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Financial literacy and Performance of Women-Owned SMEs in Garissa County, Kenya

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ABSTRACT: The SME sector is crucial for Kenya's government, driving inclusive economic growth, regional development, employment, and poverty reduction. Women-owned SMEs face challenges, including limited risk tolerance, hindering expansion. Financial skills, operating costs, and other issues contribute to their struggles. This paper explored the impact of financial literacy on the financial performance of women-owned SMEs in Garissa County, Kenya. The study focused on budgetary proficiency and debt navigation skills. Using a descriptive survey design and anchored on the Dual Process Theory, the research involved 399 sampled women owned SMEs out of a population of 763. The findings revealed significant relationships between budgetary proficiency and financial performance (Pearson's r= 0.690, p<0.000) and debt navigation skills and financial performance (Pearson's r=0.515, p<0.000). These predictors explain approximately 26.5% of the variance in women-owned SME performance (R Square = 0.265). The regression coefficients indicate that budgetary proficiency has a minimal effect (β = 0.010, p=0.027<0.05), influencing performance by 1.0%, while debt navigation skills have a moderate effect (β = 0.351, p=0.000<0.05), influencing performance by 35.1%. The study recommends strengthening financial management training, customizing financial literacy programs to address diverse gaps, and promoting inclusive budgeting practices among women-owned SMEs. Enhancing debt navigation skills is particularly emphasized for a more positive impact on the financial performance of women-owned SMEs in Garissa County.

KEY WORDS: Financial literacy, performance of Women SMEs, Budgetary proficiency, debt navigation skills

1.0 INTRODUCTION

1.1 Background

Small and Medium-sized Enterprises (SMEs) are globally acknowledged as pivotal contributors to economic development, job creation, and human development, especially in developing nations (Appiah, Possumah, Ahmar, & Sanusi, 2018). Their significance lies in being key drivers of economic growth and employment generation, particularly in emerging economies (Lockea, 2012). The impact of SMEs on a country's Gross Domestic Product (GDP) hinges on their performance, defined as the accuracy and efficiency in accomplishing specific tasks to achieve desired outcomes (Carson & Thau, 2014). Performance metrics, such as sales operations growth and efficient asset utilization for profitability, are indicative of small-scale firm performance (Chatterjee & Das, 2016). Notably, SMEs exhibiting strong performance witness substantial financial returns and positive growth, making performance a critical aspect in assessing a company's financial health over time (Cherugong, 2015). Specifically, the financial performance of Women-owned SMEs is crucial in understanding their contribution to economic development.

Financial performance, encompassing aspects of profitability, liquidity, and capital structure, is a key measure of the financial situation of a small or medium enterprise (SME) (Lam & Wong, 2019). Indicators such as return on assets (ROA), inventory turnover, and debt to equity ratio are commonly employed to gauge SMEs' financial health (Kumar, Reddy, & Srivastava, 2016). Recognizing the financial performance of Women-owned SMEs is essential for evaluating their impact on economic development, as their success in terms of profitability and efficient resource utilization directly influences broader economic growth and sustainability. In Kenya, the growing recognition of women-owned SMEs is pivotal to the nation's remarkable economic growth. These enterprises have boldly entered traditionally male-dominated sectors, reflecting a transformative shift (Shukla, 2011). However, their expansion is marred by challenges such as limited access to finance, inadequate market linkages, and gender-based constraints. Financial literacy programs, championed by government and NGOs, address these challenges by empowering women entrepreneurs with crucial financial skills.

These programs aim to enhance budgeting capabilities, debt management, and overall business acumen, fostering resilience and sustainability in the face of obstacles, thus contributing to the broader economic development agenda. Financial literacy encompasses a set of competencies and information empowering individuals to make informed and effective financial decisions, influencing the long-term consequences of these choices (Cherugong, 2015). Managing finances, particularly for Small and Medium-sized Enterprises (SMEs), involves navigating a complex landscape of diverse financial requirements. Financial literacy skills extend beyond mere awareness of financial concepts; they encompass the knowledge, understanding, motivation, and confidence to apply this awareness effectively in diverse financial scenarios, ultimately enhancing SMEs' financial performance (Hogarth, 2012).

These skills are instrumental in helping individuals, particularly women entrepreneurs in SMEs, identify and address critical challenges while fostering sound financial resource management (Hilgert & Hogath, 2012). The application of financial literacy principles enables a deeper comprehension of fundamental financial concepts, including various types of interests, investment risks and returns, and the importance of diversification. As women-owned SMEs navigate the intricacies of financial decision-making, these skills become pivotal in shaping a resilient and sustainable financial landscape. The nexus between financial literacy and the performance of women-owned SMEs becomes evident as these skills empower entrepreneurs to make judicious financial choices, thereby positively impacting their businesses.

