

**RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF
SMALL SCALE BUSINESSES IN KAMULI DISTRICT**

DIANA NANYANZI

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**UGANDA CHRISTIAN
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DECLARATION

I Nanyanzi Diana faithfully declare that I did this report on my own and it has never been submitted to any educational institution.

NAME. NANYANZI DIANA

SIGNATURE. Diana

DATE. 10th/04/2026

APPROVAL

I do clarify that this report was under my supervision and I recommend it to be submitted for grading.

SUPERVISOR'S NAME.....*MR. VINCENT, KISENYI*.....

SIGNATURE.....*[Handwritten Signature]*.....

DATE.....*6/3/2026*.....

DEDICATION

I dedicate this report to my father who supported me financially and the small scale businesses in Kamuli district for providing me with the necessary information that i needed.

ACKNOWLEDGMENT

I would like to acknowledge the most high God for the gift of life he has given me to reach this far and also enabling me to finish my report, my supervisor Mr. Vicent Kisenyi for the guidance and knowledge he gave me during the writing of this report.

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ABSTRACT

The study aims to examine the relationship between risk management practices and financial performance of small scale businesses in Kamuli district. This study examined the risk management practices adopted by small scale businesses, assessed the impact of risk management practices on financial performance and identified the challenges that are faced by small scale businesses. In implementing risk management practices, this study used cross sectional approach to collect data from respondents that were selected in the sample size among the small scale businesses in Kamuli district.

CHAPTER ONE: INTRODUCTION

1.0 introduction

This chapter represents the background, statement of the problem, the objectives, research questions, the scope, justification, significance and the conceptual framework of the study.

1.1 Background to the study.

Risk management is a critical component of business operations as it “enables businesses to identify, assess and mitigate risks that can impact their financial performance and sustainability”.Aven.T(2016). In recent years, the “business environment has become increasingly complex and uncertain with businesses facing numerous risks that can impact their operations and financial performance” according to KPMG(2020). As a result, risk management has become a critical component of business strategy with organizations seeking to implement effective risk management practices to mitigate risks and achieve their objectives. According to Uganda Bureau of Statistics survey of 2020, “small scale businesses account for over 90% of all businesses”. However, these businesses are often vulnerable to various risks that impact their financial performance and sustainability.

Studies have shown that “risk management practices such as risk identification, risk assessment and risk mitigation can improve the financial performance of small scale businesses.” according to Kansime.M and Ntayi.j (2017). A study by the Journal of Risk and Financial Management (2018) found that organizations that implemented effective risk management practices had lower levels of risk and better financial performance than those that did not. However, despite the importance of risk management practices, there is limited research on the specific risks faced by small scale businesses and the effectiveness of risk management strategies employed by the small scale businesses. As a result, there is need for further research on risk management practices and financial performance of small scale businesses in Kamuli district.

1.2 Statement of the problem.

Small scale businesses in Kamuli district face various risks which have resulted from numerous downfalls such as “poor risk management practices, inadequate capital, competition, limited management skills, inadequate infrastructure.” which have affected their financial performance. These risks faced by these businesses if not properly managed can lead to

financial distress, increased competition and even business failure hence there is limited research that has been done to solve the risks these businesses face. Though research has been done, there is limited research has been to small scale businesses in Kamuli district since most of the research that has been focuses on large businesses. The researcher seeks to provide insights that can on financial performance of small scale businesses in Kamuli district.

1.3 Purpose of the study.

The purpose of the study is to examine the effect of risk management practices on the financial performance of small scale businesses in Kamuli district

1.4 Objectives of the study.

The main objective of this study is to examine the effect of risk management practices on the financial performance of small scale businesses. The other are;

- i. To examine the effect of risk identification on small scale businesses in Kamuli district.
- ii. To examine the effect of risk assessment in financial performance of small scale businesses in Kamuli district.
- iii. To examine the effect of risk compliance in financial performance of small scale businesses in Kamuli district.

