



Electronic Theses and Dissertations

2020

Effects of financial literacy on the growth of micro enterprises funded by Uwezo fund in Nairobi County, Kenya

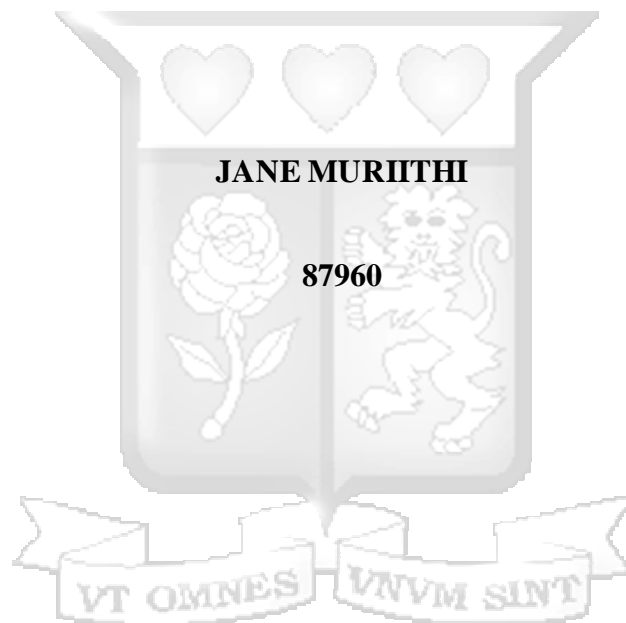
Muriithi, J. Wanjiru
Strathmore Business School
Strathmore University

Recommended Citation

Muriithi J. W. (2020). *Effects of financial literacy on the growth of micro enterprises funded by Uwezo fund in Nairobi County, Kenya* [Thesis, Strathmore University]. <http://hdl.handle.net/11071/12129>

Follow this and additional works at: <http://hdl.handle.net/11071/12129>

**EFFECTS OF FINANCIAL LITERACY ON THE GROWTH OF MICRO
ENTERPRISES FUNDED BY UWEZO FUND IN NAIROBI COUNTY, KENYA**

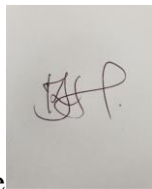


**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER IN
BUSINESS ADMINISTRATION AT STRATHMORE UNIVERSITY**

OCTOBER, 2020

DECLARATION

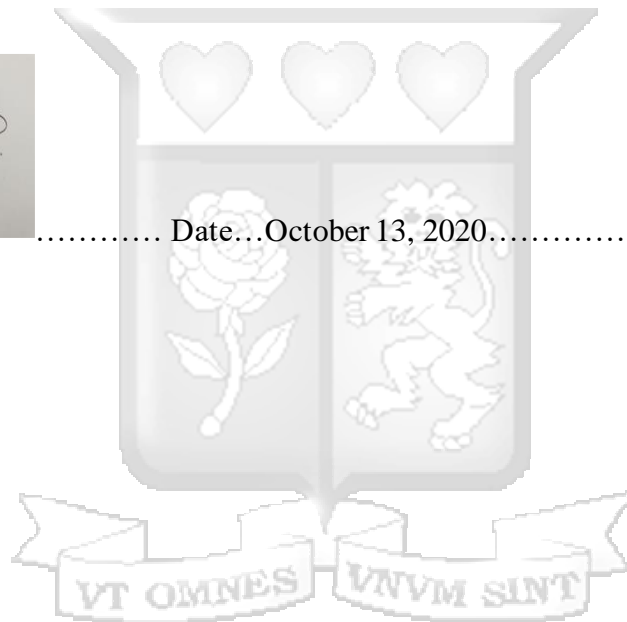
I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the dissertation itself.



Signature Date...October 13, 2020.....

Jane Muriithi

87960



Approval

This project has been reviewed and approved for examination purposes.

Sign..... Date.....

Dr. Joseph Onyango

Senior Lecturer, Strathmore University Business School

ABSTRACT

The need for financial literacy by micro enterprises has been emphasized by different scholars. Financial literacy is the mastery of a set of knowledge, attitudes and behaviors. The purpose of the study was to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya. Specifically, the study sought to establish the effects of debt management literacy, budgeting skills literacy, bookkeeping literacy and banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. This study used descriptive research design. The target population for this study was 1859 micro enterprise in Nairobi County that received a financing facility from Uwezo Fund, from where a sample of 329 respondents was selected. The study collected primary data using questionnaires. Quantitative data collected was analyzed by the use of descriptive statistics and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. The study adopted multiple regression models was used to establish the strength and direction of the relationship between the independent variables. The study established that debt financing literacy had a positive significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County; budgeting skills literacy had a positive and significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County; bookkeeping literacy had a positive and significant influence on the growth of micro enterprises funded by Uwezo Fund in Nairobi County and banking service literacy had a positive significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County. Therefore, increasing banking service literacy by a single unit will result to an increase in growth of micro enterprises. The study recommends UWEZO fund to educate its beneficiaries before extending loans to them; this will ensure their financial management is enhances. To enhance efficiency in budgeting, the study recommends micro enterprises to embrace updated software that keeps a detailed trail of destructions affecting the operations of the business in case of funds shortfall or late facilitation. In regard to the suggestions for the further studies, the study therefore suggests that a replication of the research study in other counties to facilitate comparison and generalization of the research findings. Additionally, this study suggests that a research should be conducted on challenges encountered when accessing Uwezo Fund and their effects on growth of micro enterprises. Finally, this study further suggests a replication of the research study in other enterprises funded by other organizations such as Youth Enterprise Development Fund (YEDF).

TABLE OF CONTENT

DECLARATION.....	ii
ABSTRACT.....	iii
TABLE OF CONTENT.....	iv
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
OPERATIONAL DEFINITION OF TERMS.....	ix
ABBREVIATIONS /ACRONYMS	xi
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem.....	9
1.3 Objective of the Study.....	10
1.4 Research Questions	11
1.5 Scope of the Study.....	11
1.6 Significance of the Study	12
CHAPTER TWO.....	13
LITERATURE REVIEW	13
2.1 Introduction.....	13
2.2 Theoretical Framework	13
2.3 Empirical Review	16
2.4 Summary of the Research Gaps	28
2.5 Operationalization of Variables	28
2.6 Conceptual Framework	29
CHAPTER THREE.....	31

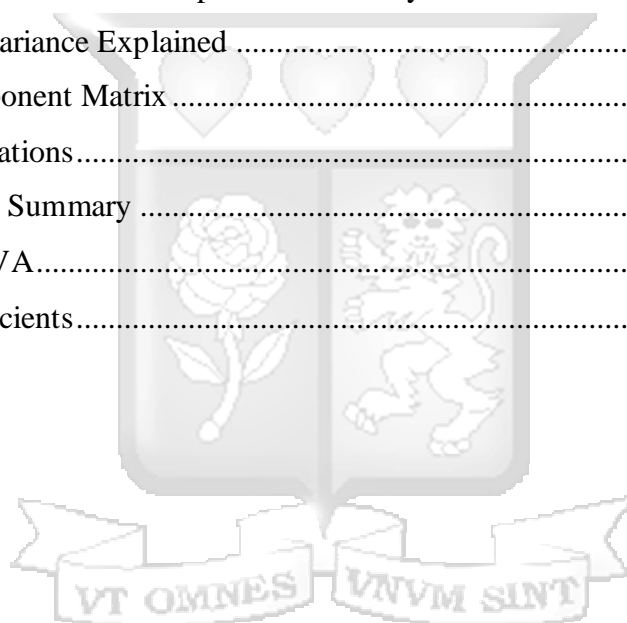
RESEARCH METHODOLOGY	31
3.1 Introduction.....	31
3.2 Research Design	31
3.3 Target Population	32
3.4 Sample and Sampling Techniques	33
3.5 Data Collection Instruments.....	34
3.6 Data Collection Procedure	35
3.7 Pilot Testing	35
3.8 Data Analysis and Presentation.....	37
3.9 Ethical Considerations.....	38
CHAPTER FOUR.....	40
DATA ANALYSIS, PRESENTATION AND INTERPRETATION	40
4.1 Introduction.....	40
4.2 Response Rate	40
4.3 Reliability Analysis	40
4.4 Demographic Information	41
4.5 Descriptive Statistics	43
4.6 Factor Analysis.....	50
4.7 Inferential Statistics.....	54
CHAPTER FIVE	61
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	61
5.1 Introduction.....	61
5.2 Summary of the Findings	61
5.3 Conclusions	64
5.4 Recommendations	66

5.5 Limitations of the Study.....	67
5.6 Suggestions for Further Studies	67
REFERENCES.....	68
APPENDICES	78
Appendix I: Questionnaire	78
Appendix II: Data Collection Sheet	81
Appendix III: Letter from NACOSTI	82



LIST OF TABLES

Table 3.1: Target Population.....	32
Table 3.2: Sample Size.....	34
Table 4.1: Response Rate.....	40
Table 4.2: Reliability Analysis	40
Table 4.3: Age of Respondents * Gender of the respondent Cross-tabulation.....	41
Table 4.4: Debt Management Literacy on the Growth of Micro Enterprises	44
Table 4.5: Budgeting Skills Literacy on the Growth of Micro Enterprises	45
Table 4.6: Bookkeeping Literacy on the Growth of Micro Enterprises	47
Table 4.7: Banking Services Literacy on the Growth of Micro Enterprises.....	48
Table 4.8: Growth of Micro Enterprises Funded By Uwezo Fund.....	49
Table 4.9: Total Variance Explained	50
Table 4. 10: Component Matrix.....	52
Table 4.11: Correlations.....	54
Table 4.12: Model Summary	56
Table 4.13: ANOVA.....	56
Table 4.14: Coefficients.....	57



LIST OF FIGURES

Figure 2.1: Conceptual Framework	29
Figure 4.1: Respondents Level of Education.....	43



OPERATIONAL DEFINITION OF TERMS

Banking services literacy In this study the term banking services literacy refers understanding on how different banking segments operate across customers, sales and distribution, products and services, people, process and technology (Lusardi & Mitchell, 2017).

Bookkeeping Literacy: It manifests as the ability to read and make sense of financial reports such as balance sheets and income statements (Kimmel, 2013). In this study it is understood as the ability to clearly understand and communicate financial situations and events.

Budgeting Skills Literacy: It is the utilization of planning to ensure that you live within your means, and don't spend more than you can afford (Van Weele, 2016). In this study it is defined as the ability by MFIs to plan and ensure their spending is within their limits.

Debt Management Literacy: It is the possession of skills that helps an individual to repay borrowed money or handle their debt better (Idowu, 2010). In this study it refers to the ability of MFIs owners to manage their debtors.

Financial Literacy: It is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their money (Miller, Godfrey, Levesque & Stark, 2019). In this study it refers to the ability of MFI

owners to make informed decisions regarding money management.

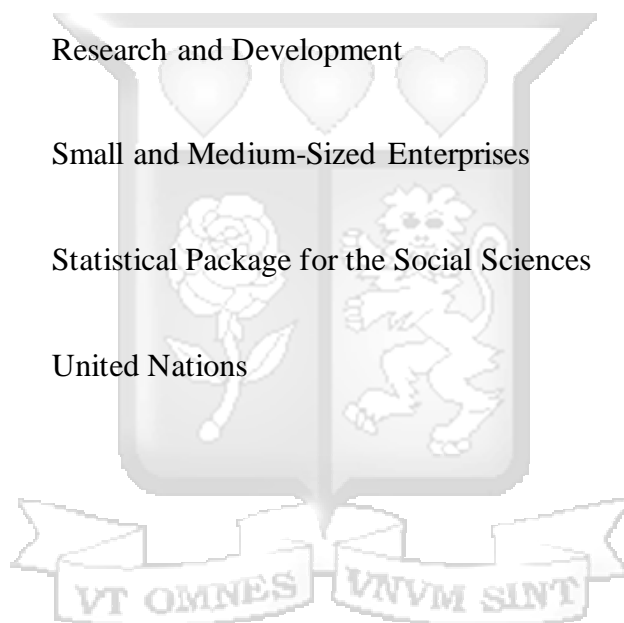
Uwezo Fund

It is a flagship programme for vision 2030 aimed at enabling women, youth and persons with disability access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Millennium Development Goals No.1 (eradicate extreme poverty and hunger) and 3 (promote gender equality and empower women) (Uwezo fund, 2020).



ABBREVIATIONS /ACRONYMS

FSD	Fin Access Household Survey
GDP	Gross Domestic Product
GoK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
MSEs	Micro and Small Enterprises
R&D	Research and Development
SME's	Small and Medium-Sized Enterprises
SPSS	Statistical Package for the Social Sciences
UN	United Nations



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Growth forms one of the fundamental business goals and represents a stage where the business attains the level at which it expands and pursues additional options to generate more revenue (ADB, 2018). Growth can be represented as a function of the business lifecycle, industry growth trends, and the owner's desire for equity value creation. It is paramount that entrepreneurs cultivate an environment that fosters a growth climate for their enterprises as this often translates to superior business performance (World Bank, 2016). Growth plays a significant role to long-term survival of a firm. In addition, it builds the capacity of a business to acquire new assets, attract new business lines and enhance the sources of funds for new investments. Lastly, growth also helps in driving business performance and profit.

Globally, economies continue to rely on microenterprise to play a key role in triggering and sustaining economic growth and equitable development. Micro enterprise are facilitators for broad-based growth in competition, entrepreneurship and offer economy-wide benefits such as innovation and aggregate productivity growth (Tarfasa, Ferede, Kebede & Behailu, 2016). Microenterprises contribute largely to output, employment in both developed and developing countries and contribute greatly to the revitalization of the global economy and of individual national economies (Paul, 2009).

Despite the importance of microenterprise to the countries, their failures rate is high across Africa. In South Africa, Anon (2010) stated that microenterprise failure rate is as high as 63% in the first two years of trading; it also stated that the reasons therefore included poor management and a lack of structure and infrastructure. However, the lack of financial

literacy seemed to be the biggest reason (Ibid). Moreover, Atkinson & Messy, (2012) reported that financial literacy has become essential in the running of any enterprise and operations of organizations in the complex and dynamic environment today.

In Kenya, microenterprises are acknowledged as significant contributors towards economic growth and are estimated to contribute 20% and 72% to the GDP and employment respectively (GoK, 2015). They also provide fertile ground for grooming medium sized and large enterprises that are vital for economic development. Like the rest of the world Kenyan entrepreneurs are faced with numerous challenges in running their microenterprises. The Kenya National Bureau of Statistics (2017) estimates that majority of microenterprises do not survive the first five years since establishment and three out of five new businesses fail within the first few months of operation.

Ijaza, Mwangi and Ngetich, (2014) asserted that the introduction of Uwezo fund has greatly eased access to microcredit for the rural poor since finding start up finance for an enterprise is the biggest hurdle that many entrepreneurs go through. Unlike other development funds that filter from the central government through larger and more layers of administrative organs and bureaucracies, funds under Uwezo Fund go directly to local levels to enhance livelihoods through expanding access and promotion of youth and women businesses and gainful self-employment at the constituencies. The minimal interest rates charged on the loan of 0% to a maximum of 1% is also business friendly and enables access to sustainable financial services. It is mandatory for those accessing Uwezo fund to undergo financial literacy training before being given the funds. This is aimed at helping individuals to become self-sufficient so that they can achieve financial stability.