From effective budgeting to prudent debt management, financial literacy equips women entrepreneurs with the tools to navigate the intricate financial landscape of SMEs. By addressing challenges associated with limited financial access and market linkages, financial literacy programs contribute significantly to the overall economic empowerment and growth of women-owned SMEs in Garissa County, Kenya. Historically, women in Garissa, Kenya, particularly those in marginalized areas, have faced economic and social disparities compared to men. Garissa County, located in Eastern Kenya near the Somali border, relies primarily on agriculture, livestock farming, and trade. The region's social values, influenced by Somali culture, often lead to early marriages for girls, limiting their educational opportunities.

Women in this community are predominantly assigned roles in childbearing and family care, contributing to their extended hours of unpaid domestic work. This gendered division restricts women's access to income-generating resources, including assets and land, hindering their collateral value when seeking credit from formal sources. To address these challenges, this study is justified. Such research would explore how enhanced financial literacy can empower women entrepreneurs, enabling them to navigate economic constraints, overcome gender-based limitations, and improve the overall performance of small and medium-sized enterprises in Garissa County.

1.2 Statement of the Problem

Despite the government's recognition of the importance of SMEs in job creation and poverty alleviation, these businesses encounter obstacles such as limited risk tolerance, difficulties in expanding, and challenges in achieving economies of scale, as highlighted by the Capital Market Authority reports (CMA, 2020). The high failure rates of SMEs, with over 60 percent estimated to fail in 2013 and 2014 and a continuous decline in subsequent years, raise concerns about their sustainability (KIPPRA, 2018). The identified challenges for SMEs in Garissa include issues related to financial information access, financial literacy, operating costs, copying habits, declining earnings, and losses from fixed expenditures. These challenges have been attributed to the difficulties SMEs face in achieving growth in liquidity, long-term solvency, and profitability. Additionally, the complex and sometimes corrupt bureaucratic processes further hinder SMEs, whose entrepreneurs are often overwhelmed with various responsibilities and lack the necessary knowledge to navigate government procedures.

While various studies (e.g., Leyla, 2019; Asakania, 2016; Noor and Simiyu, 2020) have explored the impact of financial literacy on SMEs in different contexts, there is a research gap specifically concerning Women-owned SMEs in Garissa. Other existing studies, (Nunoo *et al*. 2012; Cherugong, 2015; Mwaniki, 2019) as reviewed, have focused on diverse variables and indicators to measure financial performance and literacy. Notably, the relationship between variables like budgetary proficiency, debt navigation skills, and the performance of Women-owned SMEs has not been adequately addressed. This knowledge gap, coupled with the observed declining trend in SMEs' performance in the region, underscores the necessity for further research, particularly in areas that have been overlooked in existing literature. Therefore, the primary focus of this study was to investigate the effect of financial literacy on the financial performance of Women-owned SMEs in Garissa County, by focusing on two variables; budgetary proficiency and debt navigation skills.

1.3 Objectives of the Study

The study sought to achieve the following specific objectives:

i. To determine the effect of budgetary proficiency on financial performance of women owned SMEs in Garissa County;

ii. To determine the effect of debt navigation skills on financial performance of women owned SMEs in Garissa County;

1.4 Significance of the study

This study holds significant implications for various stakeholders, particularly in the context of Garissa County's small and medium-sized enterprises (SMEs), with a specific focus on women-owned businesses. For entrepreneurs in Garissa County, particularly women, the findings will provide essential guidance for administering small businesses by emphasizing the advantages of acquiring financial literacy skills. This focus on financial management is expected to enhance the progression prospects, productivity, and credit ratings for female SME owners.

Policy makers at both the national and county levels will benefit from access to pertinent data on the financial literacy needs of women-owned SMEs. The study sheds light on policy gaps in financial education, prompting necessary interventions in the SME sector. This insight enables the formulation of targeted policies and regulations, addressing specific challenges faced by women entrepreneurs in the informal sector, many of whom lack formal education. Furthermore, academicians and future researchers stand to gain from this work, as it contributes significantly to the existing body of knowledge, identifying research gaps and providing insights that will inform further exploration in this field.

