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Financial Literacy, Access to Finance and Financial Performance of Youth-led Small and Medium-sized Enterprises (SMEs): Evidence from Gulu City, Uganda

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ABSTRACT

The study examined the financial literacy, access to finance, and financial performance of youth-led Small and Medium-sized Enterprises (SMEs) in Gulu City, Uganda. This research utilised self-administered questionnaires distributed to 213 youth-led SME management teams/owners. Multiple regression analysis was employed to test the influence of financial literacy and access to finance on the financial performance of enterprises, considering characteristics specific to the youth owner/management teams and the unique features of youth-led SMEs. The findings indicated that financial literacy and access to finance both positively and significantly impact the financial performance of youth-led SMEs. Youth owner/management teams with strong financial literacy skills and access to finance are better equipped to understand enterprise-related business concepts and manage their investments, budgeting, debt management, savings, financial goals, and risk management, all of which contribute to the financial performance of their enterprises. Additionally, this study extended the current literature by providing empirical evidence that validates the Resource-Based View (RBV) theory from the perspective of enterprises in developing nations. The findings suggest that Government Ministries, Departments and Agencies (MDAs), academia, and business associations should proactively promote Public-Private Partnerships (PPPs) to create initiatives for skilling the youth through formal and informal education ensuring the sustainable financial performance of youth-led enterprises.

Keywords: *financial literacy, access to finance, youth-led SMEs, financial performance*

1.0 INTRODUCTION

A policy brief submitted by the OECD (2011) defined Small and Medium Enterprises (SMEs) as non-subsidiary, standalone firms that utilise fewer than a given number of staffs. This number varies across national statistical systems. The Uganda Investment Authority (UIA) (2019) defines a '*Small Enterprise'* as an enterprise employing between five (5) to forty-nine (49) people, with an annual sales/revenue turnover or total assets of between ten (10) million and one hundred (100) million Uganda Shillings. A '*Medium Enterprise*' is defined as an enterprise employing employees between 50 and 100 with total annual assets or annual turnover of more than one hundred (100) million but not exceeding three hundred sixty (360) million Uganda Shillings (UIA, 2019).

Globally, Uganda is recognised as one of the nations with the youngest populations, with approximately eighty (80) percent of the population below thirty (30) years (UBOS, 2023). Despite two decades of sustained high economic growth and development figures compared to other countries on the continent of Africa. The nation has approximately 85% of its population stay in rural areas and, therefore has low levels of urbanisation.

Initiatives to enhance financial literacy and improve access to financial resources among youth enterprises have been at the forefront of government manifestoes since the turn of the century (Braustein & Welch, 2002). In Uganda, 2.5 million people are employed in small and medium enterprises (SMEs), which is approximately 90 percent of all those employed in the private sector (Rugasira, 2016). Sectoral contributions are as follows: services at 49%, commerce at 33%, manufacturing at 10%, and others (UIA, 2022). To this end, the sector is viewed as a bulwark for growth and development as it provides several benefits to the State, namely, employment for unskilled, semi-skilled and skilled youth, aggregate demand for goods and services and a tax base for local and central government and subsequently boast national economic growth and development (AFD, 2020; UNECA, 2020).

The youth-led SMEs in Uganda partake in many industries, namely, accommodation, food and beverages, agriculture and agro-processing, construction and carpentry, financial services, non-Food manufacturing, and wholesale and retail trade (Olema, 2020). For these reasons, Uganda has been cited as one of the leading nations with an economy heavily reliant on SMEs (UHY, 2022). These enterprises are a sustainable option for the youth in relation to employment, wealth generation, and innovation. It has a multiplier effect as one individual can employ other youth and grow their business portfolios into promising sectors of the economy (Ahaibwe, Kasirye & Barungi, 2014).

Empirical evidence from a study conducted in the United States of America demonstrated that for every 10 SMEs opened, only half of them will survive for 5 years, while only one-third will survive for 10 years (Yakob et al., 2021). However, in the context of Uganda, the majority of SMEs, nine out of ten, fail to go past twelve (12) months/one year, and less than 60% live to see 60 months/5 years (Balunywa et al., 2013). Enterprise failures were attributed to business failure, including access to markets chalenges, changes in commodity prices, misappropriation and mismanagement of their financial resources, low bargaining power, low managerial skills, lack of timely market information, restricted access to capital, and limited managerial skills (AFD, 2020). Despite these constraints, some SMEs still sense opportunities and reconfigure resources to succeed.

