

**THE INFLUENCE OF FINANCIAL LITERACY ON THE
PERFORMANCE OF SMALL BUSINESS PROCESSORS OF
CEREALS IN MOROGORO MUNICIPAL COUNCIL**

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PERFORMANCE OF SMALL BUSINESS PROCESSORS OF
CEREALS IN MOROGORO MUNICIPAL COUNCIL**

BY

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A Research Dissertation Submitted in Partial Fulfillment of the Requirements for
Award of the Master Degree MBA Corporate Management of Mzumbe University

2019

CERTIFICATION

We, the undersigned, confirm that we have scrutinized and thusly recommend for acknowledgment by the Mzumbe University, a paper entitled: **The Influence of Financial Literacy on the Performance of Small Business Processors of Cereals in Tanzania** in partial compliance with the prerequisites for honor of MBA (corporate administration) Mzumbe University.

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DEDICATION

I devote this work to my family members for their adoration, petitions and bolster which made me to do this work effectively.

LIST OF ABBREVIATIONS AND ACRONYMS

FAO	Food Agency Organization
GDP	Gross Domestic Product
KR	Knowledge in recording
MFI	Micro finance Institution
PFR	Preparing financial report
PSCP	Performance of small cereal processing Business
SACCOS	Saving and Cooperative Society
SME	Small and Medium Business
SP	Separating profit
SPSS	Statistical Package for Social Science
SSEs	Small Scale Business
Tshs	Tanzania shillings
UN	United Nations
URT	United Republic of Tanzania
USA	United State of America
USD	United States Dollar
WEO	Ward Executive Officer

ABSTRACT

Financial literacy among the small business processors of cereals is increasingly drawing attention over business performance. Small business processors of cereals are obliged by restricted or limited knowledge, skills and ability to use financial sources for required business expansion. This study assessed the influence of financial literacy on performance of small business processors of cereals in Tanzania: The case study of Morogoro Municipality.

This study used a cross-sectional structure that encourages and manages the accumulation of information at a single point in time. The sample size was 93 which were randomly chosen by the entire population. The purposive testing was utilized to choose 3 WEOs out of 15 WEOs and pioneers to give some official data on the influence of financial literacy on the performance of small business processors of cereal in Morogoro Municipality.

The finding shows that, small business processors of cereals do not keep business record because of low education level as majority had primary education level. The loan was mostly utilized as one of the financial services and financial advice on the other hand was utilized as non-financial services. The small business processors of cereals produce 20,001-25,000 tons of cereals annually. The processed cereals take 21-30 days in which 9,000,100 -11,000,000 Tshs of sales are generated annually. These indicate the existence of poor performance for small business processors of cereals.

The relationship between financial literacy and the performance of small business of cereals processors observed on the knowledge on recording, separating business profit and preparation of financial report. In order to improve performance of small business processors of cereals there is a need to provide financial literacy in terms of skills and knowledge.

Financial institutions need to support small business processors of cereals in terms of loan, business advice and training to enhance credit accessibility, business advice and training towards the performance of small business processors of cereals.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The financial literacy is a tool for creating more opportunity among small business processors of cereals in the existing financial system (Lusardi, 2012). Indeed, the small business processors of cereals with financial literacy have opportunity to gain knowledge and skills in controlling financial resources (Barongo, 2013). In reality, these businesses are constrained with limited knowledge, skills and ability to use financial sources (Bruhn & Zia, 2011). This business may even fail to make informed financial decision in various business transactions (Almenberg & Dreber, 2011). For instance small business processors of cereals are continuously operating with deficiency capital, market and sales due to failure in accessing appropriate sources of finance and its conditionality (Andoh, 2012).

So as to inspire this ideal activity, the advancement of small business processors of cereal is grooming on the fertile environment for creating more opportunity in employment and sustainable livelihood (Njoroge, 2013). In this era of business competition small business processors of cereal need more effort to alleviate society from social embarrassment, stimulating indigenous entrepreneurship and utilizing scarce financial resources (Ebere, 2013).

The small business processors of cereals are performing inadequately and even neglected to fulfill the prerequisite of the proprietor and its particular workers (Andoh, 2012). The unemployment status had increased up 15 million people due to failure of small business processors of cereals. For this reasons it contributes less than 50% of the GDP, which is mostly termed to be under capacity in the small business processors of cereals (McKinsey, 2010).

In Tanzania, the small business processor of cereals should be fully knowledgeable in finance and its respective financial services utilization (Milleret al., 2009). The small business processors of cereals need knowledge and skills in utilizing and

controlling financial resources (Huston, 2010). So as to face this test ideal business condition should be made in expanding financial literacy.

The performance in the small business processors of cereals are recognized with several measures those are connected to sales income, benefits, and rate of profitability or equity (Mutegi & Phelister, 2015). There are a few measures under the performance of small business processors of cereals such as return on sales, Return on investment, Return on saving and return on asset (Njoroge, 2013).

The performance of small business processors of cereals could be directly related to accessibility of knowledge and skills in financial aspects. The knowledge and skills directly connected to the growth and expansion of small business processors of cereals. In Morogoro Municipality small business processors of cereals need 'skills and respective financial knowledge for success and profit accumulation (Mlise, 2013). The performance of small business processors of cereals is highly required to promote success and profit accumulation (Kharuddin *et al.*, 2010).

The reality of small business processors of cereals is embraced with wide spread of financial illiteracy. This has limited knowledge, skills and ability over the finance management and plan of the entire business processors of cereals (Mlise, 2013). The small business processors of cereals are increasingly challenging to access information in loan facility. It means small business processors of cereal are limited to the information of financial sources, concept and condition necessary for business performance.

The findings from this study revealed the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality. This study provided information to other researchers who intended to search on similar topic in different areas. The results generated by this study filled the gaps, and provided information on the financial knowledge and skills of small business processors of cereals. The study was enabled the policy makers to make long term activities for meeting millennium goal on poverty alleviation through provision of financial literacy to the small processors of cereals. Data obtained were assisted

government, financial institutions and Non-governmental organizations to change decision and support small business processors of cereals in terms of financial literacy.

1.2 Statement of the Problem

The knowledge and skills for making financial decision among small business processors are quite imperative. The small business processors of cereals aim to generate profits, to create jobs and facilitate availability of food in affordable price. Much of the time these business are operating in constraints situation that unfavorably influence business performance (David & Christopher, 2012).

In order for small business processors of cereals to perform well, financial literacy is needed in using, access and direct allocation of financial opportunities to win competitive environment (Mori & Richard, 2011). The reality is that, small business processors of cereals operating without adequate knowledge on money, such a saving and planning for expenditure (Lewis & Linda, 2009).

There is increasingly concern of not well equipped with existing money charges in commercial banks, this considered as risky, costly, and difficult to serve (Rukaka, 2011). Hence fail to access financial information on the available investment opportunities irrespectively of contribution offered in the economy (Mlise, 2013).

These situations have created poor performance of small business processors of cereals. Different scholars in Tanzania and outside Tanzania have been explored financial literacy in aspects of access of financial services (Mori & Richard, 2011). As David & Christopher (2012) explored Learning from business training and entrepreneurship and Njoroge (2013) did on the financial illiteracy and entrepreneurial success.

However, many studies have been done in financial literacy, but little has been explored in financial literacy and performance of business. To fill this gap, the current study will focus on the influence of financial literacy on the performance of small business processors of Cereals in Morogoro Municipality. The study must be done so as to produce information that will help country, small business processors

of cereals and policy makers on the influence of financial literacy in business performance.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study is to assess the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality.

1.3.2 Specific Objective

- i. To determine financial knowledge and skills of small business processors of cereals in Morogoro Municipality
- ii. To assess financial and non-financial services utilization among small business processors of cereals in Morogoro Municipality
- iii. To assess the financial and production performance of small business processors of cereals in Morogoro municipality
- iv. To determine the relationship between financial literacy and the performance of small business processors of cereals.

1.4 Research Questions

- i. What are the financial knowledge and skills of business processors of cereals in Morogoro Municipality?
- ii. How knowledgeable are small business processors of cereals on the utilization of existing financial services in Morogoro Municipality?
- iii. What is the annual performance of small business processors of cereals in Morogoro municipality?
- iv. What is the relationship between financial literacy and the performance of small cereal processors?

1.5 Significance of the Research

This study will help in the provision of basic information and aptitudes as follows.

- i) The researcher will utilize the study to interact with relevant insight on the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality.
- ii) This study will alert policy makers toward special consideration on the performance of small business processors of cereals. Decision makers will gain insight on the important of financial training among small processors of cereal to improve its performance.
- iii) The study will contribute in building more knowledge on the financial literacy such as skills and knowledge to small business processors of cereals.
- iv) In addition, this study will give the best approach to get knowledge to come up with the gap in related area of study.

1.6 Scope of the study

This study was focused on the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality. This study has covered aspects of financial knowledge and skills, knowledge on the utilization of existing financial services, annual performance of cereal processors and the relationship between financial literacy and performance of cereal processors.

1.7 Limitations of the Study

The limitations of shortage of fund in the process of data collection especially to meet field expenses such as accommodation and stationary expenses. Funds for field data collection was not enough to meet respondents motivation and transportation cost. However, it was managed through borrowing from fellow friends and family members until to accomplish this study.

Also the limitation of time for data collections and report writing, time allocation for data collection and report writing was insufficient for the study. This situation of time shortage was managed by the fact that the researcher focused only in field work instead of doing other activities. However, researcher was used effectively the little time available in data collection and report writing.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of key terms and concepts

2.1.1 Financial literacy

There are various perspectives on financial literacy that are related to the performance of small business processors of cereals, for instance financial literacy can be useful tool in assessing how well an individual can appreciate and utilize individual finance-related information and knowledge. In view of that it recognizes the ability and confidence inherent to the individual to use his or her financial knowledge and personal ability towards sorting out informed financial decisions.

Financial illiteracy is the process by which investors improve understanding and knowledge of financial products and concepts through information, instruction, and objective advice. The financial literacy develops the financial skills, knowledge and confidence to make informed choices and decisions required in financial matters of small business processors of cereals (Muthoni, 2015).

Financial illiteracy is “the ability to use knowledge and skill to manage financial resources. This is connected to the ability to make informed judgments and viable choices in the use, allocation and management of money in a productive way (Nyabwanga, 2011).

In view of that, financial literacy is the ability to use knowledge and skills in business performance towards the survival stage. Financial literacy is the source of knowledge in resource allocation and use to make decision. This is based on the knowledge and concept in the financial planning, time, value for money, borrowings and saving. The ability to make decision is based on the decision and business successfulness to fight poverty.

2.1.2 Knowledge

Knowledge is a familiarity, awareness or understanding of someone or something such as information, descriptions and skills which is acquired through experience or education by perceiving, discoursing or learning. This is connected to the theoretical or practical relevance of the subject (Paul, 2007). The cereal processors business is required to be entitled with practical awareness of financial matters; it must be connected to the learning and interact. Knowledge is accumulated and acquired after some time and experience in financial matters (Gottschalk, 2008). Knowledge must be pretty much formal in the provision which is justified by the true belief of increasing financial literacy.

2.1.3 Skills

Skills is based on the experience in financial services provision, this is a special ingredient for the access of finance timely under the realm of business management. Skills are relevant to strengthen existing sources of finances. It portrays the ability to interact with any source of finance, with the purpose of access of finance, for the respective small business processors of cereals. For the cereal processors is connected to the ability to own banks accounts, access of loan, financial advice and emergence supports (Andoh & Nunoo, 2011). Cereal processors to gain financial skills require sufficient money knowledge, for recording and establishing personal saving. It is connected to the successful ability to interact with financial institution and attainment of relevant money condition.