2.0 LITERATURE REVIEW

2.1 SMEs' Financial literacy Concept

Financial literacy, encompassing skills, attitudes, and experiences, emerges as a crucial factor in ensuring the survival, increased sales, and profitability of companies, while also addressing market share expansion and employee retention concerns (Jacobs, 2011). This highlights the need for coherent policymaking based on accessible data, underscoring the importance of business managers and individuals possessing a fair understanding of available information for informed decision-making. Defined as the ability to comprehend and apply financial principles for well-informed decisions affecting one's financial well-being, financial literacy plays a pivotal role in making smart financial choices (Basu, 2015; Worthington, 2015). However, the prevalence of intuition, as noted by Glaser and Walther (2013), diminishes the positive impact of financial literacy on rational investment decisions, leading to suboptimal selections. In contrast, cognition, involving mental processes such as understanding, calculating, reasoning, problem-solving, and decision-making, emerges as a critical element in mitigating the effects of intuition (Chan & Park, 2013).

The exploration of financial literacy among Small and Medium-sized Enterprises (SMEs) becomes particularly intriguing in both established and developing economies, gaining attention due to rapid changes in the financial landscape (Lusardi & Mitchell, 2011). Notably, the National SMEs Baseline Survey in Kenya reveals disparities between female and male-owned SMEs, with women-owned businesses often having smaller enterprises and lower earnings (Greene, 2017). Bruhn and Zia's (2011) examination of the impact of business and financial literacy programs on SME owner-managers demonstrates a positive correlation between superior SME performance and the financial literacy of owner-managers. However, Nyabwanga (2011) identifies a significant gap, where a considerable percentage of business owners lack financial literacy despite limited participation in training programs, negatively impacting SME performance.

Microenterprise investment training, as uncovered by Simeyo *et al*. (2011), emerges as a favorable influencer on microenterprise performance, emphasizing the importance of providing business skill training alongside microloans for enhanced fund utilization and improved business performance. In terms of business risk management, Sucuahi (2013) suggests that SMEs may successfully navigate risks through precise financial management by owner-managers, emphasizing the crucial role of a strong financial foundation in SME success and growth. Additionally, the impact of financial literacy on loan access and repayment underscores its significance, particularly in regions like South Africa where the lack of formal sector finance contributes to the high failure rate of new micro firms.

2.2 Empirical Review on effect of financial literacy on performance of Women owned SMEs

Financial literacy plays a crucial role in the performance of women-owned Small and Medium-sized Enterprises (SMEs), influencing their ability to comprehend essential financial products and make informed decisions in daily operations (Hilgert and Hogath, 2013). Osinde *et al*. (2013) study on the impact of business development services reveals that owner-managers benefiting from guidance and resources experienced increased sales and market share growth. Regular attendance in training further correlated with higher profit growth, highlighting the positive connection between training and SME performance. Wise (2013) emphasizes that higher financial literacy leads to more frequent financial statement production, enhancing the likelihood of loan payback and reducing the likelihood of business closure. The Association of Chartered Certified Accountants (2014) notes the challenge financial institutions face due to a lack of financial literacy, impacting SMEs' understanding and evaluation of financial products and hindering service delivery and growth.

Eniola and Entebang (2015) stress the significance of performance as a measure of SME health, emphasizing the importance of strategic improvement in business performance. Factors such as innovation, creativity, pro-activeness, technological change, and networking contribute to achieving strategic financial performance improvements. Financial literacy assists owners and managers in innovative credit and debt usage, budget monitoring, raw material acquisition, and cost management (Adomako *et al*., 2016).Internal and external literacy, as studied by Bruhn and Zia (2011), Agbemava *et al.* (2016), and Sucuahi *et al*. (2016), play a role in young entrepreneurs' business performance. Jayantilal's (2017) research shows that financial literacy impacts employees' personal finance management, leading to better personal investment, higher savings, and lower debt. Rogg's (2016) study in the United States demonstrates a positive relationship between credit access improvement and increased savings among SMEs.

Sucuahi's (2014) assessment of micro-enterprises in the Philippines highlights the impact of educational attainment on financial literacy. The study, while providing insights into the determinants of financial literacy, indicates a geographical and knowledge gap, underscoring the need for further exploration. The current study aims to contribute to understanding the link between financial literacy and the financial success of women owned SMEs, by focusing on two variables budgetary proficiency and debt navigation skills.

2.2.1 Budgetary proficiency and Performance of Women Owned SMEs

Budgeting, the process of preparing financial plans for the future, involves detailed plans illustrating the acquisition and use of resources over a specific time period (Garisson *et al*., 2013; Horngren, 2016). Budgeting capabilities, defined as skills related to business planning for profit, financing, and cash flow, play a crucial role in the performance of small and medium-sized enterprises (SMEs) (Ojua, 2016). Owners with moderately low budgeting skills may struggle to control the financial aspects of their businesses, highlighting the significance of budgeting proficiency. Entrepreneurs gain budgeting abilities that contribute to increased sales and business profitability by providing a foundation for superior operational procedures and financial record keeping activities (Abongo, 2017). Budgets, used by SMEs to determine priorities and allocate limited resources, ensure successful resource allocation and effective management (Goldstein, 2015).