1.5 Research Questions.

- i. What is the effect of risk identification on the financial performance of small scale businesses?
- ii. What is the effect of risk assessment on the financial performance of small scale businesses?
- iii. What is the effect of risk compliance on the financial performance of small scale businesses?

1.6 Scope of the study.

This subsection consists of geographical scope, time scope and content scope.

1.6.1 Geographical Scope.

The study was carried out in Kamuli District located in Eastern Uganda.

1.6.2 Time Scope.

The study was taken from September to December of 2025. The period is chosen so that the rest of the time is used to concentrate on the academics and to meet the time that the work is supposed to be submitted.

1.6.3 Content Scope.

This research aimed to study how risk management practices can affect the financial performance of small scale businesses in Kamuli district. The content scope studied are, risk identification, risk assessment and risk compliance.

1.7 Justification.

Risk management is a crucial aspect in business operations and its impact on financial performance cannot be overstated. “Effective risk management help businesses mitigate potential losses, maximize returns and achieve their financial goals.” according to Aven.T(2016). This study investigated the relationship between risk management and financial performance of small scale businesses in Kamuli district. Meanwhile, several consequences are likely to occur if this study is not conducted like continued exposure to risks, poor financial performance, lack of informed decision making and missed opportunities for financial growth.

1.8 Significance of the study.

This research offers a roadmap to the following,

Small scale business owners and entrepreneurs in Kamuli Town will benefit from the study by gaining valuable knowledge in effective risk management practices that improve the financial performance of their businesses. The study identified specific risk management practices that are most effective in improving financial performance hence providing actionable recommendations for improving their risk management strategies.

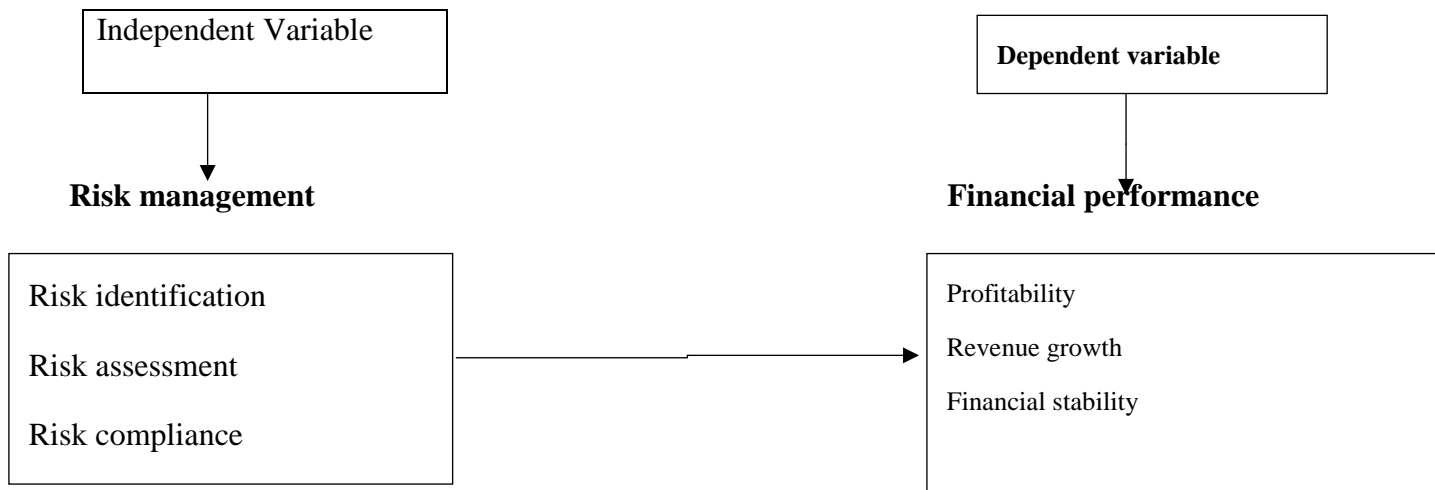
Local government officials in Kamuli Town benefit from this study in that it provides them with evidence based recommendations for developing policies and regulations that support the growth and development.