1.1 Government of Uganda Policies and Programs Focusing on Youth-Led Entrepreneurship

Uganda ranks number one as the most entrepreneurial nation globally, scoring thirty (30) percent (SHUGCIC, 2023) . To this end, the Government of Uganda and its development partners strategically set up legislative policies and initiatives to strengthen fostering of innovation and wealth creation currently standing at approximately 80% of manufactured output making up 20% of Gross Domestic Product (GDP) through facilitation to ease of doing business via access to finance, provision of training in business skills (soft and technical) and business skills acquisition through apprenticeship and internships, awards to young entrepreneurs and the formation of a conducive framework consisting of policy, legal and institutional undertakings (MoTIC, 2015; UIA, 2022).

The National Youth Policy launched shortly after the turn of the century in 2001 placed significant emphasis on the importance of entrepreneurship in generating youth employment to result in sustained economic growth and development (IYF, 2011). The emergence of youth employment as a national policy area resulted in the establishment of the Skilling Uganda Program (SUL) (2011-2022) after studies by the Government of Uganda through the Ministry of Education and Sports with assistance from multilateral development partners and donor agencies conducted into the national education curriculum for Business, Technical and Vocational courses and trainings revealed it never equipped the learners with practical and employable competencies and skills. The creators envisioned a "*paradigm shift*" with a revamp of the syllabus and teaching methods through this project (MoES, 2011).

The Peace, Recovery and Development Plan for Northern Uganda (2007–2010) also included a youth entrepreneurship component through the Northern Ugandan Social Action Fund. They rebuilt after years of civil conflict from 1980 to 2006, transitioning out of post-conflict recovery. The model implemented required youth groups of fifteen to twenty-five (15-25) persons to submit enterprise grant proposals to access start-up capital cash injections minus outside supervision (UBOS, 2023).

Impact assessment studies to test the theory of change to the participants' income levels after four years revealed a significant increase in the incomes of the majority of the program beneficiaries. However, it was noted with concern that the available pool of resources was insufficient for the number of interested beneficiaries and that the substantial number of persons with low formal education, a lack of in-depth financial literacy, inadequate social resources, and a lack of relevant proposal writing skills missed out (Blattman et al., 2014).

The National Development Plan (2010/2011–2014/2015) highlighted the surge of youth unemployment and the issues that would arise if it went unchecked by the relevant stakeholders. It viewed fostering entrepreneurship through youth skilling and education as an avenue to overcome the challenge. This would be obtained via financial and non-financial initiatives, namely, seed grants and loans, establishing SME incubation programs, apprenticeship schools and start-up business clinics (NPA, 2010).

A pivotal intervention to promote youth-led entrepreneurship initiatives is the Youth Venture Capital Fund which was launched in 2012. It identified groups of beneficiaries comprising ten to fifteen (10-15) members who were offered interest-free loans. However, there was a public backlash as the intended recipients voiced concerns about the challenges in accessing finance due to a lack of collateral and the absence of formal business registration, resulting in the rejection of loan requests by financial institutions administering the Fund. (Langevang, Namatovu & Dawa, 2012) This resulted in the National Government setting another initiative to respond to the challenges of the previous initiative in the year 2013. This was called the Youth Livelihood Programme (YLP) in 2013 with more favourable terms and conditions for the intended beneficiaries, namely, no need for collateral to access funds, an approved three (3)-year work plan, a permanent enterprise address and thirty (30) percent female member requirement for any group (Blattman et al., 2014).

The Second National Development Plan (2015/2016–2019/2020) was based upon launching Uganda towards attaining a target of *middle-income status* by the Financial Year 2020 in line with the Uganda Vision 2040. The plan was meant to achieve the target via collaborations with State and Non-State Actors. The programme towards youth was to strengthen the Labour Market Information System (LMIS), empowering youth to be productive through training and inculcating good values that cause mindset changes to become "cultured and skilled" (NPA, 2015).

Currently, being implemented is the NDP III commonly known as Third National Development Plan (2020/2021–2024/2025), which revolves around the creation of a modern citizen-focused integrated and self-sustaining economy driven to obtain Uganda 2040, EAC 2050 and Africa Agenda 2063 Sustainable Development Goals (SDGs). This will be obtained by harnessing youthful energies to earn livelihoods and support nation-building (NPA, 2019).