Unfavorable budget variations occur when actual revenues fall short of the projected amounts, while positive variations indicate efficient and effective systems (Friedlob & Plewa, 1996). These variations can be caused by inaccurate data, rising costs, unpredictable production conditions, random events, and ineffective operations management. Budgetary control, involving continuous monitoring and corrective action, ensures the organization adheres to its plan. The relationship between budgeting capabilities and financial performance is crucial in assessing a company's overall financial health (Larrain, 2019; Sharma, 2018). Budget capabilities, rooted in the accurate identification and planning for future expenses, income and expense management, and budget adjustments to meet financial goals, provide essential insights (Boswell, 2017). Thus, the literature underscores the pivotal role of budgeting proficiency in SMEs, serving as a foundation for effective financial management and overall business success. Hence a hypothesis 1 below:

H_{01}: Budgetary proficiency has no significant effect on the Performance of Women Owned SMEs

2.2.2 Debt navigation skills and Performance of Women Owned SMEs

Debt management encompasses strategies employed by individuals or corporations to handle their debt, including debt settlement, bankruptcy, debt consolidation, and personal loans (Wallitsch, 2017). Root (2018) defines debt management as the deliberate action taken by debtors or their representatives to reduce the debt load and establish reasonable payment arrangements. Cecchetti *et al*. (2011) emphasize that effective debt management contributes to welfare and growth, while excessive debt levels can impede a firm's growth.

Yuan and Kazuyuki's (2012) study on Chinese listed enterprises reveals a negative impact of the overall debt ratio on fixed investment. A high debt ratio in a company's capital structure may hinder internal investment as a significant portion of income is allocated to debt payment instead of internal investments. This implies that when small businesses incorporate more debt in their capital structure, their risk increases, leading to creditors charging higher interest rates to compensate for the elevated risk. The study suggests that heavily indebted companies may face challenges in obtaining additional funds, resulting in under-investment.

Empirical evidence supports a positive correlation between adept debt management and financial success in female-led SMEs. Understanding the nuances of debt utilization contributes to sustainable growth and resilience, emphasizing the significance of financial literacy for women entrepreneurs in navigating debt intricacies for optimal business outcomes (Cecchetti *et al*., 2011; Abongo, 2017; Ojua, 2016).In essence, the literature underscores the critical relationship between debt navigation skills and the performance of women-owned SMEs. Effective debt management is vital for sustaining growth and avoiding hindrances to investment caused by high debt levels. Thus a hypothesis 2 stated below:

H_{02}: Debt navigation skills has no significant effect on the Performance of Women Owned SMEs

2.3 Theoretical review

2.3.1 Dual Process Theories

Dual Process Theories, exemplified by Kahneman's (2011) framework, posit two cognitive systems: System 1, intuitive and fast, and System 2, analytical and deliberate. In the context of financial decision-making, Evans (2008) extends dual-process theories, suggesting that individuals with high financial literacy engage both intuitive and cognitive processes. This notion aligns with this study. The study explores the interplay between intuitive and analytical thinking styles among women entrepreneurs with varying levels of financial literacy and how this influence performance of their enterprises. Financial literacy, defined by Atkinson and Messy (2005), empowers individuals to understand financial concepts, make informed decisions, and manage risks effectively. The study anticipated that SMEs led by financially literate women demonstrates improved financial performance due to enhanced decision-making capabilities. This investigation underscores the relevance of dual-process theories in comprehending the dynamics of financial cognition and highlights the significance of financial literacy as an investment in human capital for better SME financial management and overall well-being.

2.4 Conceptual framework

In this study four financial literacy capabilities constructs were identified; these formed the independent variables. The constructs were budgetary proficiency and debt navigation skills while the performance is the dependent variable. The relationship between these constructs is displayed in the framework below (i.e. figure 2.1).

