Financial Literacy and Entrepreneurship Development Among Retail Micro Enterprises: A Case of Produce Dealers in Lira City

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Abstract

The government of Uganda has implemented several initiatives to enhance entrepreneurship development such the establishment of MSC in 2001 and the National Strategy for Financial Literacy (2019-2024) through the Bank of Uganda. However, entrepreneurship development remains sluggish, 70% of micro entrepreneurs still rely on informal sources such as personal savings, only 15% of micro entrepreneurs are engaged in innovative activities such as product development, technological adoption or process improvements and over 70% of startups fail within the first 3 years (Lira City Council Report, 2023). It's against this background that this study sought to establish the relationship between financial literacy and entrepreneurship development among retail trade produce micro enterprises in Lira city. The study specific objectives were to assess the effect of financial knowledge on entrepreneurship development among retail trade produce micro enterprises in Lira city, financial skills on entrepreneurship development among retail trade produce micro enterprises in Lira city and financial attitude on entrepreneurship development among retail trade produce micro enterprises in Lira City. The study was underpinned by the Human Capital Entrepreneurship Theory (HCET) and supported other theories. The study adopted a cross-sectional study design backed by a quantitative research approach, the study population was 340 registered produce dealers in Lira City with data collected from 181 registered produce dealers sampled randomly. Data was analyzed descriptively using mean, standard deviation and the coefficient of variation was established while regression analysis was conducted to establish the relationship between the variables. The study found out that financial knowledge was generally limited among the entrepreneurs studied with the model summary suggesting a weak to moderate positive relationship between financial knowledge and entrepreneurship development ($R = 0.35$, $p = 0.001$. The study also revealed that financial skill has a low effect on entrepreneurship development with the model summary suggesting a moderate positive relationship ($R = 0.41$, $p = 0.000$). The study further established a positive attitude toward savings, risk-taking, and debt management as they contribute significantly to entrepreneurship development with the model summary indicating a strong positive relationship between financial attitude and entrepreneurship development (R 0.62, P 0.002). Overall the model summary indicated a strong positive relationship between financial literacy and entrepreneurship development ($R = 0.58$, $p = 0.002$). The study concluded that financial knowledge has a low effect on entrepreneurship development among micro-retail produce enterprises in Lira City that financial skill has a low effect on entrepreneurship development in Lira City and that financial attitude has a significant effect on entrepreneurship development. Overall, the study concluded that financial literacy has a significant positive relationship with entrepreneurship development among micro-retail produce enterprises in Lira City. The study recommended among others implementing tailored financial literacy training Programs, strengthening financial management skills, encouraging positive financial attitudes, enhancing access to affordable financial resources and integrating financial literacy into entrepreneurial support policies.