Emperical evidence from previous studies (Abaho et al., 2016; Buchdadi et al., 2020) revealed that a plethora of factors are at play when it comes to the performance of SMES; however, these findings all show inconclusive empirical evidence of relationships between these financial and non-finanical factors and the performance of SMEs.

The studies (Bakashaba et al., 2024; Uganda Business Impact Survey, 2020; Myovella, Karacuka & Haucap, 2020) highlighted below have been conducted globally in developed and developed nations. The Researchers sense the need to highlight the relationship between financial literacy, access to finance and financial performance of youth-led SMEs in the unique context of unique Uganda business ecosystem perspectives of entrepreneur age, entrepreneur level of education, enterprise size, business values, attitude, beliefs, expectations, funding systems, political situation, and other factors.

To this end, reviewing all the policies, programs, and initiatives elaborated above revealed a specific focus on fostering entrepreneurial innovation amongst the youth via SMEs in Uganda. Access to finance and start-up training and skilling are priority areas. However, the consistent rolling out of such youth-focused undertakings with limited enrolment and coverage renders their impact insignificant. A literature review reveals that all these programs are still ineffective and have yet to obtain the desired outcomes.

This may illustrate a limited or lack of knowledge on the significance of financial literacy influences SMEs financial performance, resulting in responses varying from country to country according to their lived experiences (Harzing, 2006). For financial literacy, past studies (Agyapong & Attram, 2019; Usama & Yusoff, 2019) showed a significant relationship, while other studies (Bruhn & Zia, 2011; Menike, 2018) showed no relationship with influence on SMEs performance.

2.0 LITERATURE REVIEW

2.1 Resource Based View (RBV) Theory

Resource Based View (RBV) Theory (Wernerfelt, 1984) has been employed to explain the joint effect of financial literacy and access to finance on the financial performance of SMEs in Gulu City, Uganda. The theory argues that the difference in enterprises' performance is attributed to the variance in resources and capabilities owned and their utilisation (Barney, 1991). This theory further contends that enterprise resources have different characteristics, such as not easy to replace, unique, significantly valued and a channel for attaining competitive advantage through strategies to create value propositions that are not easily imitable by their rivals (Barney, 1991).

According to Penrose and Penrose (2009), enterprise resources, skills and knowledge of owners/management teams are viewed as enhancers of the internal growth of any enterprise. To that effect, enterprise resources are vital to obtaining successful outcomes for any enterprise. However, a valuable resource stockpiling does not imply automatic superior enterprise performance as more extraordinary performance is subject to how enterprises reconfigure resources to make the most of opportunities to attain superior performance compared to competitors (Eisenhardt & Martin, 2000; Sánchez, 2011). This study applies the Resource-Based View (RBV) theory to explain how financial literacy and access to finance enable SMEs in Gulu City, Uganda, to achieve sustainable financial performance.

RBV theory provides a logically sound framework for evaluating an enterprise’s strengths and weaknesses by identifying and developing its core talents and capabilities. The study suggests that businesses should protect their strategic assets from erosion or imitation by competitors and leverage them to create value for stakeholders and clients. In the emerging economy, two key trends—financial literacy and access to finance—are increasingly influencing economic growth and SME performance. These trends can be considered firm resources that enhance SME performance, in line with the principles of the theory.

In Uganda, entrepreneurship levels are interlinked with prevailing economic, social, and political conditions (Langevang et al., 2012). To this end, the sustainability of any business as a going concern is closely linked to strong performance (Madrid-Guijarro et al., 2007; Suhaimi et al., 2023). Therefore, it is essential to continuously measure SMEs' financial and non-financial performance as they operate in a temperamental business ecosystem (Bakashaba et al., 2024; Najmi et al., 2005).

The performance focuses on how efficiently and effectively an enterprise sutilises enterprise resources for profit generation (Marimuthu et al., 2009). This study will sconceptualise sutilising financial and non-financial measurements. Previous studies utilised viewed performance as the outcome of enterprise strategic outcomes (Harash et al., 2014; Richard et al., 2009). The researchers in this study have identified financial literacy and access to finance as vital factors that influence the financial performance of SMEs. Enterprise financial performance will involve various SME performance outcomes: sales, market, and profit growth.