Independent variables **Dependent Variables**

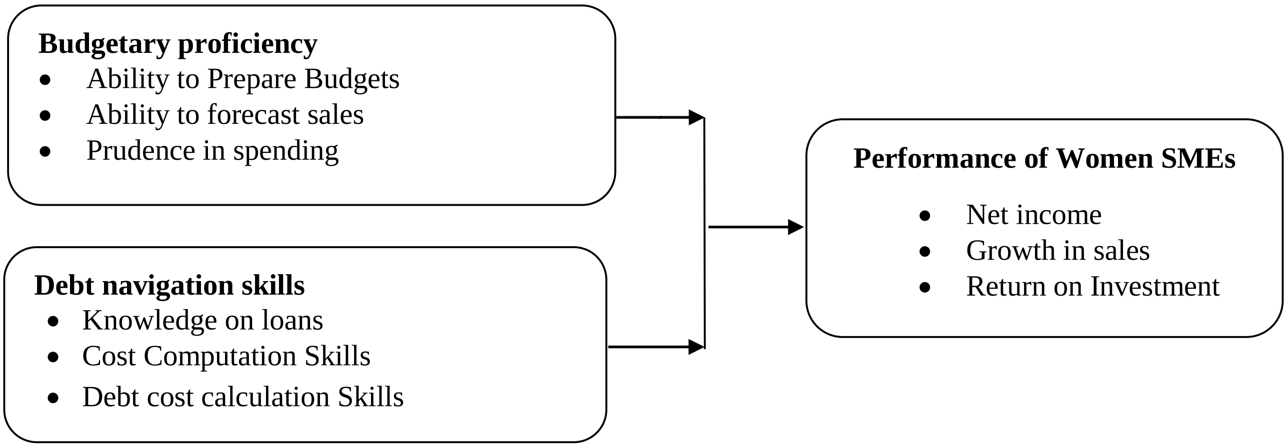

Figure 2.1: Conceptual Framework
Source: (Author, 2024)

The conceptual framework as shown above posits that the financial performance of Women-owned Small and Medium Enterprises (SMEs) is influenced by two key independent variables: budget proficiency and debt navigation skills. Budget proficiency encompasses the ability to plan, allocate, and control financial resources effectively. Debt navigation skills involve strategic management of borrowed funds. The hypothesis is that women entrepreneurs who excel in budgeting and adeptly navigate debt will experience enhanced SME performance. The conceptual link lies in the notion that sound budgeting provides a foundation for optimal resource utilization, while effective debt navigation mitigates financial risks and capitalizes on opportunities. Together, these variables contribute to the overall financial health and resilience of Women-owned SMEs, impacting profitability, growth, and sustainability. This framework provides a comprehensive perspective on the interplay between financial management competencies and business outcomes for women entrepreneurs in the SME sector.

3.0 RESEARCH METHODOLOGY

3.1 Study Design

The research employed a descriptive survey design, opting for a quantitative approach to gather empirical data. This design facilitated the calculation of correlation coefficients between variables and the application of non-parametric tests to validate the null hypothesis proposed earlier in the study (Cooper & Schindler, 2011). The choice of a quantitative method allowed for the observation of respondents in their natural settings without environmental manipulation.

3.2 Study Area

The study concentrated on the effect of financial literacy on the performance of women owned Small and Medium Enterprises (SMEs). The research was conducted in Garissa town, specifically targeting women-owned SMEs and their owners within Garissa Municipality. Garissa town, with its 2019 population of 163,399, primarily comprises the ethnic Somali community.

3.3 Target Population

The target population comprised 763 women-owned businesses operating in Garissa town, focusing on the owners. To ensure comprehensive data collection, employees were given the opportunity to represent the business if the owner was unavailable. Additionally, information was sourced from Garissa Town – Municipality offices, which maintain records of all SMEs in Garissa town.

3.4 Sample Size and Sampling Technique

Utilizing purposive sampling, the sample size of 399 was determined from registered women-owned enterprises, following Yamane's formula (1967) for proportions, assuming a confidence level of 95% and P ≥ 0.5.

$$n = \frac{N}{1 + Ne^2}.$$

Where: n = required responses

N = Sample size

e^2 = error limit

Placing the formula for the current population gave a sample size of:

$$\text{Sample size (n)} = \frac{794}{1+794(0.05)^2}$$

$$\text{Resulting to } \frac{794}{1.98}$$

3.5 Data Collection Instruments and Procedure

The primary instrument for data collection was a questionnaire, comprising both closed and open-ended questions. Closed questions employed a five-point Likert scale, facilitating efficient analysis. The structured nature of the questionnaire aided in saving time and simplifying the analysis process. The self-administered questionnaire utilized a drop and pick letter method, with the researcher providing assistance to those with reading challenges. Respondents were allotted three days to complete and return the questionnaire, ensuring careful control over the quality of responses.

