4.3.4 Working experience

Table 5: Working experience of respondents

Working experience	Frequency	Percentage
1-5 years	39	66
From 6-10years	20	34
From 11-15years	0	0
From 16-20 years	0	0
Total	**59**	**100**

Source, primary data

Results in table 5, show that 66% of the respondents have been dealing in business for a period between 1-5 years and the 34% have been dealing with the bank for a period between 6-10 years.

4.4 To establish the impact of Financial Literacy on SMEs Performance

Table 6: Financial Literacy and performance of SMEs

Financial Literacy and performance of SMEs	**Mean**	**Standard deviation**
We can prepare monthly income reports	4.20	.738
We have received training on bookkeeping	4.19	.730
We know the documents required to get a loan from a bank	3.93	.828
We are knowledgeable and can prepare basic accounting bookkeeping	1.88	.966
We have a business savings account	1.86	.955

Source: Primary data

Table 6 above shows that the respondents agreed and as well as disagreed with the questions on financial literacy and SMEs performance. The standard deviation ranged from 0.738 to 0.955 which was relatively narrow suggesting that most means did not deviate from the central mean by a big margin. The overall results are indicative of mixed experiences of adequate credit risk monitoring

About item first which is monthly income reports findings show that business owners prepare monthly income reports. The mean score of 4.20 suggests that respondents generally perceive the book keeping to be positive and effective. Item 2 looked at training on bookkeeping and the findings show that many small-scale owners often receive book keeping training. With a mean score of 4.19, it appears that small scale business owners are benefiting from the training.

About the documents required to get a loan from a bank finding show that business owners know the documents required in order to secure a loan from the bank but many were saying that the collateral security is what is treasured most.

Furthermore, about the preparing basic accounting books findings suggest that many small-scale businesses however literate don't want to prepare the books of account and are not willing to learn. This aspect receives the lowest mean score of 1.88, it appears that respondents are not very satisfied with the effectiveness of book keeping.

Finally, item last about business savings account the findings show that most small businesses don't own savings account. However, it receives a slightly lower mean score of 1.86, indicates that respondents do not

4.5 To determine the impact of access to Finance on SMEs Performance

Table 7: Access to Finance on SMEs Performance

Access to Finance on SMEs Performance	**Mean**	**Standard deviation**
The loans provided are needed	2.46	1.250
The terms and conditions of the loans are favorable	2.51	1.251
The financial services offered by the bank help our businesses grow	2.41	1.191
The account opening charge fee is affordable	4.29	.911
The lending rates are also low and favorable	4.25	.902
Loans from SACCOS are better	2.31	1.235

Source: Primary data

About item 1, the mean value of 2.46 indicates that, on average, SMEs somewhat agree that the loans provided are needed. However, the relatively high standard deviation of 1.250 suggests that there might be significant variability in responses. Some SMEs may strongly agree that the loans are needed, while others may strongly disagree.

About whether the terms and conditions of the loans are favorable. The mean value of 2.51 suggests that, on average, SMEs somewhat agree that the terms and conditions of the loans are favorable. Similar to the previous item, the high standard deviation of 1.251 indicates that there is variability in perceptions among SMEs. In addition, about whether the financial services offered by the bank help businesses grow, the mean value of 2.41 indicates that, on average, SMEs somewhat agree that the financial services offered by the bank help their businesses grow. Again, the standard deviation of 1.191 suggests that there might be differing opinions among SMEs about the effectiveness of these financial services.

Item 4 the mean value of 4.29 indicates that, on average, SMEs find the account opening charge fee to be affordable. The relatively low standard deviation of 0.911 suggests that there is less variability in responses, meaning that SMEs generally agree that the fee is affordable. The mean value of 4.25 indicates that, on average, SMEs find the lending rates to be low and favorable. As with the previous item, the low standard deviation of 0.902 suggests that there is less variability in responses, meaning that SMEs generally agree that the lending rates are favorable.

And about whether the lending rates are favorable, the mean value of 2.31 suggests that, on average, SMEs somewhat agree that loans from SACCOS (Savings and Credit Cooperative Organizations) are better. The standard deviation of 1.235 indicates that there is variability in opinions among SMEs about the comparative advantages of loans from SACCOS.

In summary, the data in table above provides insights into how SMEs perceive various aspects of access to finance and its impact on their performance. The relatively high standard deviations for some items indicate differing opinions among SMEs. To draw more robust conclusions, further statistical analysis and comparison with other factors affecting SMEs' performance may be necessary.