2.1.4 Performance

Performance is defined as accomplishment of a certain task, function or attainment of a goal. Performance is highly connected with the completion of a task through knowledge, skills and ability to achieve the desire ends (Winston *et al.*, 2014). Another view presented by Frolick & Thilini (2006) termed performance as a complicated issues in terms of measurement in business goals and objectives in sales, market and capital level. In view of that, Huston (2010) termed performance as

standard that business venture set to accomplish, it is a set of accomplishment that viewed in terms of market and sales dimension of the business.

In connection to this view Kharuddin *et al.*, (2010) argued that performance in business should be directly related to sales, financial and capital size of the business venture. This definition is closely connected to this study where performance in viewed regarding to financial, sales, market, capital and business expansion.

2.1.5 Cereal Processing Business Performance

Financial literacy is exact a successful ingredient for the cereal processing business performance (Kipilyango, 2012). Financial literacy is directly promoting the knowledge and skills required to determine business performance. There are various perspective required to promote emphasize on firm performance. In view of resource based theories which argue that, firm resources and capabilities are fundamental determinant of performance (Frolick & Thilini, 2006). The management of firm resource requires sufficient financial literacy, which is respectively required to govern the performance of such small business processors of cereals.

From this point of view, performance can be defined as the action or process of executing tasks or functions. In view of that, it is connected to the objective, set of attributes and its measurable impact on the small business of cereal processors (Andoh, 2012). It is linked to the completion of the task through knowledge and skills to achieve the desired goals (Winston *et al.*, 2014).

According to Frolick & Thilini (2006) suggests that cereal processors performance is considered to be a complicated issue to measure toward achievement of goal and objectives in sales, market and capital level. In view of that, Huston (2010) defined cereals processors performance in terms of standard set to accomplish certain target in ascribed time frame.

2.2 Theoretical review

This section is based on the related theories to the influence of financial literacy on the performance of small business processors of cereals. This study will use a theory of behavior and personal finance education.

2.2.1 Theory of Behaviour and Personal Finance Education

Abdallah (2009) pointed out nearly about ten years ago that, acquiring additional information in finance is directly associated to the improvement of financial behavior. Financial behavior is directly connected to the skills, knowledge, traits and money management as required in business life. Household and individuals are traced as important aspects in the financial knowledge and skills accumulation. The financial knowledge and skills are termed as financial education or literacy (Njoroge, 2013).

The financial literacy is built on the knowledge towards the respective sources of finance and conditionality (Huston, 2010). Financial education is termed as source of knowledge in terms of attitudes and skills. This is built in the related specific personal finance topic areas towards strengthening money management, banking, credit, saving and investment (Rukaka, 2011). The financial knowledge and skills is built on the sound understanding of financial concepts. This theory will be used as the way to understand financial literacy on the performance of small business of cereal processors.

2.2.2 Competitive Advantage Theory

The Competitive advantage theory developed by Porter in 1985 is proposed to provide the necessary features for performance of small business processors of cereals. The sustainable competitive advantage position for superior cereal processing performance, usually measured in conventional terms such as market-share and profitability (Siekei, 2013).

This could be difficult to attain without sound knowledge and skills on the saving, investment, borrowing and expenses control. This is directly related to the financial literacy thus advocates the ability, knowledge and skills to control financial resources for the business wellbeing (Barongo, 2013). Thus, this theory is relevant to this study as it provides insight in financial aspects to build sound understanding in cereal processing business expansion and attainment of competitive advantage position for required performance.

2.3 Empirical Review

Hastings & Tejada (2008) piloted a study in Mexico, on the links between investor qualities such as financial literacy towards venture choice. Discoveries of this study uncovered that, investors in small business processors of cereals need to be well informed on the financial knowledge choice. The experience in financial services need to be based on the loan, saving and interest rate. Cereal business is financially literate once accumulate knowledge, skills and experience on financial resources (Bruhn & Zia, 2011).

Andoh & Nunoo (2011) conducted a study on sustaining value adding business in the financial service utilization in USA. The findings revealed that, financial illiteracy of small business processors of cereal is very important in the utilization of existing financial services (Lewis & Linda, 2009). Relevant financial services are utilized such as loan, business advice and investment finances. Cereal processors with low levels of financial literacy are required to understand financial products that are supplied by financial institutions.

According to Bruhn & Zia (2011) conducted their study on the Impact of Business and Financial Literacy for Young Entrepreneurs in Bosnia and Herzegovina, this study found that, the results and business practices being affected by financial literacy at baseline. This study discovered that both entrepreneurs with lower and above median financial illiteracy changed business practices, such as separating understanding the financial system from business, and making investments decision (Njoroge, 2013). The financial literacy increases sales and profits of the business.

These findings recommend that, baseline knowledge and information conveyed in the financial literacy is required for increased sales and business performance.

Fjose *et al.*, (2010) found that the licensing of businesses remains common and variations in the interpretation and implementation of these policies serve to create uncertainty and add costs (for example in the form of bribes) and delays to business. Such conditions are far from conducive to private investment and can act to deter foreign firms from investing at all, while discouraging more risky (but also higher yielding) investments, such as are often associated with more advanced technologies. Although related to the broader policy environment, general conditions are a specific factor determining the rate and trajectory of the development of the Cereal industrial sector. Thus, lengthy and costly procedures for the legal registration and enforcement of contracts can act as a barrier to the transition of enterprises from the informal to the formal sector and provide disincentives for private investment in new enterprises. This particularly applies where Cereal industries are capital-intensive and require large initial investments; under such conditions the timely start-up of a can be critical for commercial viability (Lusardi & Mitchell, 2013).

Sieki *et al.*, (2013) argued that beneficiaries tend to acquire budgeting skills related to planning for profit, financing and cash flow. The moderately low level of budgeting skills imply that, although the skills are emphasized during the training, the content may not be sufficient in handling the planning aspects in , or the focus was more on personal budgeting rather than business. Budgeting skills play a key role in enhancing the performance of small scale cereal processing business. The budgeting skills acquired assist the entrepreneurs to increase their sales, and profitability by providing a basis of establishing performance targets. Furthermore the budgeting skills contribute towards ensuring smooth running of the cereal processing business (Lusardi, 2012).

According to McKinsey (2010) analyzes that the existence of weak infrastructure can influence the rate of transition of the cereal processing sector from informality to formality, and the evolution of the sector's structure over time. Thus, the adoption of more advanced technologies, which is one dimension along which the formal cereal

processing sector competes with often lower-cost informal enterprises, is dependent on reliable access to electricity and water. Without access to essential inputs and utilities the cereal processing sector can be caught in an informality 'trap'. Further, weak infrastructure tends to favour larger enterprises that have access to the capital to install their own facilities for generating electricity and providing potable water, and operate at capacity levels to spread these costs over a large volume of output. In the longer term, as processes of agro-industrialization proceed, this can steer the structure of the sector towards higher levels of concentration (Mori & Richard, 2011).

Moisé *et al.*, (2013) who led the study on the Constraints to Cereal Trade of Developing Countries such as Indonesia, Zambia and Mozambique uncovered that cereal processing are powerless, the qualitative information show that elements, for example, transport, foundation, levies builds and task cost limits the market and expansion. Additionally, inability to access credit in credit market is the barrier for cereal processing to extend and perform well. The strategies to support cereal processing are delicate so that related with critical negative effect. It is obvious that cereal processing are for the most part associated with trade performance, in least fortunate countries huge accomplishment for the most part could be drawn on the nature of infrastructure and effectiveness utilization of water resources. For the most part, this presented the impact on Cereal exports that created on the processed standard and efficiency to the conformity or access to credit, this generally become evident on the small and medium Cereal producers, processors and traders.

Fatoki & Odeyemi (2010) concentrated on the managerial capabilities such as skills, attitudes, behaviors and knowledge on financial matters that add to the adequacy of cereal processing in South Africa. As per to these two authors, managerial skills assume a key job in the achievement of small enterprises as they decide its development. In like manner, absence of managerial skills, personal qualities and skills are main contributors to the letdown of firms. Absence of managerial competence lessens the capacity to create sound plans and methodologies for viable management of cereal business. The managerial skills inspire planning just as the

ability of the firm to acquire knowledge concerning sources of finance and methods for acquiring it. In that capacity, managerial skills do influence access by new small firms in financing.

Andoh & Nunoo (2011) led a study in Ghana on sustaining Financial Service utilization. The general outcomes recognized the presence of modest level of financial literacy in value adding business in Ghana. This study found the better and all the more financially illiterate entrepreneurs are in position to effectively and efficiently utilize financial resources (Hastings &Tejeda,2008). The entrepreneurs' for the most part are using Financial Service for borrowing capital while at the same time overlooking business advice and keeping records under the financial system. The utilization of financial service for cereal processing business needs relevant knowledge, concepts and skills in business life performance.

Fatoki (2014) led a study in South Africa on the Financial Literacy of Micro Entrepreneurs. The outcomes demonstrated the presence of huge failure in the rate of value added business due to low level of financial literacy. Limited Financial literacy over the entrepreneur associated to limited ability to make good and sound financial decisions for household well-being and business survival (Idowu, 2010).

As Höllinger *et al.*, (2009) argued that it is imperative that developing countries recognize the new realities of the global Cereal food economy and identify how they can position existing or new cereal industries within this reality. The challenges presented by the contemporary cereal food economy are extremely daunting, especially where costly processes of restructuring and upgrading are required in order to compete in both evolving and emerging value chains. At the same time, however, there is some evidence that the challenges that cereal processing business are facing, for example, in order to comply with stricter food safety and quality standards in international markets, can act as fundamental catalysts of change and strategic repositioning.

As Siekei (2013) observed, in Kenya new business owners in cereals processing are required to be occupy in the idea of record keeping and accounting. But in reality, both are pretty simple. Record keeping and accounting share two essential objectives: to keep track of income and expenses, this improves odds of making a profit, and to gather the financial information vital for documenting different tax returns. There is no requirement that records be kept in a specific manner as long as they precisely and reflect the business's income and expenses. There is a necessity, in any case, that a few businesses utilize a specific technique for crediting their records: the cash method or accrual method. Based on the size of the amount of sales, one can create own ledgers and reports, or rely on accounting.

Nyabwanga (2011) in his study of the effect of working capital management practices on the financial performance of value adding business in Kisii South district. This study using a sample of 113 value adding business under survey design established that, majority of the value adding business owners or managers had just basic education. Recorded over 57% of these business operators hardly attend any business training programmes. About 60% of them had little or no knowledge in business management hence was void of money management skills vital in the running business. The study also established that, the performance of value adding business in cereal processing was very low.

Njoroge (2013) has studied the Relationship between Financial Literacy and Entrepreneurial Success in Kenya. The financial literacy viewed in deeper sight for business success. The cereals processing business are highly connected with entrepreneurship experience based on the basic financial literacy of recording and book keeping (Mutegi & Phelister, 2015). The reality in small business processors of cereals with high financial literacy are especially needed to demonstrate high understanding of finance (Rooij *et al.*, 2002). Less successful value adding businesses are becoming highly stagnant due to low level of financial illiteracy. The cereals processing business with low skills and knowledge in finance are generally found to operate informally. For that, reasons, there is a positive relationship between financial literacy and cereals processing business performance.

As Eskesen (2014) pointed out that, the specific challenges faced by cereal industrial sector, are generally based on the macroeconomic, legal and policy environment. Under conditions of macroeconomic instability and capital investments, the macroeconomic challenges is highly dominated with financial knowledge and experience in cereals processing business. The limited financial knowledge hinders ability to deals with risks in financial matters. On the other hand most of the financial institution avoids financing cereals processing business due to uncertainty nature of cereals. The way to overcome such problems is directly related to technologies and critical inputs have to be imported, foreign exchange shortages linked to import licensing and foreign exchange allocation systems. The delay of technological investments is directly associated in additional costs on entrepreneurs.