3.6 Data Analysis

Since quantitative data was involved, quantitative analytical methods was used with the help of Statistical Package for Social Sciences (SPSS) version 20.0. After coding, descriptive statistical approaches were applied to derive mean, standard deviations, kurtosis, and skewness. To determine the relationship between variables, correlation and regression analysis tests were conducted.

The linear regression model adopted for the study is presented as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where;

Y is the dependent variable (Performance of Women owned SMEs),

β_0 is the regression constant,

β_1, β_2, are the coefficients of independent variables,

X_1 is budgetary proficiency,

X_2 is debt navigation skills,

ε is the standard error

This model allowed the researcher to assess the effect of independent variables on the dependent variable, offering insights into the financial literacy impact on SME performance.

4.0 RESULTS

4.1 Demographic information on type of business and number of employees

In terms of the number of employees, the majority of women-owned SMEs in Garrisa County have a workforce of 4-5 employees, constituting 83.9% of the total. This indicates that a significant portion of these businesses operates on a relatively small scale, possibly reflecting the resource constraints commonly associated with SMEs. Additionally, there is a smaller but still notable proportion of enterprises with 6-10 employees, accounting for 16.1% of the total. This suggests some diversity in the size of women-owned SMEs in the town, with a mix of both smaller and slightly larger operations.

Regarding the type of business organization, the data shows that the majority of women-owned SMEs in Garissa County operate as sole proprietorships, comprising 51.1% of the total. Sole proprietorships are characterized by a single owner who is personally responsible for the business's debts and liabilities. The presence of a significant number of sole proprietorships suggests a prevalence of individually owned and managed enterprises among women entrepreneurs in the town. Partnerships make up 16.1% of the total, indicating that a notable proportion of women-owned SMEs engage in collaborative business structures. Joint ventures represent 32.8% of the total, showcasing a substantial presence of partnerships involving shared responsibilities and resources. Therefore, the demographic information highlights the predominance of small-scale women-owned SMEs in Garissa County, with the majority having 4-5 employees and operating as sole proprietorships. The diversity in the number of employees and the prevalence of different business organizational structures contribute to a nuanced understanding of the landscape of women entrepreneurship in the town as shown in table 1.1 below.

Table 1.1 - Demographic information on type of business and number of employees

Number of employees	**Frequency**	**Percentage (%)**
4-5 employees	292	83.9
6-10 employees	56	16.1
Total	**348**	**100.0**
Type of business organization	**Frequency**	**Percentage (%)**
Sole proprietorship	178	51.1
Partnership	56	16.1
Joint venture	114	32.8
Total	**348**	**100.0**

Source: (Survey, 2023)

4.2 Descriptive results

4.2.1 Budgetary proficiency and performance of women owned SMEs

Budget proficiency, in the context of women-owned SMEs, is the ability of these businesses to effectively plan, allocate, and manage their financial resources in a manner that optimally supports their operations, growth, and overall performance. The first objective of this study was to determine the effect of budgetary proficiency on financial performance of women owned SMEs in Garissa County. From the descriptive results, the mean scores suggest a generally positive perception among respondents.

Notably, the high mean score of 4.0 for the statement "Budgeting process is participatory; all the members are involved in budget preparations" indicates a collaborative approach to budgeting, fostering inclusivity within the women owned SMEs. The mean score of 4.3 for "Preparation of budget estimates is regarded as an important exercise" underlines the perceived significance of budgeting in the business operations. Moreover, the mean scores of 3.8 for both "My business has the ability to meet the set budget estimates and has no deficit" and "Trainings on financial management have improved my budgeting capabilities" suggest a positive impact of financial management training on budgetary proficiency and financial stability.

Overall, the aggregate mean score of 3.8 reflects a generally favorable attitude towards budgeting skills, implying that women-owned SMEs in the study place importance on timely, participatory, and well-managed budgeting processes. These positive sentiments suggest a potential link between budgetary proficiency and improved business performance, as indicated by the mean score of 3.8 for "My budgeting capabilities have improved our sales growth" and 3.7 for "Budgeting has significant influence on financial performance of the firm." Consequently, the descriptive results suggest that women-owned SMEs, on average, exhibit a positive attitude towards budgeting practices, emphasizing its importance and acknowledging its positive influence on business performance.