The Kenya Private Sector Alliance 2017 report indicates that microenterprises are facing a mountain of challenges and are struggling to register growth. Karambu (2017) opined that most Kenyan microenterprises have a sluggish growth rate and three out of five microenterprises will fail in their first years of operation. The Kenya National Bureau of Statistics (2017) asserts that approximately 500,000 microenterprises in Kenya close doors every year. Further the KNBS report observes that approximately 2.2 million microenterprises collapsed between the year 2012 and 2016. It is against this background that the study sought to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

1.1.1 Financial Literacy

Financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their money. This concept focuses on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning (Fatoki, 2014). Additionally, Wallitsch (2014) opined that financial literacy also involves the proficiency of financial principles and concepts such as financial planning, compound interest, managing debt, profitable savings techniques and the time value of money. It also involves debt management, budgeting skills, bookkeeping and banking services. Debt management is an approach that is adopted to guide an individual or business organization to manage its debt. A budget is a financial document that states the expected contribution from the activities of an organization in terms of expected cash or revenues and expenditures over a certain period of time (Jims, 2014).

Lusimbo and Muturi (2016) cite that book keeping is an important accounting process that involves recording of all business transactions for sustaining and expanding a business. Enterprises require records to be used by managers as guides for routine action, decision making, and formulation of policies and maintaining relationships with stakeholders. Further, Ageyi, (2014) noted that banking knowledge enable businesses to manage their money, have access to credit, and deposit their money in a secure manner. The lack of financial literacy or financial illiteracy may lead to making poor financial choices that can have negative consequences on the financial well- being of an individual.

The need for financial literacy by micro enterprises has been emphasized by different scholars. Financial literacy is the mastery of a set of knowledge, attitudes and behaviors. Nkundabanyanga and Kasozi (2014) define financial literacy as the ability of an individual to make informed judgment and take effective decisions regarding the use and management of money. They added that such person also possesses a facilitating attitude to the effective and responsible management of financial affairs. That is the ability to read, analyses, manage and communicate personal financial conditions that affect well-being and the ability to distinguish financial choices, discuss money and financial issues without discomfort. It has assumed the role in allowing people to make responsible decisions as they strive to attain financial wellbeing (Ani, Kelmara & Wesley, 2016).

Financial literacy has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today. Atkinson and Messy (2012) added that governments around the world are interested in finding effective approaches of improving financial literacy of their populations through developing strategies for financial education with the main aim of providing various learning opportunities. Tali, (2016) in conclusion underpins that many countries have developed strategies for the implementation

of financial education to improve financial literacy of their population as it is perceived as a life skill necessary for intelligent financial conduct in modern life and an important basis for the economic and financial stability of society and the state.

1.1.2 Growth of Micro-Enterprises

A micro-enterprise is a type of small business, often registered, having five or fewer employees and requiring seed capital of not more than \$35,000. Bravo-Biosca, Criscuolo, and Menon (2016) holds that growth involves an expansion of an enterprises activities or engagements as reflected by an extension of their sales, income and assets levels. Growth is one of the key objectives of small businesses as they work towards becoming large entities and expanding the shareholder wealth. Business growth is a function of the business lifecycle, industry growth trends, and the owners' desire for equity value creation.

Storey (2016) contends that growth involves the process by which enterprises expand specific lines of achievement as established in their goals of profit and shareholder wealth maximisation. Business growth can be achieved either by boosting the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimizing costs. The indicators of business growth include assets growth, sales growth and profit or income expansion (Koryak, Mole, Lockett, Hayton, Ucbasaran & Hodgkinson, 2015).

Bekaert and Hodrick (2017) purports that sales growth is the parameter which is used to measure the performance of the sales team to increase the revenue over a pre-determined period of time. Sales growth is an essential element for survival and financial growth of the company. Moreover, Storey (2016) underscores that sales growth represents the increase in revenue over a fixed period of time. It ideally represents the proportion by which the

average sales volume of a company's products or services has grown, typically from year to year. To effectively understand the proportion and direction of sales growth, a business needs to have current and historical sales revenue information. Conversely, Banerjee (2015) opined that assets growth reflects an increase in the total assets' levels of the firm. Small businesses will ideally have fewer assets which increase as the business continues to grow and expand. Just as the sales growth, computation of assets growth requires historical information regarding the assets at firms disposal from one period to the other.

Net Income growth or profit growth represents an expansion in the firm's profit figures (Petty, Zuckerberg & Pauli, 2015). One of the key goals of the firm is profit maximisation which is realised by ensuring that capacity to expand sales and competitive position is enhanced. Profit or income represents the amount of money realised by a firm after deducting expenses. Profits do change from one period to the other; year to year, or even month to month. To compute profit growth, analysts use a percent-change formula. This shows the percentage the profit grew from one period to another (Banerjee, 2015). The current study used the three parameters of business growth; assets growth, revenue (sales) growth and profit growth to indicate microenterprises growth.

1.1.3 Financial Literacy and Micro-Enterprises

Financial literacy impacts microenterprises by enabling entrepreneurs to distinguish between personal and business finances as well as enabling them to be competent buyers of financial products and services. Financial literacy also enables microenterprises to avoid business failures caused by poor financial management, particularly credit management and cash flow management (ACCA, 2014). Despite the important role of financial literacy, Klein (2010) indicated that while modern technology, investments, and liberalization have made new financial products and services widely available, a

majority of entrepreneurs are not equipped to make informed financial choices or to evaluate complex financial products. Lack of financial literacy is one of the common deficiencies among microenterprises owners which contribute to the high failure rates among micro businesses (Ibid).

Kempson (2013) reiterated that even after controlling for other relevant variables, microenterprises in developing countries performed worse than other businesses on standardised assessments of their ability to monitor expenses, to budget, and to live within their means. Conversely, Wise (2013) reviewed the impact of financial literacy on microenterprises in Canada and established that increases in financial literacy led to more frequent production of financial statements which contributed to more effective management of the enterprises. Barte (2012) conducted a study on evaluation on financial literacy in microenterprises in Philippines, established that the microenterprises owners had low financial skills which affected the incomes and growth of the microenterprises. This study aims to effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

1.1.4 Uwezo Fund

The Uwezo Fund is a flagship program for Kenya's vision 2030 aimed at enabling women, youth and persons with disability access finances to promote businesses and enterprises at the constituency level, thereby enhancing economic growth towards the realization of the same and the Millennium Development Goals no.1 which is to eradicate extreme poverty and hunger, and no. 3 which is to promote gender equality and empower women. The Fund was launched by His Excellency the President of the Republic of Kenya, Uhuru Kenyatta, on 8th September 2013 and enacted through a Legal Notice No. 21 of the Public Finance Management Act, 2014, and published on 21st February 2014 (Buyema, 2013). The Uwezo

Fund monies come from the Kshs. 6 Billion meant for Presidential run-off that was left unused (Obonyo, 2014). Buyema (2013) acknowledged that Uwezo Fund is available to women, Persons living with disability and youth groups and is distributed at the constituency level. At the National level, a National Uwezo Fund Oversight Board provides overall management, design and oversight of the Fund. The fund is administered through the Constituency Uwezo Fund Management Committees who oversees implementation of the fund in all 290 constituencies in Kenya.

1.1.5 Micro Enterprises in Nairobi County

The Government of Kenya, through the Microenterprise Act, 2012 defines a micro-enterprise as a firm, trade, service, industry or a business activity which employs less than ten people and whose annual turnover does not exceed five hundred thousand shillings (GoK, 2012). The sector plays an important role in the Kenyan economy contributing about 82% of total employment and over 40% of the country's GDP (KNBS, 2013). Nairobi County has the largest concentration of microenterprises in Kenya, providing about 25% of total employment in the sector (Ibid).

UN Habitat (2006) reiterated that despite its important role, the microenterprise/informal sector in Nairobi treated as a marginal economic activity and it is neither adequately regulated nor supported by the city authorities who consider informal traders as threats to city development. In addition to external challenges, Mengich, Ndalira & Juma (2013) indicated that microenterprises in Nairobi County are constrained by weak financial literacy, financial access and high transaction costs. A review of current studies on the relationship between financial literacy, financial access and transaction costs and the

performance of microenterprises has identified conceptual, contextual and empirical gaps which this study aims to address.

1.2 Statement of the Problem

Microenterprises are key drivers of economic growth, providing employment, providing market linkages across various sectors, promoting innovation, reducing poverty and contributing to GDP in both developed and developing countries (Cole, Thomas & Bilal, 2010). In Kenya, microenterprises create over 50% of all jobs and contribute over 40% of the country's GDP (KNBS, 2013). However, Njoroge (2013) noted that majority of entrepreneurs in Kenya suffer from weak levels of financial literacy, limited access to financial services as well as exposing them to high transaction costs of financial services. This leads to the low prevalence of new venture creation, low graduation rates and ultimately the high failure rate among microenterprises thus contributing to the missing middle phenomenon that is so prevalent in the economy (Mengich, Ndalira & Juma, 2013).

Kenyan government has over recent years increased funding of micro enterprise through Uwezo fund by increasing annual fiscal allocations by the national treasury (Uwezo Fund Status Report, 2018). The Uwezo Fund will be scaled up by Ksh.2.5 billion to cover additional 500,000 beneficiaries (Third Medium Term Plan 2018 – 2022). Uwezo Fund had disbursed more than Sh5.8 billion to an estimated 960,000 beneficiaries. Despite the importance of microenterprise to the countries and government financing, their failures rate is high around the world. Anon (2010) stated that microenterprise failure rate is as high as 63% in the first two years of trading; it also stated that the reasons therefore included poor management and a lack of structure and infrastructure. However, the lack of financial literacy seemed to be the biggest reason (Ibid). Remarkably, Atkinson and Messy (2012)

cited that financial literacy has become essential in the running of any enterprise and operations of organizations in the complex and dynamic environment today. There is need therefore, to establish the effects of financial literacy on the growth of micro enterprises.

Empirical studies reviewed present both convergent and divergent views on the role of financial literacy on the growth of micro enterprise. Usama (2019) studied the impact of financial literacy on business performance. Chepngetch (2016) studied the effect of financial literacy and performance SMEs. Financial literacy has also been associated with positive behaviors such as debt management, increased savings, wealth accumulation and avoidance of over indebtedness (Lusardi & Mitchell, 2011; Mastercard, 2011; Obago, 2014). Oblivious of financial literacy being paramount in achieving the Big Four Agenda by the president and Vision 2030, there is limited empirical evidence on the effects of financial literacy on the growth of micro enterprises, thereby presenting a knowledge gap which this study sought to fill by establishing the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya

1.3 Objective of the Study

1.3.1 General Objective

The general objective of the study was to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya

1.3.2 Specific Objective

The study was guided by the following specific objective;

- i. To establish the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County

- ii. To analyze the effects of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County
- iii. To assess the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County
- iv. To determine the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County

1.4 Research Questions

The following research questions informed the study

- i. What are the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County?
- ii. To what extent does budgeting skills literacy affect the growth of micro enterprises funded by Uwezo Fund in Nairobi County?
- iii. Does bookkeeping literacy affect the growth of micro enterprises funded by Uwezo Fund in Nairobi County?
- iv. What are the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County?

1.5 Scope of the Study

This study was limited to establishing of the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya. Nairobi was selected because it has the largest number of micro enterprises (1859) and receives the highest amount of funds from Uwezo fund. Specifically, the study sought to establish the effects of debt management literacy, budgeting skills literacy, bookkeeping literacy and banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The study targeted the owners of micro enterprise in Nairobi County that have

been funded by Uwezo Fund, from where the sample size of the study was selected. The unit of analysis was the micro enterprises while the unit of observation was owners of the micro enterprises. The study collected financial information for a period of five years between 2014 and 2018 to determine the growth of the micro enterprises.

1.6 Significance of the Study

The following categories of stakeholders seeks to draw benefit from this study; owners of micro enterprises, policy makers, scholars and academicians.

1.6.1 Owners of Micro Enterprises

The study findings seek to significantly inform owner's micro enterprises. It provides an understanding on financial literacy on the growth of micro enterprises. The owners of the micro enterprises will ensure that they gain financial knowledge through learning so as to run their business efficiently.

1.6.2 Policy Makers

The study findings are also considered to be of great value to the policy makers. It provides insights on effects of financial literacy on the growth of micro enterprises. The policy makers are able to come up with strategies of educating owners of micro enterprises on financial matters so that they can manage their business finances effectively.

1.6.3 Academicians and Scholars

The study anticipates that it will add value to the body of knowledge on effects of financial literacy on the growth of micro enterprises. Researchers and academicians may gain more understanding on financial literature. The study can also be used as a reference for future related studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on literature review on the effects of financial literacy on the growth of micro enterprises. It covers the theoretical review, empirical review, research gaps and the conceptual framework.

2.2 Theoretical Framework

This study was informed by Theory of Planned Behavior (TPB) and personal finance education as well as dual process theory to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya. The two theories were utilised in complimenting the aims of the four specific objectives.

2.2.1 Theory of Planned Behavior (TPB) and Personal Finance Education

The Theory of Planned Behavior (TPB) draws its origin from the Theory of Reasoned Action (TRA; Fishbein & Ajzen, 1975). According to the TRA tenets, behavior is predicted using attitudes toward a specific behavior and subjective norms to form a behavioral intention that determines the actual behavior. Ajzen (1991) modified the TRA to create the TPB. The TPB introduced the concept of perceived control on the opportunities, resources, and skills necessary to perform a behavior to the TRA. The notion of perceived behavioral control is comparable to the notion of self-efficacy person's perception of individual to perform the behavior. TPB was employed to underpin the framework due to its ability to capture the predictive power of financial behavior (Ibid).

TPB illustrates attitudes as an important determinant of individual's intention towards changing financial behavior. Attitude manifests individual's specific behavior, whether to like or dislike certain outcomes. An individual may react positively on certain thing if they

perceived it to be good for them or react vice-versa. Thus, the study perceives owners of micro enterprises are equipped with basic financial literacy to have a positive attitude towards changing their financial behavior (Ajzen 1991; Ozmete & Hira, 2011).

Normative and behavioral beliefs in TPB are able to convey financial messages to encourage people to make right financial decisions. Social norm is social pressure influencing intention to change financial behavior of individual. The surrounding pressure towards an individual dictates how she or he behaves according to the normative belief of other people. In certain occasion, an individual may refer to their social referent such as spouse, family or peers to get their opinion on a certain thing that may change their financial behavior (Ajzen, 1991). Their social influence will depend on who are the individual preferred social referent and their willingness to act according to these preferences.

