# FINANCIAL LITERACY, CREDIT UTILIZATION AND FINANCIAL PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN UGANDA A CASE OF MAPLE COMMERCIAL CLIENTS IN LIRA DISTRICT

## ABSTRACT

The purpose for this study was to establish the relationship between financial literacy, credit utilization and financial performance of Micro and Small enterprises in Lira district. The drive for research was the poor financial performance of MAPLE commercial client micro and small enterprises that was reported unhealthy even after having received financial literacy trainings and besides some businesses were closing done due to declining financial performance.

The population of the study was 350 micro and small enterprises, Krejcie and Morgan Table (1970) was used to come up with a sample of 186 MSEs from Lira district. A cross sectional survey was adopted which involved descriptive, correlation and regression approaches. The data collected was coded, entered and edited for incompleteness and inconsistence to ensure correctness of the information given by the respondents, through pretesting and adjustments by the two research supervisors.

Findings revealed that financial literacy and credit utilization were significant predictors of financial performance accounting for 52.8% of the variation.

It was recommended that owners of the micro and small businesses should try to improve financial literacy through trainings or programs so as to expand on financial knowledge that will enable them make informed financial decisions when it comes to borrowing and using the borrowed money or managing accounts receivables to avoid the business from running out of cash at hand.

Funds or money borrowed for the business should always be used for the intended purpose to avoid having cash flow problems as a result of diverting part of the money to other personal non-productive activities.