

**FINANCIAL LITERACY AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN JUBA CITY, SOUTH SUDAN**

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**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
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UNIVERSITY**

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DECLARATION

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DEDICATION

This research project is dedicated to my family, my father Mr. John Mayom and Mother Mrs. Eucabeth Mayom for their unwavering support, love and encouragement.

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ABBREVIATIONS AND ACRONYMS

DOPU	Drop Off and Pick up
GDP	Gross Domestic Product
GOK	Government of Kenya
ITC	International Trade Centre
ITC	International Trade Centre
PASS	Private Agricultural Sector Support

OPERATIONAL DEFINITION OF TERMS

Performance	Denotes a procedure that involves assessing a firm's realized performance against its planned outcomes, namely its targets and aspirations
Financial literacy	Financial literacy refers to the extent of an individual's comprehension of fundamental financial principles, along with their capability and assurance in handling personal financial matters through suitable short-term choices and effective long-term fiscal strategies, while considering life transitions and fluctuations in the economic environment.
Budgeting	Involves a projection of income and expenditures for a designated upcoming time frame.
Borrowing	Refer to the process of sourcing funds from external entities for business growth and the fund to be refunded with interest
Inferential Statistics	A field within statistics that enables scholars to draw conclusions or forecast outcomes for an entire population by analyzing a subset of data, employing various methodological approaches such as Pearson correlation and ANOVA to determine relationships between variables.
Sustainability	The ability of a business to maintain operations over the long term while meeting environmental, social, and economic responsibilities. For SMEs, sustainability involves efficient resource management, adaptability to market changes, and maintaining financial health.
Debit management	Refer to the process of planning a person's debit liabilities and repayments.
Economic Development	The process of improving the economic well-being and quality of life for a community or country,

typically through targeted policies, innovation, and investment. SMEs contribute significantly to economic development by creating jobs, fostering innovation, and promoting equitable growth.

Financial Performance:

The measure of a company's financial health, often assessed using indicators like revenue, profit margins, and return on investment, reflecting how well an SME is doing financially.

Book keeping

Describes the practice or profession of documenting and managing a firm's financial transactions and records

ABSTRACT

Small and Medium Enterprises (SMEs) were a key factor in encouraging the economic growth of Juba City, South Sudan. Nevertheless, their overall performance as evidenced by factors such as net income, revenue growth, business development, and enduring viability were normally disrupted by poor financial management and improper documentation practices. This research sought to examine the relationship between different dimensions of financial literacy and the working performance of SMEs in Juba City. The research was specifically interested in assessing how competencies in budgeting, credit management, debt management, and keeping accounting records were associated with SME performance. The study was theoretically grounded in Financial Intermediation Theory as the overall theoretical framework, and supported by the Knowledge Spillover Theory of Entrepreneurship, Behavioral Theory, Dual Process Theory, and Social Learning Theory. Quantitative data was collected using a descriptive design from a defined population of 173 micro and small firms which are running their businesses in Juba City. A stratified random sampling plan was employed to obtain a representative sample of 121 SMEs, whose owners or top managers were the primary respondents. Data were obtained through the use of a standardized questionnaire. Content validity was assured through expert judgment and construct validity through factor analysis. To determine the instrument's validity, internal consistency was determined using Cronbach's Alpha, for which a proper threshold coefficient of 0.7 was applied. Descriptive statistical indicators such as mean scores and standard deviations were used to present the data, and inferential methods such as Pearson's correlation and ANOVA were used to identify relationships between the basic variables. Findings were presented through tabular reporting, graphical charts, and visual aids. The study is relevant to policymakers, SME practitioners, and financial literacy teachers in making informed evidence-based information for key financial literacy factors that influence SME performance. In addition, the study fills the small empirical gap in enterprise development in post-conflict settings like South Sudan. Diagnostic tests were also carried out to validate the OLS regression model used in estimating the impacts of financial literacy on SME performance in Juba City. Tests confirmed no multicollinearity, normality of residuals, linearity, and homoscedasticity to ensure model validity. Correlation analysis evidenced significant positive relationships with the most significant impact from bookkeeping ($r = .825$) and borrowing ability ($r = .798$) and the least impact from debt management literacy ($r = .290$). Regression analysis revealed that financial literacy dimensions combined explained 88.7% of SME performance variance, and all the predictors had significant positive effects, while bookkeeping skills contributed most to the influence. The study examined the impact of financial literacy on SME performance in Juba City, South Sudan. Findings showed that financial planning, access to credit, debt management, and record-keeping significantly enhance growth, sustainability, and competitiveness. Recommendations were structured budgeting, strategic borrowing, effective debt management, and sound accounting to enhance decision-making and stability. It was recommended that the research be extended to other areas and industries, examining other dimensions of financial literacy, and the use of mixed-methods to obtain more comprehensive insights.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

There is a general agreement that small and medium-sized enterprises (SMEs) are important to economic growth, new business ideas, and job creation. SMEs account for more than 90% of all businesses in the world and play an important role in increasing workforce participation and contributions to GDP (OECD, 2021). Specifically for developing countries, which generally have weak financial systems and markets, SMEs play a significant role in facilitating equitable and sustainable economic growth. However, despite the potential SMEs demonstrate globally, the SME sector continues to be challenged, hindering their effectiveness, particularly in developing and fragile countries.

Globally, development practitioners are constantly raising concerns about the low SME performance rates, citing variables including limited access to finance, poor infrastructural development, and inadequate financial management (World Bank, 2020). For instance, among the various economic contributors in Sub-Saharan Africa, SMEs are a substantial contributor, but they continue to face intractable issues with sustainability and growth due to low financial literacy and access to financing (AfDB, 2019). The continued issues of the East African region are anchored in credit access to financing, financial mismanagement, and an absence of minimum support structures. (EAC, 2020).

In South Sudan, the landscape is further disrupted by political instability, weak financial systems and an undeveloped entrepreneurship ecosystem. For instance, in Juba City, which is the capital of South Sudan, SMEs represent a significant part of the informal

and formal economy. Nevertheless, the performance of these SMEs remains low because of systemic barriers such as owners' poor monetary decision-making capacity (ILO, 2020). Financial literacy increasingly became a popular way for assisting in addressing the performance issue SMEs face, worldwide. Lusardi and Mitchell (2020) defined financial literacy as financial include the knowledge and skills necessary for owners to budget, evaluate financial risk, utilize credit, and keep financial records. In sub-Saharan Africa, financial literacy increases for entrepreneurs serves as a key indicator of increased firm performance and access to capital (AFI, 2020). In the east African region, Kenya and Uganda have used financial education programs that relate financial literacy skills to SME success (OECD/INFE, 2019).

In South Sudan, efforts to promote financial literacy remain limited, with very few structured programs targeting entrepreneurs. In Juba City, where informal trade and small businesses dominate the economy, most SME owners lack adequate training in basic financial skills such as budgeting, bookkeeping, and debt management (UNDP, 2021). Their capacity to make well-informed decisions is severely hampered by this knowledge gap, manage cash flow, or access credit ultimately undermining business growth and sustainability.

Understanding the linkage between financial awareness and the outcomes of SMEs is essential for designing effective interventions. Financial literacy components such as budgeting skills, borrowing skills, debt management literacy, and bookkeeping skills are crucial in helping entrepreneurs operate efficiently. Budgeting enables better resource planning; borrowing skills reduce over-indebtedness; debt management ensures timely repayments; and bookkeeping provides accurate business insights. When entrepreneurs are equipped with these skills, they can enhance their business performance, access funding, and make strategic decisions, all of which contribute to

enterprise success. Therefore, this study investigates how financial literacy impacts the performance of SMEs in Juba City. By examining the key financial skills of SME owners, this research aims to fill a significant knowledge gap and inform policies and programs that could foster the growth and sustainability of this vital economic sector.

1.1.1 Performance of Small and Medium Enterprises

For SMEs, performance is a multi-dimensional construct that encompasses financial performance, operational performance, and sustainability. Agyapong et al. (2021) explain SME performance as a firm's capacity to achieve its financial and strategic objectives through effective resource management, customer satisfaction, and responsiveness to market forces. Similarly, Nuseir (2022) emphasizes that SME performance includes both tangible financial outcomes and intangible factors like innovation and stakeholder relationships, reflecting the enterprise's ability to grow and sustain operations.

Performance indicators of SMEs are either financial or non-financial indicators. Financial performance will generally be captured by measures such as profitability, revenue growth, ROA, and ROE (Tundui & Tundui, 2021). Non-financial indicators include customer satisfaction, market share, staff engagement, and innovation capability (Isaga, 2020). Such multi-faceted measures provide an integrated view of the performance of the firm in a recognition that sustainability in the long term is fueled by profitability as well as operational excellence.

In the case of South Sudan in particular Juba City SMEs are faced with unique challenges such as limited access to credit, political instability, and underdeveloped infrastructure (World Bank, 2021). Due to this reason, the unique performance criteria for SMEs in Juba City are profitability, finance capability, access to finance, survival

rate, and scalability (UNDP, 2022). These metrics reflect the imperative for economic resilience and financial sustainability in a high-risk environment.

For the purposes of this study, profitability has been selected as the primary performance measure of SMEs. This is grounded in theoretical and contextual justification. Profitability is widely recognized as one of the most crucial financial well-being and business success metrics, which reflects a firm's ability to generate surplus income after accounting for costs (OECD, 2020). In poor economic conditions like those in Juba City, profitability is a relevant and helpful measure since it has a direct correspondence with business sustainability, investment value, and financial strength. Moreover, profitability facilitates straightforward comparisons between sectors and companies and can result in more transparent policy recommendations.

In keeping with the conceptual framework of this study, profitability will be measured in terms of such metrics as net profit margin, gross profit, and return on investment (ROI). These metrics provide information on how effective SMEs are in converting revenues into concrete returns. As financial literacy is expected to impact these aspects of profitability, their application remains aligned with the goal and analytic focus of the research. Unless the issue of financial underperformance by SMEs in Juba City is rectified, the repercussions could spread from business failure on an individual basis to socio-economic stagnation. Financial literacy is key to enabling SMEs to make sound budgeting, borrowing, and investment decisions (Fatoki, 2014; Lusardi & Mitchell, 2017). Inadequate financial knowledge has the effect of misappropriation of funds, unmanageable debt, and eventual business failure. Given the instrumental contribution of SMEs to employment and economic growth, improving financial literacy is essential not only for building individual businesses but also for securing the broader base of the economy of Juba City.

1.1.2 Financial Literacy

Financial literacy is the capability of one to comprehend and efficiently apply monetary competencies, such as personal financial management, budgeting, and making sound investment choices (OECD, 2020). According to Lusardi and Mitchell (2020), financial literacy involves all that one needs to know, understand, skills required to make prudent financial choices and ensure individual and business economic security. For SMEs, financial literacy is not only critical for the survival and growth of the business but also for having sustainable performance, especially in turbulent and resource-constrained economies such as those of South Sudan

Financial literacy is widely recognized as the degree to which individuals understand major financial concepts and exhibit the ability and confidence to manage their personal and business finances effectively. It involves making appropriate short-term financial decisions and undertaking wise long-term planning, considering changes in life and economic conditions (Ye & Kulathunga, 2019). Financial literacy has been defined by Menike (2018) as equipping people with the ability to read financial data and make well-informed decisions on financial planning, saving, debt management, and diversification of portfolios. The more sophisticated the financial instruments and services are in contemporary markets, the more this ability adds value. Financial performance is explored in this study through budget abilities, borrowing, debit literacy management, and book abilities.