As Idowu (2010) claims that a major barrier to rapid development of the small and medium enterprises sector is due to a shortage of both debt and equity financing. Accessing finance has been identified as a key element for small and medium enterprises to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in Nigeria as one of the developing countries. Small especially in Kenya and Africa as a whole can rarely meet the conditions set by financial institutions, which see small and medium enterprises as a risk because of poor guarantees and lack of information about their ability to repay loans Idowu (2010). Without finance, small and medium enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike linkages with larger firms Idowu (2010).

As Kuzilwa (2005) argued that keeping the cost of capital in the cereals processing business is relatively low to promote success of cereals business for financially sustainable. The lack of relevant financial knowledge and skills has especially hinders the accessibility of financial resources among small processing business. In most developing countries including Tanzania the cost of capital is higher for illiterate small business processors of cereals. The loans accessibility is increasingly limited by the charges imposed that range between 10 – 30% annualized interest rates. The transaction required for access of finance is crucial for making effective

decision to address the challenges. Accessing loans is a highly bureaucratic process. The lengthy on loan accessibility and process does not serve the needs of cereal processing business performance. The capital is needed for business growth. Programs that integrate technology or process mechanisms to reduce the time to loan disbursement are likely to be most effective in addressing needs.

Other studies done by Alessie, *et al.*,(2011) and Mwambia (2014) have also confirmed the positive association between financial literacy and financial performance. The less financially literate households may be more likely, unknowingly commit financial mistakes, less likely to engage in recommended financial practices and less likely to be able to cope with sudden economic shocks.

Mwambia (2014) who also established a positive link between financial literacy and returns. Few studies have however been able to construct sophisticated measures of financial literacy and definitively establish causal links between financial literacy and returns. As a result it is difficult to determine the exact influence financial literacy has on small cereal processing business in Kibera Slum, Nairobi County

Kharuddin *et al.*, (2010) have suggested that the government of Kenya has recognized the importance of cereal processing business in creating employment and eradicating poverty in the country. It has provided initiatives that are aimed to spur growth in the sector. The youth fund and women fund are just examples of government efforts in supporting small enterprises. Policy recommendations of the government of Kenya as contained in its 7th National Development Plan on Divestiture and subsequently in Session paper No. 2 of 2005, advocates for the government to take leading role by providing an enabling environment for cereal processing market operations. This will require the establishment of infrastructure for access to markets, provision of work site structures, dissemination of market information through networks and innovation amongst other well-known strategies.

Muthoni, (2015) in Kenya focused on the Economic Recovery Strategy (ERS) for Wealth and Employment Creation provides the road map for economic recovery 2003–2007. The cereal processing business contributes 20 and 72% to the GDP and employment respectively. Hence, when the ERS anticipated creating 500,000 jobs

annually, 88% of the targeted jobs were to be created in small cereal processing business with the aim of reducing poverty rates from 56.7 to 51.8%. Performance is commonly used as an indicator of a firm's financial health over a given period of time.

The performance of a cereal processing business can be defined or measured in various different ways. Each of these different measures captures a slightly different aspect of performance. Some, such as profitability, gauge return; others, like sales growth and market share growth, gauge the growth of a firm. Some measure profitability (return on investment, return on equity), some liquidity (quick ratio, current ratio), and still others solvency (gearing). Some measures are indicators of commercial success (growth, market share) while others are indicators of financial success (profitability). Some writers believe that the performance of cereal processing business is measured by many factors such as internal and external to the small cereal processing business themselves. The performance measurement of the cereal processing business is highly affecting the business performance (Muthoni, 2015).

Mlise (2013) found that in Tanzania financial literacy is needed especially in cereal processing business. This study was conducted in Morogoro Municipality with a sample of 60 respondents, cereal processing business are constrained by financial literacy to operate and management the business. The cereal processing business are highly limited with the financial literacy that are indispensable ingredient in its performance, the cereal processing business with knowledge and skills in finance can effectively manage the business towards expansion stage.

Nkonoki, (2010), argued that, contributors to both lack of access to finance and to markets. Through a review of the various development approaches that have been implemented, conducts a gaps analysis to understand what more can be done to enable the growth of cereal processing business. Analysis will also draw implications for SSE's in cereal value chains and understand the effectiveness of existing program approaches in addressing targeted challenges. A review of funds and financing instruments will reveal the key success factors and provide insight on whether such

funds and financing instruments can address the needs of SEs in cereal processing business.

The study conducted by Tisimia (2014) on the Growth of Small Cereal Processing Firms in Tanzania. The study employed the statistical coefficients through the application of T-test significance. The findings showed that 63.6% of firms operated under capacity. The resulting effect could be low supply of raw-materials, inadequate capital, and poor marketing systems. The study indicated low efficiency under the Cereal processing business. The growing increase of labour supply is almost connected to the Cereal processing business financial knowledge towards the business performance. The general productivity of labour is highly connected with the experience, education, training and physical capital. The growths of firms are highly connected with the value of raw-materials, manager's education and energy cost. Small Cereal processing firms in Morogoro Region grew faster (62.7%) compared to firms in Mbeya (37.3%). The difference may be due to Morogoro having better access to factor and product market hence having lower transport cost for inputs and reduced distribution cost of processed products.

Tongerenet *al.*, (2009) argued that, addressing the lack of access to financing and to markets is instrumental to unlocking the potential of as engines of domestic growth. These two key challenges are true for all types of cereal processing business, and arguably are even more critical for Cereal -focused because of the influences of weather and perishability. Without working capital and capital investment, struggle with both day-to-day operations and implementing expansion plans. Crop planting and harvesting are time-delineated, and therefore, the availability and predictability of financing is essential for successful operations. Similarly, lack of access to markets – domestic, regional, and international – constrains' ability to increase their market share and deepen their value-add. Reliable access to markets is critical to a healthy cereal ecosystem.

Barongo (2013) in Tanzania Observed cereal processing business need a well advancement of financial literacy to meet the specialized needs of the business. Also, the cereal processing business is not equipped with knowledge and skills in

financial, therefore, with appropriate financial education and training. The cereal processing businesses are unaware in the matters of finances in terms of opening accounts and management of funds under the business.

Lastly, Mori & Richard (2011) did their study on the finance accessibility in Tanzania; the findings found out that small business cereal processors are limited with financial education and awareness because of lack of knowledge and skills to manage financial resources. It is apparent that cereal processing business is increasingly with difficult to access finance from Banks in Tanzania because of limited knowledge and skills. Lastly, the government ought to take into account providing financial literacy to cereal processing sectors that are perceived too risky due to lack of knowledge and skills in managing financial resources.

2.4 Research Gap

From the past revealed experience in this study, knowledge and skills over the financial matters, which failed to match with the desire of small business processors of cereals of making profits, employment and goods and services to the entire public. There is a need to take into account on the relevant skills and knowledge over the financial matters to facilitate these small business processors of cereals perform well. The past literature did not seriously explored to increase the small business processors of cereals perform well. From this experience there is a knowledge gap that need to be filled.

2.5 Conceptual Framework

As indicated by Almenberg & Dreber (2011) a conceptual framework is an abstract or general idea derived from specific instances. Below is a figurative representation of the variables used in this study. The independent variables in this study are keeping record, skills to prepare ledger, preparation of financial report, bank account opening, loan facility and saving account(Njoroge, 2013). There is a need to understand clearly on the financial services and conditionality towards access of financial services (Andoh, 2012). Financial skills are required to promote accessibility of financial services in separating business profit and skills in reducing

expenses (Barongo, 2013). Preparation of financial report of the owner of small processors of cereals are vital in the performance of cereal processing business and availability of loan and business advice(Andoh, 2012). The saving attitude will lead to business expansions that are required in the performance of cereal business (Bruhn & Zia, 2011). These factors are expected to influence the performance of small cereal processors in terms of production, cost and sales.

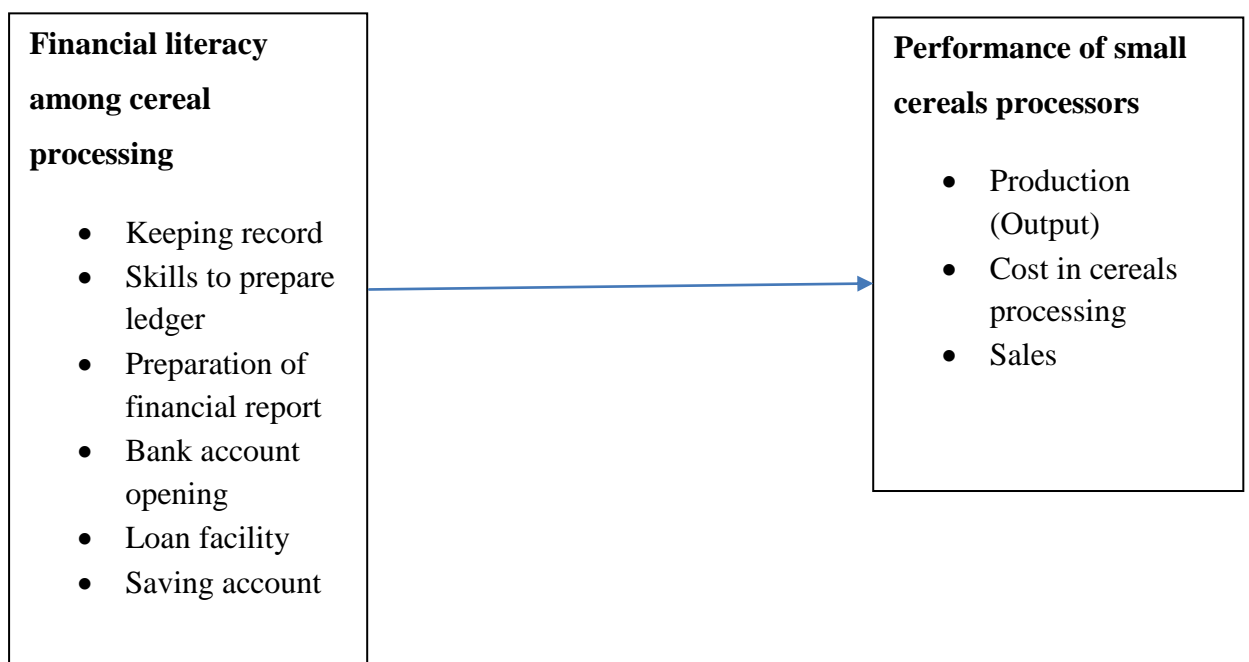


Figure 1:1 Conceptual Framework

Source: Researcher's conceptualization (2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter completed by several subsection which in details explain the research methodology, there is description of the study area, which mentioned the area this study was conducted and the reason, research approach, research design, research settings, study population, data collection methods and tools; data analysis, reliability and validity; and ethical consideration. This subsection explained in details here under.

3.1 Description of the Study Area

This study was conducted in Morogoro Municipality specifically in 5 divisions namely Mafiga, Uwanja wa Taifa, Sultan Area, Mwembesongo and Chamwino. The choice of this study area was due to the presence of many small business processors of cereals in the area. The Municipality is located centrally in the region which is divided into, nineteen wards. Morogoro Municipal Council covers 260 square kilometers. It is bordered to the East and South by Morogoro Rural District and to the North and West by Mvomero district. The main economic activities of Morogoro Municipal Council are farming, livestock keeping and business. Apart from having large number of small business processors of cereal, Morogoro Municipal Council was selected for the study; first it is the fifth most important industrial and commercial city in Tanzania mainland. Second most of small business owners of cereals are living and working in Morogoro municipality.

