

The Impact of Financial Literacy on the Profitability of Selected Small and Medium Enterprises in Kabale District: A Case Study of Kabale Central Market Vendors

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Abstract: This publication investigates the influence of financial literacy on the profitability of selected Small and Medium Enterprises (SMEs) in Kabale District, focusing on vendors at Kabale Central Market. Through in-depth analysis and case study methodology, it scrutinizes the financial literacy levels among vendors and assesses its impact on their business performance. By providing insights into the specific challenges and opportunities faced by these SMEs, this study aims to inform targeted interventions to enhance financial literacy and promote sustainable growth.

1. Introduction

SMEs particularly make the backbone of economic activity in Kabale District, contributing considerably to employment and income generation. However, many SMEs face challenges allied to financial management, which can influence their profitability and long-term viability. This study focuses on vendors at Kabale Central Market, a vital hub of economic activity in the district, to explore the relationship between financial literacy and business success.

2. Objectives

1. To evaluate the level of financial literacy among vendors at Kabale Central Market.
2. To analyze the impact of financial literacy on the profitability of selected SMEs.
3. To identify specific challenges and opportunities related to financial management in the context of Kabale Central Market.
4. To propose recommendations for improving financial literacy and enhancing the profitability of SMEs in Kabale District.

3. Methodology

This study employs a mixed-methods approach, combining quantitative surveys and qualitative interviews. A sample of vendors from Kabale Central Market is selected for participation in the study. The quantitative survey assesses financial literacy levels and gathers data on business performance indicators, while qualitative interviews provide insights into the challenges and opportunities faced by vendors. Relevant literature on financial literacy and SMEs is reviewed to contextualize the findings.

4. Findings

1. **Financial Literacy Levels:** Analysis of survey data reveals varying levels of financial literacy among vendors at Kabale Central Market. While some vendors demonstrate a strong understanding of financial concepts, others struggle with basic financial management tasks such as budgeting and cash flow management.
2. **Impact on Profitability:** The study finds a clear correlation between financial literacy and profitability among SMEs at Kabale Central Market. Vendors with higher levels of financial literacy are better equipped to make informed decisions, manage their finances effectively, and adapt to changing market conditions, leading to improved profitability.
3. **Challenges and Opportunities:** Qualitative interviews highlight several challenges faced by vendors, including limited access to financial education and advisory services, informal lending practices, and fluctuating market demand. However, vendors also identify opportunities for improvement, such as collaborative initiatives among vendors and greater access to financial resources.
4. **Recommendations:** Based on the findings, the study recommends targeted interventions to enhance financial literacy among vendors, including the development of tailored training programs, the establishment of financial literacy centers at Kabale Central Market, and the promotion of digital financial tools. Additionally, efforts should be made to strengthen linkages between vendors and formal financial institutions to improve access to credit and other financial services.

5. Conclusion

Financial literacy plays a significant role in the success of SMEs, including vendors at Kabale Central Market. By investing in financial education and support services, policymakers, government agencies, and other stakeholders can empower SMEs to overcome challenges, seize opportunities, and contribute to economic development and prosperity in Kabale District.

6. References

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