Budgeting capability is crucial to the prosperity of companies, particularly in SMEs, in that they serve as a mediator in terms of allocating resources into activities, hence influencing business performance in general (Nguyen, 2019). King, Clarkson, and Wallace (2017) argue that budgeting capability is capable of making entrepreneurs

increase sales and profitability through establishing clear performance goals. In addition, the aforementioned skills ensure that the business runs smoothly by effectively handling cash flow to execute strategies that deliver goals and objectives of the business.

Availability of finance is another very crucial determinant influencing the growth and prosperity of SMEs. Proper opportunities for finance are required to allow SMEs to contribute to the economic growth of a country (Hasnah, Saniza, Jayaraman, & Ishaka, 2019). Borrowing entails getting financial instruments that charge interest, have collateral guarantees based on assets, and have predetermined terms and conditions (Nderitu and Githinji, 2019). Despite the willingness of many lending institutions to support SMEs, a significant number encounter challenges in fulfilling lending criteria, such as elevated interest charges, stringent credit information requirements, and demands for collateral guarantees. Consequently, a strong understanding of borrowing is vital for enhancing SME performance.

Debit management literacy is also a critical aspect of financial literacy for SMEs. Akorsu and Agyapong (2019) describe debit management as the approach used by individuals or businesses to manage their debit obligations effectively. Accumulating high levels of debit can severely limit a small enterprise's ability to undertake potentially profitable projects, as it may struggle to attract new financing from financial institutions. Barro (2020) emphasizes that effective debit management is necessary for businesses that seek growth, as it helps firms understand the implications of using debit to finance operations and enables them to implement suitable financial approaches to enhance overall organizational effectiveness.

Finally, bookkeeping involves the organized documentation of all monetary dealings, such as revenues, expenditures, earnings, and disbursements conducted by a person or entity. According to Musah (2017), bookkeeping approaches differ based on factors such as the scale, regularity, confidentiality, developmental stage, and expansion rate of SMEs, as well as the relative importance of fixed and working capital. Ernest (2018) highlights the importance of SMEs maintaining accurate financial records, which include all receipts and payments, sales and purchases, and assets and liabilities. Proper bookkeeping ensures that financial transactions are objective, sufficient, relevant, and reliable, enabling informed decision-making by stakeholders.

1.1.3 Small and Medium Enterprises in Juba City, South Sudan

SMEs play a pivotal role in the economic development of Juba City, South Sudan, serving as the backbone of the local economy amidst a fragile and evolving business environment. Despite South Sudan's lack of a consistent definition for SMEs particularly with respect to scale, workforce count, and yearly revenue, and balance sheets available data shows that over 90% of formal businesses are less than eight years old, and around 90% employ fewer than 20 workers. These businesses are characterized by limited access to external finance, with approximately 85% relying primarily on internal resources, such as personal or family savings. Moreover, nearly 70% operate in wholesale and retail trade, while less than 3% engage in manufacturing or agro-processing, reflecting a highly informal and undiversified SME sector. Financial literacy in this regard is a key yet underdeveloped area of SME performance. Budgeting skills, borrowing skills, debit management literacy, and bookkeeping skills are particularly significant for SMEs due to their small scale, low financial resilience, and low levels of professional training. Budgeting skills allow Juba business owners to allocate scarce resources effectively and set realistic financial targets. Borrowing skills

play a crucial role in bargaining limited but essential credit options, typically without the benefit of access to formal financial advice

SMEs are a crucial part of Juba City's economic growth in South Sudan. These businesses are referred to as the backbone of the economy, yet they are faced with numerous issues, particularly in financial literacy, that significantly affect their performance and sustainability. It has been proven through research that financial literacy, such as budgeting skills, borrowing skills, debit management literacy, and bookkeeping skills, is quite essential in the successful operation of SMEs. Budgeting competencies in Juba City SMEs are essential for successful performance measurement, setting targets, and allocating resources efficiently. Budgeting competencies allow entrepreneurs to make clear financial targets, monitor performance relative to targets, and ensure assets are allocated to the most important sectors of the business. It has been proven through research that SMEs with sound budgeting skills also enjoy higher financial control, which is positively associated with their overall performance and sustainability (Abdelkarim et al., 2018).

Borrowing competencies are necessary for business expansion, larger purchases, and credit enhancement. Juba SMEs utilize external financing to grow their businesses, but limited understanding of borrowing options and jargon can lead to poor financing decisions. The acquisition of borrowing competencies will allow Juba SMEs to obtain the right financing options that are essential for business development and financial health (Moses & Okello, 2019). Improved borrowing capacity has been related to improved access to credit and higher investment in business expansion. Debit management know-how is also a very crucial area, such as simplification of payments, time-saving, and cost-saving. Effective debit management ensures that SMEs have the capacity to meet their financial obligations without compromising operating efficiency.

Literature has indicated that SMEs with better debit management practices will have positive cash flows, reduced financial stress, and reduced insolvency (Wani & Abbo, 2020).

Bookkeeping capabilities are required for tax preparation, detection of errors, and planning accordingly. Proper bookkeeping allows SMEs to maintain good financial records, which are crucial for tax and business decision-making purposes. Researchers have shown that SMEs that have good bookkeeping records are more likely to detect financial mistakes earlier, plan adequately for the future, and comply with regulatory demands, ultimately resulting in greater long-term feasibility (Deng, 2017). There have been various interventions to address these matters of financial literacy among SMEs in Juba. Interventions such as financial literacy training programs and workshops have been instituted by both governmental and non-governmental organizations. These interventions have had positive effects, such as improved financial management practices, increased access to credit, and enhanced business performance. For example, financial literacy training launched by international NGOs has led to a noted enhancement in budgeting and debit control in participating SMEs, which has contributed to their resilience during the tough economic times in South Sudan (UNDP, 2020). These measures place emphasis on the role of financial awareness in dictating the success of SMEs in Juba, and ongoing efforts must be made to allow these companies to prosper and drive the overall economic growth of the region.

SMEs in Juba, South Sudan, reflect both the potential and challenges of a new nation. Since its independence in 2011, South Sudan has not been able to specifically define SMEs based on size, number of employees, annual turnover, and balance sheets. Despite this, certain characteristics of SMEs in the country are highly documented. Over 90% of the formal firms in South Sudan are less than eight years old, an indicator

of the youthfulness of the private sector. An overwhelming majority, over 85%, rely heavily on internal sources, with owners' savings financing up to 80% of their start-up capital. Furthermore, about 90% of the establishments employ less than 20 people, which points to the smallness of operations that typify SMEs in South Sudan. Wholesale and retail trade dominate the business activities, as approximately 70% of businesses are engaged in these activities. However, the country's manufacturing and agro-processing sectors are underdeveloped and only represent 2.7% of the businesses. These statistics underline the SMEs' performance problems in Juba, as they struggle with limited access to external finance, low industrial diversification, and a prevalence of small-scale firms that may compromise sustainable growth and economic stability.

1.2 Statement of the Problem

SMEs in Juba City, South Sudan, are crucial for economic development and employment creation. Their performance remains suboptimal, however, as shown by low survival rates, unpredictable levels of profit, limited access to credit, and low scalability. The African Development Bank (2022) documents that over 60% of SMEs in South Sudan fail to survive beyond their third year due to inefficiencies in financial management. The Ministry of Trade and Industry (2023) further records that only 35% of SMEs in Juba maintain regular financial records, which limits their ability to raise finance and efficiently manage operations.

Current studies have pinpointed financial literacy as one of the key determinants of SME performance. For instance, Dlamini and Chitamba (2022) determined that budgeting and bookkeeping skills significantly improve SMEs' profitability and decision-making in sub-Saharan African urban areas. Similarly, Okello and Akech (2023) noted that South Sudanese business owners' low borrowing and debt management literacy levels were to blame for high default rates and ineffective credit

utilization. However, these studies adopt a generalized or regional focus and rarely isolate the contextual challenges for SMEs in the post-conflict environment of Juba City.

The literature thus exhibits three main gaps: first, a limited understanding of how specific aspects of financial literacy (i.e., budgeting, borrowing, bookkeeping, and debt management) impact SME performance at the city level; second, a paucity of up-to-date empirical evidence specific to Juba City; and third, limited integration of performance indicators such as profitability, growth rate, credit access, and record accuracy in measuring SME outcomes. Chapter Two will address these gaps by reviewing recent, location-specific evidence, examining each financial literacy component in relation to measurable SME performance indicators, and identifying the contextual nuances of SMEs operations in Juba City.

1.3 Objectives of the Study

This section presents the general and specific objectives of the study which are presented as follows;

1.3.1 General Objective

The general objective of this study was to investigate the impact of financial literacy on the performance of SMEs in Juba City, South Sudan.

1.3.2 Specific Objectives

- i. To determine the effect of financial planning skills on the performance of SMEs in Juba City, South Sudan.
- ii. To examine the effect of access-to-credit skills on the performance of SMEs in Juba City, South Sudan.

- iii. To assess the relationship between debt management skills and the performance of SMEs in Juba City, South Sudan.
- iv. To assess the role of financial records skills in the performance of SMEs in Juba City, South Sudan.

1.4 Research Questions

- i. What effect does financial planning have on the outcomes of SMEs in Juba City, South Sudan?
- ii. In what ways does credit acquisition impact the success of SMEs in Juba City, South Sudan?
- iii. What is the association between debt handling practices and the performance of SMEs in Juba City, South Sudan?
- iv. To what extent does financial record management affect the performance of SMEs in Juba City, South Sudan?

1.5 Significance of the Study

The research supported SME managers in Juba City by encouraging the integration of financial literacy practices aimed at enhancing their enterprises' effectiveness. Additional institutions gained from the study's outcomes by recognizing the crucial role financial literacy played in advancing SME performance. Moreover, the findings were valuable to the Government of South Sudan and policymakers by offering insights on embedding financial literacy within SMEs and guiding the development of appropriate policy frameworks. This, in turn, raised financial literacy levels among SME proprietors, thereby boosting the overall success of the sector. Scholars also utilized the results as a source of secondary data for academic inquiries into the connection between SME performance and financial literacy. Additionally, upcoming researchers with an interest in this domain were positioned to explore the gaps the study left unaddressed.

1.6 Scope of the Study

The study was conducted in Juba City, South Sudan, and examined the role of financial literacy in regulating the operational performance of SMEs. Financial literacy for the study was measured through four dimensions: budgeting skills; borrowing skills; debt management literacy; and bookkeeping skills. The conceptual framework for the study was derived from two financial literacy models: Human Capital Theory and Order Theory, which explained the effect knowledge acquisition and financing preferences have in relation to a firm performance, a stratified random sampling method was applied, with the sample size calculated using a recognized statistical formula derived from the total number of officially registered SMEs in the region. Data collection was conducted through standardized questionnaires distributed to the identified SME respondents. The performance of SMEs was measured over a five-year period, from 2018 to 2022, providing a historical basis for analysis. However, it was acknowledged that performance trends and financial literacy concerns beyond 2022, particularly for the years 2023 to 2025, remained unclear and warranted further investigation in future studies.

1.7 Limitation of the Study

The study encountered difficulties in securing full participation from respondents, as some individuals harbored concerns about potential repercussions. To address this, an official introduction letter from the University was presented, accompanied by a clear explanation of the research objectives. Gaining truthful responses from participants also posed a challenge. Nonetheless, the reliability and validity of the questionnaire items were verified to ensure the accuracy and credibility of the collected data.

1.8 Organization of the Study

The research is organized into five principal chapters. The first chapter introduces the study's context, articulates the research problem, outlines the objectives, highlights its relevance, delineates the scope and limitations, and describes the overall structure centering on financial literacy and the operational outcomes of SMEs in Juba City, South Sudan. Chapter 2 offers a comprehensive review of existing literature, encompassing the theoretical underpinnings, empirical investigations, a synthesis of prior studies, and the conceptual model. Particular attention is given to domains such as financial planning, borrowing competencies, debt literacy, and proficiency in bookkeeping.