4.6 To assess impact of Financial Risk Attitude on SMEs performance

Table 8: Risk Attitude on SMEs performance

Risk Attitude on SMEs performance	Mean	Standard deviation
SMEs with a high risk tolerance are more willing to take on higher levels of risk in their business activities.	2.22	1.190
Risk-taking can result in rapid growth and increased profitability.	2.25	1.154
Risk-tolerant SMEs are more likely to embrace innovation and adapt quickly to changing market conditions	2.32	1.224
Risk attitude can influence an SME's ability to secure financing	2.41	1.261
High-risk strategies can lead to rapid growth, but they also carry a higher chance of failure.	2.24	1.165

Source: Primary data

From the above table, all mean values are around 2, which suggests that the respondents are generally neutral on these statements about risk attitude and SME performance. Statements 3 and 4 have slightly higher mean values (2.32 and 2.41) compared to the other statements, indicating that respondents are somewhat more inclined to believe that risk-tolerant SMEs are more innovative and adaptable and that risk attitude affects their ability to secure financing. The standard deviations for all statements are relatively high, ranging from approximately 1.154 to 1.261. This indicates that there is a significant variation in respondents' opinions on these statements.

To sum it all, the data suggests that respondents have mixed views on the relationship between risk attitude and SME performance. While some agree that risk-taking can lead to growth and profitability, others acknowledge the potential for failure associated with high-risk strategies.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study investigated the influence of financial literacy on Smes performance through access to finance and financial risk attitude as mediation variables. This chapter presents a summary, discussion, conclusions and recommendations of the study on credit risk management and financial performance. The first section presents a summary of the study findings in relation to the specific objectives. This is followed by a discussion, conclusion, and recommendations of the study in relation to the objectives of the study. Limitations of the study, contributions of the study and recommendations for further studies are also presented in this chapter.

5.2 Summary of the key findings

5.2.1 Financial Literacy and performance of SMEs

Based on the research results, it is known that financial literacy has a positive influence on the performance of SMEs so that the first hypothesis is suspected that there is an effect of financial literacy on the performance of SMEs in Mukono to be accepted. So, this study also confirms and aligns with the previous studies according to (Adomako et al., 2016; Dahmen & Rodríguez, 2014; Fatoki, 2014; Kimani & Ntoiti, 2015; Wise, 2013).

In addition, it is noted that the SMEs managers have weakness regarding the loan from the bank then it is implied that the government need to find the way to enhance the capability of the manager in this knowledge as it is needed to finance the firm. Moreover, from the indicator of SME performance it also is found that the managers have difficulties in managing the cost. The results of this study serve as a warning to the Ugandan government to accelerate the SME skills and knowledge improvement program considering that this finding has been disclosed by several previous studies (Abiodun & Entebang, 2015; Tambunan)

5.2.2 Access to Finance on SMEs Performance

The data presented in the table provides valuable insights into how small and medium-sized enterprises (SMEs) perceive various aspects of access to finance and its impact on their performance. The mean values suggest that, on average, SMEs somewhat agree that loans provided are needed, the terms and conditions of the loans are favorable, and the financial services offered by the bank help their businesses grow. Furthermore, SMEs find the account opening charge fee to be affordable and consider the lending rates to be low and favorable. However, the relatively high standard deviations for some items indicate significant variability in responses, indicating differing opinions among SMEs. It's important to note that the mean value for comparing loans from SACCOS to those offered by the bank suggests that, on average, SMEs somewhat agree that SACCOS loans are better, but the standard deviation shows variability in opinions

The findings of this study confirm the previous studies of the hypothesis. The access to finance will enhance the performance of the SMEs (Kimani & Ntoiti, 2015; Nkuah et al., 2013). It is also found a positive impact of financial literacy on the access of finance (Mashizha & Sibanda, 2017; Van Auken & Carraher, 2013). Furthermore, this study also provide the positive impact of access to finance on the SMEs performance (Adomako et al., 2016; Claessens, 2006; Cowling et al., 2014; Hussain et al., 2018; Kimani & Ntoiti, 2015; Yang, Chen, Gu, & Fujita, 2019). In addition, this study also found that the manager of the SMEs has problems in access to finance as the proportion of the manager who are not familiar with the bank product are more than 30%.

5.2.3 Risk Attitude on SMEs performance

This study found the positive impact of financial risk attitude on MSMEs performance, confirming the findings of previous studies (Gärling et al., 2009; Oláh et al., 2019; Willebrands, Lammers, & Hartog, 2012). The findings also support the argument that people with higher level of financial literacy can manage financial risk attitudes efficiently so that SMEs can solve problems and make decisions appropriately in running their business (Goswami et al., 2017; Hsiao & Tsai, 2018; Widdowson & Hailwood, 2007). Finally, this study also explores the mediation role of financial risk attitudes on a positive relationship between financial literacy and SMEs performance. This result is in line with the previous research by Rooij, Lusardi & Alessie (2011).