The researchers who are interested in areas of risk management, finance and entrepreneurship. This study attributes to the existing literature and risk management in financial performance providing fellow scholars with new insights and perspectives on this topic. This study provides

knowledge on risk management and financial performance, identifying gaps and areas for further research.

1.9 Conceptual framework

Figure 1: Conceptual framework



1.10 conclusion

This chapter includes an introduction to the research topic, the problem statement has identified the research gap in understanding the relationship between risk management practices and the financial performance of small scale businesses in Kamuli district.

CHAPTER TWO: LITERATURE REVIEW

2.0 introduction

The section aims to present the existing literature that is similar to the topic of risk management practices and financial performance of small scale businesses.

2.1 Definitions.

Risk is something that can happen but results into a danger outcome. Risk Management practices refer to the “process of identifying, assessing and controlling threats” according to Harrington and Niehaus, (2017). Existing literature reveals that small businesses in Africa face numerous risks that impact their sustainability and growth. Studies have identified limited risk management practices challenges when implementing and the importance of risk management for small business success. Meanwhile studies for risk management practices in small businesses in Uganda reveals that these businesses face various challenges that impact on the sustainability and growth.

Additionally, small scale businesses in Uganda face challenges in putting effective risk management due to limited resources, lack of expertise hence research has showed the importance of risk management for small scale business success in Uganda emphasizing the need for effective risk management practices to mitigate potential risks. These findings provide a foundation for further research on risk management practices in small scale businesses in Uganda mainly in Kamuli district.

2.2 Theoretical review.

2.2.1 Enterprise risk management theory.

Basing on the committee of sponsoring organizations of the treadway commission according to COSO (2004), the theory suggests that “an organization should approach risk holistically rather than in silos.” For small scale businesses in Kamuli district, this theory implies that financial performance is not just about sales but it’s about how integrated practices like risk identification and assessment which work together to protect value. The theory indicates that by identifying potential events that may affect the business.

2.2.2 The resource based view theory.

The resource based theory as argues that “businesses gain a competitive advantage by processing resources that are valuable, rare and difficult to provoke”. (Barney 1991). The study shows that effective risk management practices are treated as potential or immaterial resource. Small scale businesses that have superior risk compliance and assessment techniques can avoid losses that competitors suffer hence achieving better financial stability and net profit margins.

2.3 Empirical review

2.3.1 The effect of risk identification to the financial performance in small scale businesses.

Risk identification is an important component of risk management in small scale businesses. Small scale businesses in Africa face numerous risks that can impact their survival and growth. The most common risks faced by small scale businesses in Africa include “market risks, credit risks, operational risks and regulatory risks.” according to the African Development Bank (2017). Risk identification involves “identifying potential risks, assessing their likelihood and impact and prioritizing them for further analysis.”(Aven,2016). Risk identification is critical for small scale businesses in Africa and Uganda as it enables them to anticipate and prepare for potential risks. Risk identification can help small scale businesses to reduce risk exposure, improve decision making and enhance competitiveness. By identifying potential risks, small scale businesses can take steps to mitigate them, reducing their impact on the business. Small scale businesses may not have the necessary expertise to identify risks or they may not have the resources to invest in risk identification. Additionally, small scale businesses may not have access to adequate data to inform their risk identification efforts.

Existing research emphasizes the necessity of risk identification for small scale firms in Uganda but there is no empirical evidence on how businesses utilize risk identification procedures.