2.2 Financial Literacy and SME Financial Performance

A review of previous studies revealed that the higher the levels of financial literacy, the higher the firm’s performance is (Bruhn & Zia, 2011; Nyabwanga, 2011). Thus, it might be argued that enterprises with owners/management teams that lack financial literacy perform poorly. This may be attributed to their inability to handle risk assessment and opportunity exploitation competently. A summary of commonly cited definitions in past studies is presented in Table 1.

Table 1: Definitions of Financial literacy in past studies

Definitions of Financial literacy	Publication
“is seen as having the knowledge, skills and confidence to manage one's finances well, taking into account one's economic and social circumstances”	MoFPED (2022)

"the ability to skilfully apply financial knowledge and principles for positive contribution to socio-economic development".	Irikefe & Opusunju (2021)
"the ability to understand how money works, it entails proficiency in the knowledge and application of time-honoured and basic financial concepts and principles like financial planning, compound interest, debt management, profitable savings strategies and value of money generally".	Irikefe (2019)
"knowledge of making informed decisions pertaining to certain personal finance areas like investing, tax planning, insurance, saving and retirement".	OCED (2011)
"the inherent or acquired skill to make up-to-date decisions and effective judgments concerning the administration and use of money and wealth".	Gale & Levine (2010)

Financial literacy is an internal enterprise competence that empowers an enterprise owner/management team to acquire funds to attain exceptional sustainability (Hussain et al., 2019), while the lack of financial literacy heightens the possibility of business failure due to financial instability (Sucuahi, 2013). Researchers (Eniola & Entebang, 2015) argue that performance is an index of the viability of a business over a dedicated trading period and comprises competitiveness, growth, success and survival. It's been argued that regarding enterprises' sustainability, owners'/ management teams' knowledge of financial literacy impacts sustainability and growth decisively in the long run after no significant impact in the early stage. Such individuals can utilise skills acquired from business advice and financial management, usually registering growth increases in sales, market, and profit (Osinde et al., 2013). Studies have attributed this to good business management practices: having savings, using insurance policies, investing strategy, and managing debt.

The above review of previous studies clearly illustrates that SME management teams and owners are grappling with optimising their enterprise value propositions for sustainable performance. This is attributed to the fact that the financial sector state and non-state actorsprioritise the financial literacy level of legal persons before transacting business with them. This challenges SME owners/management teams seeking SME viability and sustainability as players in the Financial Services sector to evaluate their knowledge base on financial literacy before enrolling them into initiatives as beneficiaries (Lusardi & Mitchel 2007a; Ramli et al., 2024).

2.3 Access to Finance and SME Financial Performance

Previous studies have shown adequate access to financial and non-financial resources for any enterprise as vital factor to contributing to the performance of SMEs (Fowowe, 2017) whilst inadequate access to financial and non-financial resources is detrimental to the performance of SMEs (Malhotra et al., 2005). The financial aspect revolves around enterprises acquiring different sources for scapitalisation and meeting the cost of doing business. These sources of finance include credit facilities, cash deposits, payments and insurance, among others (Adomako & Danso, 2014; Kyophilavong, 2011; OECD, 2006).

Access to finance is a challenge for SMEs, yet they are key stakeholders in the economies of developed and developing countries. They are viewed as main stays of national economies as they provide youth employment a significant customer base to goods and services, all boasting aggregate demand and subsequent economic growth and development (AFD, 2020; ECA & IEC, 2020). Therefore, the Government must partner with the private sector to establish a financial services sector to facilitate fund acquisition, fund accumulation and disbursement of any related support and services to legal persons in need. In Uganda, previous studies have shown that access to finances for SMEs is a great hindrance to SMEs due to their inability to meet requirements to access loans, for example, lack of collateral security for loan acquisition and legal status hence limiting their performance due to issues of liquidity issues and profitability (Harash et al. 2014; Harelimana, 2017).

2.4 Proposed Conceptual Framework

The current study proposed a conceptual framework, as illustrated in Figure 1. According to the RBV theory, businesses are different because every firm has various internal resources. Internal enterprise resources mean the strengths and weaknesses of an individual company (Wernerfeldt, 1984). It consists of the assets, capabilities, information, and knowledge that the enterprise possesses or owns (Barney, 1991; Wernerfeldt, 1984). This implies that the competitive advantage of an enterprise derives from its internal resources. Thus, any valuable resources which a business has the potentially determine the competitive advantage of that firm over others.