The third chapter details the methodological approach, specifying the research design, target demographic, a sample size comprising 121 participants, sampling strategies, instruments for data collection, and techniques for data analysis. Chapter 4 presents the analytical findings, including data interpretation and results derived from key variables and metrics namely budgeting practices, borrowing behavior, debt management, financial record maintenance, and indicators of SME performance. The final chapter, synthesizes the study's outcomes, draws conclusions, and proposes actionable recommendations aimed at strengthening financial literacy to enhance the effectiveness and sustainability of SMEs within Juba City.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical perspective, analysis of prior empirical studies, a synthesis of the reviewed literature, identification of existing research gaps, and the development of the conceptual framework.

2.2 Theoretical Literature Review

2.2.1 Financial Intermediary Theory

This theory, introduced by Diamond (1984), elucidates the function of banks as intermediaries that connect lenders and borrowers. In their intermediary role, financial institutions facilitate access to capital, promote asset diversification, and enable optimal resource allocation. The extent of financial inclusion has been shown in literature to influence systemic stability. Ndebbio (2004) emphasizes that financial intermediation theory highlights how commercial banks bridge the divide between clients with spending deficits and those with financial surpluses in the market.

Diamond (1984) posits that commercial banks undertake the function of delegated monitoring by establishing systems to supervise the financial conduct of borrowers. Reducing the costs associated with monitoring enables these institutions to secure a competitive edge within the financial marketplace. Furthermore, Diamond and Dybvig (1983) examined how banks facilitate the transformation of illiquid assets into liquid liabilities, a critical role given the inherent risk aversion among both investors and depositors, they face unpredictability in seizing future investment opportunities. Financial intermediaries play a crucial role in minimizing this risk by enabling investors to steer clear of committing to long-term, non-liquid assets, while still delivering

substantial returns for future stakeholders. Through the intermediation process, banks design and offer tailored financial instruments that cater to the diverse requirements of their clientele. This occurs when banks determine that they are capable of providing financial services that yield greater returns sufficient to offset all associated expenses. Furthermore, the existence of banks as financial intermediaries is justified by inefficiencies in the market. In a perfectly efficient market one devoid of transaction and information asymmetry banks would have no functional role.

2.2.2 Dual Process Theory

The Dual-Process Theory, advanced by Lusardi and Mitchell (2011), posits that financial decision-making is shaped by both automatic and reflective thought processes, indicating that possessing financial literacy does not inherently lead to optimal financial outcomes. The framework suggests that even financially knowledgeable individuals alternate between two distinct cognitive systems: rapid, intuitive judgment (System 1) and slow, deliberate analysis (System 2) (Lusardi & Mitchell, 2011; Glaser & Walther, 2013). Intuition involves forming conclusions or gaining awareness without logical deduction or tangible evidence, often resulting in subjective assessments or non-verifiable judgments. As noted by Taylor (1981), cited in Chan and Park (2013), individuals who heavily lean on intuition tend to employ mental shortcuts, with emotional influences frequently guiding their decisions. Glaser and Walther (2013) further argue that the positive relationship between financial literacy and prudent investment decisions may diminish when intuitive reasoning overrides analytical thought. Consequently, a heightened reliance on intuition may lead to less-than-optimal financial outcomes.

In contrast, cognition encompasses the mental activities involved in interpreting, refining, storing, retrieving, and applying sensory data. It entails processes such as

comprehension, numerical analysis, logical reasoning, problem resolution, and decision-making (Chan & Park, 2013). Individuals with strong cognitive tendencies are often critical thinkers, exhibit analytical strengths, retain information efficiently, and are more inclined to seek out new knowledge. The relevance of dual-process theory to this study lies in its assertion that individuals with elevated cognitive engagement actively pursue information and are more susceptible to persuasion by contextually meaningful messages. This implies that individuals' decision-making abilities can be enhanced through financial literacy programs that employ straightforward and accessible instructional methods. Additionally, reliance on intuitive judgment may decline when pertinent information is made available to guide choices through financial education, as people often default to intuition in the absence of sufficient knowledge.

2.2.3 Social Learning Theory

Bandura's Social Learning Theory emphasizes the crucial role of observing and replicating the behaviors, attitudes, and emotional responses of others. As Bandura (1977) explains, relying exclusively on personal experiences for learning would be not only inefficient but potentially risky. Instead, much of human behavior is acquired through observational learning by watching others, individuals internalize behavioral patterns, which later inform their own actions in similar contexts." The mechanisms that support observational learning include: Attention, which covers the modeled behavior and traits of the observer; Retention, involving symbolic encoding, mental organization, cognitive rehearsal, and motor rehearsal; Motor Reproduction, relating to physical abilities, self-assessment during reproduction, and the accuracy of feedback; and Motivation, encompassing external, vicarious, and internal reinforcement.

This theoretical approach has been widely applied in analyzing aggressive tendencies and psychological conditions, especially in the realm of behavior modification

(Bandura, 1969). It also serves as the foundational theory for behavioral modeling techniques, commonly integrated into training programs. Likewise, social learning theory has found broad application in financial literacy interventions. Within such programs, the elements of motor reproduction, motivation, retention, and learners' focus are pivotal in achieving effective outcomes. While financial behaviors are sometimes considered innate, research such as that by Gorman et al. (1997) suggests that psychological traits related to money management can be shaped by cultural influences and life experiences.

2.2.4 The Knowledge Spill over Theory

According to this perspective, the generation of novel knowledge broadens the range of technological possibilities. Entrepreneurial endeavors are not limited to the mere arbitrage of existing prospects but also encompass the utilization of contemporaneous knowledge spillovers that have not been captured by established enterprises. The framework emphasizes individual actors possessing newly acquired economic insights as the primary unit of analysis within an endogenous economic growth model, diverging from models that assume firms as the default drivers. These individuals proactively engage in leveraging their knowledge, suggesting that informational diffusion stems from the aggregated reservoir of prior knowledge. Moreover, a notable association exists between these diffusions and business innovation efforts. Should incumbent firms succeed in fully appropriating the returns from research and development, contemporaneous knowledge spillovers would cease to exist (Zoltan et al., 2008).

2.2.5 The Stage of Growth Theory

The stages of growth framework was introduced by Larry Greiner (1972), who argued that organizational advancement occurs through five distinct developmental phases. Each phase is characterized by a steady period of expansion and concludes with a managerial upheaval (Gupta et al., 2013; McKaskill, 2010). These phases include inception, guidance, empowerment, integration, and collaboration. An enterprise begins at the inception stage, during which products and services are created. Employees often put in extended hours and receive modest compensation as the firm strives to secure a foothold in the market. The subsequent phase, guidance, is defined by continuous growth and effective leadership (Audretsch, 2006). In the empowerment phase, the organization becomes decentralized, and its structural framework is solidified. Operational responsibilities increasingly shift to departmental managers and personnel. The next stage, integration, also referred to as the formalization phase, introduces systems of control and central headquarters to streamline operations and promote cohesion. The fourth phase representing the peak of the process involves strong interpersonal connections and effective teamwork. The organization primarily enhances capacity development by facilitating seminars, symposiums, and skill-building sessions (Fatoki, 2014). Greiner (1972) contends that organizational expansion (evolution) does not progress continuously but is interrupted by pivotal crises (revolutions). Each disruption necessitates a distinct leadership approach. As the enterprise grows, communication dynamics shift, and the flow of information becomes increasingly complex. Mckaskill (2010) asserts that progressing through the five developmental stages is contingent upon improving the entrepreneur's educational competence. This framework is relevant to the present study as it mirrors the transitional phases that SMEs typically navigate on their path to success.

2.3 Empirical Review

2.3.1 Budgeting Skills and Performance of Small and Microenterprises

Joshi et al. (2013) conducted an in-depth assessment of budgeting and financial literacy by examining 54 medium- and large-scale enterprises in Bahrain, focusing on budgeting mechanisms such as stakeholder involvement, financial planning, oversight, and overall efficiency. Their findings indicated that the advancement of a firm aligns closely with its growth trajectory. To synchronize the two effectively, organizations must adopt a more structured approach to budget formulation and execution in order to achieve exceptional performance. The size of the enterprise and the dedication of its leadership significantly influence the type of budgeting model implemented.

Chidi and Shadare (2011) investigated the obstacles hindering human resource development in Nigerian SMEs and identified budgeting as the most prevalent challenge. A lack of fiscal accountability, limited support or engagement, and poor budgeting strategies largely due to failure to meet established timelines suggested a general misunderstanding of the importance of early-stage financial planning and the submission of realistic projections. Their research demonstrated that the budgeting competencies possessed by management strongly influence the budgeting process and, by extension, the fidelity of its implementation. In a related study, Mahmood (2008) explored the correlation between budgeting practices and SME performance, concluding that the structure and precision of the budget are shaped by how clearly the boundaries between business and ownership are defined. A well-delineated relationship facilitates more accurate and detailed budgets, minimizing undue influence from owners that could undermine business interests.

Research based in Africa has further analyzed financial reporting frameworks in emerging economies (Diamond & Khemani, 2006), revealing that budget execution and accounting methods were largely ineffective due to reliance on outdated technology and manual recordkeeping. This lack of automation hindered the maintenance of comprehensive audit trails, especially during instances of cash shortages or delayed funding. Manual systems often omit crucial financial data, thereby impeding accurate budget planning, financial tracking, spending oversight, and reporting. The findings also highlighted that the sophistication of an accounting system particularly in terms of digitization bears a direct impact on budgetary procedures and internal expenditure controls.

Joshi et al. (2003) looked at the budgeting processes and performance of organizations from different firms and found that large organizations use much more extensive budgeting processes, and as larger organizations, they are much better able to implement those budgeting processes effectively. The budgetary process is shaped considerably by the company's size and the complexity of the organization, and both of these variables impact organizational performance. As a general principle, firm size is often used as an important variable in quantitative research.

In another study, Wijewardena and De Zoysa (2011) examined the extent to which SMEs engage in the budgeting process, and they found that the budgetary process interacts with two important factors, planning and financial control, that inevitably detracts from the effectiveness of budgeting. Wijewardena and De Zoysa identified three types of organizations, organizations that don't use budgeting processes at all, organizations that budget only in some operational areas, and organizations that use a

comprehensive budgeting system for the entire operations of the organization. In the end, organizations spend more time and energy on using the budgetary process more as a form of financial control and oversight for checks and balances rather than for planning.

Sieki et al. (2013) evaluated the influence of budgeting competencies on the performance of SMEs and discovered that enhanced outcomes such as improved sales and profitability are associated with strong budgeting acumen and organizational expansion, which is fostered through financial literacy. Financial education equips entrepreneurs with the ability to project revenues and establish attainable financial goals. Conversely, Fatoki (2014) observed that many small-scale enterprises function informally, lacking clear financial projections and systematic fiscal strategies. This was corroborated by Abanis, Sunday, Burani, and Eliabu (2013), who reported that a majority of small enterprises neglect structured budgeting and financial oversight.

Warue and Wanjira (2013) investigated the operational challenges confronting Kenyan businesses and determined that inadequate budgeting expertise among entrepreneurs plays a significant role in business failure within the country. The FinAccess Survey (FSD, 2009) revealed that over half of the population lacks financial autonomy and control, even though many are somewhat familiar with the concept of budgeting. Collectively, these studies highlight a strong positive linkage between financial education and individual financial performance including aspects such as business sustainability, effective debt management, wealth creation, and long-term viability. However, global trends indicate persistently low financial literacy among adults, with the gap being more pronounced among women than men, thereby adversely affecting women-led enterprises.