3.2 Research Approach

This study has used a mixed approach in terms of quantitative and qualitative techniques. Quantitative techniques was used in collection of information such as age, sex, financial knowledge and skills, utilization of existing financial and non-financial services, annual performance (financial and production) of small business processors of cereals in Morogoro Municipality. A qualitative technique was used to

take data on the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality.

3.3 Research Design

A research design is the arrangement of condition for collection and analysis of data in manner that aims to combine research purpose with economy in procedures (Kothari, 2004). A cross sectional research design was adopted in this study to facilitate and handle data collection in a single point in time. These techniques were provided a clear picture and meaning of information related on the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality.

3.4 Research settings

The study was conducted in Morogoro municipality as a region with potential development of small business processors of cereals. The researcher was selected this study area because of cost and time for selecting the study area. Also, the region has already indicated sign for financial illiteracy in cereals processing business. Moreover the researcher has chosen this study area because first, it is possible to obtain some of the needed information and secondly it is common prominent places where cereal processors business are existing with problems related to the performance. Thirdly, Morogoro municipality is a comparatively municipality with availability of large number of cereal processors business are operating.

3.5 Study Population

The population of the study comprised 1424 cereals processors in Morogoro Municipality.

3.5.1 Sample frame

The small cereals processors of Millets, maize, paddy, sim sim and sunflower such list was obtained from Small Industrial Development Organization. The sample frame was small cereals processors of millets, maize, groundnuts, paddy and sim-sim

processing business. The small business processors of cereals were selected from the entire population.

3.5.2 Sample Size

In this study the unit of analysis is the individuals involved in cereal processing. The unit of analysis was directly focused on respondents. The sample size was selected from target group 1424 cereal processors in Morogoro municipality as follows.

$$n = \frac{N}{1 + N(e^2)}$$

n= sample size

N= total population = 1424

1=Constant

e²= estimated standard error equal to 5% for 95% confidence level

$$n = \frac{N}{1 + N(e^2)} = n = 1424 / 1 + 1424 (0.1)^2 = 93$$

The sample size for the study is 93.

3.5.3 Sampling procedures

The sampling techniques that were used include simple random sampling and purposive sampling.

3.5.3.1 The purposive sampling

The purposeful sampling was used to select WEO and leaders to provide some official information on the influence of financial literacy on the performance of small business processors of cereals in Morogoro municipality.

3.5.3.2 Simple random sampling

The simple random sampling was used to select 93cereal processors from 1424cereal processors. The selected sample was used to provide information on the Influence of

financial literacy on the performance of small business processors of cereals in Morogoro municipality. The simple random sampling was used to obtain the sample from first to the 1424 small business processors of cereals. The cereals processors that was selected to provide data on the financial knowledge, skills, utilization of existing financial and non-financial services among small business processors of cereals, annual performance (financial and production) and the relationship between financial literacy and the performance of small business processors of cereals.

3.6 Data collection methods and tools

Generally, the nature of the problem under study and nature of respondents determined the methods of collecting (Kothari, 2004). This study was used both secondary and primary data. The primary data are those data which are collected fresh from the field and for the first time, and happened to be original in character (Elliot, 2005). Under this study primary data were collected through questionnaires administered to the supervisor of cereal processing business to obtain both qualitative and quantitative data. Also an interview was administered directly from WEO and Business officers to obtain qualitative data. Primary data is essential since it allow going depth and avoiding biasness. The secondary data, on the other hand are those which have already been collected by someone else and passed through the statistical process (Denzin & Lincoln, 2000). Secondary data were gathered through review of existing sources such as, leaflets. This was helped to collect confidential and quantitative information hence is useful in research. The nature of the study determines the methods of collecting data (Ross, 2009). This study was used two methods of data collection namely: Interview and questionnaire.

3.6.1 Questionnaire

A questionnaire is a research instrument consisting of a series of questions (Ross, 2009). Questionnaire was helped to yield specific information to meet a particular need for research. The questionnaire was developed from the research questions. In this study, Questionnaires was applied to collect information from cereals processors on the financial knowledge, skills utilization of existing financial and non-financial

services annual performance (financial and production) of small business processors of cereals relationship between financial literacy and the performance of small business processors of cereals. The questionnaire tool was facilitated coverage of wider sample in relative short period of time, and even can manage to handle information from the scattered cereal processing business.

3.7 Interview

An interview is a method of asking quantitative or qualitative questions orally to key participants. Quantitative questions are closed-ended, and have specific answers to choose among that can be categorized and numerically analyzed. Qualitative questions are open-ended, that is, the respondent provides a response in his or her own words. The purpose of the research interview is to explore the views, experiences, beliefs and motivations of individuals on specific matters (BDJ, 2008). The interview method was developed from this study main theme. Interviews was consisted of several key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to diverge in order to pursue an idea or response in more detail (Elliot, 2005).

Under this study interview was conducted through checklist to leaders and WEO in the study area. However during the interview notes was taken as to avoid exaggeration and misinterpretations of the information by the researcher. The interview helps a researcher to understand the experiences of the people, to obtain depth information on the money management skills, knowledge on the utilization of existing financial services and relationship between financial literacy and the performance of cereal processors business.

3.8 Data analysis

The data were edited to check for errors prior analysis. Also the researcher was classified and summarizes data prior to analysis. The analysis was conducted by using both qualitative and quantitative tools. With the quantitative tools, Statistical Package for Social Science (SPSS) version 20 was employed.

Objective one that sought to determine financial knowledge and skills of small business processors of cereals in Morogoro Municipality. It was analysed by using descriptive analysis, where by frequencies and percentage was used. Also the regression analysis was used where by the following is the regression model. Presented the independents and dependent variable.

$$FK = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \dots \dots + \varepsilon$$

Where by β_0 , β_1 , β_2 and β_3 are regression coefficient

FK – Financial Knowledge

β_0 . Constant

β_1 . Coefficient of variables was effective checked and assessed

X_1 - Financial Training

X_2 - Skills to prepare ledger

X_3 - Preparation of financial report

X_4 - Skills to use cash book

ε - Error terms

The second objective sought to assess financial and non-financial services utilization among small business processors of cereals in Morogoro Municipality descriptive analysis, where by frequencies and percentage was used and regression analysis.

$$FNS = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \dots \dots + \varepsilon$$

Where by β_0 , β_1 , β_2 and β_3 are regression coefficient

FNS– Financial and non-financial services

β_0 . Constant

β_1 . Coefficient of variables was effective checked and assessed

X_1 - Attain loan conditionality

X_2 - Capital accessibility

X_3 - Access of financial knowledge

X_4 - Business training

ε - Error terms

The third objective sought to assess the financial and production performance of small business processors of cereals in Morogoro municipality, where by descriptive analysis was used through frequency and percentages.

The fourth objective sought to determine the relationship between financial literacy and the performance of small business processors of cereals. It was analysed by using bivariate correlation.

Data were presented in form of tables, percentage and quote from interviews. The qualitative data were analyzed through the use of content analysis was relevant quote from interview on the major study themes.

3.9 Reliability and Validity

Reliability and validity are the two most important quality control objects in research. The following description presented the validity and reliability issues.

3.9.1 Validity

Validity refers to the degree to which study accurately reflect or assesses the specific concepts the researcher is attempting to measure (Fidel, 2007). Researcher was used two types of validity namely content and construct. Content validity was used in this way questionnaire and interview was ensure validity that all questions are relevant to research title and could bring expected results. To ensure validity research instruments was taken to financial experts to be checked before to be taken to the field. Also construct the validity was taken by checking proper arrangement of questions, language use if is relevant to the study in order to avoid ambiguity in both research instruments questionnaire and interview. However to ensure construct validity research tools was taken to language linguistic (Messick, 1995). Generally Validity was ensured through appropriate operationalization of variables obtained from interviews and questionnaires and that developed in conceptual framework. The bias in this research was rectified through collection and omission of errors based on the type of data collected and responses provided by respondents. In order to be valid

this study was used predictive validity to collect information on the financial skills and knowledge used to utilize existing financial services.

3.9.2 Reliability

Reliability can be internal or external where by the reliability is external when the instrument is yields consistent answer especially was administered to respondent over time (Messick, 1995). In each case the research researcher computes the correlation coefficient and the higher the coefficient the higher the reliability. Internal reliability is consistency within the instrument itself and within the items in the same instrument. Reliability was measured in this study such that various themes on the financial skills and knowledge used to utilize existing financial services.

The small business processors of cereals are having direct utilization of existing financial services (Neil, 2009). Reliability was done by pre-testing research instruments and tools through piloting. The questionnaire as one of the research tools was tested before direct data collection at the field, this piloting of questionnaire will be conducted to increase its reliability in data collection. This is relevant for checking the ability of questionnaire to collect relevant information. It means the study was conducted a pilot study to administer the questionnaire purposely to check it's relevant before actual data collection. In this study all research tools were pre-tested before that actual collection of data, the questionnaire and interview were piloted in the study areas. This is relevant for checking the ability of questionnaire and interview to collect relevant information. It means the study was conducted a pilot study to administer the questionnaire purposely to check it's relevant before actual data collection.

3.10 Ethical considerations

An ethical procedure to carry out the study was ranged from researcher, respondents and professional consideration. Moreover, permission to conduct the study was obtained from cereal processors in Morogoro municipal council. The cereals processors were informed about the study and get their consent before the interview; the questionnaire was comprised no names for confidentiality to each respondents.

The questions in the questionnaire were abided to ethical procedures to avoid any harm of the cereals processors.

Furthermore, the study was abided by the ethics of social science research ranging from professional ethics to those concerning researcher – respondent relationship. The interview was conducted under privacy conditions to the WEO and leaders in Morogoro Municipal Council. It means that no names mentioned during the interview session.

The information provided remain to be confidential in such a way that researcher protected respondents and all information are used for academic purpose only. All respondents were received information concerned the voluntary nature of the research both verbally and writing before conducting the research.

CHAPTER FOUR

PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter specifically presented the findings, which is divided in terms of subsection as follows; profile of respondents which addressed the age, gender, education level and experience in business. (a) The financial knowledge and skills, (b) the utilization of existing financial and non-financial services, (c) the annual performance (financial and production) of small business processors of cereals and the relationship between financial literacy and the performance of small business processors of cereals.

4.2 Profile of respondents

This section presented the profile of respondents in terms of gender, age, experience and education of respondents. The presentation is generally based on the influence of financial literacy on the performance of small business processors of cereals in Morogoro Municipality.

4.2.1 Gender of respondents

Findings in Table 4.1 presented respondents distribution by gender as follows.

Table 4.1: Respondents' distribution by Gender

Category	Frequency	Percent
Male	54	58.1
Female	39	41.9
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.1 show that large proportions 58.1% are male compared to 41.9% females. From these findings it is clear that cereal processing business is practiced by both male and female. Males appeared to be more than females because of the fact that, business practice in most of society in Tanzania is owned by male than female counterparty.

4.2.2 Distribution of respondents by Age

Findings in Table 4.2 presented the distribution of respondents by age, in take into account diversity age group such as below 25, 26-35, 36-45, 46-60 and above 61 years.

Table 4.2: Distribution of respondents by Age

Category	Frequency	Percent
Below 25	3	3.2
26-35	11	11.8
36-45	48	51.6
46-60	27	29.0
Above 61	4	4.3
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.2 show that a large proportion 51.6% of respondents appeared in the age group of 36-45 years. Followed by 29% of respondents in the age group of 46-60 years, compared to 11.8% in the age group of 26-35 years. A small proportion 3.2% are aged below 25 years and 4.3% appeared above 61 years. These findings imply that active and productive age group practice cereal business.

4.2.3 Respondents Distribution by education level

The findings in Table 4.3 presented respondents distribution by education level. It includes primary school leaver, secondary school leaver, and certificate holder, undergraduate and post graduate.