From the above table of findings, all mean values are around 2, which suggests that the respondents are generally neutral on these statements about risk attitude and SME performance. Statements 3 and 4 have slightly higher mean values (2.32 and 2.41) compared to the other statements, indicating that respondents are somewhat more inclined to believe that risk-tolerant SMEs are more innovative and adaptable and that risk attitude affects their ability to secure financing. The standard deviations for all statements are relatively high, ranging from approximately 1.154 to 1.261. This indicates that there is a significant variation in respondents' opinions on these statements.

5.3 Conclusion

Financial Literacy and SME Performance. The research shows that financial literacy has a positive influence on the performance of SMEs in Mukono. This aligns with previous studies that have also demonstrated a similar positive relationship between financial literacy and SME performance. It is essential for the Ugandan government to accelerate SME skills and knowledge improvement programs, especially in areas related to managing loans and costs, as these were identified as areas of weakness for SME managers.

Access to Finance and SMEs Performance. Access to finance plays a crucial role in enhancing the performance of SMEs. The study highlights that SMEs generally agree that loans, terms, and financial services from banks are favorable. However, there is variability in opinions, indicating that some SMEs may still face challenges in accessing finance. The findings confirm previous studies that have also established a positive impact of access to finance on SME performance.

Risk Attitude and SMEs Performance. Financial risk attitude has a positive impact on SME performance. SMEs with a higher level of financial literacy can better manage financial risk, enabling them to make appropriate decisions and solve problems efficiently in their business operations. The study also explores the role of financial risk attitudes as a mediator in the relationship between financial literacy and SME performance, suggesting that having a positive risk attitude can enhance the benefits of financial literacy on SME performance.

Neutral Sentiments on Risk Attitude and SME Performance. Respondents generally expressed neutral sentiments on statements about risk attitude and SME performance. There is variation in opinions on whether risk-tolerant SMEs are more innovative and adaptable, as well as whether risk attitude affects their ability to secure financing.

In summary, the data indicates the importance of financial literacy, access to finance, and risk attitude in influencing SME performance. Addressing these factors and improving SME managers' skills and knowledge can have a positive impact on the growth and success of SMEs in Mukono, Uganda. Policymakers and relevant authorities should focus on implementing programs and policies that facilitate better financial literacy, improved access to finance, and foster a positive risk attitude among SMEs to support their development and economic contribution.

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QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY

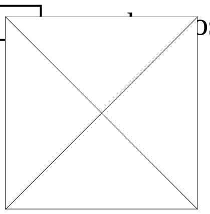
SCHOOL OF BUSINESS

I am Asiimwe Stella a student of Uganda Christian University conducting a research study on the "The influence of financial literacy on Smes performance through access to finance and financial risk attitude as mediation variables" using SMEs in Mukono as my case study as a requirement for the award of Bachelor's degree in Business and Administration of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SECTION A: Demographic Data

Please tick (√) in the appropriate box ☐ … ost agreed answer to the following statements.



1. Gender of the respondent.

☐ Male ☐ Female

2. Age group of the respondent.

☐ 21-30 years ☐ 31-40 years ☐ 41-50 years ☐ above 50 years

3. Education level of the respondent.

Primary level ☐ Secondary level ☐ Certificate level ☐

Diploma level ☐ Bachelor's level ☐ Masters Level ☐

Others specify……………………………………………………………………………………

4. For how long have you been working with this business

1- 5 years ☐ **6-10 years** ☐ **10-15 years** ☐ **16-20 years** ☐

SECTION B

Rate your degree of agreement on the influence of financial literacy on smes performance through access to finance and financial risk attitude as mediation variables using a scale of **5=Strongly agree, 4=Agree, 3=Not sure, 2=Disagree and 1=strongly disagree.**

A	**Financial Literacy and performance of SMEs**	**5**	**4**	**3**	**2**	**1**
1	We can prepare monthly income reports					
2	We have received training on bookkeeping					
3	We know the documents required to get a loan from a bank					
4	We are knowledgeable and can prepare basic accounting bookkeeping					
5	We have a business savings account					
B	**Access to Finance on SMEs Performance**					
6	The loans provided are needed					
7	The terms and conditions of the loans are favorable					
8	The financial services offered by the bank help our businesses grow					
9	The account opening charge fee is affordable					

10	The lending rates are also low and favorable					
11	Loans from SACCOS are better					
C	**Risk Attitude on SMEs performance**					
12	SMEs with a high-risk tolerance are more willing to take on higher levels of risk in their business activities.					
13	Risk-taking can result in rapid growth and increased profitability.					
14	Risk-tolerant SMEs are more likely to embrace innovation and adapt quickly to changing market conditions					
15	Risk attitude can influence an SME's ability to secure financing					
16	High-risk strategies can lead to rapid growth, but they also carry a higher chance of failure.					

Thank you

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