

**INFLUENCE OF FINANCIAL LITERACY ON BUSINESS GROWTH**

**(A survey of SACCO members in Kerugoya)**

**MARTHA WAIRIMU GATIMU**

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## ABSTRACT

A financially literate SME owner/manager knows the most suitable financing and financial management options for his/hers business at the various growth stages of the business. Research into the effect of financial literacy on entrepreneurial growth is limited. The purpose of this study was to find out the influence of financial literacy on business growth among entrepreneurs in Kerugoya Town. This study adopted a descriptive survey design. The study targeted members of deposit taking SACCOs who have benefited from business startup loans. Multistage sampling was used to select 40 participants. The study employed a researcher administered questionnaires to collect primary data. The data was then analyzed using descriptive statistics. SPSS software was employed for analysis. Chi square tests were used to test for relationships. The findings were presented using tables and graphs for further analysis. A significant number (97%) of participants indicate that they knew how to keep records of purchases. Receipts (48%) and invoices (30%) were the most popular documents kept by respondents for purchases and sales. All (n=40) participants in the study indicated that the money from the business proceeds was banked. A significant number (88%) of participants had not taken an insurance cover for their business. Only 12% had an insurance cover. A significant number (84%) of participants indicated that they were aware of the registration requirements affecting their business. There was significant relationship ( $p=0.036$ ) between knowledge of record keeping and business growth. The findings also indicated that there was as significant relationship ( $p=0.001$ ) between knowledge of banking services and business growth. The researcher concluded that financial literacy has influence on business growth. The higher the knowledge of business procedures and requirements the higher the business growth. This is especially so in the case of record keeping and banking services. The researcher recommended that The Kenya National Chamber of Commerce should provide training to SME managers on how to keep records and prepare financial statements. In addition, SACCOs should provide business advice to assist entrepreneurs to make the right decisions regarding investment.