Ajzen and Madden (1986) acknowledged that attitudes and social norms would affect behavior by endorsing the establishment of a decision or intention to act. The TPB therefore suggested that social norm should be measured along with attitude in order to capture both social and personal influences on behavior. Perceived behavioral control is another important predictor of behavioral intentions in TPB. The ease or difficulty to perform a given behavior largely depends on the individual's perception in perceived behavioral control. The presence or absence of important resources or opportunities does not deter someone to perform certain behaviors as perceived behavioral control is dependent on control beliefs.

The theory was used in the study to explain financial literacy. From the theory attitude, normative and behavioral beliefs influence financial behavior. This means that attitude, normative and behavioral beliefs would influence financial behaviors such as debt

management, budgeting, booking and banking behavior. Also from the theory individual attitude would influence their decision to take Uwezo funds for investments. Therefore the theory explains the effects of financial literacy on the growth of micro enterprises.

2.2.2 The Dual –Process Theory

Petty and Cacioppo proposed a dual process theory focused in the field of social psychology in 1984. Their theory is commonly referred to as the elaboration likelihood model of persuasion. In their theory, there are two different routes to persuasion in making decisions. This theory posits that financial decisions can be driven by both intuitive and cognitive processes which mean that financial literacy may not always yield optimal financial decisions. The Dual Process Financial literacy theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles: intuition (system 1) and cognition (system 2) (Lusardi & Mitchell, 2011; Glaser & Walther, 2014).

Intuition is the ability to acquire knowledge without inference or the use of reason. Intuition provides views, understandings, judgments, or beliefs that cannot be empirically verified or rationally justified. Taylor (1981) as cited by Chan and Park (2013) asserts that individuals who rely on intuition prefer to use mental short cuts as they make decisions which tend to be largely influenced by their emotions. Glaser and Walther (2014) point out that the positive effect of financial literacy on reasonable investment decisions is diminished by a high prevalence of intuition. Therefore, increased use of intuition results to sub optimal investment decisions.

Cognition on the other hand is the process by which the sensory input is transformed, reduced, elaborated, stored, recovered, and used. Cognition is the mental processing that

includes the comprehending, calculating, reasoning, problem solving and decision making (Chan & Park, 2013). High cognition individuals enjoy thinking, are analytical and are better at retaining information and more likely to search out new information. They are more likely to be influenced by a relevant message and not by irrelevant information such as endorser's appearance or use of humor (Ibid). Since the need for cognition triggers the use of analytical process, it can directly shape investment portfolio composition. Such investors will therefore more likely use the systematic approach of capital budgeting when evaluating investment opportunities and are more likely to diversify investments compared to those with a low need for cognition.

Dual process theories imply that individuals who are high on cognition will seek out for information and are more likely to be influenced by a relevant message. This means that their decision-making skills can be boosted by financial literacy training using simple easy to understand methodologies. Moreover, use of intuition may be reduced by provision of relevant information to support decision making through financial education since individuals tend to rely on intuition where relevant information is lacking. However optimal results may not be achieved where individuals trust their intuitions in decision making. The theory guides micro-entrepreneurs in making decisions on the investments they should undertake. This also guides them on the decision on whether to take funds for their businesses. The study used the dual process theory as it sought to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

2.3 Empirical Review

The existing empirical literature in relation to effects of financial literacy on the growth of micro enterprises was reviewed. Specifically, the study reviewed the empirical literature

on the debt management literacy and growth of micro enterprises, budgeting skills and growth of micro enterprises, bookkeeping literacy and growth of micro enterprises, banking services literacy and growth of micro enterprises and growth of micro enterprise.

2.3.1 Debt Management Literacy and Growth of Micro Enterprises

Debt management is the ability to perform activities of a business within a budget. A plan is usually created to help people manage their debts especially those with too much debt, often referred to as debt management plan (Assibey, 2010). Sucuahi (2013) emphasized that debt management skill is a necessary financial literacy measure that gives the ability to obtain capital at a minimum cost. Assibey (2010) noted that microenterprises entrepreneurs are not financially literate when it comes to the aspect of obtaining finance for their business.

Lusardi and Mitchell (2013) in a study on debt literacy, financial experiences and over indebtedness among Americans found that only one-third of respondents in the target population could apply concepts of interest compounding to everyday situations or understand the workings of credit cards. They further established that debt illiteracy is particularly severe among women, the elderly, minorities, and those who are divorced or separated. Problems resulting from poor financial management also affect the productivity of employees.

Obago (2014) found that many employees suffer from stress as a result of money problem behaviors which include: over-indebtedness, overspending, unwise use of credit, poor money management and inadequate resources to make ends meet which impacts negatively on their productivity at work. As a result of these employee problems, many companies in

the United States adopted financial education at workplaces aimed at equipping their employees with personal financial management skills.

Lusardi and Mitchell (2011) studied the impact of literacy levels on entrepreneurs performance revealed that persons of limited financial literacy are more prone to exploitations when it comes to debt management, savings and credit, and are not able to administer their resources competitively e.g. investing in the money market, stock market and to perform better on their portfolio selection hence they end up planning poorly while individuals with high financial literacy are able to choose a feasible portfolio with lower finance cost. Furthermore, the study found out that the individuals with high financial literacy have the capacity to generate more wealth and be in a position to administer resources more optimally with less finance cost.

Sieki, Wagoki and Kalio (2013) conducted a research on access of finances and financial literacy and found that accessing funds is a key element for MSEs to produce, create employment, compete in the market, business growth and eradicate poverty in the developing countries. The study indicate the constraints by the SMEs in the financial institutions due to formalizations structure thus the fail to meet the criteria set by the financiers as a proof of their ability to repay the loans advanced and this makes them to be denied finances and tagged as a risky venture. These formal sources of external finance challenges makes SME's investment contribution lesser than the already established firms.

SMEs mostly rely of the informal sources of income such as unregulated money lenders, family and friends advances and this creates bottlenecks on their growth. However, although these informal sources are an alternative, self-financing is constrained by low saving capabilities of most SME's. The Financial Capability Report (2009) reveals that a

significant population of Kenyans i.e. 25% has credit difficulties and tends to borrow loans to repay loans and admit that they are not in control of their finances. Therefore, acquisition of financial literacy skills would have a positive impact on an individual's behaviors in terms of increased savings, wealth accumulation and avoidance of unnecessary expenses. This would make MSE managers better customers for the banks, prudent managers of the limited financial resources in their businesses and better able to select the most suitable products for their businesses.

The reviewed studies have focused on debt management literacy though the results were varied. The deliberations of the empirical literature are specifically on the debt management literacy of the entrepreneurs. This study filled the knowledge gap by establishing the effect of debt management literacy and growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

2.3.2 Budgeting Skills and Growth of Micro Enterprises

Budgeting Skills is the process of preparing, compiling, and monitoring financial budgets (Plakalovi, 2015). Budgeting is a key management tool for planning and controlling departments within an organization. Budgeting is an aid to better management of an enterprise and helps to achieve higher profits and minimize losses (Robb, 2014). Organizations prepare budgets for the process of planning to allocate resources that are limited human, physical, and financial resources. Budgets often use historical data to be formulated and as the firm grows, the accuracy of its budget becomes almost perfect because of the many historical data to draw from (Jims, 2014). Although a budget may not be hundred percent accurate, it aids to better management of an enterprise.

Kalekye and Memba (2012) posited that budgeting incomes and expenditure is the most important factor of business financial management and in order to do it correctly financial literacy knowledge is vital. In their study of management accounting practices among Malaysian firms in SMEs sector, Ahmad and Mohamed (2012) found out that majority of the respondents indicated a high utilization of financial budgets. The respondents also revealed that 12 months was their budgeting time frame. Rickards (2018) also conducted a survey among SME practicing budgeting in western and Central Europe. They discovered that more than 40% of those surveyed only reviewed their strategic goals at least once a year, while majority of them only did so less frequently.

In their study of companies that operate without budgets, Østergren and Stensaker (2011) concluded that beyond budgeting promoted more horizontal integration as managers and subordinates made much more contact with one another and those working in the financial department such as financial controllers became more empowered. Zeller and Metzger (2013) argued that most leading organizations made use of rolling forecast either as a replacement of the traditional budgeting in order to navigate through the complex business environment. However, Ahmad and Mohamed (2012) reported that continuous rolling budgets were only undertaken by 50% of the respondents in Malaysian SMEs. The authors argued that rolling budget was infeasible because SMEs did not have adequate IT support systems. The authors further asserted that rolling budgeting was only possible with efficient IT systems that enabled entrepreneurs to improve the quality of their planning and controlling information.

Fatoki (2014) asserted that most micro enterprises are survivalist they might have some form of budgeting and financial planning and control but on an informal basis a view that is in tandem with Abanis, Sunday, Burani and Eliabu (2013) who found out that most small

businesses do not engage in formal financial planning and control and budgeting. Joshi (2013) scrutinized budgeting financial literacy by an analysis of 54 both medium and large businesses in Bahrain aiming on budget processes which are inclusive of the participation, planning, controlling and its overall performance the researchers identified that the expansion of a firm is linked to its growth. For the two to be in harmony they require a more detailed budget development as well as implementation so as to benefit exemplarily performance. Extent of the firm and their commitments influence the nature of the budget to be adopted.

Chidi and Shadare (2011) conducted a study on the challenges tackling human resource improvement in SMEs in Nigeria and made a conclusion that budgeting was the greatest challenge among SMEs. Businesses are not being accountable, thus lack of assistance and/or participation and deficiency in budgeting plans caused by the incapability to meet timelines set thus individuals do not understand the significance of prior planning and provision of providing numbers which are not viable. As a result, the studies established that budgeting skills acquired by the managers reflect on the budget procedures followed and the same will correspond with the budget implementation.

Mahmood (2014) studied the relationship between budgeting process and SMEs performance and found that, the formalization of the budget will depend on how clearly the relationship of the business and the owners is defined. Where there is a clear definition the budget is well detailed and accurate thus minimal influence on the owners at expense of the business. Studies conducted in Africa have scrutinized the accounting systems used in the midst of businesses in the upcoming economies (Diamond & Khemani, 2016) and deduced that budget implementation and accounting procedures were done inefficiently because they lacked updated software and are maintained manually thus not keeping a

detailed trail of destructions affecting the operations of the business in case of funds shortfall or late facilitation. Manual records may fail to capture each and every data and this affects budget planning, monitoring, expenditure control and the reporting. This study also found that the quality of a system in terms of computerization reflect the budget procedures and further affects the internal control of expenditure.

Wijewardena and DeZoysa (2011) conducted a study on the contributions of SMEs towards the budget process and identified that the proper budget is compromised by the two significant aspects of the expected budget process which are the budget planning and the budget control. They realized that there are three set up of firms which are as follows, firms who do not use any type of budget, firms with ample planning process in some areas of operations which is also referred to as the simple budgeting and the firms with an a detailed budgeting which includes all areas of operations. Administrations mainly focus on budget controls for checks and balances of the business.

Sieki Wagoki and Kalio (2013) carried out an assessment over the possessions of budgeting skills on performance of SMEs and found that better presentation of SMEs in terms of sales increase and profitability is linked with proficiency on budgeting skills and business growth which is attained through finance education which enables the individuals to forecast sales and set achievable targets. Warue and Wanjira (2013) researched on hiccups of the businesses in Kenya and established that poor budgeting skills among Kenyans as a major contributor to the business failure in Kenya. Fin Access Survey (FSD, 2009) exposed the fact that most people above 50% are not financially independent and lack control of the same in spite of them having an idea about budgeting. The above studies discloses a positive correlation between finance education and the individual performance

such as the business portfolio, healthy debt administration, accumulated wealth and the business going concern strategies.

The reviewed studies have entirely focused on budgeting skills and performance of SMEs. It is also important to understand budgeting literacy in microenterprises. Therefore this study determined the effects of budgeting skills literacy on growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

2.3.3 Bookkeeping Literacy and Growth of Micro Enterprises

Book keeping is the art of recording all money transactions so that financial position of an undertaking and its relationship to proprietors and outside persons can be readily ascertained. Every enterprise, however simple requires written records which are used by managers as guides to routine action, taking of decisions, formulation of general rules and maintaining relationships with other organizations or with individuals (Frankwood, 2010). Therefore a business without written records is like a blind man without his aid or a vehicle without a driver for it does not know which way it is going. Sucuahi (2013) posit that it is an important skill for business owners because it provides vital information for decision-making. It is a measure of financial literacy because not all summaries of daily transactions cannot be recorded in the human memory.

Frankwood (2010) evaluated the benefits of bookkeeping on SMEs performance and found out that computation of the income statement is highly dependent on the proper bookkeeping which also enables the business to be able to collect their debts timely and also pay on time for their obligations. The business is able to identify the opportunities available and avoid opportunity cost as well such as stock outs etc. and be able to plan

progressively. Ezejiofor, Ezenyirimba and Olise (2014) investigated the impact of accounting records on SMEs and found that, a good bookkeeping scheme is reflected on its report's quality to both internal and external users and a well-organized maintenance of records. Quality accounting information will be of help on financial administration and create room for a better funding. Wise (2013) found that increase in financial literacy leads to production of financial reports often and the individuals who have tendency of preparation of financial reports are able to repay their debts timely and this lowers the default levels.

Maseko and Manyani (2011) focused on the methods of accounting used by SMEs and found that most SMEs operates on manual systems which fail to capture all data relevant for accounting purposes and this results to inefficiency of accounting information. The study is in support of computerized accounting software to improve on the quality of the accounting information, although SMES lament of unavailability of a suitable system for them. The G20 Seoul Summit (2010) also reports that low levels of financial literacy particularly bookkeeping skills worldwide is a major contributor of lost opportunities for a large number of SMEs. Information unevenness among SMEs due to unreliable financial reports makes it hard to determine the creditworthy of the SMEs and potential proposals are rejected due to lack of financial information which makes most lenders reluctant to fund small firms especially those with new products.

The reviewed empirical studies have mainly focused on bookkeeping literacy and performance of SMEs. Little have been done on how bookkeeping literacy affect growth of microenterprise. Therefore, this study addressed this gap by establishing the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County.

2.3.4 Banking Services Literacy and Growth of Micro Enterprises

Banking services literacy is the knowledge and awareness of the various bank instruments, how and why to use money transfer services e-banking and m-banking and ability to understand saving products. When financial firms face knowledgeable customers, they are forced to improve the efficiency and quality of financial services because financially literate consumers demand for more appropriately priced and transparent services from financial institutions by comparing options, asking the right questions, and negotiating more effectively (Fatoki, 2014). Besides, financially literate consumers pose less risk to the financial system due to their responsible use of financial products and services which help to strengthen financial market stability and contribute to increased savings and wider economic growth (Mastercard, 2011). The increase in the number and complexity of financial products requires microenterprises to have some level of financial knowledge in order to select from among alternatives the best products for their businesses.

Ekanem (2010) conducted a research on the SME owner-managers in the printing and clothing manufacturing sectors in Ethiopia and identified the uniqueness of each sector in relation to the financial literacy and firm administration. The study also found that in clothing and manufacturing sector the average debt collection period was within 30 to 90days while it is within 14 days in the printing sector. The two sectors will have to apply different measures on their debt collection policies. Cash flow statements and balance sheet are also monitored with a keen eye by the managers (Kubickova & Soucek, 2013).