2.3.2 Borrowing skills and Performance of Small and Medium Enterprises

Mulwa (2019) explored the impact of bank financing on the financial outcomes of SMEs within Dagoreti North Constituency. The study adopted a descriptive research methodology, collecting data aligned with predefined objectives through questionnaires administered to 40 participants. To summarize fundamental data characteristics, descriptive metrics such as frequency distributions, percentages, variability measures, and central tendency indicators were applied. Inferential statistics facilitated the generalization of the findings to the broader population. The research concluded that the accessibility of financial capital significantly influences both the financial performance and investment capacity of SMEs, prompting entrepreneurs and prospective investors to rely predominantly on personal savings and informal funding sources. However, the analysis was confined to financial dimensions of SME operations.

Manini, Abdillahi, Wanyama, and Simiyu (2016) assessed the relationship between borrowing practices and SME performance in Kenya's Lurambi Sub-County. A descriptive survey methodology was utilized, with a study population comprising 450 SMEs. Employing stratified random sampling, 88 enterprises were selected to participate. Data collection involved questionnaires distributed to business proprietors and managers. The investigation employed both descriptive and inferential statistical methods to examine the data. Results revealed that the source of financial capital exerted a notable influence on the financial performance of SMEs. However, the research was confined geographically to Lurambi Sub-County.

Ndemi (2018) examined how borrowing influences the financial outcomes of SMEs. The target group included local SMEs and their respective proprietors, with a total population of 765 enterprises. Using stratified sampling, 88 respondents were chosen.

Data was gathered via questionnaires and analyzed through both regression analysis and descriptive statistics. Additionally, Pearson correlation revealed a strong positive link between credit access and SME financial performance. Still, the research was localized to SMEs operating within Nanyuki Town.

2.3.3 Debit Management Literacy and Performance of Small and Medium Enterprises

Lusardi and Mitchell (2011) investigated the influence of financial knowledge on entrepreneurial effectiveness and revealed that individuals with limited financial acumen are more susceptible to exploitation in areas such as debt oversight, savings practices, and access to credit. These individuals often struggle to manage their resources competitively, including challenges in selecting optimal investment avenues such as the stock and money markets. As a result, they demonstrate inadequate financial planning. In contrast, individuals with higher financial literacy are capable of constructing viable investment portfolios and incur lower financing costs. The study further concluded that financially literate individuals are better positioned to accumulate wealth and allocate resources more efficiently.

FSD (2009) and MasterCard (2011) used a sample of 100 respondents' data to explore the link between financial knowledge and personal economic management among Kenyan commercial bank employees. The results revealed that financial literacy and household wealth were strongly positively correlated, as were sound financial choices. Conversely, poor numeracy was linked to excess spending. Also, the people who have more quantitative and financial knowledge have a higher probability of participating in capital markets and investing in stock.

PISA (2013) sought to identify determinants of financial literacy levels, pointing out that increased interest in financial education is a reaction to its growing significance as a fundamental life skill. This skill is shaped by intrinsic and extrinsic factors, including public policy shifts that have shifted risk and altered obligations between employers and individuals such as the introduction of contributory pension schemes. These changes demand collaborative retirement planning efforts, away from traditional models where employers entirely carried out pension contributions. Other initiatives like Kenya's social protection programs like healthcare financing reforms have also extended individual and corporate financial responsibilities. Such innovations demand a more inclusive financial market and more informed consumer decisions. The citizens, thus, have to equip themselves with technical financial literacy in order to limit losses and guard against fraudulent schemes.

Siekei et al. (2013) assessed the role of financial access and literacy in MSE development. The study established that access to easy finance is important for production, employment, market competition, and poverty alleviation in developing countries. However, the majority of SMEs face a challenge in accessing finance from formal institutions due to the tough terms of credit qualification, which make them high-risk borrowers. SMEs thus resort to informal channels such as unregulated lenders or support from friends and family. While these give short-term respite, self-financing is limited by low rates of saving within SMEs, hindering sustainable growth.

Lusardi and Tufano (2009) surveyed debt literacy, financial decision-making, and over-indebtedness in the US. It was found that approximately 75% of the participants were unaware of compound interest or did not use credit cards appropriately in everyday financial management. Vulnerable groups like women, the elderly, minorities, and single parents were impacted disproportionately due to limited resources and weak

financial regulation. Similarly, Obago (2014) examined the influence of financial knowledge on personal finance management and illustrated that the majority of the employees experience money stress due to habits such as overspending, abusing credit, indebtedness, ineffective budgeting, and low earnings. These financial stresses have adverse influences on labor productivity in the workplace and emphasize the importance of self-management abilities through financial literacy.

The 2009 Financial Capability Report revealed that approximately 25% of Kenyans are facing credit challenges, with most of them taking loans to repay other debt, which is an indication of losing financial control. Developing financial literacy competencies could significantly improve personal financial behavior through increased saving habits, wealth creation, and prevention of excess expenditure. Such skills would also render MSE owners more credit-worthy clients, good custodians of business assets, and knowledgeable decision-makers in selecting financial instruments.

2.3.4 Book Keeping skills and Performance of Small and Medium Enterprises

Frank Wood (2010) examined the advantages of bookkeeping on the operational outcomes of SMEs and concluded that the formulation of income statements relies heavily on accurate recordkeeping. Proper bookkeeping allows enterprises to manage receivables and settle obligations punctually. It also enables firms to recognize potential opportunities, avoid missed prospects such as inventory shortages, and engage in effective long-term planning.

Ezejiofor, Ezenyirimba, and Olise (2014) evaluated the significance of accounting documentation on SME performance and determined that an effective bookkeeping framework is evident in the quality of financial reports presented to both internal stakeholders and external parties, supported by systematically organized records. High-

quality accounting data facilitates sound financial decision-making and enhances access to funding opportunities. Similarly, Wise (2013) discovered that higher levels of financial literacy encourage frequent generation of financial statements, and that individuals who habitually prepare financial reports are more capable of settling debts on time thereby reducing default risks.

Further, Ezejiolor et al. (2014) emphasized that MSEs maintaining accurate financial records could effectively assess their operational performance. They noted that strategic decisions regarding business expansion, competitive positioning, continuity, and regulatory compliance such as tax submissions require documentation that is credible, accessible, and easy to interpret. The authors further advised that bookkeeping systems should produce information in a straightforward and precise manner.

Studies by Fatoki (2014), Agyei (2011), and Maseko & Manyani (2011) explored accounting practices adopted by SMEs and found that many rely on manual methods, which often fail to capture all critical financial data. This results in compromised accounting accuracy. Their findings advocate for the use of digital accounting tools to enhance the integrity of financial records, despite many SMEs reporting the lack of suitable software tailored to their operational scale.

The G20 Seoul Summit (2010) also highlighted that limited financial knowledge especially in bookkeeping is a major factor contributing to missed opportunities among SMEs globally. Inconsistent or inaccurate financial reporting creates informational gaps that hinder assessment of SME creditworthiness. Consequently, funding projects are frequently declined, particularly for start-ups or innovative ventures. Mills and McCarthy (2014) echoed these concerns, noting that the informal nature of transactions in small firms complicates lender evaluations. However, the acquisition of fundamental

bookkeeping competencies through business education can significantly improve financial transparency and enhance a firm's standing with financial institutions.

2.4 Summary of Literature Review and Research Gaps

Table 2.1: Summary of Literature Review and Research Gaps

Author	Study Emphasis	Key Findings	Identified Gap	Current Study Direction
Mulani, Chi & Yang (2015)	Role of budgeting procedures in SME performance	Budgeting processes were positively linked to enhanced firm outcomes	Research was limited to selected SMEs in India	The present study will target SMEs in Juba City, South Sudan
Kiambi & Mwangi (2021)	Role of budgeting procedures in SME performance Nyeri County, Kenya	Budgeting proficiency significantly influenced the financial outcomes of women-owned SMEs	Employed an explanatory design	A descriptive research design will be adopted
Kibor & Maina (2019)	Employed an explanatory design Eldoret, Kenya	Role of budgeting procedures in SME performance	Employed an explanatory design	This study will examine current SMEs in Juba City, South Sudan
Mulwa (2019)	Employed an explanatory design	Adequate access to capital substantially impacted business financial performance	Focused purely on financial elements of SMEs	The new study will consider SMEs operating in Juba City, South Sudan

Manini et al. (2016)	Financing sources significantly influenced SME performance in Lurambi sub-county, Kenya	Financing sources significantly influenced SME financial performance	Study confined to Lurambi sub-county	The study will investigate SMEs within Juba City, South Sudan
Ndemi (2018)	Impact of borrowing practices on SME financial health in Nanyuki Town, Kenya	Borrowing had a statistically significant impact on SME financial health in Juba City, South Sudan	The study examined SMEs in Nanyuki Town only	The focus will shift to SMEs
Addaney et al. (2016)	Debt management's influence on small-scale enterprise performance in Kumasi, Ghana	Key debt issues included limited financial advisory services and poor record-keeping	Relied on qualitative data	The upcoming study will utilize quantitative data
Badi & Ishengoma (2021)	Effect of debt access on SME performance	debt finance availability and SME performance	Research context was limited to Tanzanian SMEs	The new focus will be SMEs in Juba City, South Sudan
Githaigo & Kabiru (2015)	Debt Relationship between financial records and SME performance in Malaysia	Both short- and long-term loans negatively affected SME financial performance	Data derived from Eldoret-based SMEs	Juba City SMEs will be the unit of analysis

Chelimo & Sopia (2019)	Bookkeeping's role in SME growth in Kabarnet, Kenya	Many SMEs applied double-entry methods to track sales	Study limited to Kabarnet Town	Study location will be Juba City, South Sudan
Ahmed & Schleich (2022)	Relationship between financial records and SME performance in Malaysia	Keeping accounting records significantly enhanced SME performance	Study examined Malaysian SMEs	Study will assess SMEs in Juba City, South Sudan
Aladejebi & Oladimeji (2019)	Record-keeping's effect on SME performance in Lagos, Nigeria	Most SME owners lacked fundamental accounting skills and cited high costs of financial reporting	Used purposive sampling method	Stratified sampling will be applied in the current study

Source: Researcher (2023)