Table 1.2 - Budgetary proficiency and performance of women owned SMEs

	Mean	Std. Dev.	Skewness	Kurtosis	Sample (N)
I usually prepare the budget estimates on timely basis	3.2	1.0	-1.2	1.2	348
My business has the ability to meet the set budget estimates and has no deficit	3.8	1.0	-.9	.1	348
We usually review the budget estimates on monthly basis	3.1	1.0	-.5	-.4	348
Budgeting process is participatory; all the members are involved in budget preparations	4.0	.8	-.5	-.2	348
Preparation of budget estimates is regarded important exercise	4.3	1.0	-.8	-.1	348
Trainings on financial management has improved my budgeting capabilities	4.1	1.0	-.6	-.1	348
My budgeting capabilities have improved our sales growth	3.8	.9	-.4	-.7	348
Budgeting has significant influence on financial performance of the firm	3.7	1.0	-.3	-.8	348
Aggregate Mean & Std. Dev.	**3.8**	**1.0**			

Source: (Survey, 2023)

4.2.1 Debt navigation skills and performance of women owned SMEs

Debt navigation skills, in the context of women-owned SMEs, refer to the ability of these businesses to effectively manage and navigate their financial obligations, particularly those related to borrowing and debt. The other objective of this study was to determine the effect of debt navigation skills on financial performance of women owned SMEs in Garissa County. The descriptive results highlight a mixed picture of debt navigation skills among women-owned SMEs. The mean scores indicate a relatively positive perception overall, with an aggregate mean of 3.7. Notably, respondents express confidence in their knowledge of loans offered by lending institutions (mean of 3.8), suggesting a reasonable understanding of available financial options.

The high mean score of 4.0 for "I know the implication of accumulating debts in my business" indicates a strong awareness of the potential risks associated with debt accumulation. Furthermore, the mean score of 4.4 for "I am able to adhere to the purpose of the loan once the loan is disbursed" suggests a high level of commitment to utilizing borrowed funds for their intended purposes, which is crucial for effective debt management. However, challenges are evident, as seen in the lower mean score of 3.1 for "Multiple borrowing from formal and informal sectors affect my debt repayment." This suggests that juggling debts from various sources may pose challenges for some women-owned SMEs.

Additionally, the mean score of 3.2 for "I usually maintain debts that are manageable" indicates a moderate level of confidence in managing debts. Thus, while women-owned SMEs generally demonstrated a solid understanding of the implications of debt and maintain a commitment to loan purposes, challenges arise with multiple borrowing and ensuring manageable debt levels. Strengthening skills related to managing multiple sources of debt and enhancing debt monitoring practices could further improve the debt navigation capabilities of these businesses, potentially leading to improved overall performance.

Table 1.3 – Debt navigation skills and performance of women owned SMEs

	Mean	Std. Dev.	Skewness	Kurtosis	Sample (N)
I acquired all the necessary knowledge on all the loans offered by lending institutions	3.8	.9	-.9	.9	348
I know the implication of accumulating debts in my business	4.0	1.0	-.8	-.2	348
I am able to adhere to the purpose of the loan once loan is disbursed	4.4	1.2	-.7	-.4	348
Multiple borrowing from formal and informal sectors affect my debt repayment	3.1	1.2	-.4	-.8	348
I usually maintain good records of my debtors and occasionally remind them to pay	3.9	1.0	-.6	-.6	348
I usually maintain debts that are manageable	3.2	1.1	.0	-1.0	348
Aggregate Mean & Std. Dev.	**3.7**	**1.1**			

Source: (Survey, 2023)

4.2.3 Association between financial literacy and performance of women owned SMEs

To determine the association between financial literacy and performance of women owned SMEs, Pearson’s correlation tests was conducted. The results showed that there was strong positive and significant relationship between budgetary proficiency and financial performance of women owned SMEs (Pearson’s r= 0.690, p<0.000). Similarly, the findings showed that debt navigation skills have moderately strong positive and significant relationship with financial performance of women owned SMEs (Pearson’s r=0.515, p<0.000). Therefore, these results suggest a positive and interconnected relationship between budgetary proficiency, debt navigation skills, and financial performance of women owned SMEs as elaborated in table 1.4 below.

Table 1.4 – Correlation results

		Budgetary proficiency	Debt navigation skills	Financial Performance
Budgetary proficiency	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	348		
Debt navigation skills	Pearson Correlation	.351**	1	
	Sig. (2-tailed)	.000		
	N	348	348	
Financial Performance	Pearson Correlation	.690**	.515**	1
	Sig. (2-tailed)	.000	.000	
	N	348	348	348

**. Correlation is significant at the 0.01 level (2-tailed).

Source: (Survey, 2023)

4.3 Effect of financial literacy and performance of women owned SMEs

To determine the effect of financial literacy and performance of women owned SMEs, regression analysis was carried out and results presented as follows:

Model summary

The regression model reveals a moderate association (R = 0.515) between the predictors (Debt navigation skills, Budgetary proficiency) and performance of women owned SMEs. Approximately 26.5% of the variance in the performance of women owned SMEs is explained by these predictors (R Square = 0.265). The standard error of the estimate (0.05473) represents the average deviation of observed values from the predicted values as shown below.