Table 4.3: Respondents Distribution by education level

Category	Frequency	Percent
Primary School leaver	40	43.0
Secondary School leaver	29	31.2
Certificate Holder	8	8.6
Diploma Holder	7	7.5
Undergraduate	5	5.4
Postgraduate	4	4.3
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.3 show that majority 43% of respondents are primary school leaver, compared to 31.2% had secondary education, a small proportion 8.6% had certificate, 7.5% diploma and 5.4% are undergraduate and 4.3% postgraduate. These findings imply that primary education is appeared to be majority because is basic and compulsory in Tanzania. This could be used as an alternative for the management of cereal processing business and its required performance.

4.2.4 Experience in the business

Findings in Table 4.4 presented the experience in the business.

Table 4.4: Experience in the business

Category	Frequency	Percent
Less than 1 year	5	5.4
1 – 3 years	23	24.7
4 – 6 years	55	59.1
More than 7 years	10	10.8
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.4 show that 59.1% of respondents had experience of 4 to 6 years, compared to 24.7% who had experience of 1 – 3 years, and 10.8% reported to have more than 7 years' experience. These findings imply that cereal processors had enough experience to manage respective business performance.

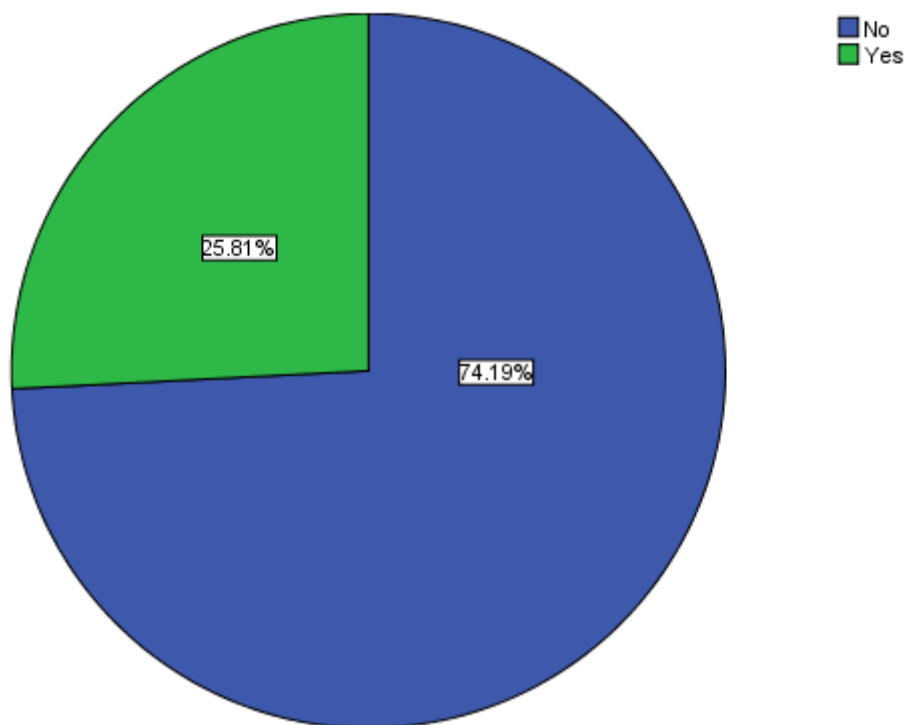
4.3 The financial knowledge and skills among small business processors of cereals in Morogoro Municipality

The first objective sought to determine the financial knowledge and skills among small business processors of cereals in Morogoro Municipality. The presentations basically are divided into subsection to justify this objective.

4.3.1 Keeping business record among small business processors of cereals

The tendency of keeping records among small cereal business processors is presented in Figure 2 and shows respondents responses.

Figure 4.1 keeping business record among small business processors of cereals



Source: Field data (2019)

Findings in Figure 2 show that a large proportion 74.16% of cereals processors had no tendency of keeping record, compared to 25.81% who suggested otherwise. These findings imply that record keeping tendencies is not practiced by small business processors of cereals. This is indicated that small business processors of cereals lack record keeping tendencies.

4.3.2 Records keeping diversity

Presentation through multiple responses types of record under cereal processors business. Table shows presentation.

Table 4.5: Types of record kept by cereal processors (n=93)

Types of record kept	Frequency	Overall %
Records of cereal processed	83	89.2
Financial records	54	58.1
Raw material purchase record	89	95.7
Market records	34	36.6

Source: Field data (2019)

Findings in Table 4.5 show that a large proportion 95.7% responded to keep raw material purchase records, compared 89.2% who suggested recording processed cereal, about 58.1% suggested to make financial record. A small proportion 36.6% suggested preparing market records. These findings imply that, cereal processors make record of material purchase as a first priority. This show that little attempt is made in other types of records.

4.3.3 Financial knowledge and skills possessed by cereal processors

The following Tables showed the regression estimate on the financial knowledge and skills possessed by cereal processors.

4.3.3.1 Model Summary

The model summary presented the summary of the regression analysis as indicated in the regression summary in Table 4.6.

Table 4. 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291 ^a	.085	.032	.48812

The percentage of variation in the dependent variable performance of cereal processing business as explained by the independent variables. The study employed coefficient determination as indicated in the model summary in Table 4.6 the coefficient determination was applied to explain whether the model is a good predictor. From the results of the analysis, this findings showed that independent variables contributed to 0.51188 (51.188%) of the variation in performance of cereal processing business as explained by adjusted R2 of .032, which show that model is a good prediction.

4.3.3.2 Analysis of Variance (ANOVA)

The analysis of variance was presented to test the financial knowledge and skills possessed by cereal processors for performance.

Table 4. 7: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.916	5	.383	1.608	.166 ^a
	Residual	20.729	87	.238		
	Total	22.645	92			

The results showed that the significance level was .166^a, this implies that the regression model is not significant in predicting the financial knowledge and skills possessed by cereal processors for performance. By using an F-test table, the

tabulated value for F (5%, 5, 87) with relevant F of 1.608 meaning that the model is not statistically significant.

4.3.3.3 Test for Coefficients

The following presentation in Table 4.8 take into account the regression estimate on the financial knowledge and skills possessed by cereal processors. It takes into account on the financial training, skills to prepare ledger, preparation of financial report, skill to use cash book and knowledge on separating business profit.

Table 4.8: Financial knowledge and skills possessed by processors of cereals

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.375	.465		2.955	.004
	Financial training	.437	.197	.297	2.223	.029
	Skills to prepare ledger	-.085	.148	-.077	-.576	.566
	Preparation of financial report	-.323	.188	-.183	-1.715	.090
	Skills to use cashbook	.058	.118	.052	.490	.626
	Knowledge on separating business profit	-.091	.133	-.073	-.689	.493

Source: Field data (2019)

Note: The value is significant less than 0.05

4.3.3.4 Financial training

The coefficient of financial training is .437 and the significant level is .029, this findings appeared to be less than 0.05, it is significant, for that reason cereal processors have already own at least some understanding of financial literacy.

4.3.3.5 Skills to prepare ledger

The coefficient of skills to prepare ledger is -.085 and significant level is .566, it is greater than 0.05, results are not significant which reflect that small business processors of cereals lack skills to prepare ledger to manage business transaction.

These findings imply that small business processors of cereals lack appropriate record for business transaction through ledger books because of lack of required knowledge in ledger preparation.

4.3.3.6 Preparation of financial report

The coefficient on the preparation of financial report appeared to be $-.323$ and significant level appeared to be $.090$, which is greater than 0.05 , which means not significant. These findings mean that small business processors of cereals lack knowledge in preparation of financial report.

4.3.3.7 Skill to use cash book

The coefficient on the skills to use cash book is $.058$ and the significant level is $.626$, it is greater than 0.05 , it is not significant. This indicates that small business processors of cereals lack skills to prepare and manage cashbook.

During interview one of the leaders on the skills of small business processors of cereals to use cash books. He suggested that *“these small business processors of cereals are not aware on the cash book, for that reason lack knowledge to use it in business transaction. Because even when we visit at the business premise because of leadership matter, it reality their business environment do not encourage the use of cash books.”*

4.3.3.8 Knowledge on separating business profit

The coefficient on the existing of knowledge to separate business is $-.091$, and the significant level appeared to be $.493$ which is greater than 0.05 , that not significant. These findings imply that small business processors of cereals lack appropriate knowledge on the separating of business profit.

4.3.4 Number of times small business processors keep money at bank

Table 4.7 presented the number of times small business processors of cereals keep money at bank. Categories of responses are presented as follows.

Table 4.9: Number of times small business processors of cereals (n= 93)

Category	Frequency	Percent
1-10	14	15.1
11-20	40	43.0
21-30	23	24.7
31 and above	16	17.2

Source: Field data (2019)

Table 4.9 shows that a large proportion 43% suggested to keep money between 11-20 times annually, followed by 24.7% who suggested to keep 21-30 times annually and 17.2% reported to keep 31 and above times. A small proportion 15.1% reported to keep 1-10 times annually keeps money at Bank. These findings imply that small business processors of cereals take little consideration in keeping money at Bank.

4.4 The utilization of existing financial and non-financial services

The utilization of existing financial and non-financial services among small cereal processors in Morogoro municipality was very important aspect of this study because it carries the main theme of financial literacy. This second specific objective basically presented in the sub-section as follows here under.

4.4.1 Financial and non-financial services for the performance of cereal processors

Using multiple responses analysis on Table 4.10 presented the types of financial and non-financial services for the performance of small business processors of cereals.

Table 4.10: Financial and non-financial services for the performance of cereal processors (n=93)

Types of financial services	Frequency	Percent
Bank account opening	38	40.9
Saving	19	20.4
Business advice	63	67.7
Loan	91	97.8

Source: Field data (2019)

The findings in Table 4.10 show that a large proportion 97.8% suggested to utilize loan financial services, followed by 67.7% who received business advice as non-financial services, about 40.9% reported to utilize banking account opening services and a small proportion 20.4% reported to utilize saving financial services. These findings imply that loan financial services are mostly preferred by small business processors of cereals.

4.4.2 Contribution of financial services in small business processors of cereals

Findings in Table 4.11 presented the contribution of financial services in small business processors of cereals.

Table 4.11: Contribution of financial services in small business processors of cereals (n=93)

Category	Frequency	Percent
Improvement of record keeping	67	72
Knowledge on balancing ledger	29	31.2
Improvement in financial report	45	48.4
Knowledge on cashbook keeping	58	62.4
Knowledge in credit application	92	98.9

Source: Field data (2019)

Findings in Table 4.11 show that a large proportion 98.9% suggested to gain knowledge in credit application, compared to 72% who manage to improve record

keeping, followed by 62.4% who suggested on the knowledge on cashbook keeping, a small proportion 31.2% suggested on the knowledge on balancing ledger. These findings imply that small business processors of cereal managed to gain relevant knowledge required in credit application.

4.4.3 The financial and non-financial services influencing performance

The regression estimate presented the financial and non-financial services influencing performance of cereal processing business.

4.4.3.1 Model Summary

The model summary presented the summary of the regression analysis as indicated in the regression summary in Table 4.12.

Table 4. 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.378 ^a	.143	.104	.25109

The percentage of variation in the dependent variable performance of cereal processing business as explained by the independent variables. The study employed coefficient determination as indicated in the model summary in Table 4.12 the coefficient determination was applied to explain whether the model is a good predictor. From the results of the analysis, this findings showed that independent variables contributed to 0.74891 (74.89%) of the variation in performance of cereal processing business as explained by adjusted R2 of .104%, which show that model is a good prediction.

4.4.3.2 Analysis of Variance (ANOVA)

The analysis of variance was presented to test the financial and non-financial services influencing performance of cereal processing business on Table 4.13.