2.5 Conceptual Framework

Independent Variables

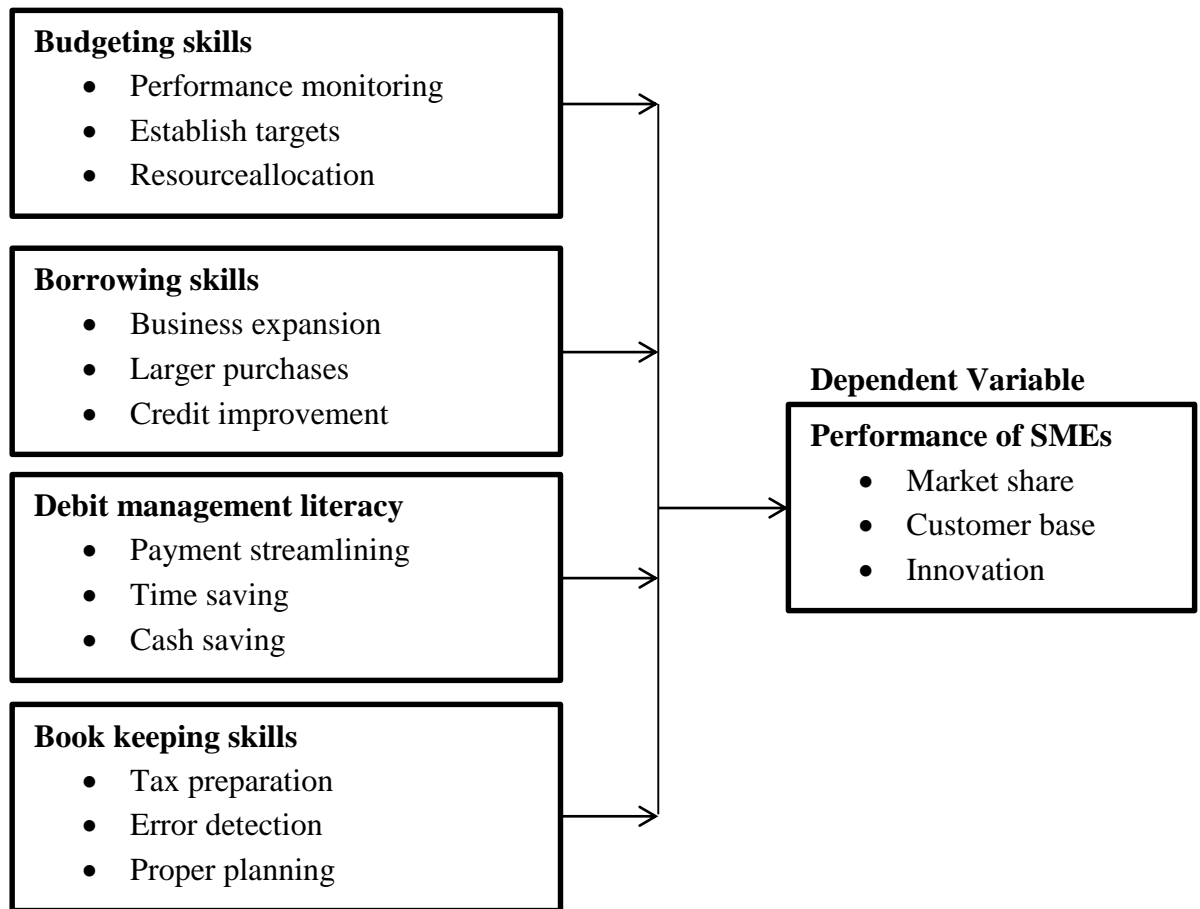


Figure 2.1: Conceptual Framework

Source: Researcher (2023)

Figure 2.1 illustrates the association among the variables, where the predictor variables include budgeting, borrowing, debt administration, and financial recordkeeping. The outcome variable is the operational performance of SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter delineates the research methodology adopted for the investigation. It elaborates on the study approach, defines the intended population, describes the sampling technique and the selected sample size, specifies the tools used for data gathering, explains the pilot study procedures, outlines the strategies for data collection and analysis, and details the format for presenting results.

3.2 Research Design

The researcher intends to adopt a descriptive research approach. This methodology is widely regarded as effective for obtaining data that reveals associations and portrays existing conditions. According to Bickman and Rog (1998), descriptive research addresses inquiries such as “what is” or “what was,” whereas experimental designs are more suited to exploring “why” or “how.” This design is suitable for the current investigation, as it will facilitate the identification of how financial literacy impacts the performance of SMEs in Juba City, South Sudan.

3.3 Target Population

The intended study population comprised 173 officially recognized small and medium-sized enterprises functioning within Juba City, South Sudan. These included commercial entities such as retail outlets, hardware vendors, and bulk trading firms, as well as service enterprises like hotels, salons, garages, and car wash bays. The classification and selection of these enterprises were based on recent data obtained from the South Sudan National Bureau of Statistics and the Juba City Council Business Registry (2022), ensuring up-to-date and relevant information. The primary

respondents were the SME owners, as they were most likely to be involved in key financial decisions and had direct knowledge of budgeting, borrowing, debt management, and bookkeeping practices. In many small and medium enterprises, roles such as branch manager, credit manager, or operations manager did not exist as separate positions due to limited staffing structures; instead, these responsibilities were often handled by the owner or a few key individuals. Thus, including owners as the main respondents ensured accurate and representative data.

Given the sensitivity of financial data, especially profit-related information, respondents were assured of confidentiality and anonymity. The study avoided requesting precise profit figures. Instead, it used categorical indicators of performance such as perceived business growth, changes in customer base, and asset expansion to indirectly assess SME performance. This approach increased response rates and the honesty of disclosures.

Table 3.1 Target population

	Frequencies	Percentages
BranchManager	40	23.1%
OperationsManager	33	19.37%
Creditmanager	30	17.3%
Customerrelationship Manager	30	17.3%
BusinessDevelopment Manager	20	11.5%
Credit Officer	20	11.5%
Total	173	100%

3.4 Sampling Design and Sample Size

Green (2016) noted that sample design indicated the way the cases were chosen for observation. It described in detail the subjects who were involved in the inquiry and how they were selected from the target group. To ensure that all respondents were properly represented, a proportionate stratified sampling technique was used to place them according to their SMEs specialization. A simple random selection process was

applied to select the respondents. The study used Taro Yamane's (1967) sample size calculation, with a margin of error of 5%.

$$n = N / (1 + N(e)^2) = 173 / (1 + 173(0.05)^2) = 121$$

As a result, the sample size will be 121 respondents.

Table 3.2 Distribution of Sample Size

	Frequencies	Sample Size
Branch Manager	40	34
Operations Manager	33	25
Credit manager	30	21
Customer relationship Manager	30	21
Business Development Manager	20	10
Credit Officer	20	10
Total	173	121

3.5 Data Collection Instruments

A standardized questionnaire served as the primary tool for data collection, as the targeted participants were literate, thereby requiring minimal clarification of the instrument's contents. The items utilized a Likert scale format, with participants asked to indicate their level of concurrence with each statement. The questionnaires were distributed to all registered MSE respondents within Juba City.

3.6 Pilot Study

A pilot study refers to a preliminary, small-scale investigation conducted with a select group of participants to enable the researcher to evaluate the effectiveness and comprehensibility of the data collection tools, as well as to uncover any possible shortcomings prior to undertaking the full-scale research (Orodho, 2005). In this study, the questionnaire underwent a pilot test involving 12 participants selected from small and medium-sized enterprises located outside the primary sampling area in Juba City. These individuals were excluded from the main phase of data collection. The aim of

the pilot study was to detect and rectify any inaccuracies, omissions, or unclear items within the instrument, thereby enhancing its validity and reliability in capturing data aligned with the study's objectives.

3.6.1 Validity of Research Instruments

Validity assessment entails determining if the data collecting tool reliably collects information that aligns with the study's goals (Orodho, 2005). Validity can be grouped into three types: construct, criterion-based, and content validity. Content validity specifically describes to what degree the components of an instrument represent the breadth of the subject being studied. In this study, content validity will be determined using the input of the academic supervisor; the supervisor will evaluate the questionnaire items to ensure they represent both relevance and breadth of the relevant subject area. Finally, to enhance the accuracy of the findings, the questionnaire content will reflect all important facets of the study topic.

Criterion validity refers to the extent that one measure predicts similar outcomes to another measure. If the two measures correlate well, then the instrument used to assess the proposed construct may be considered valid. Construct validity refers to the extent an instrument measures the construct it intends to measure. To establish this validity, the relationships between the measure's results and any known associated variable to the construct are assessed. Again, the content of the questionnaire will represent only items that serve as recognized indicators of the intended variable, with consultation from the supervisor helping to establish the content.

3.6.2 Reliability of Research Instruments

The reliability of the research instrument refers to the replicability of research results over a period of time and using the same data collection instrument (Dawson, 2002). In

the context of this study, the reliability of the structured questionnaires that are used for the purposes of data collection in this study will be the ability of results being replicated across a period of time (Cooper et al., 2008). The Cronbach alpha coefficient will be used for the purposes of testing the reliability of this study. It checks on the internal validity of the structured questionnaires, of a threshold of 0.7 will be sought in the study as recommended by (Cooper et al., 2008).

3.7 Data Collection Procedure

The data collection procedures detailed the processes and steps followed in gathering the data. For this study, data collection commenced after the successful defense of the research project. The researcher sought authorization to proceed to the field from the Board of Postgraduate Studies at Kenyatta University. Once approval was granted, the researcher applied for authority to conduct research within the Republic of Kenya from NACOSTI. After securing NACOSTI's authorization, consent statements were issued to potential respondents, informing them of the research purpose and requesting their participation through questionnaire completion. The questionnaires were self-administered, meaning SME respondents filled them independently. In this context, the Drop Off and Pick Up (DOPU) method was employed, allowing questionnaires to be distributed and collected within a pre-agreed timeframe. The DOPU method was chosen for its association with high response rates, thereby enhancing the statistical validity of the results.

3.8 Data Analysis and Presentation

The research produced quantitative data that was then analyzed using descriptive statistical techniques to determine the mean and standard deviation. The results were displayed in the form of charts and tables produced from analyses undertaken in SPSS software version 20.0. Furthermore, the research employed inferential statistical

techniques for the purpose of correlation analysis and multiple regression modeling to analyze the degree the variables were related.;

Whereby Y = Performance of SMEs
 X_1 = Budgeting skills
 X_2 = Borrowing skills
 X_3 = Debit management literacy
 X_4 = Book keeping skills
 ε = Error term

3.9 Ethical Considerations

This article outlined the accepted norms and behaviors in conducting research (Cooper et al., 2008). The ethical considerations were enhanced by obtaining consent to undertake the data collection process from the university and NACOSTI. The ethical considerations were further strengthened by giving consent statements to the participants, which explained the purpose for the study and provided them anonymity in the data collection process.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The study aimed to investigate the impact of financial literacy on the operational efficiency of SMEs in Juba City, South Sudan. Data was obtained from the SMEs owners and then the management of the SMEs via structured survey tools. The acquired data underwent evaluation using both descriptive and inferential statistical approaches, as elaborated in the following sections. The analytical process included diagnostic evaluations, correlation techniques, and regression modeling to determine the extent to which financial planning competencies influence enterprise performance, borrowing skills, debt management literacy, and bookkeeping expertise on SME performance. The findings are discussed in detail and their implications for SME growth and sustainability.

4.2 Response Rate, Reliability and Validity

The study distributed 121 survey questionnaires to managers of SMEs in Juba City, South Sudan. Out of these, 100 were successfully completed and returned, corresponding to an 82.64% response rate. This percentage was deemed adequate for empirical research since, according to Mugenda & Mugenda (2009), surveys should have a minimum response rate of 70%. The remaining 17.36% of respondents did not participate, mainly due to unavailability of some managers during the data collection period and time-related constraints within the targeted enterprises (Table 4.1).

Table 4. 1: Response Rate

Survey Questionnaires	Count	Percentage (%)
Filled	100	82.64
Not	21	17.36
Total issued	121	100.0

Survey Data 2025

Reliability of the survey questionnaires was examined based on Cronbach measure of internal consistency. The study would conclude reliability of the constructs if the Cronbach alpha generated are above 0.7. The findings showed that all the Cronbach alpha were greater than 0.7 thus it was concluded that the constructs were reliable for data collection.

Table 4. 2: Cronbach Alpha

Constructs	Cronbach Alpha	Items
Budgeting skills	.840	6
Borrowing skills	.751	5
Debit management literacy	.741	5
Book keeping skills	.814	5
Performance of SMEs	.820	4

Survey Data 2025

The validity of the survey questionnaire was assessed through both content validity and face validity. Content validity was qualitatively determined with the guidance of financial literacy and SME performance experts, including the research supervisor, panelists, and correction supervisor. Their feedback confirmed that the questionnaire items appropriately captured the study's variables, namely budgeting skills, borrowing skills, debt management literacy, bookkeeping skills, and performance of SMEs in Juba

City, South Sudan. In addition, face validity was evaluated through a pilot study conducted among selected SME managers and officers from the target population. The responses indicated that the questions were clear, relevant, and easy to understand, thereby confirming face validity of the research instrument.