Djankov, McLieshand Shleifer (2012) in their study evaluated the impact of debt administration on its repayment. The study engaged the managers of the financial

institutions whose information was further analyzed using mean and standard deviation and it was concluded that financial education is significant on debt administration and its repayment too. Andoh and Nunoo (2011) assessed the services access and financial literacy and found that the finance education to SMEs owners plays a key role on amplifying the utilization of financial services where the financially literate managers have the ability to bargain constructively on the available bank products and pressurize the financial institutions to be facilitated financially at a low cost as compared to the managers with financial literacy deficiency they are not able to analyses and access the financial products at a lower cost.

Wachira and Kihui (2012) studied the family units in Kenya using the 2009 National Financial Access (Fin Access) survey data using the multinomial logit model and how significant the financial literacy was in relation to finance accessibility. They identified that there are other factors which affect the access to financial access that are individual based to mention just a few, marital status, age, the level of income, financial literacy was also rated low as a factor in household decision making which implies that majority of individuals did not value and seek out financial information in making financial decisions although financial literacy was significant in explaining exclusion from financial services market. It was concluded that financial literacy created awareness and enabled more individuals about 8.5% to be included in the financial services.

Fatoki (2014) studied causes of SMEs failure and found out that lack of finance education have adverse effects on the SMEs and especially the new start-ups. New start-ups requires a sound financial background which will create a healthy base of a successful business hence the growth of the enterprise. Duchesneau and Gartner (2010) studied factors affecting new small firms progress and established that the individuals who have emerged

successful in business mostly were brought up in a business set up or were raised by successful entrepreneur parents which are a requisite for growth due to vast experience and exposure.

Westhead, Wright and McElwee (2015) underpin that this gives them confidence and vigor that they will make it in the ventures they start unlike the ones raised by the unsuccessful entrepreneurs who are unsuccessful. The research also identified that lead successful firms have a good communication system; individuals have the sense of belonging and have the zeal to work with less supervision. In addition, these firms have clear objectives and strive to achieve their targets. Businesses which include more than one shareholder on their formation have better chances of existence and making it in the market.

According to Siekei *et al.*, (2013) consumers who are financially literate are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, and navigating complex loan application procedures so as to make optimal decisions. However, a major challenge for most financial institutions is a low level of financial awareness of most business owners as established by the Association of Chartered Certified Accountants.

The reviewed empirical findings have mainly focused on banking services literacy and performance of SMEs. Little have been done on how banking services literacy affects growth of microenterprise. Therefore, this study sought to address this gap by establishing the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County.

2.4 Summary of the Research Gaps

Empirical studies reviewed present both convergent and divergent views on the role of financial literacy on the growth of micro enterprise. Financial literacy has also been associated with positive behaviors such as debt management, increased savings, wealth accumulation and avoidance of over indebtedness (Lusardi & Mitchell, 2011; Mastercard, 2011; Obago, 2014). However, Chan, and Park (2013) caution that financial literacy may not always yield optimal results where an individual relies heavily on intuitions in decision making.

Reviewed literature reveal that many studies especially in Kenya have mainly researched on the importance of financial literacy and its effects on household or personal financial behavior with little effort to ascertain the role of financial literacy on the growth of MSEs (FSD, 2009; Mastercard, 2011). MSEs account for over 75% of the private sector in Kenya which are expected to spur economic growth under the devolved governance system. Although deliberate efforts have been made to avail subsidized capital to this sector, the failure rate remains high. Very few micro enterprises have been able to transit to medium scale. There was need to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo fund in Nairobi County, Kenya.

2.5 Operationalization of Variables

The skills and knowledge of the entrepreneur are central in achieving enterprise growth therefore financial literacy of the owner manager are an important determinant of MSE growth. However, there is no standardized measure of financial literacy; different studies have used different variables to measure financial literacy (Fatoki, 2014). The Wise (2013) utilized finance related knowledge that is (awareness of sources of finance,

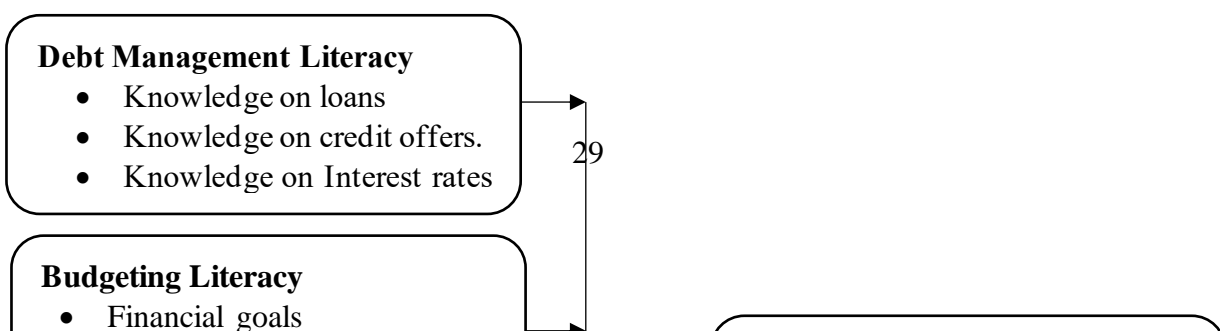
awareness of business finance technology and consumer financial literacy), finance related business skills and information skills to measure financial literacy. Siekei *et al.*, (2013) used competence in book keeping, credit management, budgeting skills and financial control to measure financial literacy.

Fatoki (2014) used financial planning analysis and control, Book keeping, understanding of funding sources, business terminology, use of technology and risk management (insurance) to measure the financial literacy of new micro entrepreneurs. Obago (2014) in a study to determine the effect of financial literacy on management of personal finances in banks in Kenya used: money basics, budgeting, saving and planning, borrowing, debt literacy, financial products, recourse and self-help. The Kenya Financial Sector Deepening (FSD,2009) identifies key themes of financial literacy education as savings culture, financial planning and budgeting, debt management, bank services and investments management. In this study, the researcher used debt management, budgeting, access to banking services and book keeping literacy in measuring financial literacy of micro entrepreneurs.

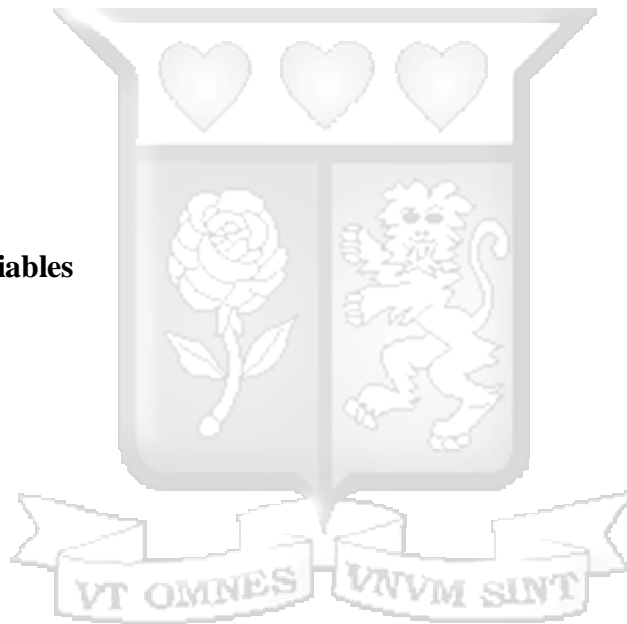
2.6 Conceptual Framework

The conceptual framework is the understanding of how the particular variables in this study connect with each other. In this study the conceptual framework provides an understanding of the independent and dependent variables. The independent variables debt management literacy , budgeting skills literacy, bookkeeping literacy and banking services literacy while the dependent variable is the growth of micro enterprises funded by Uwezo Fund in Nairobi County.

Figure 2.1: Conceptual Framework



Independent Variables



Dependent Variable

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used in this research. The chapter covers the research design, target population, the sample frame, sample and sampling techniques. In addition, the chapter also identifies the data collection instruments utilized for data collection, the data collection procedure, pilot testing, validity and reliability of the research instrument, data analysis and presentation.

3.2 Research Design

The research design facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money (Mugenda, 2008). This study used descriptive research design. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2009).

The study is descriptive in nature as it is deemed appropriate because it involves use of written questionnaires administered to respondents. Yin (2013) recommended descriptive design as it allows the researcher to describe, record, analyze and report conditions that exist or existed. Hence, it helped in answering the study research questions. This type of study helps in obtaining data that is concerned with the present state of phenomenon and describing "what exists" in respect to condition or variable in particular situation. The design provides the possibility to observe the phenomenon being studied in a completely natural and unchanged natural environment. It also gives the opportunity to integrate the qualitative and quantitative methods of data collection.

3.3 Target Population

Target population is the entire set of units for which the study data are to be used to make inferences; the target population thus defines those units for which the findings of the study are meant to generalize (Sarason, 2013). A population includes all elements that meet certain criteria for inclusion in a research study. It is the entire set of individuals or objects sharing some common characteristics as defined by the sampling criteria established for the study (Burns & Grove, 2013). The target population for this study was 1859 micro enterprise in Nairobi County that has received a financing facility from Uwezo Fund (Uwezo Fund Status Report, 2018). Micro enterprises within Nairobi County formed the target population. Each targeted micro enterprise was issued with a single questionnaire. The target population was stratified within the 17 constituencies in Nairobi as shown in table 3.1 below.

Table 3.1: Target Population

Constituency	Frequency	Percent
Westlands	112	6.0
Dagoretti North	99	5.3
Dagoretti South	114	6.1
Langata	106	5.7
Kibra	109	5.9
Roysambu	106	5.7
Kasarani	105	5.6
Ruaraka	117	6.3
Embakasi South	113	6.1
Embakasi North	113	6.1
Embakasi Central	100	5.4
Embakasi East	109	5.9
Embakasi West	112	6.0
Makadara	102	5.5
Kamukunji	128	6.9
Starehe	116	6.2
Mathare	98	5.3
Total	1859	100

Source: Nairobi City County (2018)

3.4 Sample and Sampling Techniques

Slovin's Formula was adopted in this study to determine the sample size. The formula was adopted in the calculation of sample size (n) when the size of the population (N) and an error of margin (e). The researcher used stratified random sampling to reduce standard error by proving some control over variance. The selection formula was as follows:

n=

$$\frac{N}{1 + N(N - 1)e^2}$$

Where n= the required sample size, N = is the Target Population

e = accuracy level required. Standard error = 5%

Sample calculation

n=

$$\frac{1859}{1 + 1859(1858)0.05^2}$$

Whereby:

n = number of samples

N = target population

e = margin of error (0.05)

n=329

Therefore, using Slovin's Formula, the sample size were 329 respondents which was a representation of 17.7% of the entire population being targeted? Ngechu (2004) emphasized that it's very important to select a sample from a sample frame and therefore, the sample to be used in this study was selected from a sampling frame of 1859 micro enterprise in Nairobi County that have received a financing facility from Uwezo Fund.

Stratified Random sampling is the technique that was applied in selecting the sample for this study. The study used stratified sampling in selecting the sample to be used in this research. The sample is 329 respondents from each stratum which represented 17.7% of the entire population. Mugenda and Mugenda (2008) defined a representative sample as a sample representing about 10-50% of the population being studied. The study selected the owners of these micro enterprises as the respondents of the study. The owners were located from their business premises.

Table 3.2: Sample Size

Constituency	Frequency	Proportion	Sample
Westlands	112	6.0	20
Dagoretti North	99	5.3	18
Dagoretti South	114	6.1	20
Langata	106	5.7	19
Kibra	109	5.9	19
Roysambu	106	5.7	19
Kasarani	105	5.6	19
Ruaraka	117	6.3	21
Embakasi South	113	6.1	20
Embakasi North	113	6.1	20
Embakasi Central	100	5.4	18
Embakasi East	109	5.9	19
Embakasi West	112	6.0	20
Makadara	102	5.5	18
Kamukunji	128	6.9	23
Starehe	116	6.2	21
Mathare	98	5.3	17
Total	1859	100	329

3.5 Data Collection Instruments

According to Sekaran (2003) data collection instrument is the mean by which information is obtained from the selected subject of an investigation. The study collected primary data using questionnaires. The respondents were specifically targeted for their ability to provide pertinent information to the study. The questionnaire contained both structured and unstructured questions. Babbie (2009) pinpointed that the questionnaires are used for data

collection because of their simplicity in the administration and scoring of items as well as data analysis. Secondary data was gathered from existing credible and recognized sources, the secondary data comprised of materials that are relevant to the study. The information was obtained from the stored financial information by the owners of the microenterprises. The study collected secondary data on assets growth, sales growth and profitability.

3.6 Data Collection Procedure

The questionnaires were self-administered to the respondents by the researcher to the respondents through the Uwezo Fund Constituency offices. The researcher then gave the respondents one week to give feedback on the questionnaire. This gave them enough time to fill up the questionnaires and return them to the researcher either via mail or the hard copy. Some of the advantages of using questionnaires for data collection are that the researcher has the opportunity to personally introduce the study to the respondents and explain to them the intentions of the study, as he also clarify to the respondents anything regarding doubts that could have arisen during the study. The study obtained an approval from the university in order to conduct the research. Additionally, approval was got from the National Commission of Science Technology and Innovation (NACOSTI).

3.7 Pilot Testing

Pretest was carried out prior to the actual study. The purpose of the pretest study is to improve the research tool making it easier for the participants to answer the questions. It also enables the study to validate the research tool and the reliability of the collected data. The researcher also did a preliminary analysis with the help of the pilot test data to ensure that the collected data can answer the research questions (Saunders, Lewis, & Thorn hill, 2012). The respondents who participated in the pilot test were excluded in the main study. This is tandem with Kothari (2009) who stated that the sample size for a pre-test is

determined by the costs, time and practicability and it should be 5 to 10 per cent of the sample. Pilot test of the study was tested at 10% level, thus thirty-two questionnaires were used.

3.7.1 Validity

Before undertaking the actual study, the researcher conducted a pilot study to the target population to ensure that the data instruments and the data collection methods were reliable. When we conducted a pilot study, we were able to detect the mistakes that exist in the data collection instruments and procedures (Nyaberi, 2010). The main rationale for this was to identify mistakes before conducting the actual study is that it enabled us to take the appropriate restitution measures before conducting the actual research. In the pilot for this research, the study gave questionnaires to 32 respondents to answer; this was equivalent to 10% of the selected sample size. The study selected 10% because according to Connelly (2008), a pilot study sample should be 10% of the sample projected for the larger parent study. The corrections that the researcher made in the data collection instruments were critical in ensuring that the data is authentic and in tandem with the main objectives of the study.