Table 1.5 – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515[a]	.265	.261	.05473

a. Predictors: (Constant), Debt navigation skills, Budgetary proficiency

Source: (Survey, 2023)

Regression Coefficient

Regression coefficients showed the strength of the relationship between financial literacy and the performance of women owned SMEs in a regression model. The coefficient for each predictor variable indicates the direction and magnitude of the effect of each predictor on the predicted variable. Thus, the regression coefficient for budgetary proficiency is (β = 0.010, $p=0.027<0.05$), showing that budgetary proficiency influences financial performance of Women SMEs by 1.0%, this is a very minimal effect. Similarly, the obtained regression coefficient for debt navigation skills is (β = 0.351, $p=0.000<0.05$), showing that debt navigation skills influences financial performance of Women SMEs by 35.1%; this is a moderate effect. Therefore, budgetary proficiency demonstrated a minimal influence to financial performance of women owned SMEs. In contrast, debt navigation skills exhibited a more significant effect, influencing financial performance by 35.1%. These findings suggest that enhancing debt navigation skills can have more positive impact on the financial performance of women-owned SMEs at Garissa County.

Table 1.6 - Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.807	.065		12.475	.000
	Budgetary proficiency	.010	.044	.011	.219	.027
	Debt navigation skills	.351	.034	.511	10.372	.000

a. Dependent Variable: Financial Performance

Source: (Survey, 2023)

Hypotheses test results

The hypotheses results indicate that both budgetary proficiency and debt navigation skills have a significant effect on the performance of women-owned SMEs, as evidenced by p-values of 0.027 and 0.000, both less than the significance level of 0.05. Therefore, the null hypotheses (H01 and H02) are rejected. This implies that budgetary proficiency and debt navigation skills play crucial roles in influencing the performance of women-owned SMEs. The findings underscore the importance of these financial literacy components in contributing to positive outcomes for women entrepreneurs in the SME sector.

Table 1.7 – Hypotheses test results

Null Hypothesis	**P-Value**	**Decision**
H_{01}: Budgetary proficiency has no significant effect on the Performance of Women Owned SMEs	0. 027<0.05	Reject
H_{02}: Debt navigation skills has no significant effect on the Performance of Women Owned SMEs	0. 000<0.05	Reject

Source: (Survey, 2023)

5.0 CONCLUSIONS

In conclusion, the study revealed that budgetary proficiency and debt navigation skills significantly impact the performance of women-owned SMEs in Garissa County. Women entrepreneurs generally exhibit positive attitudes toward budgeting practices, emphasizing inclusivity and recognizing the positive influence of budget proficiency on business performance. Financial literacy training contributes to improved budgetary proficiency and debt stability. While debt navigation skills show a mixed picture, with women understanding loan implications and adhering to loan purposes, challenges arise with multiple borrowing. The regression analysis emphasizes the moderate influence of these skills on SME performance, with debt navigation skills demonstrating a more substantial effect. Consequently, enhancing debt navigation skills is recommended for fostering positive financial outcomes among women-owned SMEs. These findings emphasize the critical role of financial literacy components in shaping the success of women entrepreneurs in the SME sector.

6.0 RECOMMENDATIONS

Based on the study's findings, recommendations are provided as follows:

1. Strengthen Financial Management Training: Provide targeted and ongoing financial management training programs for women entrepreneurs in the region. This should focus on improving budgetary proficiency, emphasizing participatory budgeting processes, and enhancing skills related to managing and navigating debts from various sources.
2. Customize Financial Literacy Programs: Tailor financial literacy programs to address specific challenges faced by women entrepreneurs in specific regions, such as cultural beliefs/norms, family structures and literacy levels. Customized programs can provide practical solutions and actionable insights for women-owned SMEs in Garissa Town.
3. Promote sensitization of Inclusive Budgeting Practices: Create sensitization and encourage women-owned SMEs to adopt and maintain participatory budgeting practices, involving all members in the budget preparation process. This fosters inclusivity, improves understanding, and strengthens the commitment of members to financial goals.
4. Diversify Debt Management Strategies: Address challenges related to multiple borrowing by assisting women entrepreneurs in developing effective debt management strategies. This includes guidance on prioritizing debts, negotiating favorable terms, and monitoring debt levels to ensure they remain manageable.

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