According to RBV theory, firms utilise their available bundle of resources and capabilities (Peteraf & Bergen, 2003). Khotimah (2014) highlighted that the RBV theory visualizes an enterprise as a collection of resources and capabilities. More broadly, the RBV theory underlines the ability of the enterprise in sustaining a unique bundle of resources from which other competitors cannot own or symmetrically imitate. According to Adomako et al. (2016), the financial literacy of an operator enhances the internal capability of the firm with respect to raising finance for future growth. In this regard, financial literacy can be treated as an internal capability to attain a competitive advantage of the firm. Drawing from the literature review and the proposed conceptual framework, it is hypothesized that:

H_1: Financial literacy positively influences SMEs performance.

H_2: Access to finance positively influences SMEs performance.

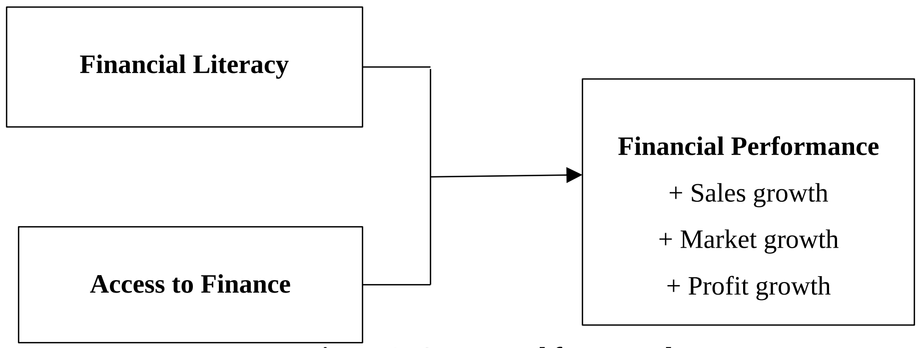

Figure 1: Conceptual framework

3.0 METHODOLOGY

3.1 Sampling

The study population includes all 417 youth-led SMEs listed on the Gulu City, DINE Profile 2022/23 website database as of 1 September 2023 (MoFPED, 2023). Simple random sampling is the best technique to utilise in selecting SMEs samples as this approach enables the selection of representatives from the entire population thus making the findings highly sgeneralisable and less biased (Sekaran & Bougie, 2010). As per recommendations about the sample size table from Krejcie and Morgan (1970), the study sampled 201 youth-led SMEs.

3.2 Research instrument

Survey methods are commonly used in studies of business-related activities as they are dynamic human interactions based on human interactions. The findings from the data set form the basis of empirical evidence. Accordingly, the self-answering questionnaire has been developed and contains five sections: SI, SII, SIII, SIV, and SV.

Table 2: Parts of Questionnaire

Part	Details
SI	Respondent profile
SII	SME profile
SIII	Financial literacy
SIV	Access to finance
SV	SME performance

The questionnaire is designed whilst considering obtaining information on the constructs labelled Table 2. There are two parts to the questionnaire: I, the respondent information and II, the SME’s profile. The questions are close-ended with a predetermined format for responses. The questions in Parts III & IV were developed regarding financial literacy and access to finance. The measured variables will be hypothesised to relate them to constructs under study adopted and adapted from previous studies (Azizi, 2009; Man Wing, 2001; Nakhata, 2007; Khan et al., 2014; Sabana, 2014). Dimensions include financial literacy, access to finance, debt literacy and investment literacy.

Part V will measure the respondents' opinions on the SME performance measurement. This is so because previous studies (Khan et al., 2014; Tippins & Sohi, 2003) illustrated that SMEs usually report inaccurate financial information for two reasons: fear of reprisals inform of taxes and fines due to the sensitive nature of financial data. This renders the data collected not fit for purpose. Thus, this study plans to utilise the financial performance measurement construct items adopted and adapted from previous studies (Azizi, 2009; Man Wing, 2001; Nakhata, 2007), as shown in Table 3.

Sections III and IV utilises an itemised rating scale response format. This interval measurement scale will enable respondents to utilise a wide range of point numbers (Cavana et al., 2001). The current study utilises a 5-point Likert Scale. This psychometric response system enables easy responses to levels of agreement, attitude and opinions according to the five points. The 5-point Likert scale consists of the below points – (1) Strongly Disagree; (2) Disagree; (3) Neither Agree nor Disagree; (4) Agree; (5) Strongly Agree. Therefore, this self-answering questionnaire contains 39 questions. with Table 4 summarising the number of items for each section.