3.7.2 Reliability

Reliability of instruments relates to the instrument's capacity for replication; a research instrument is believed to be reliable if it can give the same results about the variables measured every time they are measured. Reliable instruments are stable in that the instruments can be administered to the same respondents on two different occasions but yield more or less the same responses (Kalk, Paul & Grabosch, 2014). The instrument is also considered to be reliable if different enumerators can use it the same way and get results that are consistent. Piloting can also go a long way in determining the reliability of

the questionnaire. The research used different targeted participants to pre-test the interview guide in order to ensure that it is reliable. Reliability of the questionnaire was tested using Cronbach Alpha which measures internal consistency. According to Cooper and Schindler (2008), 0.7 is an acceptable reliability coefficient therefore the study used 0.7 as the cutoff point. The study deduced an Alpha Cronbach value of 0.814 for debt management literacy, 0.786 for budget skills literacy, 0.750 for bookkeeping literacy, 0.811 for banking services literacy and 0.809 for growth of micro enterprises hence making the instruments to be more reliable.

3.8 Data Analysis and Presentation

Data analysis was guided by the selected research design and the specific objectives of the study. SPSS was used to analyze the data that was collected from the field. In order to allow data to be entered into the software, the questionnaires were referenced, and the data coded. Quantitative data was collected. Quantitative data collected was analyzed using descriptive statistics techniques. Through descriptive analyses, correlations as well as experimental studies emerge and also, they provide clues on the issues that require more attention which leads to further research (Mugenda & Mugenda, 2008). Before the data is analyzed, it was first coded, cleaned, and grouped as per the variables.

Pearson R correlation was used to measure strength and the direction of linear relationship between variables. A large correlation implies a strong relation exists between the variables. The extent of the level of association between 2 variables is determined using correlation analysis (Levin & Rubin, 1998). Through correlation analysis, the researcher was able to detect if there exist any chances of multicollinearity. If the Correlation coefficient is zero, then it suggests the variables are not related, if the value is ± 1 the variables are strongly associated (Hair, Black, Babin, Anderson and Tatham, 2010). Small

association is indicated by values ranging from 0.1- 0.29, medium association is indicated by value ranging from 0.3-0.49, and strong association is indicated by value of 0.5 and above.

Multiple regression models were fitted to the data in order to determine how the independent variables affect the dependent variable. Multiple regressions Analysis were used in this study because it uses the independent variables (debt management literacy, budgeting skills literacy, book-keeping literacy, banking services literacy) in predicting the dependent variable. It is a statistical tool attempting to establish whether some variables can be used together in predicting a particular variable (Mugenda & Mugenda, 2008). Multiple regression models helped quantify the association between the study variables. To determine any causal relationship, multiple linear regression analysis was conducted. As stated by Gujarati (1995), causation models are best explained by linear regression analysis and thus, the study used linear regression results for each variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; Y= Growth of Micro Enterprise, β_0 = constant (coefficient of intercept), X_1 = debt management literacy; X_2 = budgeting skills literacy; X_3 = bookkeeping literacy; X_4 = banking services literacy; ε = error term.

3.9 Ethical Considerations

Ethical clearance was obtained from Strathmore University's Institutional Board before commencement of data collection. A research Permit was also obtained from NACOSTI. The respondents were allowed to give information voluntarily without being coerced. The respondents were allowed to withdraw from the study in case they felt uncomfortable. The researcher guaranteed the members that the data will be treated with privacy and confidentiality. This empowered them to give honest and consistent data being that they

were assured of their anonymity as well as the main aim of the study. This made the respondents to fully participate in the study hence making the researcher to adequately understand the effect of financial literacy on the growth of micro enterprises. The data collected was stored in the university database and can only be accessed by authorized persons.



CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The fourth chapter seeks to data analysis, presentation of research findings and their interpretations. The chapter specifically covers the general information of the study this includes the response rate, reliability and demographic information of respondents. Additionally, this chapter presented descriptive and inferential statistics.

4.2 Response Rate

The sample selected for the study was 329 respondents. All respondents were issued with questionnaires for data collection but the researcher received back 287 questionnaires having been dully filled. The returned questionnaires translated to a response rate of 87.2%. This response rate was excellent because as Mugenda and Mugenda (2008) asserts, a response rate of 50% and above is sufficient, 60% and above id good while that if 70% and above is excellent. Therefore, our response rate of 287 was used for analysis and reporting.

Table 4.1: Response Rate

Questionnaires	Frequency	Percent
Returned	287	87.2
Un-returned	42	12.8
Total	329	100.0

4.3 Reliability Analysis

Thirty-two questionnaires were used for the pilot study and data collected from the pilot test were used to test for reliability of the questionnaire. Reliability of the questionnaire was tested using Cronbach Alpha. According to Cooper and Schindler (2008), 0.7 is an acceptable reliability coefficient therefore the study used 0.7 as the cutoff point.

Table 4.2: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Debt Management Literacy	0.814	6
Budgeting Skills Literacy	0.786	6
Bookkeeping Literacy	0.750	6
Banking Services Literacy	0.811	6
Growth of Micro Enterprises	0.809	4

From the reliability findings presented in Table 4.2, all variables had Cronbach alpha values greater than 0.7 which suggests that they were all reliable. The findings show that debt management literacy had alpha value of 0.814, budgeting skills literacy had alpha value of 0.786, bookkeeping literacy alpha value of 0.750, banking services literacy had alpha value of 0.811, and growth of micro enterprises had Cronbach's alpha value of 0.809. Therefore, since all the variables were reliable all items were used in the study.

4.4 Demographic Information

In this section, the study presents the general information of respondents used in the study. The study specifically sought to establish the gender, age, and level of education of the respondents used in the study.

4.4.1 Age and Gender of the Respondents

Respondents were asked to indicate their gender and age. The study computed a cross table between the two and the findings were as presented in Table 4.2.

Table 4.3: Age of Respondents * Gender of the respondent Cross-tabulation

		Gender of the respondent				Total	
		Male		Female			
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Age	19 to 30 years	29	10.1	58	20.2	87	30.3
	31 to 40 years	64	22.3	102	35.5	166	57.8
	41 to 50 years	13	4.5	16	5.6	29	10.1
	Above 51 years	1	0.3	4	1.4	5	1.7
Total		107	37.3	180	62.7	287	100.0

From the findings presented in table 4.3, majority 180(62.7%) of the respondents were female. The findings further showed that 102(35.5%) of the female respondents were aged 31 to 40 years, 58(20.2%) were aged 19 to 30 years, 16(5.6%) were aged 41 to 50 years while 4(1.4%) were aged above 51 years. These findings suggest that female respondents selected for the study were of varied ages with most (35.5%) being aged between 31 and 40 years. From the 107 male respondents used in the study, 64(22.3%) were aged 31 to 40 years, 29(10.1%) were aged 19 to 30 years, 13(4.5%) were aged 41 to 50 years while only 1(0.3%) was aged above 51 years. These findings suggest that male respondents selected for the study were of varied ages with most (22.3%) being aged 31 to 40 years.

In general, 166(57.8%) of the respondents were aged 31 to 40 years, 87(30.3%) were aged 19 to 30 years, 29(10.1%) were aged 41 to 50 years while 5(1.7%) were aged 51 years and above. This shows that majority (57.8%) of the respondents were aged between 31 and 40 years; this could be explained by the fact that Uwezo fund is a flagship program for vision 2030 aimed at enabling women, youth and persons with disability access finances to promote businesses and enterprises at the constituency level. This explains the reason why young people are more.

In addition, majority 180(62.7%) of the respondents were female. This could suggest that majority of Uwezo Fund beneficiaries in Nairobi County are women. Further, the findings show that respondents of both genders were included in the study which is an indication that Uwezo Fund has benefited both male and female enterprise owners and therefore is not gender biased in its financing process.

4.4.2 Respondents Level of Education

The study sought to establish the level of education of respondents used in the study and therefore requested them to indicate their highest level of education. The results obtained were as presented in Figure 4.1.

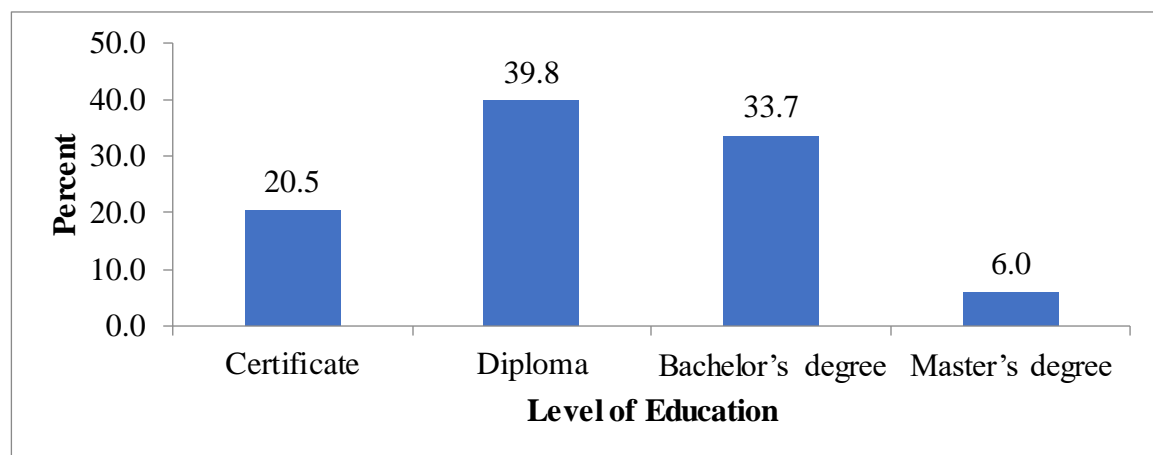


Figure 4.1: Respondents Level of Education

From the findings, 39.8% of the respondents had diploma as their highest level of education, 33.7% had bachelor's degree, 20.5% had certificate, while 6% had master's degree. These findings suggest that the respondents had varied levels of education which could explain the varied rates of growth among the enterprises. It is also an indication that the respondents had some level of education and therefore they were not illiterate and therefore had some level of financial literacy.

4.5 Descriptive Statistics

The likert scale questions were analyzed using means and standard deviations and the results were presented in this section. The respondents were asked to use a 5-point Likert scale where 1- Strongly disagrees, 2- Disagree, 3- Neutral, 4- Agree, and 5- Strongly agree. The mean (M) value of 0.5-1.4 was interpreted as strongly disagree, 1.5-2.4 as disagree, 2.5-3.4 as moderate, 3.5-4.4 as agree and 4.5-5 as strongly agree. On the other hand, the

standard deviation (SD) values showed the amount of variation in respondents' responses. A standard deviation value greater than two means that the respondents had differing opinions while a value less than 2 is low and indicates that the respondents and similar opinions. The results are presented in subsections below.

4.5.1 Debt Management Literacy

Respondents were asked to indicate the level to which they agreed/disagreed with various statements about the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Table 4.4 presents the findings obtained

Table 4.4:Debt Management Literacy on the Growth of Micro Enterprises

Statements	Mean	Std. Dev.
I always ensure that I pay my loan in the required time	3.982	1.370
I have an understanding on the terms of debt	3.777	1.275
I usually identify all my personal debts so that I can adapt an appropriate payment plan	3.889	1.381
I communicate with my creditors to negotiate lower interest rates	3.738	1.320
I avoid taking loans with high interest rates	3.698	1.331
I communicate with various creditors so that I can identify the suitable place to get a loan	3.948	1.263

From the findings, the respondents agreed that they always ensure that they pay their loan in the required time (M=3.982, SD=1.370); they communicate with various creditors so that they can identify the suitable place to get a loan (M=3.948, SD=1.263); they usually identify all their personal debts so that they can adapt an appropriate payment plan (M=3.889, SD=1.381); they have an understanding on the terms of debt (M=3.777, SD=1.275); they communicate with their creditors to negotiate lower interest rates (M=3.738, SD=1.320); and that they avoid taking loans with high interest rates (M=3.698, SD=1.331). These findings show that all respondents agreed on the various statements on

debt management literacy since the standard deviation values for each statement was less than 2 which is a small value indicating that the respondents had similar opinion.

The study findings agree with Lusardi and Mitchell (2011) who in his study established that persons of limited financial literacy are more prone to exploitations when it comes to debt management, savings and credit, and are not able to administer their resources competitively e.g. investing in the money market, stock market and to perform better on their portfolio selection hence they end up planning poorly while individuals with high financial literacy are able to choose a feasible portfolio with lower finance cost.

4.5.2 Budgeting Skills Literacy

Respondents were requested to indicate the level to which they agreed or disagreed with various statements about the effect of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The results obtained were as presented in Table 4.5.

Table 4.5: Budgeting Skills Literacy on the Growth of Micro Enterprises

Statements	Mean	Std. Dev.
I run my business on a set budget	3.863	1.326
I prepare a budget for my business annually	3.836	1.220
I keep records of transactions so as to continue budgeting	3.915	1.343
I categorize my transactions to know the spending in different areas	3.961	1.476
Budgeting has helped me to decide where to spend more, where to spend less, or cutting back	3.856	1.525
My business budget is flexible, it can be adjusted to meet new business needs	3.994	1.476

From the findings, the study established that the respondents were in agreement that their business budget is flexible and therefore it can be adjusted to meet new business needs (M=3.994, SD=1.476); they categorize their transactions to know the spending in different areas (M=3.961, SD=1.476); they keep records of transactions so as to continue

budgeting(M=3.915, SD=1.343); they run their business on a set budget (M=3.863, SD=1.326); budgeting has helped them to decide where to spend more, where to spend less, or cutting back (M=3.856, SD=1.525); and that they prepare a budget for their business annually (M=3.836, SD=1.220). Based on these findings, respondents agreed with the different statements that relate with budgeting skill literacy. The standard deviation values for each statement was less than 2 which suggest a low standard deviation and therefore suggests that the respondents had similar responses.

The study findings are in agreement with the findings of Chidi and Shadare (2011) that budgeting skills acquired by the managers reflect on the budget procedures followed and the same will correspond with the budget implementation. Kalekye and Memba (2012) posited that budgeting incomes and expenditure is the most important factor of business financial management and in order to do it correctly financial literacy knowledge is vital which concurs with the findings of our current study.

4.5.3 Bookkeeping Literacy

Respondents were asked to indicate the level to which they agreed or disagreed with various statements about the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The results obtained were as presented in Table 4.6.

Table 4.6: Bookkeeping Literacy on the Growth of Micro Enterprises

Statements	Mean	Std. Dev.
I am able to see and describe financial matters with clarity	3.955	1.546
I can prepare my business's profit and loss accounts	3.836	1.426
I keep records on the income and expenses in my business on daily basis	3.994	1.343
Bookkeeping knowledge has helped me to know where most expenses are incurred	3.830	1.441
I am able to make key operating and financial decisions since have records on my business transactions	3.988	1.475
I am able to reconcile the banks statements with cashbook	3.961	1.674

From the findings, the mean values are seen to be greater than 3.5 but less than 4.5 an indication that the respondents agreed with various statements about the effects of bookkeeping literacy. The findings further shows that the standard deviation values are less than 2, which is a small standard deviation value suggesting that on average, the respondents had similar opinions. The study specifically found that respondents agreed that they keep records on the income and expenses in their business on daily basis (M=3.994, SD=1.343); they are able to make key operating and financial decisions since they have records on their business transactions (M=3.988, SD=1.475); they are able to reconcile the banks statements with cashbook (M=3.961, SD=1.674); they are able to see and describe financial matters with clarity (M=3.955, SD=1.546); they can prepare their business's profit and loss accounts (M=3.836, SD=1.426) and that bookkeeping knowledge has helped them to know where most expenses are incurred (M=3.830, SD=1.441).

