Financial Literacy and Performance of Small and Medium Sized Enterprises in Lira City

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Abstract

The study examined financial literacy and performance of small and medium sized enterprises in Lira City. Specific objectives included; to examine the relationship between cash management and SMEs performance in Lira City, to examine the relationship between savings and SMEs performance, to investigate the relationship between credit management and SME performance in Lira City and to examine relationship between book keeping and SMEs performance. The study used a descriptive and correlation research design. The study adopted mixed method using both quantitative and qualitative approaches. Stratified sampling was used to ensure that the diverse types of SMEs in Lira City were proportionally represented. Stratified Random Sampling was applied within each business sector and size group to ensure that the sample represented each subgroup proportionally. Quantitative data was obtained through closed- ended questionnaires and the qualitative data through, personal interviews and key informants 'interviews with the aid of interview guide. Data was analyzed using descriptive statistics, correlations and multiple regression models.

The findings indicate that key financial management practices such as saving, cash management, and credit management do not statistically correlate with the performance of SMEs in Lira City. However, bookkeeping practices show a significant positive correlation with SME performance. The regression analysis suggests that financial literacy; saving, cash management, credit management, and bookkeeping, though valuable, may not independently drive SME performance in Lira City. The study suggests that factors beyond financial literacy significantly influence SME performance. Future research could explore these additional variables in more depth.