Table 4. 13: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.925	4	.231	3.668	.008 ^a
	Residual	5.548	88	.063		
	Total	6.473	92			

The results on Table 4.13 showed that the significance level was .008^a-this implies that the regression model is significant in predicting the financial and non-financial services influencing performance of cereal processing business. By using an F-test table, the tabulated value for F (4%, 4, 88) which is less than 3.668 meaning that the model is statistically significant.

4.4.3.3 Test for Coefficients

Table 4.14 show the significance on the variables, which also provided the standardized and unstandardized coefficients.

Table 4.14: The financial and non-financial services influencing performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.252	.174		7.200	.000
	Attain loan Conditionality	.404	.148	.311	2.731	.008
	Capital accessibility	-.165	.068	-.257	-2.425	.017
	Access of financial knowledge	-.152	.064	-.245	-2.389	.019
	Business training	-.190	.094	-.223	-2.012	.047

Source: Field data (2019)

Note: The value is significant less than 0.05

4.4.3.4 Attain loan conditionality

The coefficient on attaining loan conditionality is .404 and significant level is .008 that is below 0.05, this indicates significant relationship. This implies that fulfilling

loan conditionality is significant factor for the performance of small business processors of cereals.

4.4.3.5 Capital accessibility

The coefficient of capital accessibility is -.165 and the significant level is .017 which is below normal acceptance standard of 0.05, which means that it is significant. These findings imply that, cereal processors accessibility of capital is special ingredient for the performance of small business processors of cereals.

4.4.3.6 Access of financial knowledge

The coefficient financial knowledge accessibility is -.152 and the significant level is .019, which is below 0.05, it is significant. These findings show that performance of small business processors of cereal is significant based on the creation of financial knowledge.

During interview one of the WEO on the access of financial knowledge among of small business processors of cereals. Suggested that *“here in our area financial knowledge is limited in such a way that cereal processors are difficult to access.”*

4.4.3.7 Business training

The coefficient of business training as one of the non-financial services in the performance of small business processors of cereal is -.190 and a significant level of .047 which is below 0.05, it is significant. These findings imply that business training for cereal processors is significantly required to create performance of the cereal processing business.

4.5 The annual performance (financial and production) of small business processors of cereals in Morogoro Municipality

4.5.1 The output processed per year

The findings in Table 4.15 presented the annual output of processed cereal in terms of Kilogram.

Table 4.15: The output processed per year

Output in Kg	Frequency	Percent
5000-10000	6	6.5
10001-15000	7	7.5
15001-20000	4	4.3
20001-25000	52	55.9
25001 and above	24	25.8
Total	93	100.0

Source: Field data (2019)

The findings in Table 4.15 presented the output processed per years. The results show that about 55.9% managed to process 20001-25000 Kg of cereal, compared to 25.8% of small business processors of cereal who managed to process above 25001 kg. A small proportion 6.5% processed around 5000 -10000 kg, 7.5% processed 10001-15000 kg of cereal and 4.3% 15001-20000 kg of cereals. The findings imply that small business processors of cereal are efficient in terms of the output processed. Generally there is efficiency production which can be used as a strategy for competitive advantage.

4.5.2 The number of time for sales of processed cereal

Table indicates the number of times for the sales of processed cereal among the small business processors of cereal.

Table 4.16: Times consumed for the sales of processed cereal

Category	Frequency	Percent
1-10 days	6	6.5
11-20 days	56	60.2
21- 30 days	21	22.6
1 -2 months	6	6.5
more than 2 months	4	4.3
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.16 show that a large proportion 60.2% suggested to process cereal in 11 to 20 days, followed by 22.6% of small business cereal processors who process cereal in 21 to 30 days, compared to 6.5% who processed in 1 to 10 days,

followed by 6% of small business processors of cereal who process cereal in 1 to 2 months and a small proportion 4.3% processed cereal in more than 2 months. These findings imply that processed cereal brought at the market at the time less than one month's to be accomplished. This indicates high demand for processed cereal in the market.

4.5.3 Annual sales of processed cereal

Table presented the annual sales of processed cereals in Tshs.

Table 4.17: Annual sales of processed cereals

Annual sales	Frequency	Percent
5000000-7000000	4	4.3
7000100-9000000	12	12.9
9000100-11000000	53	57.0
11000100-13000000	24	25.8
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.17 show that about 57% of small business processors of cereals had sales between 9000100-11000000 Tshs annually, compared to 25.8% of small business processors of cereals who had sales ranges between 11000100-13000000 Tshs, and a small proportion 12.9% who had sales ranged between 7000100-9000000 Tshs and 4.3% who had sales between 5000000-7000000 Tshs. These findings imply that small business processors of cereals managed to sales at least minimum turnover timely.

4.5.4 Cost incurred in processing cereal

The findings in Table 4.18 presented the cost incurred in processing cereal as follows.

Table 4.18: Cost incurred in processing cereal per sack

Cost	Frequency	Percent
10000-15000	8	8.6
15100-20000	59	63.4
20100-25000	19	20.4
25100 and above	7	7.5
Total	93	100.0

Source: Field data (2019)

Findings in Table 4.18 shows that a large proportion 63.4% reported to incur a cost ranged between 15100-20000 Tshs, compared to 20.4% of small business processors of cereal who incurred a cost of between 20100-25000 Tshs and a small proportion 7.5% incurred the cost of 25100 and above. These findings imply that small business processors of cereal operate at cost efficient which is significantly a special ingredient for the performance of small business processors of cereals.

4.6 Relationship between financial literacy and performance of small business processors of cereals

Relationship between financial literacy and performance small business processors of cereals and control variables and financial literacy and control variables is calculated. The change in financial literacy impacts control variables such as knowledge of records, separating profit and preparation of financial report. The relationship between these variables and the respective control variables are presented in Table 4.15

Table 4.19: Financial literacy and performance of small business processors of cereals

Type of FL	PSCP	KR	SP	PFR	FL
PSCP	1	.267**	.043	-.141	.736
KR	.267**	1	.093	.672	.697
SP	.043	.093	1	-.042	.071
PFR	-.141	-.070	-.042	1	.201*
FL	-.082	-.033	-.082	.201*	1

Source: Field data (2019)

Note: ** means that the value is significant

Therefore, PSCP: Performance of small business processors of cereals, KR: knowledge in recording, SP: separating profit, PFR: preparing financial report

Table 4.15 presented the correlation analysis between financial literacy and performance of small business processors of cereal is 0.736 which indicates existence of strong correlation between financial literacy and performance of small business processors of cereal. This means that increase in financial literacy is resulting into increase in performance of small business processors of cereal. Also, vice versa is true. This finding is as per expected relationship.

The correlation between financial literacy and knowledge in recording is 0.697 which indicate strong correlation, it means that, increase in financial literacy is resulting into increase in knowledge of recording and vice versa is true. This is as per expected relationship.

The correlation between financial literacy and SP is 0.071; this is weak correlation, which indicates increase in financial literacy may result into increase separating profit and vice versa. This is as per expected relationship. The correlation between financial literacy and preparing financial report is 0.201* which indicates that increase in financial literacy is resulting into increase in preparing financial report and vice versa. This it is as per expected relationship.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

This chapter presents the discussion of the findings in line with research major themes on the influence of financial literacy on the performance of small business processors of cereals. This discussion especially attached on the financial knowledge and skills among small business processors of cereals, utilization of existing financial and non-financial services among small business processors of cereals, the annual performance (financial and production) of small business processors of cereals and the relationship between financial literacy and the performance of small business processors of cereals.

5.1 Profile of respondents

There is increasingly concern on the practice of cereal processing by active age group; this is mostly concern for increased productivity. Similar findings by Hastings & Tejada (2008) who argued that investors' financial literacy is basically associated with age groups which is active for production potentiality. There is a need to make investors be informed regarding to respective investment choices. In this case there is a cereal processing business which need active age group people to manage responsibilities of loan, saving and interest rate. The existence of financial illiteracy brought about limited knowledge and skills in finance.

In connection to this Bruhn & Zia (2011) showed that existence of limited knowledge on the financial related products tend to reduce business profit. The increase in profit mostly expected to the result of active age participation. Otherwise production tend to be reduced which followed by profit reduction. Also Fatoki & Odeyemi (2010) suggested that productivity in processing business is especially based on the skills and knowledge in related financial aspects. The financial skill is the source of success of small business towards its growth. On the other hand lack of financial skills and knowledge is the source of business failure. This has proved to affect small business investment and respective performance. Concurrently, Hastings & Tejada (2008) founded that investors age is not necessary attached to the

performance of the business, but there are others factors associated to experience, knowledge and skills related to finance and means to raise capital.

Fjose *et al.*, (2010) posit that business experience in the financial matters act as a common barrier to success over the business. This brought about uncertainty and adds costs over the business and regarded as the barrier to the business performance. The cereal processing business more specifically affected by the limited financial knowledge and skills this is generally termed as financial literacy. This is the source of delay business performance and limited its expansion. In connection to this Moisé *et al.*, (2013) pointed out that limited business experience in cereal processing is connected to poor financial literacy, cereal processors need to learn money management skills. This expected to promote more knowledge in the saving and capital expansion in this competitive world.

As pointed out by Wangwe & Mmari (2013) that interaction and experience are the major threat for small business processors of cereal to perform well. This limited ability to access important knowledge and experience over the financial resources management. In this competitive world of business financial literacy is needed over the adequate business management. The small business processors of cereals associated with low knowledge and skills in financial matters over the business. This is especially needed for the business performance.

The primary education is especially appeared to be majority since in Tanzania is basic and compulsory. According to Tisimia (2014) primary education is basic and compulsory in the business management, this has recognized as a source for business performance. It means that respondents with at least primary education can easily capture financial knowledge which is required for business performance. Respondents with education may adequately manage business performance than illiteracy one.

5.2 The financial knowledge and skills among small business processors of cereals

The existence of limited knowledge of keeping business records is resulted from low education among cereals processors. In relation to this finding, Siekei (2013) observed that business records are needed in the performance, such as purchase and sales section. Sales records are needed to determine expenses and ability of business. Record can be used a criteria in business capital accessibility. The record may generally indicate ability of business to repay the loan. Contrary, Fatoki (2014) financial decision are generally based on the business record, lack of adequate record is the source of poor business performance. Majority of cereal processing business in Developing countries are operating in small scale which characterized by poor business performance due to low financial knowledge and skills over the business.

Small business cereal processors had not record business transaction in ledger book and lack of knowledge in preparation of ledger. Nyabwanga (2011) observed that lack of knowledge in ledger preparation was void of money management skills in running business hence low performance of small business processors of cereals. Similarly, Miriam (2011) argued that poor management and accounting practice are best contributors to such a problem of lack of skills to prepare business ledger. The business ledger need skills in business accounting and management as demanded in most business practice.

World Bank (2010) argued that lack of necessary skills in business practices has limited related financial decision over the cereal business expansion and growth in this current competitive world of work. The skills needed to plan and invest more to tackle current prevailing performance opportunity in small business practice. The reality in most cereal business processors are denial of financial literacy required for adequate performance. The performance of cereal business considered to be beneficial to owners and respective employees without forgetting the government through tax and levies collection. This considered to be further beneficial to the community through the processed cereal provided in the entire market and business environment.

Small business processors of cereals lack knowledge in preparation of financial report Fatoki (2014) pointed out that knowledge on the preparation of financial report build the ability of making good and sound decision for the cereal business survival and performance.

There is existence of lack skills to use cash books over the small business processors of cereals. According to Lusardi & Mitchell, (2013) argued that literacy in cash book utilization and book keeping is important aspect for small cereal processing business. The small cereal processing business need to be well equipped with knowledge and skills to keep some books of account for the performance of cereal processing business.