4.3 Demographic Characteristics

These were analyzed based on their professional positions within SMEs in Juba City, South Sudan. The positions considered included Branch Managers, Operations Managers, Credit Managers, Customer Relationship Managers, Business Development Managers, and Credit Officers. The analysis (Table 4.3) indicated that the largest proportion of respondents were Credit Officers at 20% of the sample, followed closely by Credit Managers at 18%. Branch Managers and Business Development Managers each represented 16% of the respondents, while Operations Managers and Customer Relationship Managers accounted for 15% each. This distribution highlights the diversity of managerial and operational roles engaged in the study, ensuring a comprehensive perspective on how financial literacy influences SME performance.

Table 4. 3: Demographic Characteristics

Variable	Category	Count	(%)
Position	Branch Manager	16	16
	Operations Manager	15	15
	Credit manager	18	18
	Customer relationship Manager	15	15
	Business Development Manager	16	16
	Credit Officer	20	20
	Total	100	100.0
Gender	Male	64	64

	Female	36	36
	Total	100	100.0
Experience	Less than 1 year	12	12
	1-4 years	20	20
	5-6 years	28	28
	Above 6 years	40	40
	Total	100	100.0
Education	Primary Level	2	2
	Secondary Level	12	12
	Degree level	62	62
	Post graduate level	24	24
	Total	100	100.0

Survey Data 2025

The gender breakdown of the participants revealed that 64% were male and 36% were female, indicating a comparable balance of both genders in assessing the impact of financial literacy on SME performance. In terms of professional experience, the data portrayed that 40% of the respondents had worked in their businesses for over six years, 28% of respondents having accumulated experience of 5 to 6 years, 20% of respondents worked for 1 to 4 years while 12% had been working for less than one year. These statistics indicate that a significant proportion of the sample had considerable experience, and thus could offer credible perspectives regarding the relationship between financial literacy and SME performance. In terms of academic qualifications, the analysis showed that 62% of respondents had undergraduate degrees, with a further 24% had postgraduate qualifications, 12% with secondary school education, and only 2% had primary school education. These results suggest that most respondents had received higher education and therefore had the ability to understand and share credible perspectives regarding the relationship between financial literacy and the performance of SMEs in Juba City.

4.4 Descriptive Analysis of Study Variables

The research assessed the variables of financial literacy and SME performance using descriptive statistical techniques that provided percentages, means, and std devs. The assessment focused on the relevant indicators of budgeting skills, borrowing skills, debt management literacy, bookkeeping skills, and SME performance. Responses were measured on a 5-point Likert scale, to capture the perceptions of managers and officers.

4.4.1 Budgeting skills and Performance of SMEs

The explanatory variable budgeting skills was examined using descriptive statistical tools. Respondents evaluated several indicators measuring budgeting abilities. The responses were analyzed based on mean and std dev (Table 4.4).

Table 4. 4 Budgeting skills and Performance of SMEs

Statements	Mean	Std Dev
Adequate budgeting skills has ensured ability to monitor financial performance in the business	3.5405	0.697
Proper budgeting skill has ensured that SMES set targets for achieving financial sustainability	3.3243	0.897
SMES with good budgeting skills have ensured effective resource allocation during budgeting	4.2162	0.741
Our business regularly prepares budgets that guide financial decisions.	2.9459	0.763
We allocate resources effectively to meet established financial targets.	3.2973	0.745
Aggregate	3.465	0.0754

Survey Data 2025

Findings showed that adequate budgeting skills enabled SMEs to effectively monitor their financial performance ($M = 3.54$, $SD = 0.697$). This implies that businesses with structured budgeting processes are more capable of tracking outcomes and ensuring sustainability. Proper budgeting also helped SMEs in setting realistic targets toward financial stability ($M = 3.32$, $SD = 0.897$). This supports arguments by scholars that goal-setting in financial planning contributes to improved organizational outcomes.

Further, a majority of respondents indicated that good budgeting skills facilitated efficient resource allocation during the budgeting process ($M = 4.22$, $SD = 0.741$), highlighting its importance in supporting SME growth and competitiveness. However,

only a moderate proportion of enterprises reported regularly preparing budgets to guide financial decisions ($M = 2.95$, $SD = 0.763$), pointing to gaps in structured financial planning practices. Similarly, effective resource allocation to meet established financial targets was moderately observed ($M = 3.30$, $SD = 0.745$). The aggregate mean score of 3.47 with a std dev of 0.0754 suggests that budgeting skills moderately influenced the performance of SMEs in Juba City. This finding aligns with prior studies that emphasize budgeting as a critical financial literacy component, shaping market share, customer growth, and innovation among SMEs.

4.4.2 Borrowing skills and Performance of SMEs

The explanatory variable borrowing skills was examined using descriptive statistical tools. Respondents rated different observed indicators of borrowing skills on a 5-point Likert scale, and the analysis was based on mean and std dev values.

Table 4. 5: Borrowing skills and Performance of SMEs

Statements	Mean	Std Dev
Multiple borrowing from formal and informal sectors have led to business expansion	3.4865	0.845
SMEs have made large purchase with adequate borrowing skills	4.5135	0.689
Managers/owners with good borrowing skills have ability for credit improvement in the business	4.7297	0.783
Access to credit has contributed positively to the expansion of our business.	4.1892	0.654
Our business effectively utilizes borrowed funds to make larger purchases that improve performance.	4.5946	0.821

Aggregate	4.3027	0.08328
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Survey Data 2025

The findings revealed that multiple borrowing from formal and informal sectors contributed to business expansion ($M = 3.4865$, $SD = 0.845$). Further, the results showed that SMEs with adequate borrowing skills were able to make larger purchases to enhance their operations ($M = 4.5135$, $SD = 0.689$).

Managers and owners with strong borrowing skills also demonstrated the ability to improve creditworthiness within their businesses ($M = 4.7297$, $SD = 0.783$). Similarly, access to credit was reported to have a positive contribution to business expansion ($M = 4.1892$, $SD = 0.654$). In addition, the findings indicated that SMEs effectively utilized borrowed funds to make larger purchases that improved their performance ($M = 4.5946$, $SD = 0.821$).

The overall average score of 4.3027 (Standard Deviation = 0.08328) indicates that borrowing competencies substantially contribute to improving the operational success of SMEs in Juba City. These results align with earlier research that underscores the value of credit access proficiency in fostering enterprise expansion and long-term viability.

4.4.3 Debit management literacy and Performance of SMEs

The explanatory variable of debt management literacy was examined using descriptive statistical tools. Respondents evaluated several observed indicators of debt management knowledge and practices. The responses were analyzed using mean and std dev (Table 4.6).

Table 4. 6: Debit management literacy and Performance of SMEs

Statements	Mean	Std Dev
Proper debit management knowledge has enhanced payment streaming in the SMEs	4.37	1.024
Proper debit management literacy has enabled MSEs to meet debit obligations on time	3.54	0.824
Proper debit management literacy has ensured effective cash saving in the business	1.86	0.817
Our business has clear strategies to streamline debt repayments on time.	3.32	0.790
Effective debt management has helped us save cash and reduce financial stress.	4.8378	0.624
Aggregate	3.5856	0.1423

Survey Data 2025

The findings revealed that most SMEs agreed that proper debt management knowledge had enhanced payment streamlining within their businesses ($M = 4.37$, $SD = 1.024$). Similarly, many respondents indicated that debt management literacy enabled their enterprises to meet debt obligations on time ($M = 3.54$, $SD = 0.824$). However, only a few SMEs reported that debt management literacy had contributed to effective cash saving in their businesses ($M = 1.86$, $SD = 0.817$), suggesting that this remains a challenge.

Further, a moderate number of respondents affirmed that their businesses had developed clear strategies to streamline debt repayments on time ($M = 3.32$, $SD = 0.790$). Finally, the majority of SMEs strongly agreed that effective debt management had helped them save cash and reduce financial stress ($M = 4.84$, $SD = 0.624$). Overall,

the aggregate mean score of 3.59 (SD = 0.142) indicates that debt management literacy plays a significant role in enhancing the financial performance of SMEs in Juba City, South Sudan.

4.4.4 Book keeping skills and Performance of SMEs

The explanatory variable bookkeeping skills was examined using descriptive statistical tools. Respondents evaluated various observed indicators measuring bookkeeping knowledge and practices. The responses were analyzed based on mean and std dev (Table 4.7).

Table 4. 7: Book keeping skills and Performance of SMEs

Statements	Mean	Std Dev
Proper book keeping skills has led to effective tax preparation in the business	4.5676	0.847
Proper book keeping has ensured quick error detection and correction in business	4.8378	0.664
Book keeping knowledge has enhanced proper planning in the SMEs	4.8649	0.904
Proper financial records help us prepare accurate tax returns.	3.9459	0.729
Regular bookkeeping practices assist in detecting errors and planning better for the business.	4.2432	0.989
Aggregate	4.4918	0.1324

Survey Data 2025

The findings (Table 4.7) showed that proper bookkeeping skills have greatly contributed to effective tax preparation in SMEs (M = 4.5676, SD = 0.847). Respondents further indicated that bookkeeping has ensured quick error detection and correction in business operations (M = 4.8378, SD = 0.664). Similarly, the study established that bookkeeping knowledge has enhanced proper planning in SMEs, supporting better resource utilization and strategic decision-making (M = 4.8649, SD = 0.904).

In addition, the results revealed that maintaining proper financial records assists in preparing accurate tax returns (M = 3.9459, SD = 0.729). Regular bookkeeping practices were also found to be essential in detecting errors early and planning effectively for business growth (M = 4.2432, SD = 0.989). The overall aggregate mean score of 4.4918 (SD = 0.1324) indicated that bookkeeping skills play a significant role in shaping SME performance in terms of compliance, efficiency, and long-term sustainability.

4.4.5 Performance of SMEs

The outcome variable, performance of SMEs, was assessed using descriptive statistical tools. Respondents evaluated several indicators of SME performance including profitability, employee satisfaction, customer base, market share, and innovation. The responses were analyzed based on mean scores and std dev as summarized in Table 4.8.

Table 4. 8: Organizational Performance

Statements	Mean	Std Dev
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The SMEs have increased their profitability level	4.8378	0.864
The SMEs have increased employees satisfaction	4.8649	0.904
SMEs are able to meet customers' needs satisfactorily	3.86	0.817
The SMES have ensured all non –performing loans are reduced	3.32	0.790
Our business has experienced an increase in customer base over the past three years.	4.1892	0.654
Innovation in our products/services has contributed to an improved market share.	4.5946	0.821
Aggregate	4.2775	0.1856

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The findings revealed that SMEs in Juba City have recorded notable improvements in various aspects of performance. Most respondents agreed that profitability levels had increased ($M = 4.8378$, $SD = 0.864$) and that employee satisfaction had also improved significantly ($M = 4.8649$, $SD = 0.904$). Furthermore, SMEs reported growth in their customer base over the past three years ($M = 4.1892$, $SD = 0.654$), while innovation in products and services was identified as a key driver of market share growth ($M = 4.5946$, $SD = 0.821$).

On the other hand, performance related to meeting customer needs satisfactorily was rated moderately ($M = 3.86$, $SD = 0.817$), and the reduction of non-performing loans was reported to be relatively weaker compared to other indicators ($M = 3.32$, $SD = 0.790$). The aggregate mean score ($M = 4.2775$, $SD = 0.1856$) suggests that, overall, SMEs in Juba City have achieved positive performance outcomes, with innovation, profitability, and employee satisfaction standing out as the strongest contributors.

4.5 Diagnostic Tests

Diagnostic tests were conducted to ensure that the Ordinary Least Squares (OLS) regression model used to estimate the effect of financial literacy was reliable and robust. The study specifically examined key assumptions, including multicollinearity, normality, linearity, and homoscedasticity, in line with recommendations by Stock and Watson (2020).