3.3 Reliability test

This research instrument was subjected to reliability testing. Reliability is defined as the degree of consistency of a research instrument measuring a variable studied (Mahmood et al., 2024; Lim, 2007). Accordingly, the scholars Mamat and Wan (2021) advised a numerical value of at least 0.70 would indicate that a scale is reliable when utilising Cronbach's alpha. To this end, as this study is related to an investigation in the realm of social sciences, such factors that fail to meet the set benchmarked value were be dropped and not subjected to further analysis.

3.4 Multiple regression

Generally, correlation analysis is carried out when one needs to explain the relationship's strength between two continuous variables through the use of a coefficient correlation, which has values from -1 to +1, as expressed by Franzese and Luliano. The greater the value of the correlation, which is closer to +1 or -1, the closer the strength in the relationship between those two continuous variables, and vice versa (Yakob et al., 2021). However, this cannot be used to determine whether one variable can explain the other. Therefore, in the current linear regression analysis is utilised to assess the influence of independent variables on the dependent variables.

In this study, the dependent variable is SME financial performance, while independent variables are financial literacy and access to finance. The characteristics of the SME owner/management team related to the profile and SME itself will be used as control variables. Control variables are used in the model to predict the causal influence of financial literacy and access to finance on SME's financial performance. The measurement summary for each variable is supported in table 5.

Table 3: Construct items adopted and adapted from previous studies

Construct	Item description	Source
Sales growth	The enterprise is experiencing consistent quarter on quarter sales growth.	
	Sales volume fluctuate.	
	I am unfamiliar with the sales made.	
	Sales promotion campaigns are a daily occurrence.	Khan et al., 2014; Tippins & Sohi, 2003
Market growth	Our customer base is increasing.	
	We are purchasing more stock than before.	
	This sector is characterised by free entry of new competitors.	
Profit growth	The sector of the economy is profitable.	
	The percentage of retained earnings is consistently increasing.	
	Enterprise often reinvesting retained earnings into the business.	

Table 4: Number of items for each part

Part	Details	Number of items
SI	Respondents profile	5
SII	SME profile	2
SIII	Financial literacy	10
SIV	Access to finance	12
SV	SME performance	10
TOTAL		**39**

4.0 RESULT AND DISCUSSION

The questionnaires are mailed to the targeted respondents, SME owners/managers. The required sample number is 201. In order to get it, 417 self-answering questionnaires are posted to all the identified youth-led SMEs. This number is in line with the scholars Sekaran and Bougie, 2010, assertion that the ideal response rate for mail is 30%. The exercise took six weeks, and 220 questionnaires were received upon the elapse. This represented 52.72%. Upon careful evaluation, it emerged that only 213 sets of questionnaires could be used. Seven sets of questionnaires were thrown out as a result of incomplete feedback from the respondents. Responses to the questionnaires did reach the threshold of 201 completed responses considered necessary by scholars Krejcie and Morgan, 1970, and Sekaran and Bougie, 2010.

Table 5: Summary of variable measurement

Variable	Variable Description	Measurement Unit
GEN	Gender	1=male, 0=female
AGE	Respondents' age	Ordinal: (1)18-22 years old; (2) 23-27 years old; (3) 28-30 years old
EDU	Educational level	Ordinal: (1) primary school; (2) secondary school; (3) tertiary; (4) university; (5) others
BIZFIN	Business Financing	Ordinal: (1) saving; (2) financial institution loans; (3) state and local government; (4) peer to peer lending (SACCOS); (5) family contributions; (6) family contributions
INDCLA	Industry Classification	Ordinal: (1) agriculture and agro-processing; (2) construction and carpentry; (3) financial services; (4) accommodation, food and beverage services; (5) non-food manufacturing; (6) wholesale and retail-trade; (7) others
PEROPE	Period of Operation	Ordinal: (1) < 5 years; (2) 5-10 years; (3) > 10 years
OWN	SME performance	Ordinal: (1) sole proprietorship; (2) partnership; (3) limited liability; (4) family business; (5) cooperative society
FINLIT	Financial literacy	5-point Likert scale
ACCFIN	Access to Finance	5-point Likert scale
SMEPER	SME performance	5-point Likert scale