Barongo (2013) argued that the cereal processing business are not equipped with knowledge and skills in financial, hence lack appropriate financial education and training, these tend to limit the utilization of cash book for appropriate business transaction. Similarly, Njoroge (2013) argued that, the financial literacy in matters pertaining to business growth and performance are limited to the cereal processing business. This respectively based to the owners experience and skills in financial skills and knowledge required to develop and control business. The high understanding of finance mostly associated to the well prepared and equipped cereal processing business. It is a matter of priority, others cereal processing business in small scale put high priority to financial knowledge and skills likely tend to perform better, others with limited experience in financial resource depict low priority in financial knowledge and skills.

These findings imply that small cereal processors lack knowledge on the separation of business profit. Similarly Rooij *et al.*, (2002) argued that highly successful value adding business with high financial literacy such as knowledge in separating business profit they tend to demonstrate high understanding of finance. Similarly Eskesen (2014) argued that, a profit is needed for business survival and expansion. The reason for cereal processors doing business is basically reflected to the demand of profit, but

this does not necessarily reflect to the ability of separating business profit. The high concern based on the knowledge and skills of doing so.

These findings imply that, cereal processors business training is required for the business performance. As pointed out by Bruhn & Zia (2011) that trained cereal processors tend to perform better than untrained one, likely the business outcome and practices tend to be different. The need for financial training is quite imperative in the performance of cereal processing business. The performance of cereal processing business is basically grounded in the training on financial matters.

Similarly Tisimia (2014) argued that more training is needed in the performance of cereal processing business, and Moisé *et al.*, (2013) more training possibly should be planned and directed to the performance of cereal processing business, otherwise lack of training tend to limit the performance and its respective profit expansion. The training on financial matters in cereal processing business increases money and capital to be efficiency way to promote expansion of cereal processing business.

According to the World Bank, (2010) reports the performance of cereal processing business is highly connected to increase in incomes of farmers and the benefit of population in general. Low quality input and equipment are used in the processing of agriculture products. The low innovation and capacity that limit the expansion of cereal processing business.

5.3 Utilization of existing financial and non-financial services among small business processors of cereals

Small business processors of cereals lack formal training in financial literacy. Similarly Nyabwanga (2011) pointed out that small business processors of cereals need financial training to promote related skills and knowledge for business performance. This training needs is especially related to recording, saving and management of financial resources.

The training is required as one of the non-financial services to control financial resources entrusted for the business. The related advice and training over the financial resources are required improve business performance. Contrary to this, McKinsey (2010) argued that training not necessary than cereal processing business infrastructure to organize business, in reality are dominated with poor business infrastructure. This has brought much of the attention over the municipal regulation and control demanded in current business operation.

Contrary to this Nyabwanga (2011) argued that, failure to prepare the financial report in term basis lead to failure of cereal processing business to manage and control business accounting, this is important element in the cereal business and its respective accounting practice of the business in this competitive atmosphere. The preparation of financial report has some advantages in cereal processing business practice and management. The lack in preparation of financial report in most business practice limits business expansion and further related expansion opportunities.

The cereal processors business has little consideration in keeping money at Bank. Probably reflect limited knowledge and skills in financial related matters. Similarly, Idowu (2010) had reported that, failure to utilize existing financial services reflect the limited knowledge on financial matters for cereal processors. The utilization expected to bring more opportunities at hand for being utilized by small cereal processors, failure to utilize limit business ability to view and capitalize existing opportunities that could be directly allocated for cereal business performance.

As Kuzilwa (2005) argued that the more cereal processors manage to utilize the financial services existing provide more opportunities to expand and manage cereal processing activity. The current situation for majority small cereal processors are limited to the production and processing capacity due to shortage of capital and mostly capital limited to the numbers manage to utilize financial services at Bank. This could being utilizing financial services at bank could facilitate build favourable financial history in capital accessibility. The mostly promising tendency for most of the financial institution especially commercial bank makes credit provision decision

based on the financial history. The future for performance of cereal processing business is basically judged on the ability to use financial services currently.

As McKinsey (2010) argued that, it is a matter of fact for small cereal processing business to use and control the existing financial services. The time uses or generate for the banks is mostly considered, once the cereal processing business had enough required experience on the financial services utilization. Failure to utilize is the required set period by commercial banks lead to denial of credit provision; this has been for so long time limit the performance of small cereal processing business. The little knowledge is the barrier for utilizing the financial services under the cereal processing business.

The past experience has pointed out by Eskesen (2014) cereal processing business has been an integral part for the economy once utilize existing financial services effectively. The process of transforming the individual country's economy from low productivity and growth to high productivity and dynamic economy that incorporate performance requires matters that regarding to finance. In connection to this Wangwe & Mmari (2013) posed similar argument that, the utilization of existing financial services in cereal processing business provides ability to create jobs and increase farm income especially to the marginalized population who are mostly engaged in farm activity. In the report of International Monetary Fund [IMF] (2009) described that the agricultural processing business in general viewed to change in unprecedented ways, efficiency cost can increases in per capita incomes, higher urbanization and the growing numbers of labour in the workforce, it is increasingly associated for high-value commodities, processed products and ready-prepared foods.

Kuzilwa (2005) argued that agricultural processing business is highly important in the transformation of agricultural products from the informal to the formal sector with efficiency cost, it is one of the essential sector that absorb labour force with minimum skills and training. Potentially, agricultural processing business presents valuable opportunities and benefits for developing countries, in terms of overall processes of industrialization and economic development, export performance, food

safety and quality. There is a growing evidence in the existence of capital constrain in the agricultural processing business. Similarly, the agricultural processing business operates under traditional technology characterized with inefficiency and low quality products. This tends to affect its capacity in processing agriculture products, hence limited cost efficiency and production of the agricultural processing business.

These findings showed that, majority of small cereal processors prefer utilizing financial services through taking loan, especially small loan that could facilitate cereal processing. Also David & Christopher (2012) pointed out that, limited knowledge on the financial products that could directly allocated in small cereal processing business tend to hinder the business profit. There is a likely business failure due to limited investment and capital expansion.

Concurrently, Andoh & Nunoo (2011) observed that, various aspects tend to explain the utilization of financial services in cereal processors such as loan, business advice and investment finances. In connection to this Lewis & Linda, (2009) observed that failure to obtain financial literacy in the small cereal processing business lead to failure. Also, Hastings & Tejada, (2008) argued that business advice and saving account under the financial system are relevant concept for cereal processing business performance. Mori & Richard (2011) that cereal processing business is with limited financial education and awareness fail to utilize loan facility for business expansion. The cereal processing business is increasingly with difficult to access finance from Banks due to limited knowledge and skills.

Concurrently World Bank, (2010) argued that, small cereal processing business make up for large part of the economy productive and food sector but currently suffer to access financial services. There are currently more than a million entrepreneurs in developing countries, running small cereal processors responsible for generating total employment investing in cereal processing business is therefore, one of the most effective ways to reduce poverty and increase incomes of farmers who mostly composed of majority in the population of developing countries.

Abdallah, 2009) argued that the agricultural products are exposed at the market with low quality and unprocessed, although existences of vast agricultural processing business in most of the fast growing towns. It is evident that agricultural processing business operate at low capital and with tradition technology, in fact, the accessibility of advanced technology is the issue of awareness and policy framework regarding to agricultural processing in most places, once appropriately controlled and shared with required management accounting in money and business operation could have been performed well.

These findings imply that, small cereal processors mainly utilize credit from various financial institution to control and management business. Mlise (2013) argue that, cereal processing business with enough financial literacy required for the performance of cereal business, these knowledge and skills in finance can effectively manage the business towards expansion stage.

Similarly, Andoh & Nunoo (2011) argued that cereal processing business need to be imparted with financial literacy and mostly calls for importation of improved agricultural processed products in other countries. Actually farmers produce the products that face low market price due to the reasons of being unprocessed and unable to compete in terms of quality and price with imported agricultural processed products. Also, noted existence of less innovation capacity and investment capital to fuel the growth of processed food and agricultural sector; in addition to that the cereal processing business operate at high cost and limited efficiency due to finance, capital and technological issues. Therefore, this study currently focuses on the cost efficiency and performance of cereal processing business.

Also, (McKinsey, 2010) argued that cereal processing business failed to access credit due to operation cost, price and market to meet the existing high cost and even products produced reported to be at low quality and even some of them operate inefficiency and locally processed the products But previous studies attempted to search on the small scale food processing sub-sectors. Also, Eskesen (2014) proposed on the provision of financial literacy in cereal processing business to enhance value chain, also Nkonoki (2010) argued that, stressed the success of small

cereal processing businesses. There must be a need for assessing the cost efficiency and performance of cereal processing business, due to the fact that little attempt has been made on the provision of literacy concerning the financial matters.

These imply that attain loan condition is significant in influencing performance of cereal processing business. Similarly, Nkonoki, (2010) posed that, In much of the developing countries agricultural processing business operate in informal way, which limits its expansion and performance in terms of attaining the loan conditionality. Similarly, promoting the access, timely, efficiency, affordable type of finance and consistent access is in most challenging in the cereal processing business.

Essentially, agricultural production effort is directed in agricultural products, such as supporting the farmers in terms of finance, implements and technical advice. But the cereal processing business operate at low capital status and with tradition technology, following this fact advanced technology accessibility basically connected to the individual cereal processing business awareness, and the overall policy framework in cereal processing business.

These findings imply that, cereal processors accessibility of capital lead to the performance of cereal processing business. McKinsey (2010) argued that Irrespective of the various efforts initiated by NGOs and government to tailor made the improvement of agriculture activities and increase of income through supporting the farmers in terms of implements, extension services, financial support and technological affordable advice, yet the cereal processing business remain unforgotten, that operate with low investment capital, poor technology, high cost and constrained financial resources. The various strategies increased capital in cereal processed business but constrained the market price due to the fact that cereal processing products sold unprocessed in the market. The capacity of being competitive in the market is limited by mushroom of imported cereal processed products with efficiency and high quality.

Eskesen (2014) argued that the need to influence performance of cereal processing business is directly related to the fulfillment of loan conditionality. The operation cost, price and market to meet the existing high cost and even products produced reported to be at low quality and even some of them operate inefficiency and locally processed the products. The previous studies attempted to search on the small scale food processing such as on the factors that limit the success or growth of cereal processing business. As we observed on the previous studies there is a need for assessing the cost efficiency and performance of cereal processing business is basically related to the attaining the loan conditionality. This is quite challenging situation for small cereal processed business.

From these observation the cereal processing business operate in small scale basis manage to practice cereal processing business activities. From these findings the small scale nature of the cereal provide a room for the management of business and increase the efficiency in the cereal processing business performance The cereal processing business managed to start firm with small capital size, in such a way that managed to accumulate in the firm operation(Tongerren *et al.*, 2009).

The cereal processing businesses are generally organized in terms of sole proprietorship. In relation to this findings also Nkonoki (2010) presented that cereal processing business ownership in cereal processing business are highly organized in terms of sole proprietorship, these cereal processing located and operated in a more populated areas to capture the advantage of market and accessibility of customers. This increases the opportunities to sale processed agriculture products to generate the minimum turnover, but the major limitation is generally organized with the low capital and ability to expand the cereal processed products.

These findings imply that, performance of cereal processing business is significantly influenced by accessibility of financial knowledge. The cereal processing business generally associated with the cost in processed agriculture products. The cereal processing business incur cost in processing unit, however mostly associated with the accessibility of financial knowledge and skills to facilitate access of finance towards the process agriculture products, also low capacity in processing and low

output. In line with these findings Wangwe & Mmari, (2013) reported that access of financial knowledge is highly connected with inherent factors that influence the growth to high productivity in the processed industries and its performance among others were input price and the type and nature of raw materials in the production process.