This study findings concurs with the findings of Frankwood (2010) that computation of the income statement is highly dependent on the proper bookkeeping which also enable the business to be able to collect their debts timely and also pay on time for their obligations. In addition, the business is able to identify the opportunities available and avoid opportunity cost as well such as stock outs etc. and be able to plan progressively.

4.5.4 Banking Services Literacy

Respondents were asked to indicate the level to which they agreed or disagreed with various statements about the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Table 4.7 presents the results obtained.

Table 4.7: Banking Services Literacy on the Growth of Micro Enterprises

Statements	Mean	Std. Dev.
I know the procedures to follow while accessing the bank loans	3.817	1.142
I save the business funds in a central bank account	3.902	1.235
I know how to operate the online banking services	3.764	1.168
I know the security measures that I should take while operating with internet banking	3.975	1.169
I am able to withdraw and deposit funds using the ATM because it cheaper	3.902	1.235
I make consultation with the bank service providers on the best banking accounts to use	3.830	1.300

From the findings, respondents had similar opinions since all the standard deviation values were less than two which suggests a small standard deviation. Further, the respondents agreed with the statements on the effects of banking services literacy since the mean values were greater than 3.5 and less than 4.5. Specifically, the findings show that the respondents agreed that they know the security measures that they should take while operating with internet banking (M=3.975, SD=1.169); they save the business funds in a central bank account (M=3.902, SD=1.235); they are able to withdraw and deposit funds using the ATM because it cheaper (M=3.902, SD=1.235); they make consultation with the bank service providers on the best banking accounts to use (M=3.830, SD=1.300); they know the procedures to follow while accessing the bank loans (M=3.817, SD=1.142); and that they know how to operate the online banking services (M=3.764, SD=1.168).

The study findings corresponds with Andoh and Nunoo (2011) that the finance education to SMEs owners plays a key role on amplifying the utilization of financial services where

the financially literate managers have the ability to bargain constructively on the available bank products and pressurize the financial institutions to be facilitated financially at a low cost as compared to the managers with financial literacy deficiency they are not able to analyze and access the financial products at a lower cost.

4.5.5 Growth of Micro Enterprises Funded

Respondents were asked to indicate their level of agreement with various statements about growth of micro enterprises funded by Uwezo Fund in Nairobi County. Responses obtained were analyzed and the results presented in Table 4.8.

Table 4.8: Growth of Micro Enterprises Funded By Uwezo Fund

Statements	Mean	Std. Dev.
The profitability of the business has increases	3.836	1.207
The customer base on the business has increased	3.902	1.345
The sales volume of the business has increased	3.955	1.199
Operations of the business are more efficient	3.961	1.149

From the findings presented in table 4.7, the mean values are seen to range between 3.5 and 4.5 an indication that the respondents agreed with ten statements about growth of micro enterprises funded by Uwezo Fund. Also, the standard deviation values are seen to be less than 2 which is a low standard deviation and therefore on average, the respondents had similar opinions. The findings further established that the respondents agreed that operations of the business are more efficient (M=3.961, SD=1.149); the sales volume of the business has increased (M=3.955, SD=1.199); the customer base on the business has increased (M=3.902, SD=1.345); and that the profitability of the business has increases (M=3.836, SD=1.207).

The study findings are in tandem with Storey (2016) who contends that growth involves the process by which enterprises expand specific lines of achievement as established in their goals of profit and shareholder wealth maximisation. Business growth can be achieved

either by boosting the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimizing costs.

4.6 Factor Analysis

Factor analysis is a technique that is used to reduce a large number of variables into fewer numbers of factors. This technique extracts maximum common variance from all variables and puts them into a common score. Factor analysis looks at the internal correlation among data to come up with internal consistent surrogates for the variables (Mugenda & Mugenda, 2008). Factor analysis can also be explained to be a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. Factor analysis aims to find independent latent variables. The researcher used Kaiser Normalization Criterion, which allows for the extraction of components that have an Eigen value greater than 1.

The principal component analysis was used and 12 factors were extracted. As shown in Table 4.9, the 12 factors extracted explained 63.332% of total variation. Factor 1 contributed the highest variation of 14.187% while factor 12 contributed the least, 3.655%. The contributions decrease as one move from factor one to the other up to twelfth factor.

Table 4.9: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.972	14.187	14.187	3.972	14.187	14.187
2	1.511	5.396	19.583	1.511	5.396	19.583
3	1.457	5.203	24.785	1.457	5.203	24.785
4	1.407	5.026	29.811	1.407	5.026	29.811
5	1.291	4.612	34.423	1.291	4.612	34.423
6	1.276	4.559	38.982	1.276	4.559	38.982
7	1.269	4.532	43.514	1.269	4.532	43.514
8	1.213	4.331	47.845	1.213	4.331	47.845

9	1.145	4.090	51.935	1.145	4.090	51.935
10	1.107	3.954	55.889	1.107	3.954	55.889
11	1.061	3.788	59.677	1.061	3.788	59.677
12	1.023	3.655	63.332	1.023	3.655	63.332
13	.975	3.481	66.813			
14	.945	3.376	70.189			
15	.916	3.271	73.460			
16	.864	3.085	76.545			
17	.848	3.027	79.572			
18	.809	2.889	82.461			
19	.786	2.806	85.267			
20	.757	2.704	87.970			
21	.740	2.643	90.613			
22	.703	2.510	93.123			
23	.647	2.311	95.435			
24	.600	2.143	97.578			
25	.552	1.971	99.549			
26	.094	.335	99.885			
27	.021	.076	99.961			
28	.011	.039	100.000			

Extraction Method: Principal Component Analysis.

The study also computed a component matrix that showed the items loading for all the factors extracted. The findings obtained were as presented in Table 4.10. From the findings, factor one had 4 items, factor two had four items, factor three had three items, factor four and five had 4 items each, factor seven had two items, factor eight had three items while factor nine to twelve had one item each.



Table 4. 10: Component Matrix

	Component												
	1	2	3	4	5	6	7	8	9	10	11	12	
The profitability of the business has increases	.982												
Operations of the business are more efficient	.981												
The sales volume of the business has increased	.976												
The customer base on the business has increased	.973												
I know the procedures to follow while accessing the bank loans		.502											
I usually identify all my personal debts so that I can adapt an appropriate payment plan		-.470											
My business budget is flexible, it can be adjusted to meet new business needs		-.393											
I save the business funds in a central bank account		.329											
I always ensure that I pay my loan in the required time			.472										
I can prepare my business's profit and loss accounts			.470										
I make consultation with the bank service providers on the best banking accounts to use			-.372										
I am able to make key operating and financial decisions since have records on my business transactions				-.472									
I communicate with my creditors to negotiate lower interest rates				.437									
I am able to reconcile the banks statements with cashbook				.430									
I am able to see and describe financial matters with clarity				-.418									
Budgeting has helped me to decide where to spend more, where to spend less, or cutting back					.559								
I prepare a budget for my business annually					-.482								
I communicate with various creditors so that I can identify the suitable place to get a loan					.449								
I keep records on the income and expenses in my business on daily basis					.389								
I am able to withdraw and deposit funds using the ATM because it cheaper							.512						

4.7 Inferential Statistics

The relationship existing between variables was determined by computing inferential statistics which included correlation analysis and multiple regression analysis.

4.7.1 Correlation Analysis

Pearson R correlation was used to measure strength and the direction of linear relationship between variables. A large correlation implies a strong relation exists between the variables. The correlation values obtained were interpreted as: small association is indicated by values ranging from 0.1- 0.29, medium association is indicated by value ranging from 0.3-0.49, and strong association is indicated by value of 0.5 and above. In this study, the independent variables (debt management literacy, budgeting skills literacy, bookkeeping literacy, and banking services literacy) were correlated with the dependent variable (growth of micro enterprises). Table 4.11 presents the findings.

Table 4.11: Correlations

		Growth of Micro Enterprises	Debt Management Literacy	Budgeting Skills Literacy	Bookkeeping Literacy	Banking Services Literacy
Growth of Micro Enterprises	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	287				
Debt Management Literacy	Pearson Correlation	.715**	1			
	Sig. (2-tailed)	.005				
	N	287	287			
Budgeting Skills Literacy	Pearson Correlation	.786**	.028	1		
	Sig. (2-tailed)	.007	.819			
	N	287	287	287		
Bookkeeping Literacy	Pearson Correlation	.720**	.010	.027	1	
	Sig. (2-tailed)	.002	.935	.825		
	N	287	287	287	287	
Banking Services Literacy	Pearson Correlation	.664**	.226	.023	.092	1
	Sig. (2-tailed)	.004	.066	.852	.458	
	N	287	287	287	287	287

** . Correlation is significant at the 0.01 level (2-tailed).

From the findings presented in table 4.11, debt management literacy had a positive significant relationship with growth of micro enterprises ($r=0.715$, $p=0.005$); budgeting skills literacy had positive significant relationship with growth of micro enterprises ($r=0.786$, $p=0.007$); bookkeeping literacy was found to have positive significant relationship with growth of micro enterprises ($r=0.720$, $p=0.002$); and finally, banking services literacy was seen to have a positive and significant relationship with growth of micro enterprises ($r=0.664$, $p=0.004$). Based on these findings, debt management literacy, budgeting skills literacy, bookkeeping literacy, and banking services literacy are seen to have direct relationship with growth of micro enterprises.

4.6.2 Multiple Regression Analysis

Multiple regression models were fitted to the data in order to determine how the independent variables affect the dependent variable. Multiple regression models helped quantify the association between the study variables and determine any causal relationship.

The regression model was; $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where; Y = Growth of Micro Enterprise, β_0 = constant (coefficient of intercept), X_1 = debt management literacy; X_2 = budgeting skills literacy; X_3 = bookkeeping literacy; X_4 = banking services literacy; ε = error term.

Regression analysis results were in three tables discussed below.

4.6.2.1 Model Summary

Model summary is used to determine the amount of variation in the dependent variable that can be explained by changes in the independent variables. In this study, model summary was used to determine the amount of variation in growth of micro enterprises as a result of

changes in debt management literacy, budgeting skills literacy, bookkeeping literacy, and banking services literacy. Table 4.12 presents the results obtained.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862 ^a	.743	.735	.33707

a. Predictors: (Constant), debt management literacy, budgeting skills literacy, bookkeeping literacy, banking services literacy

The results obtained show that the value of R square is 0.743 which suggests that 74.3% variation in growth of micro enterprises can be attributed to changes in debt management literacy, budgeting skills literacy, bookkeeping literacy, and banking services literacy. The remaining 25.7% suggest there are other factors that contribute to changes in growth of micro enterprises that were not included in this model. BTEH findings further showed that the variables under investigation were strongly and positively correlated as indicated by correlation coefficient (R) value of 0.862.

4.6.2.2 Analysis of Variance (ANOVA)

Analysis of variance is used to determine whether the model developed is a perfect fit for the data. It determines the significance of the model. For this study, the significance of the model was tested at 5% level of significance.

Table 4.13: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.079	4	1.270	11.138	0.007 ^b
1 Residual	32.148	282	0.114		
Total	37.227	286			

a. Dependent Variable: Growth of Micro Enterprises
b. Predictors: (Constant), debt management literacy, budgeting skills literacy, bookkeeping literacy, banking services literacy

From the results presented in table 4.13, the p-value (0.007) was less than the selected level of significance (0.05) which suggests that the model was significant. Further, the F-

calculated value from the ANOVA table, (11.138) was greater than the F-critical value from the f-distribution tables ($F_{4,282}=2.404$). This therefore suggest that debt management literacy, budgeting skills literacy, bookkeeping literacy, banking services literacy can be used to predict growth of micro enterprises.

4.6.2.3 Beta Coefficients of the Study Variables

Beta coefficients from the coefficients table were fitted on the modeled regression equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y= Growth of Micro Enterprise, β_0 = constant (coefficient of intercept), X_1 = debt management literacy; X_2 = budgeting skills literacy; X_3 = bookkeeping literacy; X_4 = banking services literacy; ε = error term

Table 4.14: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.551	0.151		10.271	0.000
Debt Management Literacy	0.615	0.066	0.565	9.314	0.010
1 Budgeting Skills Literacy	0.443	0.051	0.384	8.681	0.018
Bookkeeping Literacy	0.710	0.091	0.699	7.801	0.001
Banking Services Literacy	0.657	0.076	0.609	8.651	0.004

a. Dependent Variable: Growth of Micro Enterprises

From the results presented in table 4.14, the following regression equation was fitted;

$$Y = 1.551 + 0.615X_1 + 0.443X_2 + 0.710X_3 + 0.657X_4$$

The equation above reveals that holding all variables to a constant zero, growth of micro enterprises will be at a constant value of 1.551. The findings were also used in answering the study's research questions.

The first objective of the study was to establish the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. From the findings, debt management literacy had a positive influence on growth of micro enterprises ($\beta=0.615$). Further, the influence of debt financing literacy on growth of enterprises was significant as indicated by p-value (0.010) less than selected level of significance (0.05). Therefore, debt financing literacy is seen to have a positive significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County. This simply means that a unit increase in debt financing literacy will result to an increase in growth of micro enterprises by 0.615 units. These findings concurs with those of Obago (2014) that money problem behaviors such as over-indebtedness, overspending, unwise use of credit, poor money management and inadequate resources impacts negatively on employee productivity at work.

The second objective of the study was to examine the effects of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The findings showed that budgeting skills literacy had a positive influence on growth of micro enterprises ($\beta=0.443$). The findings further showed that budgeting skills literacy has a significant influence on the growth of enterprises since the p-value obtained (0.018) was less than the selected level of significance.

These findings suggest that budgeting skills literacy has a positive and significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County. Therefore, a unit increase in budgeting skill literacy will result to an increase in growth of micro enterprises by 0.443 units. These findings are in line with the findings of Metzger (2013) that most leading organizations made use of rolling forecast either as a replacement of the traditional budgeting in order to navigate through the complex business environment

The third objective of the study was to assess the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. From the findings, bookkeeping literacy was found to have a positive influence on growth of micro enterprises ($\beta=0.710$). Further, the influence of bookkeeping literacy on growth of micro enterprises was found to be significant as indicated by a p-value (0.001) less than the selected level of significance (0.05). These findings suggest that bookkeeping literacy has a positive and significant influence on the growth of micro enterprises funded by Uwezo Fund in Nairobi County.

Therefore, if bookkeeping literacy is increased by a single unit will result to an increase in growth of micro enterprises by 0.710 units. The findings are in line with those of Ezejiofor, Ezenyirimba and Olise (2014) that a good bookkeeping scheme is reflected on its report's quality to both internal and external users and a well-organized maintenance of records. Quality accounting information will be of help on financial administration and create room for a better funding.