4.1 Respondent's profile

In this study, the largest number of respondents were males, 52.6%, while the rest were females, 47.4%. In terms of distribution by age, very few responses came from the 18-22-year-old category, at 22.5%, while majority respondents were came from the category aged 28–30 years, at 43.2%. Respondents aged between 23–27 represented (34.3%) of the sample. Meanwhile, in terms of educational level, university showed the highest percentage (27.2%), followed by others (25.8%), tertiary (22.5%) and secondary (14.6%). Finally, (9.9%) indicated primary. Business financing is an activity all the respondents participated in. The majority of enterprises are financed through peer-to-peer lending (SACCOS) (28.2%). Followed by State and Local Government lending programs (18.8%), Family contributions (16.9%), Savings (15%), Financial Institution loans (14.1%) and Others (7%). Table 6 summarises the demographics of respondents.

Table 6: Respondent's profile

	Frequency	Percentage (%)
Gender		
Male	112	52.6
Female	101	47.4
Age		
18-22	48	22.5
23-27	73	34.3
28-30	92	43.2
Education		
Primary	21	9.9
Secondary	31	14.6
Tertiary	48	22.5
University	58	27.2
Other	55	25.8
Business Financing		
Savings	32	15
Financial Institution loans	30	14.1
State and Local Government Lending programs	40	18.8
Peer to Peer Lending (SACCOS)	60	28.2
Family contributions	36	16.9
Others	15	7

4.2 Enterprise's profile

Table 7 summarises the enterprise's profile, based on the industry classification, The majority of respondents were in Accommodation, Food and Beverage services (24.9%), followed by Financial services (20.2%), Non-Food manufacturing (17.4%), Construction and carpentry (16.9%), Agriculture and agro-processing (12.2%), Wholesale and retail trade (6.6%). The minority (1.9%) indicated others. Regarding business experience and managing the existing enterprise, a small number of respondents (23%) had been in business for more than 10 years. The majority were those who had managed the business for less than 5 years at 41.8 percent, and the rest, 35.2 percent of respondents, have managed the business for 5–10 years. On legal status in terms of ownership, SMEs responded to about 39 percent of registration as sole proprietorships, 29.6 percent as partnerships, the limited liability partnership was 22.1 percent, family business 7 percent, while cooperative society represented about 2.3 percent.

Table 7: Enterprise's profile

	Frequency	Percentage (%)
Industry Classification		
Agriculture and agro-processing	26	12.2
Construction and carpentry	36	16.9
Financial services	43	20.2
Accommodation, Food and Beverage services	53	24.9
Non-Food manufacturing	37	17.4
Wholesale and retail-trade	14	6.6
Others	4	1.9
Period of Operation		
Less than 5 years	89	41.8
5-10 years	75	35.2
Above 10 years	49	23
Ownership		
Sole proprietorship	83	39
Partnership	63	29.6
Limited Liability	47	22.1
Family business	15	7
Cooperative society	5	2.3

4.2.1 Multiple regression analysis

Table 8 shows the results from the multiple regression analysis for the Model Summary and two-way Analysis of Variance (ANOVA) for the two independent variables. The value of R^2 = .070 suggests that 7% of SME financial performance (sales growth, market growth and market growth) can be explained by financial literacy, access to finance, owners profile (gender, age, education, business financing) and SME-specific characteristics (industry classification, period of operation, and ownership). The remaining 93% is attributed to other factors that are not investigated in this study. The low R^2 value also has the implication that only a low strength of the linear relationship between the two independent variables viz. Financial Literacy and Access to Finance) and the dependent variable viz. SME Financial Performance) exists.

However, a low but significant R^2 value should not be thrown away as important conclusions could be drawn based on the the influence of the independent variable on the dependent variable (Morrison, 1973; Bonnie et al., 2013). A low R^2 value may also sometimes produce important results; for example, it can provide valuable information about predicting human behavior (Bonnie et al., 2013). This output also shows F values=9.032 and p=0.000 <0.05, indicating that the regression model can be applied or estimated for enterprise financial performance.

