



FINANCIAL LITERACY, CAPITAL STRUCTURE AND FINANCIAL PERFORMANCE IN UGANDA: A CASE OF SMALL AND MEDIUM ENTERPRISES IN KAMPALA DISTRICT

ABSTRACT

The purpose for this study was to examine relationships between financial literacy, capital structure and financial performance of SMEs Kampala District. This research was motivated by the continuous poor financial performance and eventual closure of SMEs in Kampala district such as Uchumi supermarket, Nakumat supermarket and Wavah Broadcasting Service TV among others which is a clear indication of something wrong in the industry.

The researcher adopted a cross sectional as well as descriptive and analytical research designs. The study population was the small and medium enterprises. Krejcie and Morgan Table (1970) was used to come up with a sample of 283 Small and Medium Enterprises and these were selected using simple random sampling while respondents were selected using purposive sampling technique. The data collected was coded, entered and edited for incompleteness and inconsistency to ensure correctness of the information given by the respondents, through pretesting and adjustments by the two research supervisors. Statistical Package for Social Scientists (SPSS) were used for data entry and analysis.

Research findings indicated that there was a positive and significant relationship between financial literacy and capital structure, financial literacy and financial performance as well as capital structure and financial performance of SMEs Kampala District.

Basing on these findings, it is recommended that the owners and managers of SMEs in Kampala district with support from the government undertake various financial literacy trainings that will enable them improve their skills and widen their knowledge so as to make informed financial decisions when it comes to choosing the kind of financing which in turn will impact on their financial performance positively.