The cereal processing business owner operate is a constrained financial resources because of limited knowledge and skills as required by the processing of agriculture products, the knowledge on finance lead to increase capital accessibility and increase production in the cereal processed business in comparison with the input used. That means that cereal processing business operates in the cost inefficiency way due to high input price incurred. From these observation previous studies such as that of Tisimia (2014) more financial knowledge is adopted in the agriculture processing business to facilitate expansion and growth of cereal processing business, and Moïsé *et al.*, (2013) observed the constraints of knowledge in the operation of cereal processing business, the results generally showed financial knowledge and skills is needed for the performance of cereal processing business.

5.4 The annual performance (financial and production) of small business processors of cereals

The annually production of processed cereal generally indicate efficiency production. It has been observed on the existence of low quality agriculture processed products are produced. This provided challenging environment for competitive market in comparison with well advanced cereal processed products. As Huston (2010)observed the challenge in low finance accessibility and low quality products generally affect the performance of cereal processed products. Also, Uwonda, *et al.*, (2013) observed that the nature of the economy and that ability to raise capital in the cereal processing business investment. The local food system market brought much challenging in the expansion of cereal processing business.

The cereal processors managed to sales at least minimum turnover timely. Similarly, Bruhn & Zia (2011) existence of financial literacy program expected to result into better business performance in sales. This could be directly connected to the utilization of existing financial sources, frequently services like financial advice, loan and saving in favour of small cereal processing business.

These findings indicate that there is the positive relation between the Cost and the performance of cereal processing business. The cost are the important factors that could promote the performance of cereal processing business, this has associated with the increase in performance and generating more out while maintaining the efficiency way and approach. These findings agreed with that of Tongeren *et al.*, (2009) who argued that cereal processing business performance is highly connected with the critical analysis of its cost benefit ratio, and even become evident when the ratio is low to capture the more benefit that cost.

5.5 The relationship between financial literacy and the performance of small business processors of cereals

As Fjose *et al.*, (2010) argued that the availability of the appropriate type of funds is a key for performance of cereal processing business, which need both debt and equity to fund their growth. The timing and ratio of debt and equity a company needs varies by its stage and model. Funds could deliver concessionary debt, provided by DFIs or government, through domestic financial institutions, or they could be structured as equity funds administered by an independent body or an established financial institution.

As Eskesen (2014) described that financing initiatives are typically led by multilateral aid agencies or DFIs who provide the funds to capitalize the initiatives. In some cases, the donor country establishes its own team and board to oversee the implementation of the funds. In others concessional debt or equity is issued to national or regional financial institutions in target countries. In the latter case, disbursement of the funds is controlled entirely by national or regional financial institutions. The success of such funds is predicated on various factors such as

strength of the fund management and governance team, macroeconomic trends, and socio-political conditions in the countries where they operate. Funds set up by the U.S. government in the transitional economies of Eastern Europe in the 1990s are hailed to be widely successful in boosting growth in the target countries and setting up strong financial institutions. However, they have faced challenges in achieving similar success in other countries, such as South Africa.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Introduction

This chapter covered summary, conclusion and recommendation that is emanated from the study findings as follows.

6.2 Summary of the findings

Firstly in the respondents socio-economic characteristics, it has been noted that a large proportion 58.1% of respondents were male. This give a general picture that male are mostly engaged in small business processors of cereals that female counterparty. Findings showed that more than half 51.6% appeared in the age group of 36-45 years old. This basically pointed out that small business processors of cereals are practiced by active age group to increase productivity.

A large proportion 43% of respondents are primary school leavers, it means that small business processors of cereals are mostly practiced by primary school leavers. This probably reflects low knowledge and skills in financial matters.

About 59.1% of respondents had experience of 4 to 6 years, this indicates that small business processors of cereals are more experienced in such a way that to manage business performance. Secondly, financial knowledge and skills among small business processors of cereals in Morogoro municipality had shown that a large proportion 74.19% of small business processors of cereals do not keeping business record, this had indicated lack of relevant knowledge in record keeping in the small business processors of cereals. It means that had failed to prepare ledger, financial report and cash book.

Thirdly, the utilization of existing financial and non-financial services among small business processors of cereals in Morogoro Municipality had shown that about 97.8% of respondents suggested utilizing more loan financial services. On the other hand about 67.7% reported business advice to be the responding non-financial services utilized in small business processors of cereals.

Fourthly, the presented annual performance in terms of financial and production of small business processors of cereals in Morogoro Municipality had shown that about 55.9% of respondents to produce around 20001 to 25000 kilograms. A large proportion 60.2% reported to sale processed cereal in 21 to 30 days. The processed cereals exposed at the market for a period of less than one month to be finished. The processed cereals had more demand in the market. The sales reported by 57.0% to be around 9000100 -11000000 Tshs to cover minimum sales turnover. On the other hand the cost reported by 63.4% of the respondents to be around 15100- 20000 Tshs that is required to be incurred by small business processors of cereals.

Fifthly, pointed out the relationship between financial literacy and the performance of small business processors of cereals. There is a relationship between financial literacy and control variables such as knowledge on recording, separating business profit and preparation of financial report towards the performance of small business processors of cereals in Morogoro Municipality.

6.3 Conclusion

From the findings it has been found that small business processors of cereals do not keep business record. This makes them fail to prepare ledger, financial report, cash book, separating business profit. The loan was reported to be more utilized in financial services. While financial advice reported to be utilized more as non-financial services by small business processors of cereals.

It has been found that small business processors of cereals produce around 20001 to 25000 kilograms, managed to be sold in 21 to 30 days. The small business processors manage to reap around 9000100-11000000 Tshs at least to cover minimum sales turnover to the cost of around 15100-20000 Tshs that required to be incurred by small business processors of cereals. There is a moderate relationship between the financial literacy and performance of small business processors of cereals. From these observations the existence of relationship is basically between financial literacy and control variables such as knowledge on recording, separating business profit and preparation of financial report in the performance of small business processors of cereals in Morogoro municipality.

6.4 Recommendations of the Study

The following recommendations were drawn to enhance the influence of financial literacy on the performance of small business processors of cereals, in Morogoro municipality.

- i) Recommendation to the small business processors of cereals, it is important for small business processors of cereals to search for knowledge in recording business transaction, knowledge in controlling business profit and expenses to facilitate the performance of small business processors of cereals.
- ii) Recommendation to financial institution have to support small business processors of cereals in terms of loan, business advice and training to increase the performance of small business processors of cereals under this competitive era. This is directly related to the country industrial strategies that currently are started to be implemented to reap the advantages of economic growth.
- iii) Government, through the ministry of industry and trade has to support small business processors of cereals in terms of credit accessibility, business advice and training towards the performance of small business processors of cereals. Hence the small businesses processors of cereals will be facilitated to continue employ other people while offer to the market high quality processed cereal demanded in this competitive business period.

6.5 Area for Further research

There are several observation presented in this study that did not fully covered and some of them being only explored. It is advised to anyone who interested to undertake the research in small business processors of cereals should seriously focus on;

- i. The performance of small business processors of cereals
- ii. The challenges on the processed cereal products quality improvement
- iii. Cost incurred in the performance of cereal processed products

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APPENDICES

Appendix: A Questionnaire for Small Business processors of cereals

I am Justo Godfrey Master's student from Mzumbe University, pursuing MBA in Corporate Management I am undertaking a research with the title "**The Influence of Financial Literacy on the performance of small business processors of cereals in Tanzania: The Case Study of Morogoro Municipality**". This research is being conducted for the purpose of complete my studies. However this research is done under the supervision of Mzumbe University. Specifically seek information on the; financial knowledge and skills among small business processors of cereals in Morogoro Municipality, utilization of existing financial and non-financial services among small business processors of cereals in Morogoro Municipality, the annual performance (financial and production) of small business processors of cereals in Morogoro Municipality and the relationship between financial literacy and the performance of small business processors of cereals. With these purpose in mind I, therefore request you to participate effectively by answering questions posed in this questionnaire. I guarantee that the information obtained will be used for academic purpose only. High degree of confidentiality will be ensured. I thank you in advance for any for your support.

SECTION A: GENERAL INFORMATION OF THE RESPONDENTS

Please put a tick on the appropriate space

1. Sex: Male () Female ()
2. Age: (a) Below 25 (), (b) 26 – 35 (), (c) 36 - 45 (), (d) 46 – 60 (), (e) Above 60 ()
3. Level of Education: (a) Primary School leaver, () (b) Secondary School leaver, () (c) Certificate Holder (), (d) Diploma Holder, () (e) Undergraduate, (f) Postgraduate ()
4. Experience in the business: (a) Less than 1 year (), (b) 1 – 3 years, (c) 4 – 6 years (), (d) More than 7 years ()

5. Location of your business:

6. Type of cereal processing

SECTION B: The financial knowledge and skills among small business processors of cereals in Morogoro Municipality

7. Do you usually keep record for your business?

- 1. Yes
- 2. No

8. If you keep record which types of record do you keep for your business

.....
.....

9. Have ever attended any financial training?

- 1. Yes
- 2. No

10. Where do you keep your money?

- 1. Bank
- 2. Home
- 3. Others (Specify).....

11. If you keep money at bank how many times do you do so annually?

.....
.....
.....

12. Do you have skills to prepare a balancing of the ledger of your business?

1. Yes

2. No

13. Do you prepare a financial report for your own business?

1. Yes

2. No

14. Do you have a skill to use cash book for your own business?

1. Yes

2. No

15. Does separating business profit facilitate performance of cereal processing business?

1. Yes

2. No

16. Does a Reduced expense facilitate performance in cereal processing business?

1. Yes 2. No

17. If Yes/ No provide reasons

.....
.....

.....
.....

SECTION C: The utilization of existing financial and non-financial services among small cereal processors in Morogoro Municipality

18. Which types of financial services are utilized for the performance of cereal processing business in Morogoro Municipality?

- a. Bank account opening
- b. Saving
- c. Business advice
- d. Loan

19. What are the ways financial services are utilized for the performance of cereal processing business in Morogoro Municipality?

- a. Improvement of record keeping
- b. Improvement of Knowledge on balancing of the ledger
- c. Significant improvement in your financial reporting
- d. adequate knowledge on cashbook maintenance
- e. Ability to apply for bank credit easily

20. Does the Attain loan Conditionality influences performance of cereal processing business in Morogoro Municipality?

- 1. Yes
- 2. No

21. Does the increase Capital accessibility of influences performance of cereal processing business in Morogoro Municipality?

1. Yes

2. No

22. Does Access of financial knowledge influences performance of cereal processing business in Morogoro Municipality?

1. Yes

2. No

23. Do you receive any business training?

1. Yes

2. No

24. If yes which types of non-financial services you receive?

.....
.....
.....

SECTION D: The annual performance (financial and production) of small cereal processors in Morogoro municipality

25. How many Kilograms you process per year?

.....

26. How long do you take to sale processed cereal?

.....

27. What are your annual sales?

.....

28. Do you earn profit for your business?

3. Yes

4. No

29. If yes explain

.....

30. If no provide reasons

.....

31. How much do you incur as a cost for your business

.....

.....

SECTION E: The relationship between financial literacy and the performance of cereal processing business

32. Does financial knowledge in cereal processing business lead to performance?

1. Yes ()

2. No

33. Does knowledge in recording business expenses lead to the performance of cereal processing business?

1. Yes ()

2. No

34. Does knowledge in separating business profit lead to the performance of cereal processing business?

1. Yes ()

2. No

35. Does a skill in preparing financial report lead to the performance of cereal processing business?

1. Yes ()

2. No

36. Does skills of using a cash book lead to the performance of cereal processing business?

1. Yes ()

2. No

37. Comments on the relationship between financial literacy and the performance of cereal processing business?

.....
.....