4.5.1 Multicollinearity Test

The study assessed multicollinearity using (VIF), where values less than 10 indicate the absence of serious multicollinearity concerns (Robinson, Tomek & Schumacker, 2013). In cases where multicollinearity is present, remedial measures such as centering, scaling, or logarithmic transformation are often applied to minimize its effects (Hayashi, 2011). The results of the test revealed that budgeting skills (VIF = 2.895), borrowing skills (VIF = 3.278), debt management literacy (VIF = 2.126), and bookkeeping skills (VIF = 3.236) all recorded values below the threshold of 10. This indicates that the explanatory variables were not highly correlated, and therefore, the model did not suffer from multicollinearity. Consequently, the use of Ordinary Least Squares (OLS) regression was deemed appropriate.

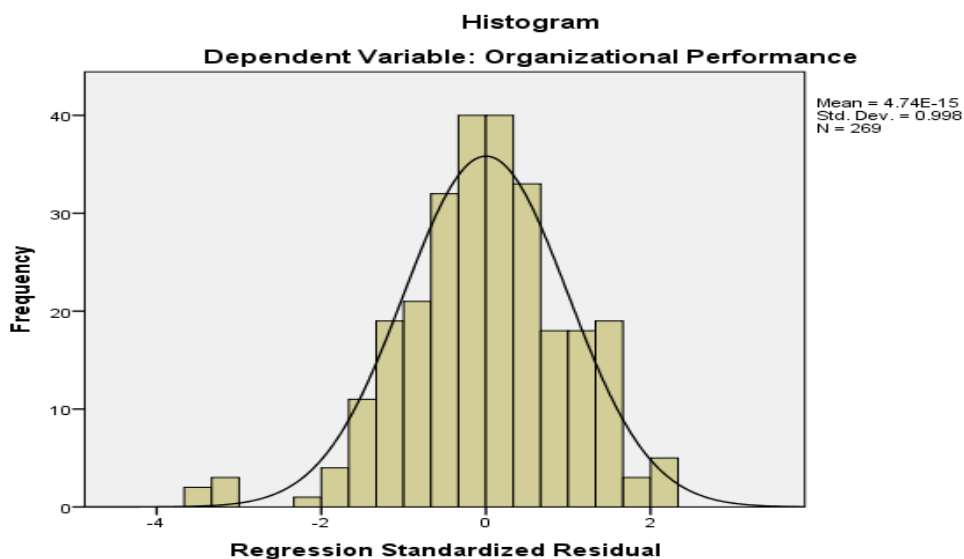
Table 4. 9: VIF Test for Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
Budgeting skills	.345	2.895
Borrowing skills	.305	3.278
Debit management literacy	.470	2.126

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4.5.2 Normality Test

The study employed a histogram plot to assess the normality of the regression residuals in analyzing (Stock & Watson, 2020). The residuals were expected to follow a bell-shaped curve, with the histogram closely aligning with the normal distribution curve. Where violations of the normality assumption could have occurred, robust regression methods such as robust standard errors or quantile regression would have been considered, as they are less affected by deviations from normality (Hayashi, 2011). The results (Figure 4.1) indicated that the residuals were approximately normally distributed, confirming the suitability of the regression model for testing the influence of budgeting skills, borrowing skills, debt management literacy, and bookkeeping skills on the performance of SMEs in Juba City..

**Figure 4. 1: Histogram****Survey Data 2025**

4.5.3 Homoscedasticity Test

In this study, a scatter plot was employed to test for the presence of homoscedasticity in the regression model examining the effect of financial literacy on the performance of SME in Juba City, South Sudan. The residuals were expected to be randomly and evenly distributed around the line of best fit when plotted against the predicted values of the dependent variable, SME performance, or against each independent variable, namely budgeting skills, borrowing skills, debt management literacy, and bookkeeping skills. Ideally, the scatter plot of residuals should not display any systematic pattern or trend as the predicted values increase (Hayashi, 2011). In the event that heteroskedasticity was detected, robust standard errors would have been applied to address the issue. However, the findings (Figure 4.2) indicated that the residuals were evenly distributed along the line of best fit, confirming that heteroskedasticity was not a concern in this model.

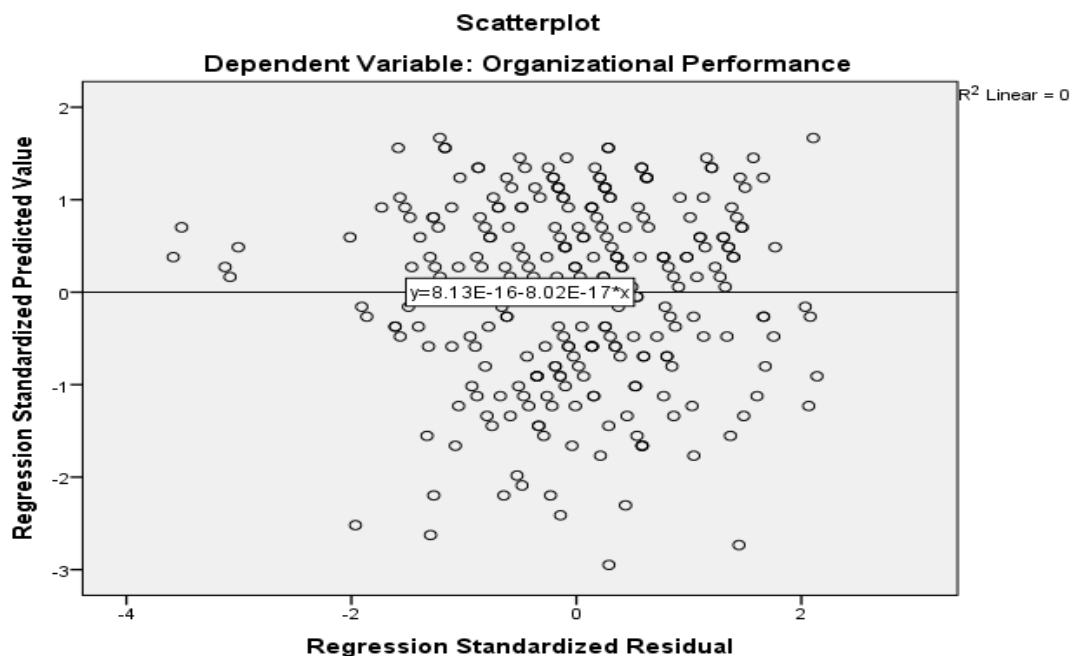


Figure 4. 2: Scatter Plot

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4.5.4 Linearity Test

A coefficient value of 0.7 and above was considered indicative of a strong linear relationship between the predictor variables and the outcome variable. The results revealed an overall R of 0.942, demonstrating a strong linear association between financial literacy indicators and SME performance outcomes such as market share, customer base, and innovation.

4.6 Correlation Analysis

To assess the association between financial literacy components and the operational outcomes of SMEs in Juba City, South Sudan, a bivariate Pearson correlation analysis was conducted. The Pearson correlation coefficient ranges from 0 to 1, where a value of 0 signifies no association and a value of 1 reflects a perfect linear relationship. Coefficients falling between 0.1 and 0.399 indicate a weak linkage, those between 0.4 and 0.699 suggest a moderate connection, while values from 0.7 to 0.99 denote a strong correlation.

The findings presented in Table 4.10 reveal that budgeting proficiency exhibited a moderately strong and positive association with SME performance ($r = .657, p < 0.01$). In contrast, borrowing capability demonstrated a robust and favorable correlation with performance outcomes ($r = .798, p < 0.01$). Debt management literacy showed a weak positive relationship with SME performance ($r = .290, p > 0.05$), indicating a less significant association. Bookkeeping skills demonstrated a strong positive correlation with performance ($r = .825, p < 0.01$). These findings suggest that while all financial literacy dimensions contribute to SME performance, borrowing skills and bookkeeping skills have the strongest influence, followed by budgeting skills, with debt management literacy showing the weakest relationship.

Table 4. 10: Bivariate Pearson Correlation

		Budgeting skills	Borrowing skills	Debit management literacy	Bookkeeping skills	Performance of SMEs
Budgeting skills	Pearson Correlation	1	.772**	.451**	.624**	.647**
	Sig(2-tailed)		.000	.006	.000	.000
	N	100	100	100	100	100
Borrowing skills	Pearson Correlation	.782**	1	.316	.661**	.798**
	Sig(2-tailed)	.000		.057	.000	.000
	N	100	100	100	100	100
Debit management literacy	Pearson Correlation	.441**	.316	1	.687**	.290
	Sig(2-tailed)	.006	.057		.000	.082
	N	100	100	100	100	100
Bookkeeping skills	Pearson Correlation	.634**	.661**	.687**	1	.825**
	Sig(2-tailed)	.000	.000	.000		.000
	N	100	100	100	100	100
Performance of SMEs	Pearson Correlation	.657**	.798**	.290	.825**	1
	Sig(2-tailed)	.000	.000	.000	.000	
	N	100	100	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).						

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4.7 Regression Analysis

The predictor variables included budgeting skills, borrowing skills, debt management literacy, and bookkeeping skills, while the outcome variable was the performance of SMEs. The regression analysis generated a model summary, analysis of variance, and regression coefficients.

Table 4. 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942 ^a	.887	.873	.33721

a. Predictors: (Constant), Budgeting skills, Borrowing skills, Debit management literacy, Book keeping skills

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The cumulative association between aspects of financial literacy and the performance of SMEs was identified as both strong and favorable ($R = .942$). The determination coefficient ($R^2 = .887$) revealed that the model accounted for a substantial proportion of the variance in SME performance, comprising the four financial literacy variables, explained 88.7% of the total variation in SME performance in Juba City. The remaining 11.3% of the variation in SME performance was attributed to other factors outside the scope of this study.

Table 4. 12: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.675	4	7.169	63.043	.000 ^b
	Residual	3.639	95	.114		
	Total	32.314	99			

a. Dependent Variable: Performance of SMEs

b. Predictors: (Constant), Budgeting skills, Borrowing skills, Debit management literacy, Book keeping skills

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The F-calculated value ($F = 63.043$) was greater than the F-critical value ($F = 2.69$). In addition, the p-value ($p = .000$) was lower than the 0.05 level of significance. This result indicates that financial literacy dimensions had a statistically significant effect on the performance of SMEs in Juba City, South Sudan. Therefore, these financial literacy components jointly and significantly explained variations in SME performance in terms of market share, customer base, and innovation.

Table 4. 13: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.658	.329		2.002	.054
	Budgeting skills	.321	.097	.330	3.309	.001
	Borrowing skills	.369	.124	.320	2.979	.005
	Debit management literacy	.454	.089	.440	5.091	.000
	Book keeping skills	1.171	.140	.895	8.387	.000
a. Dependent Variable: Performance of SMEs						

b. Predictors: (Constant), Budgeting skills, Borrowing skills, Debit management literacy, Book keeping skills

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The effect of budgeting skills on the performance of SMEs in Juba City was found to be positive and significant ($\beta_1 = .321, t = 3.309, p = .001 < .05$). Borrowing skills also significantly predicted SME performance ($\beta_2 = .369, t = 2.979, p = .005 < .05$). Moreover, debt management literacy had a strong and positive influence on SME performance ($\beta_3 = .454, t = 5.091, p = .000 < .05$). In addition, bookkeeping skills showed the most substantial effect on SME performance ($\beta_4 = 1.171, t = 8.387, p = .000 < .05$). The intercept term ($\beta_0 = .658$) indicated that in the absence of financial literacy skills, the baseline performance of SMEs in Juba City stood at .658.. Therefore, the model was estimated as:

$$\text{Performance of SMEs} = \beta_0 + .321 \text{ Budgeting skills} + .369 \text{ Borrowing skills} + 1.171 \text{ Debit management literacy} + .454 \text{ Book keeping skills} + \varepsilon \dots\dots\dots(4.1)$$

4.8 Discussion of Findings

The inquiry concentrated on four key aspects of financial literacy: budgeting proficiency, borrowing capabilities, debt handling knowledge, and record-keeping expertise. To evaluate the contribution of each financial literacy component to SME performance, regression analysis was employed.