Tables 8: Multiple regression analysis for the Model Summary and two-way Analysis of Variance (ANOVA)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.281[a]	.079	.070	.31135

a. Predictors: (Constant), AccFin, FinLit

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.751	2	.876	9.032	.000[b]
	Residual	20.358	210	.097		
	Total	22.109	212			

a. Dependent Variable: FinPer

b. Predictors: (Constant), AccFin, FinLit

Finance performance improves as the level of access to finance and financial literacy increases among SME youth entrepreneurs. These findings resonate with those of Fitriati et al., 2020; Tuffour et al., 2022; and UBIS, 2020: UNCDF, 2020. Financial literacy at a higher level and enhanced access to finance equip the youth entrepreneurs with the skills of managing investments, budgeting, debt management, saving, finance goals, and risk management.

Indeed, one of the major constraints for SMEs across the emerging economies of the globe is limited financial literacy and access to finance among SME borrowers (UNECA, 2020; Yang et al., 2019). In this regard, it is in the view that financial literacy and access to fianance allow these entrepreneurs to be up-to-date on the available potential sources of finance to exploit so as to accrue benefits of improved SME performance through strategies of improved performance, planned growth, proper budgeting, efficient credit management, evidence-based decision making, and sustainable enterprise growth.

5.0 CONCLUSION

The current findings showcase that youth-led SMEs financial performance is highly dependent on the variables under study, namely, financial literacy and access to finance. Consequently, it suggests that decision makers in Central and Local Governments, academia, and business should proactively promote Public Private Partnerships (PPPs) initiatives to aggressively encourage and facilitate their participation in engagements on financial literacy and access to finance. The study also suggests that youth-led SME owners and management teams benchmark from one another on the opportunities regarding access to digital/non-digital finance platforms or services and fully optimize benefits accruable thereof. Youth-led SMEs are referred to as agents of change and key drivers for economic growth and social inclusion, at the same time viewed as engines of employment, income, and GDP growth (Pearson et al., 2022). The conclusions from the study are very helpful advisory to the SME owner-managers and highlight the fact that the financial literacy levels need to be raised to be able to maneuver today's financial hurdles and make informed decisions regarding access to finance that will improve the overall financial performance of their respective businesses (Deraman et al., 2021).

In addition, the current study extends the literature on the relationship between SME financial performance, access to digital finance, and financial literacy in a developing country. It addresses a gap in the literature, as most prior research focused on the role of governance and its impact on SME performance. Also, the study provides empirical support for the RBV theory, which posits that a company will perform more effectively when it has access resources categorised as Valuable, Rare, Inimtable, and Non-Substitutable. The findings suggest that SMEs can gain a competitive advantage by strategically enhancing their capabilities and competencies through improved financial literacy and access to finance.

5.1 Implications and Future Research

Data used in this study were gathered in one of the regional cities found in one of the developing countries, Uganda. Other cities in other parts of the developing world are beset by the same problems, only within a different kind of institutional, social, and economic business ecosystem. The quantitative data that would be collected through questionnaires will base the findings from this study on how and why the level of financial literacy of youth-led SMEs and access to finance attributes to the financial performance of the latter.

Moreover, the study was done purely on a cross-sectional basis; hence it ignores characteristics of the youth-led SMEs that could otherwise be investigated using a longitudinal study design. For example, in the future, studies can adopt longitudinal studies to analyse the behaviors of SMEs in developing economies with regard to how financial literacy and access to finance impact SME financial performance.

Lastly, a replication of this study in other sectors, especially in Micro enterprises as well as other parts of Uganda, would explain a complete picture of the significance of financial literacy and access to finance on economic performance in general and the financial performance of these enterprises.

5.2 Recommendation

There is a pressing need to educate the public, especially business owners, on key pillars of financial literacy, including debt management, budgeting, saving, and investing. This responsibility should be undertaken by the Government of Uganda, the relevant Ministries, Departments, and Agencies (MDAs) of the Government of Uganda, Uganda Manufacturers' Association (UMA), Private Sector Foundation Uganda (PSFU), Uganda Chamber of Commerce, other trade organisations and associations.

Several significant initiatives are underway in Uganda to expand access financial inclusion, especially in rural areas. These will only have effective outcomes if they are paired with strategies to enhance the financial literacy and access to finance of currently financially excluded individuals. For financial inclusion programs to have the intended impact, the target audience must be taught about the product portfolios available and which ones best suit there needs and be aware of the associated risks. Additionally, they need to be motivated to use these financial resources actively. Furthermore, financial literacy and inclusion programs are likely to be successful only when complemented by effective prudent financial regulations, which minimises risks to financial service providers and financial product consumers.

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