Lastly, the study sought to determine the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. From the findings, banking services literacy was found to have positive influence on growth of micro enterprises ($\beta=0.657$). The findings further showed that banking services literacy had significant influence on growth of enterprises as indicated by p-value (0.004) less than the selected level of significance (0.05). These findings suggest that banking service literacy has a positive significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County. Therefore, increasing banking service literacy by a single unit will result to an increase in growth of micro enterprises by 0.675 units. The findings concur with Djankov, McLiesh and Shleifer (2012) that financial education is significant on debt

administration and its repayment too. It also concurs with Wachira and Kihiu (2012) that financial literacy created awareness and enabled more individuals to be included in the financial services.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study presents summary of findings, conclusion drawn from the findings and recommendations made there-to. Conclusion and recommendations addressed the objective of the study which was to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya.

5.2 Summary of the Findings

In this section, the study presents summary of findings based on specific objectives of the study which were; to establish the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County; to examine the effects of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County; to assess the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County; and to determine the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County.

5.2.1 Debt Management Literacy

The study established that owners of micro enterprises in Nairobi County always ensure that they pay their loan in the required time; they communicate with various creditors so that they can identify the suitable place to get a loan; they usually identify all their personal debts so that they can adapt an appropriate payment plan; they have an understanding on the terms of debt. The study also established that owners of micro enterprises in Nairobi County communicate with their creditors to negotiate lower interest rates and they avoid taking loans with high interest rates. This implies that debt management knowledge helps

to know when loan is needed and have a proper payment plan. This promotes the growth of the microenterprises. The study findings are in tandem with Lusardi and Mitchell (2011) who in his study established that persons of limited financial literacy are more prone to exploitations when it comes to debt management, savings and credit, and are not able to administer their resources competitively e.g. investing in the money market, stock market and to perform better on their portfolio selection hence they end up planning poorly while individuals with high financial literacy are able to choose a feasible portfolio with lower finance cost. Moreover, Obago (2014) noted that individuals with high financial literacy have the capacity to generate more wealth and be in a position to administer resources more optimally with less finance cost.

5.2.2 Budgeting Skills Literacy

The study established that owners of micro enterprises have business budget that are flexible and therefore it can be adjusted to meet new business needs, they categorize their transactions to know their spending in different areas and keep records of transactions so as to continue budgeting. Further, the study established that owners of micro enterprises in Nairobi County run their business on a set budget, budgeting has helped them to decide where to spend more, where to spend less, or cutting back and they prepare a budget for their business annually. This implies that budgeting helps in proper utilization of funds in the firm and hence promoting the growth of the micro enterprises.

The study findings are in agreement with the findings of Chidi and Shadare (2011) that budgeting skills acquired by the managers reflect on the budget procedures followed and the same will correspond with the budget implementation. Kalekye and Memba (2012) posited that budgeting incomes and expenditure is the most important factor of business financial management and in order to do it correctly financial literacy knowledge is vital

which concurs with the findings of our current study. This contradicts with the study findings by Abanis, Sunday, Burani and Eliabu (2013) who found that most small businesses do not engage in formal financial planning and control and budgeting.

5.2.3 Bookkeeping Literacy

The study established that owners of micro enterprises in Nairobi County keep records on the income and expenses in their business on daily basis, are able to make key operating and financial decisions since they have records on their business transactions, are able to reconcile the banks statements with cashbook and are able to see and describe financial matters with clarity. The study also established that owners of micro enterprises can prepare their business's profit and loss accounts and bookkeeping knowledge has helped them to know where most expenses are incurred. This implies that bookkeeping helps the entrepreneurs to keep proper record of their finances.

This promotes the growth of the microenterprises. These contribute to the growth of their enterprises. This study findings concurs with the findings of Frankwood (2010) that computation of the income statement is highly dependent on the proper bookkeeping which also enable the business to be able to collect their debts timely and also pay on time for their obligations. In addition, the business is able to identify the opportunities available and avoid opportunity cost as well such as stock outs etc. and be able to plan progressively. Maseko and Manyani (2011) found that SMEs operates on manual systems which fail to capture all data relevant for accounting purposes and these results to inefficiency of accounting information.

5.2.4 Banking Services Literacy

The study revealed that owners of micro enterprises in Nairobi County know the security measures that they should take while operating with internet banking, they save the

business funds in a central bank account and are able to withdraw and deposit funds using the ATM because it cheaper. The study also established that owners of micro enterprises make consultation with the bank service providers on the best banking accounts to use, they know the procedures to follow while accessing the bank loans and they know how to operate the online banking services. This implies that banking services literacy is important in the micro-entrepreneurs. It helps to make the right business decisions; this promotes the growth of the micro enterprises.

The study findings agree with Andoh and Nunoo (2011) that the finance education to SMEs owners plays a key role on amplifying the utilization of financial services where the financially literate managers have the ability to bargain constructively on the available bank products and pressurize the financial institutions to be facilitated financially at a low cost as compared to the managers with financial literacy deficiency they are not able to analyze and access the financial products at a lower cost. Siekei et al., (2013) explained that consumers who are financially literate are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, and navigating complex loan application procedures so as to make optimal decisions.

5.3 Conclusions

The first objective of the study was to establish the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The study found that debt management literacy had a positive influence on growth of micro enterprises. Further, the influence of debt financing literacy on growth of enterprises was found to be significant. Therefore, the study concludes that debt financing literacy has a positive significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi

County. This simply means that a unit increase in debt financing literacy will result to an increase in growth of micro enterprises.

The second objective of the study was to examine the effects of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. The findings showed that budgeting skills literacy had a positive influence on growth of micro enterprises. The study findings further showed that budgeting skills literacy has a significant influence on the growth. Based on the findings, the study concludes that budgeting skills literacy has a positive and significant influence on growth of micro enterprises funded by Uwezo Fund in Nairobi County. Therefore, a unit increase in budgeting skill literacy will result to an increase in growth of micro enterprises.

The third objective was to assess the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. From the findings, bookkeeping literacy was found to have a positive influence on growth of micro enterprises. Further, the influence of bookkeeping literacy on growth of micro enterprises was found to be significant. Based on the findings, the study concludes that bookkeeping literacy has a positive and significant influence on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Therefore, if bookkeeping literacy is increased by a single unit will result to an increase in growth of micro enterprises.

Lastly, the study sought to determine the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. From the findings, banking services literacy was found to have positive influence on growth of micro enterprises. The findings further showed that banking services literacy had significant influence on growth of enterprises. From the findings, the study concludes that banking service literacy has a positive significant influence on growth of micro enterprises funded by Uwezo Fund in

Nairobi County. Therefore, increasing banking service literacy by a single unit will result to an increase in growth of micro enterprises.

5.4 Recommendations

An increase in debt management literacy results to an increase in growth of micro enterprises. The study recommends UWEZO fund to educate its beneficiaries before extending loans to them; this will ensure their financial management is enhanced. The study also recommends micro enterprises to offer financial education at workplaces aimed at equipping their employees with personal financial management skills. The study also recommends owners of micro enterprises to hire individuals with high financial literacy because they have the capacity to generate more wealth and be in a position to administer resources more optimally with less finance cost.

The study found that budgeting skills literacy has positive influence on growth of micro enterprises. The study recommends management of micro enterprises to have a more detailed budget development as well as implementation so as to benefit exemplarily performance. To enhance efficiency in budgeting, the study recommends micro enterprises to embrace updated software that keeps a detailed trail of destructions affecting the operations of the business in case of funds shortfall or late facilitation.

Increasing bookkeeping literacy results to an increase in growth of micro enterprises. The study recommends managers of micro enterprises to increase their literacy in bookkeeping to enable them identify the opportunities available and avoid opportunity cast. Quality accounting information will be of help on financial administration and create room for a better funding. The study also recommends micro enterprises to embrace computerized accounting software to improve on the quality of the accounting information.

Literacy on banking services was found to positively influence growth of micro enterprises. The study recommends managers of micro enterprises to ensure that they are literate on banking service; finance education amplifies the utilization of financial services. Financially literate managers have the ability to bargain constructively on the available bank products and pressurize the financial institutions to be facilitated financially at a low cost.

5.5 Limitations of the Study

The main limitation of study is the inability to get all information sought by the study. To solve this problem the researcher provided a letter of introduction from the institution of learning and a research permit from NACOSTI to enable the members disclose information. Respondents were also assured that the information they provide was used solely for academic purposes and that confidentiality of the information was to be maintained.

5.6 Suggestions for Further Studies

The general objective of this study was to establish the effects of financial literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County, Kenya. The study was conducted in Nairobi County; the study therefore recommends replication of the research study in other counties to facilitate comparison and generalization of the research findings. The study also recommends a study to be conducted on challenges encountered when accessing Uwezo Fund and their effects on growth of micro enterprises. The study further recommends replication of the research study in other enterprises funded by other organizations such as Youth Enterprise Development Fund (YEDF).

REFERENCES

- Abanis T, Sunday A, Burani A, & Eliabu B (2013). Financial Management Practices in Small and Medium Enterprises in Selected Districts in Western Uganda. *Journal of Finance and Accounting*, 4(2), 29-42.
- ACCA (2014). *Foundations in Financial Management (FFM)*. Retrieved from www.accaglobal.com.
- ADB. (2018). Asian Economic Integration Report. Asian Development Bank. Meeting Asia's Infrastructure Needs. Retrieved 11th February 2020 from <http://dx.doi.org/10.22617/FLS168388-2>.
- Ageyi, K. N. (2014): Small Scale Businesses Practice of Basic Financial Management with Regards to Liquidity. *International Journal of Research in Social*, 4(1), 63-78.
- Ahmad, K., & Mohamed Z., S. (2012). The uptake of management accounting practices among Malaysian firms in SMEs sector. *Proceedings International Conference of Technology Management, Business and Entrepreneurship 2012*.
- Ajzen, I. & Madden. T. J. (1986). Prediction of goal-directed behavior: Attitudes, intentions and perceived behavioral control. *Journal of Personality and Social Psychology*, 22(5), 453-474.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179-211.
- Andoh, F. K. & Nunoo, J. (2011). *Sustaining Small and Medium Enterprises through Financial Service Utilization: Does Financial Literacy Matter*. Cape Coast, GH: University of Cape Coast.
- Ani, C. G. P., Kelmara, M. V., & Wesley, M.-D.-S. (2016). Article information: *Management Research Review*, 39(3), 356-376.
- Anon H. D. (2010). The impact of ICT on innovation activities: Evidence for UK SMEs, *International Small Business Journal*, 30(3), 684 -699.
- Assibey, E. (2010). Choosing Not To Borrow: An Evaluation of Perception and Sociocultural Factors Underlying Voluntary Self-Exclusion. *Journal of Financial Economics*, 8(1/2), 36-66.

- Atkinson, A., & Messy, F. (2012). *Measuring Financial Literacy: Results of the OECD/International Network on Financial Education (INFE) Pilot Study*. OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing.
- Babbie, E. (2009). *Fundamentals of Social Research*. Second Canadian Edition. Toronto, ON: Nelson.
- Banerjee, A., (2015). The Miracle of Microfinance? Evidence from a Randomized Evaluation: Dataset. *American Economic Journal: Applied Economics*, 3(1), 10-25.
- Barte, R. (2012). Financial literacy in microenterprises: The case of Cebu Fish vendors Philippines. *Management Review*, 9(2), 15-29.
- Bekaert, G. & Hodrick, R. (2017). International Financial Management. *Journal of Management*, 5(2), 43-58.
- Bravo-Biosca, A., Criscuolo C. & C. Menon (2016). What drives the dynamics of business growth? *Economic Policy*, 31(88), 703-742.
- Burns, N. & Grove, S.K. (2013). *Understanding Nursing Research - Building an Evidence-based Practice* (5th edn). Maryland Heights, Missouri: Elsevier Saunders.
- Buyema W., (2013). *Uwezo Oversight Board*. Retrieved from www.uwezofund.go.ke.
- Chan, C. S. R., & Park, H. D. (2013). The influence of dispositional affect and cognition on venture investment portfolio concentration. *Journal of Business Venturing*, 28(3), 397-412.
- Chepngetch P. (2016). Effect of Financial Literacy and Performance SMEs. Evidence from Kenya. *American Based Research Journal*, 2(6), 112-129.
- Chidi, C. & Shadare, O. (2011). Managing human capital development in small and medium sized enterprises for sustainable national development in Nigeria. *International Journal of Management and Information Systems*, 15(2), 95-104.
- Cole, S., Thomas, S., & Bilal, Z. (2010). *Prices or Knowledge? What Drives Demand for Financial Services in Emerging Markets?* Harvard Business School Finance Working Paper Series.

- Connelly, L. M. (2008). Pilot studies. *Medsurg Nursing*, 17(6), 411-2.
- Cooper, D., & Schindler, P. (2008). *Business research methods* (10th ed.). New York, McGraw-Hill/Irwin.
- Diamond, J. & Khemani, P. (2016). Introducing Financial Management Information Systems in Developing Countries, *OECD Journal on Budgeting*, 5(3), 97-132.
- Djankov, S., McLiesh, C. & Shleifer, A. (2012). Private Credit in 129 Countries. *Journal of Financial Economics*, 84(2), 299-329.
- Duchesneau, D. A., & Gartner, W. B. (2010). A profile of new venture success and failure in an emerging industry. *Journal of business venturing*, 3(3), 15.
- Ekanem, K. (2010). Liquidity management in small firms: A learning perspective. *Journal of Small Business and Enterprise Development*, 17(1), 124-139.
- Ezejiofor, R. A., Emmanuel, E., & Olise, M. C. (2014). The Relevance of Accounting Records in Small Scale Business: The Nigerian Experience. *International Journal of Academic Research in Business and Social Sciences*, 1(4), 69-82
- Fatoki O. (2014). The Financial Literacy of Micro Entrepreneurs in South Africa. *Journal of Social Science*, 40(2), 151-158
- Fatoki O. (2014). The Financial Literacy of Micro Entrepreneurs in South Africa. *Journal of Social Science*, 40(2), 151-158.
- Financial capability Report (2009). *Financial Capability in Kenya: Findings from FINACCESS 2009*.
- Financial capability Report (2009). *Kenya Population situation Analysis*. Retrieved <https://www.unfpa.org>
- Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*. Reading, MA: Addison-Wesley.
- Frankwood, A.S (2010). *Business Accounting*. Britain, Prentice Hall.
- FSD (2009). *Definition of a Standard Measure for Consumer Interest rates in Kenya: A Scoping Study*. Nairobi: FSD-Kenya.
- FSD (2009). *FinAccess National Survey, 2009: Dynamics of Kenya's Changing Financial Landscape*. FSD Kenya.