4.8.1 Budgeting skills and Performance of SMEs

The first objective sought to test the influence of budgetary ability, among other budgeting financial planning skills, on SME performance in Juba City. From the regression analysis, it was clear that budgetary ability had a positive and significant influence on SME performance ($\beta_1 = .321, t = 3.309, p = .001 < .05$). Hence, the null

hypothesis (H01) that budgeting capabilities have no influence on SME performance was rejected. This implies that sound budgeting practices such as performance monitoring, target setting, and proper resource allocation significantly enhanced SME growth in Juba City.

These findings agree with previous research. Abanis et al. (2019) validated that SMEs in Uganda could monitor cash flows, minimize wastage, and maximize profitability using budgeting practices. Mutiso and Kamau (2021) also found that financial planning improved operational effectiveness and competitiveness of SMEs in Kenya.

4.8.2 Borrowing skills and Performance of SMEs

The second objective centered on the impact of credit acquisition skills on the performance of SMEs. The evidence revealed that the ability to borrow was significantly and positively contributing to performance ($\beta_2 = .369$, $t = 2.979$, $p = .005 < .05$). The null hypothesis H02 was rejected, with the implication that SMEs with high borrowing capacity had improved access to credit with opportunities for business growth, larger purchases, and improved credit ratings.

The findings are supported by evidence. Nanyonga (2020) concluded that SMEs with greater credit management literacy achieved better loan terms, hence improving business growth. Similarly, Amoako and Osei (2018) established that Ghanaian SMEs who effectively utilized borrowing opportunities invested in innovation and expanded customer bases.

4.8.3 Debit management literacy and Performance of SMEs

The null hypothesis (H03) was therefore rejected. This implies that good debt management skills such as simplification of payment, speedy repayment systems, and

cost-cutting measures contributed positively to increasing SME sustainability and profitability.

This aligns with previous studies. Eton et al. (2019) highlighted that sound debt management strategies allowed SMEs to recover from financial shocks. In the same way, Mugambi and Kilonzo (2021) highlighted that debt restructuring and repayment planning enhanced liquidity and operational stability for SMEs in East Africa.

4.8.4 Book keeping skills and Performance of SMEs

The fourth objective evaluated the effect of financial book-keeping skills in determining SME performance. The test of regression indicated that book-keeping skills were positive and significantly related to performance ($\beta_4 = .454$, $t = 5.091$, $p = .000 < .05$). Hence, the null hypothesis (H04) was rejected. It indicates that SMEs that practiced good book-keeping skills like preparation of tax effectively, error detection effectively, and financial planning effectively had better innovation, market share growth, and customer base growth.

The research findings are consistent with past research. Wanjohi (2020) found that bookkeeping increased transparency, raised decision-making, and aided compliance with tax for Kenyan SMEs. Also, Olowo and Ali (2019) noted that systematic bookkeeping helped Nigerian SMEs to secure investors, improve operational performance, and achieve sustainable growth.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research aimed to investigate the effect of financial literacy on the performance of SMEs in Juba City, South Sudan. The data was collected through the administration of structured questionnaires to SME managers and officers, which included branch managers, operations managers, credit managers, customer relationship managers, business development managers and credit officers. The total sample comprised 121 respondents. Data were analyzed using descriptive and inferential statistical techniques.

5.2 Summary

This study investigated the role of financial literacy in the performance of SMEs in Juba City, South Sudan. The problem that was addressed was that although SMEs are at the core of enhancing economic growth, job creation, and innovation, they continue to experience weak fiscal management, credit limitation, weak debt administration processes, and weak book-keeping systems, which limit their sustainability and overall performance. Financial literacy was postulated to be a key driver for SME growth, but its actual contribution to performance within this sector had not been properly examined.

The study in particular focused on: (1) ascertain the impact of financial planning abilities on SME performance; (2) investigate the impact of credit acquisition abilities on SME performance; (3) explore the relationship between debt management expertise and SME success; and (4) explore the influence of financial record-keeping abilities on shaping SME performance.

The findings showed that the financial planning ability assisted in effective budgeting, performance monitoring, resource allocation, and goal setting, which enhanced the working results. The attainment of credit skills assisted SMEs to expand their business, finance larger transactions, and obtain improved credit ratings. Financial knowledge of debt handling assisted SMEs to make payments easier, save time as well as money, and alleviate financial stress. Accounting record-keeping competencies allowed correct tax preparation, early error detection, and effective planning to improve decision-making and operating efficiency. Overall, the study confirmed that financial literacy, if appropriately developed and utilized, automatically boosts the performance of SMEs in Juba City by enhancing their financial decision-making, facilitating resource availability, and sustaining long-term growth and competitiveness.

5.3 Conclusion

From an interpretive standpoint, the evidence validates that strong financial planning capabilities such as budgeting, performance monitoring, target setting, and resource allocation enhance the ability of SMEs to optimize operations, boost their market share, and drive innovation. Yet, the limited use of formal financial targets reveals a missed opportunity, suggesting that SMEs should adopt systematic approaches to planning and tracking for sustainable growth.

Credit acquisition skills became as vital, particularly to allow business expansion, high-value investment, and credit rating improvement. However, the limited use of credit for innovation implies untapped finance potential, which reflects the need for SMEs to pursue purposeful credit arrangements in alignment with growth intentions.

The study also revealed that debt management literacy significantly improves performance as it streamlines payments, saves time, and alleviates cash flow tensions,

thereby promoting long-term viability. Financial record-keeping competencies involving tax preparation, error detection, and sufficient planning was also revealed to enhance transparency, simplify compliance, and enhance decision-making.

Overall, the findings affirm financial literacy as a significant driver of SME success in Juba City. To fully reap the advantage of financial literacy, though, managers must go beyond compliancy and adopt deliberate measures that include financial planning, conservative borrowing, efficient debt management, and good record-keeping in order to enhance competitiveness and survivability amidst an evolving business environment.

5.4 Recommendation

The study confirmed that financial planning competencies play a significant role in the performance of SMEs in Juba City. Management must adopt formal budgeting procedures to detail resource allocation, goal setting, and performance monitoring mechanisms. For example, undertaking routine budget review and capacity-building activities for financial planning can allow entrepreneurs to enhance the utilization of resources and track business improvement. These steps must be tracked using performance measures like market share growth, growth in customers, and innovation outcomes.

As credit procurement skills play a very important role in SME performance, entrepreneurs ought to develop borrowing strategies based on procuring credit to fund business growth, bigger asset purchases, and credit profile building. Good practices are negotiating favorable terms on loans, approaching financial institutions for capability-building opportunities, and monitoring loan usage to align with business objectives. Quarterly evaluation of credit performance must be conducted to examine progress toward growth objectives.

The findings indicated that literacy in debt management is the major driver of SME success. Small business owners can implement systems of timely payment, cost-cutting, and smooth payment to reduce financial pressures. This can be achieved through adapting to digital payment platforms, debt restructuring policies, and advisory services. Regular review of the effectiveness of debt handling against performance measures like profitability and sustainability should be undertaken.

Lastly, competence in financial accounting was shown to improve SME performance. Managers in SMEs should highlight proper book-keeping practices like tax calculations, error detection, and organized financial planning. Investment in simple accounting tools, training in book-keeping skills, and quarterly financial audits can maximize accountability and transparency. Performance has to be checked through methods like tax compliances, accuracy in financial reporting, and knowledge-based business decisions.

5.5 Suggestions for Further Studies

The findings will be more generalizable among smes operating within Juba City. To improve the findings' generalizability, future research can be expanded to include SMEs in other sectors and other parts of South Sudan. Further, this study will conceptualize financial literacy in terms of financial planning abilities, credit acquisition competencies, debt management literacy, and financial record-keeping expertise. Future studies should consider adopting other dimensions or proxies of financial literacy to establish whether the results remain consistent. Finally, subsequent research could adopt a mixed-methods approach to improve the quality of data, since the use of multiple data collection tools can address the weaknesses inherent in relying on a single methodology.

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APPENDICES

APPENDIX 1: Cover Letter

Dear Sir /Madam

Re: Participation in Academic Research Data Collection

I am currently pursuing postgraduate studies at Kenyatta University and conducting a research project as part of the academic requirements for the award of a Master's degree. In line with this, you have been identified as a participant in the study and are kindly requested to provide relevant information by completing the attached questionnaire. Please be assured that the research is solely intended for scholarly purposes.

Yours' Faithfully,

Garang Mayom

APPENDIX II: Questionnaire

INSTRUCTIONS

- Fill The Questionnaire to the Best of Your Ability through ticking the provided choices appropriately

1. What is your gender?

2. How long have you been involved in the SMES?

Below 5 years [] 5-10 Years [] Over 10 years []

3. What is your highest academic level?

PrimarySchool () SecondarySchool () College () University Level ()

Section II: Budgeting skills and SMES performance

Kindly do rate the agree in which the following aspects of budgeting skills influences business performance.

No		1	2	3	4	5
1.	Adequate budgeting skills has ensured ability to monitor financial performance in the business					
2.	Proper budgeting skill has ensured that SMES set targets for achieving financial sustainability					
3.	SMES with good budgeting skills have ensured effective resource allocation during budgeting					
4.	Our business regularly prepares budgets that guide financial decisions.					
5.	We allocate resources effectively to meet established financial targets.					

Section III: Borrowing skills and SMEs Performance

Kindly do rate the agree in which the following aspects of borrowing skills influences business performance

No		1	2	3	4	5
6.	Multiple borrowing from formal and informal sectors have led to business expansion					
7.	SMEs have made large purchase with adequate borrowing skills					
8.	Managers/owners with good borrowing skills have ability for credit improvement in the business					
9.	Access to credit has contributed positively to the expansion of our business.					
10.	Our business effectively utilizes borrowed funds to make larger purchases that improve performance.					

Section IV: Debit Management Literacy

Kindly do rate the agree in which the following aspects of Debit management literacy influences business performance

No		1	2	3	4	5
11.	Proper debit management knowledge has enhanced payment streaming in the SMEs					
12.	Proper debit management literacy has enabled MSEs to meet debit obligations on time					
13.	Proper debit management literacy has ensured effective cash saving in the business					
14.	Our business has clear strategies to streamline debt repayments on time.					
15.	Effective debt management has helped us save cash and reduce financial stress.					

Section V: Book keeping skills

Kindly do rate the agree in which the following aspects of Book Keeping skills influences SMES performance

No		1	2	3	4	5
16.	Proper book keeping skills has led to effective tax preparation in the business					
17.	Proper book keeping has ensured quick error detection and correction in business					
18.	Book keeping knowledge has enhanced proper planning in the SMEs					
19.	Proper financial records help us prepare accurate tax returns.					
20.	Regular bookkeeping practices assist in detecting errors and planning better for the business.					

Section VI: SME Performance

Kindly do rate the agree in which the profitability, customer satisfaction, employee satisfaction and non-performing loan influences the following enterprise performance aspects

No		1	2	3	4	5
	The SMEs have increased their profitability level					
	The SMEs have increased employees satisfaction					
	SMEs are able to meet customers' needs satisfactorily					
	The SMES have ensured all non –performing loans are reduced					
	Our business has experienced an increase in customer base over the past three years.					
	Innovation in our products/services has contributed to an improved market share.					

Thank you

APPENDIX III: Research Authorization Letter

APPENDIX IV: Research Approval Letter

APPENDIX IV: Research Permit