- FSD (2009). *Financial Literacy*. Retrieved from <https://fsdkenya.org/publication/the-2009-fsd-annual-report/>
- G20 Seoul Summit (2010): *Scaling up SME Access to Financial Services in the Developing World*. Washington DC: International Finance Corporation.
- Glaser, M., & Walther, T. (2014). Run, walk, or buy? Financial literacy, dual-process theory, and investment behavior. *Financial Literacy, Dual-Process Theory, and Investment Behavior. Electronic Journal*, 5(2), 32-48.
- GOK (2012). *Promotion of Extractive and Mineral Processing Industries in the EAC: Kenya Status*. Government of Kenya, Nairobi: Government Printer.
- GOK (2015). *Draft Sessional Paper on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction*. Government of Kenya, Nairobi: Government Printer.
- Gujarati, D.N. (1995). *Essential of Econometrics*, 3rd Edition, McGraw Hill
- Hair, J.F., W.C. Black, B.J. Babin, R.E. Anderson and R.L. Tatham, 2006. *Multivariate Data Analysis*, 6th Ed., Prentice Hall, New Jersey.
- Idowu, F. (2010). *Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria*. Unpublished Thesis University of Nigeria.
- Ijaza, A. K., Mwangi, S. W., & Ngetich, K. A., (2014). Challenges faced by the women enterprise fund in Kenya, a survey of Hamisi constituency, Vihiga County –Kenya. *Research on Humanitarian and Social sciences*, 4(14), 20-36.
- Jims, B. (2014). The importance of planning and budgeting in small Business. Retrieved April 5, 2020, from <http://www.jimsbookkeeping.com.au/importance-of-planning-and-budgeting-small-business/>
- Joshi, P.D. (2013). Power and reduced temporal discounting. *Psychol. Sci.*, 24(4), 432-438.
- Kalekye, P. N., & Memba, F. (2012). The Role of Financial Literacy on the Profitability of Women Owned Enterprises in Kitui Town, Kitui County, Kenya. *International Journal of Science and Research*, 6(12), 2319-7064
- Kalk, A., Paul, F.A., & Grabosch, E. (2014). Paying for performance” in Rwanda. Does it pay off? *Tropical Medicine & International Health*, 15(3), 182-190.

- Karambu, K. (2017). *Commercial Banks Lending Strategies and Growth of Micro and Small Enterprises in Kenya*. Unpublished PhD Thesis. Jomo Kenyatta University of Agriculture and Technology.
- Kempson, E. (2013). *Measuring financial capability: A new instrument and results from low-and middle-income countries*. London: Financial Services Authority.
- Kenya National Bureau of Statistics (2017). *Micro, Small and Medium Enterprises (MSME) Survey Basic Report*. Retrieved from <https://www.knbs.or.ke>.
- Kimmel (2013). *Financial Accounting*. Retrieved from <https://www.wiley.com>
- Klein, R.J. (2010). *More than technology*. Unpublished Thesis, Linköping University, Sweden
- KNBS (2013). *Economic Survey 2013* Nairobi, Kenya National Bureau of Statistics, Government Printer.
- Koryak, O., Mole, K., Lockett, A., Hayton, J., Ucbasaran, D. & Hodgkinson, G. (2015). Entrepreneurial leadership, capabilities and firm growth. *International Small Business Journal*. 33(3), 89-105.
- Kothari, C.R. (2009). *Research Methodology Methods and Techniques*. New Age International, 401 p.
- Kubickova, D., & Soucek, J. (2013). Management of receivables in SMEs in the Czech Republic. *European Research Studies*, 16(5), 97-111.
- Levin, R. I., & Rubin, D. S. (1998). *Statistics for management*. Upper Saddle River, N.J: Prentice Hall. Chicago
- Lusardi, A. & Mitchell, O. S. (2017). Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education. *Business and Economics* 5(2), 124-154
- Lusardi, A., & Mitchell, O. S. (2011). *Financial Literacy and Planning; Implications for Retirement Well-being*. Kenya, National Bureau of Economic Research.
- Lusardi, A., & Mitchell, O. S. (2013). *How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness* (No. w15350). National Bureau of Economic Research.

- Lusimbo, E& Muturi, W, (2016). Financial Literacy and the Growth of Micro and Small Enterprises in Kenya: A Case of Kakamega Central Sub- County. *International Journal of Economics, Commerce and Management*, 4(6), 828-845.
- Mahmood, S. (2014). *Corporate governance and business ethics for SMEs in developing countries: challenges and way forward, Islamabad, Pakistan*. Retrieved from <http://www.kantakji.com/fiqh/files/companies/w111.pdf>
- Maseko, N., & Manyani, O., (2011). Accounting Practices Of SMEs In Zimbabwe: An Investigative Study of Record Keeping for Performance Measurement (A case study of Bindura). *Journal of Accounts and Tax*, 3(8), 171-181.
- Mastercard (2011). *Taking Stock: Financial Education Initiatives for the Poor*. Ontario. CA: Mastercard Foundation
- Mastercard (2011). *Taking Stock: Financial Education Initiatives for the Poor*. Ontario. CA: Mastercard Foundation
- Mengich H. Ndalira F. & Juma F. (2013). Challenges facing uptake of equity financing by small and microenterprises in Kenya: A Case Study of Small Financial Services Enterprises in Nairobi County: *International Journal of Innovative Research & Development*, 2(10), 32-46.
- Metzger, L. M. (2013). Good Bye Traditional Budgeting, Hello Rolling Forecast: Has The Time Come? *American Journal of Business Education*, 6(3), 299-310.
- Miller, M., Godfrey, N., Levesque, B. & Stark, E. (2019). *The Case for Financial Literacy in Developing Countries: Promoting Access to Finance by Empowering Consumers*. World Bank, DFID, OECD, and CGAP joint note, Washington, DC: World Bank
- Mugenda, A.G. (2008). *Social Science Research Theory and Principles*. Nairobi, Acts Press.
- Ngechu, A. (2004) *The Relationship between Strategy and Firm Financial Performance in the Banking industry in Kenya*. .Unpublished MBA Project, University of Nairobi, School of Business, Nairobi.

- Njoroge, R. M. (2013). *Relationship between Financial literacy and entrepreneurial Success in Nairobi County, Kenya*. Unpublished MBA Thesis, University of Nairobi.
- Nkundabanyanga, S. K., & Kasozi, D. (2014). Lending terms, financial literacy and formal credit accessibility. *International Journal of Social Economics*, 41(5), 342–361.
- Nyaberi, L. (2010). *Teachers' perceptions towards the implementation of life skills curriculum in public primary schools in Nairobi Wes District, Kenya*. Doctoral dissertation, University of Nairobi, Kenya.
- Obago, S. O. (2014). *Effect of financial literacy on management of personal finances among employees of commercial Banks in Kenya*. Doctoral Dissertation University of Nairobi.
- Obago, S. O. (2014). *Effect of financial literacy on management of personal finances among employees of commercial Banks in Kenya*. Doctoral dissertation, University of Nairobi.
- Obonyo, R. (2014). *Reducing Youth Unemployment in Kenya*. World Policy Institute.
- Østergren, K. & Stensaker, I. (2011). Management Control without Budgets: A Field Study of 'Beyond Budgeting' in Practice. *European Accounting Review*, 20(1), 149-181.
- Ozmete, E. & Hira, T. (2011). Conceptual Analysis of Behavioral Theories/Models: Application to Financial Behavior. *European Journal of Social Sciences*, 18(3), 386-404.
- Paul, C. (2009). *The Bottom Billion: Why the Poorest Countries are failing and what Can Be Done About It*. Oxford University Press.
- Petty, R. E., & Cacioppo, J. T (1984). Source factors and the elaboration likelihood model of persuasion. *Advances in Consumer Research*, 11(5), 668- 680.
- Petty, S., Zuckerberg, B. & Pauli, J. (2015). Winter Conditions and Land Cover Structure the Subnivium, *A Seasonal Refuge beneath the Snow*. PLOS ONE. 10. e0127613. 10.1371/journal.pone.0127613.
- Plakalovi, N. (2015). Financial literacy of SMEs managers. *Technology, innovation and Industrial Management*, 6(1), 409–416.

- Rickards, R. C. (2018). An endless debate: the sense and nonsense of budgeting. *International Journal of Productivity and Performance Management*, 57(7), 569-592.
- Robb, C. A. (2014). The Personal Financial Knowledge Conundrum. *Journal of Financial Service Professionals*, 3(2), 69–73.
- Sarason, Y. (2013). *Active Learning Facilitated by Using a Game Show Format*. Reprinted in *Spanish Edition of Strategic Management and Business Policy*, Thirteenth Edition. Bogota Columbia: Pearson Columbia.
- Saunders, M., Lewis, P. & Thornhill, A. (2012). *Research Methods for Business Students*. Pearson Education Ltd., Harlow.
- Sekaran, U. (2003). *Research Methods for Business: A Skill Building Approach* (4th edition). New Jersey: John Wiley and Sons.
- Sieki, J., Wagoki, J. & Kalio, A., (2013). An Assessment of the role of financial literacy on Performance of Small and Micro Enterprises: Case of Equity Group Foundation Training Program on MSES in Njoro district Kenya. *Journal of Economics & Finance*, 1(7), 250-336.
- Stark, O. S. (2019). The economic importance of financial literacy: Theory and evidence. *Journal of economic literature*, 52(1), 5-44.
- Storey, J. (2016). *Leadership in Organizations: Current Issues and Key Trends*. The Open University (UK).
- Sucuahi, W. T. (2013). Determinants of financial literacy of micro entrepreneurs in davao city. *International Journal of Accounting Research*, 1(1), 44–51.
- Tali, T.-H. (2016). Financial literacy among children: the role of involvement in saving money. *Young Consumers*, 17(2), 197–208.
- Tarfasa, S., Ferede, T., Kebede, S., & Behailu, D. (2016). *Determinants of growth of Micro and Small Enterprises : Empirical e evidence from Ethiopia*. Swiss Programme for Research on Global Issues for Development.
- Taylor, E. (1981). *The experience of intuition in management decision making A phenomenological inquiry and consolidation of a model*. Ann Arbor, MI: UMI Dissertation Services.

- UN Habitat (2006). *Urbanization and development: emerging Futures*. World Cities Report.
- Usama K.J. (2019). The Impact of Financial Literacy on Business Performance. *International Journal of Research and Innovation in Social Science*, 3(5),67-84.
- Uwezo Fund Status Report (2018). Status of implementation of Uwezo funds.
- Van Weele, A. J. (2016). *Purchasing and Supply Chain Management: Analysis, Strategy, Planning and Practice* (4th Ed.) Australia Thomson.
- Wachira, M., I., & Kihuu, E. N. (2012). Impact of Financial Literacy on Access to Financial Services in Kenya. *International Journal of Business and Social Science*, 3(19).
- Wallitsch, S. (2014). Debt Management by Individuals and Organizations. *Asian Economic and Financial Review*, 4(4): 517-528
- Warue, B.N. & Wanjira, T.V (2013). Assessing Budgeting Process in Small and Medium Enterprises in Nairobi's Central Business District: A case of Hospitality Industry. *International Journal of Information Technology and Business Management* 17(1), 1-11
- Westhead, P., Wright, M. & McElwee G. (2015). *Entrepreneurship: Perspectives and Cases*. Harlow: Pearson Education.
- Wijewardena, H. & De Zoysa, A. (2011). The Impact of Financial Planning & Control On Performance of SMEs in Australia. *Journal of Enterprising Culture*, 9(4), 353-365
- Wise, S. (2013). The Impact of Financial Literacy on New Venture Survival. *International Journal of Business and Management*, 8(23), 30-39
- Wise, S. (2013). The Impact of Financial Literacy on New Venture Survival. *International Journal of Business and Management*, 8(23), 30-39.
- World Bank (2016). *Remittance Prices Worldwide*. <https://remittanceprices.worldbank.org/en>
- Yin. R.K. (2013). *Case Study Research Design and Methods* (5th ed.). Thousand Oaks, CA: Sage.

Zeller, T. L., & Metzger, L. M. (2013). Goodbye Traditional Budgeting, Hello Rolling Forecast: Has The Time Come? *American Journal of Business Education* (AJBE), 6(3), 299-310.



APPENDICES

Appendix I: Questionnaire

Kindly tick appropriately

Part A: Demographic Information

1. Indicate your Gender

Male () Female ()

2. Indicate your age bracket

19 – 30 years ()

31 – 40 years ()

41 – 50 years ()

Above 51 years ()

3. What is your level of education

Certificate ()

Diploma ()

Bachelor's degree ()

Master's degree ()

Part B: Debt Management Literacy

4. Indicate your level of agreement on the following statements about the effects of debt management literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Using the scale 1- strongly disagree, 2- disagree, 3- moderate, 4- agree, 5- strongly agree

Statements	1	2	3	4	5
I always ensure that I pay my loan in the required time					
I have an understanding on the terms of debt					
I usually identify all my personal debts so that I can adapt an appropriate payment plan					
I communicate with my creditors to negotiate lower interest rates					
I avoid taking loans with high interest rates					
I communicate with various creditors so that I can identify the suitable place to get a loan					

Part C: Budgeting Skills Literacy

5. Indicate your level of agreement on the following statements about the effects of budgeting skills literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Using the scale 1- strongly disagree, 2- disagree, 3- moderate, 4- agree, 5- strongly agree

Statements	1	2	3	4	5
I run my business on a set budget					
I prepare a budget for my business annually					
I keep records of transactions so as to continue budgeting					
I categorize my transactions to know the spending in different areas					
Budgeting has helped me to decide where to spend more, where to spend less, or cutting back					
My business budget is flexible, it can be adjusted to meet new business needs					

Part D: Bookkeeping Literacy

6. Indicate your level of agreement on the following statements about the effects of bookkeeping literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Using the scale 1- strongly disagree, 2- disagree, 3- moderate, 4- agree, 5- strongly agree

Statements	1	2	3	4	5
I am able to see and describe financial matters with clarity					
I can prepare my business's profit and loss accounts					
I keep records on the income and expenses in my business on daily basis					
Bookkeeping knowledge has helped me to know where most expenses are incurred					
I am able to make key operating and financial decisions since have records on my business transactions					
I am able to reconcile the banks statements with cashbook					

Part E: Banking Services Literacy

7. Indicate your level of agreement on the following statements about the effects of banking services literacy on the growth of micro enterprises funded by Uwezo Fund in Nairobi County. Using the scale 1- strongly disagree, 2- disagree, 3- moderate, 4- agree, 5- strongly agree

Statements	1	2	3	4	5
I know the procedures to follow while accessing the bank loans					
I save the business funds in a central bank account					
I know how to operate the online banking services					
I know the security measures that I should take while operating with internet banking					
I am able to withdraw and deposit funds using the ATM because it cheaper					
I make consultation with the bank service providers on the best banking accounts to use					

Part F: Growth of Micro Enterprises Funded

8. Indicate your level of agreement on the following statements about growth of micro enterprises funded by Uwezo Fund in Nairobi County. Using the scale 1- strongly disagree, 2- disagree, 3- moderate, 4- agree, 5- strongly agree

Statements	1	2	3	4	5
The profitability of the business has increases					
The customer base on the business has increased					
The sales volume of the business has increased					
Operations of the business are more efficient					

THANK YOU

Appendix II: Data Collection Sheet

Period	2014	2015	2016	2017	2018
Profits					
Sales (Revenue)					
Assets					



Appendix III: Letter from NACOSTI