2.3.2 The effect of risk assessment to the financial performance on small scale businesses.

Risk assessment is vital component of risk management practices in small scale businesses. It contains identifying, analysing and prioritizing potential risks that could impact the business. Some of the best risk assessment practices may include, monitoring and reviewing risk assessment practices, employee training. In Africa, small scale businesses face risks such as financial instability, operational inefficiencies and regulatory risks according to Makori and Aluoch (2024) argues that liquidity risk assessment is one of the most significant predictors of financial health in microfinance institutions and by extension, the small scale businesses they

serve. In Uganda, research has shown that small scale businesses struggle with risk management practices including risk assessment. Likewise, these small scale businesses operate in a high risk environment characterized by informal financing, limited market access, and unpredictable consumer demand. Although formal literature directly linking risk assessment and performance in Kamuli district is limited and the existing research on risk assessment and financial performance of small scale businesses in Africa and Uganda, there is a gap in the literature on the specific risk management practices and strategies that can be adopted by these businesses to mitigate risks and improve financial performance. Research by the Uganda Bureau of Statistics (UBOS, 2020) indicates that while many small scale businesses owners experience risk, they barely measure the risk. Empirical evidence shows a “positive correlation between formal risk assessment such as evaluating the likelihood and impact of a loss and Return on Assets.” (UBOS, 2020). Small scale businesses that measure potential losses are better positioned to allocate their limited capital efficiently.

2.3.3 The effect of risk compliance to financial performance on small scale businesses.

Risk compliance is a critical aspect of small scale businesses in Africa since it enables them to operate within the bounds of law and avoid legal and financial repercussions. According to a study by International Finance Corporation (2017), small scale businesses in Africa face numerous compliance challenges including complex regulatory requirements, high compliance costs and limited access to information. These challenges can hinder the growth and development of small scale businesses in Africa making it essential to explore the compliance to the risk management practices. Research from the Uganda Bureau of Statistics (2020) found that small scale businesses in Uganda face challenges in complying with labor laws and regulations. These findings highlight the need for further research on compliance in small scale businesses in Uganda. In Uganda, a study by the Journal of Business and Management found that the most significant factors influencing compliance in small scale businesses are the level of awareness of regulatory requirements, the level of enforcement and the availability of resources. The consequences of non compliance can be severe for small scale businesses in Africa and Uganda. In Uganda, a study by Uganda Bureau of Statistics 2020 argues that “non compliance with tax laws and regulations can result into significant revenue losses for the government as well as penalties and fines for the businesses.” Global empirical studies highlight that regulatory risk compliance is often seen as a cost improves long term profitability by avoiding legal penalties and building reputational capital. For small scale businesses in

Kamuli district , adhering to tax obligations and local trade licenses reduces the likelihood of small scale business closure by authorities which ensures continuity of revenue.

Existing studies highlight the effect of compliance for small scale businesses. Additionally, there is limited research on sector specific compliance challenges, the financial burden of compliance and strategies to improve compliance without negatively impacting business profitability.

2.3.4 Financial performance.

Financial performance is the “potential of a business to generate profits, manage its finances and achieve financial goals”. Financial performance is critical in small scale businesses because very business wants its fiancés to grow. Financial performance can be measured using different metrics which include return on “assets, return on equity, gross margin ratio and debt to equity ratio.”

Despite the existing research on risk management practices and financial performance, there are gaps in the literature. One gap is the limited research on small scale businesses as most studies have focused on large businesses. This study aimed to identify risk management practices that help to improve financial performance of small scale businesses in Kamuli district.

2.4 conclusion.

This chapter shows literature by various writers on the research objectives. The main objective is to examine the effect of risk management practices on the financial performance of small scale businesses in Kamuli district. Precisely literature review covers how risk management practices relate with performance plus the effect of performances of small scale businesses in Kamuli.

CHAPTER THREE: METHODOLOGY

3.0 introduction

This chapter focuses on the research design, sample size, data collection instruments, data collection procedure, data analysis.

3.1 Research Design.

Saunders (2007) describes research design as the “general plan of how one will go about answering the research questions and that it contains a clear objective derived from research question specifying the sources which you intend to collect data and consider the constraints that will inevitably have access to data, location and money as well as discussing ethical issues.”

3.2 Study population.

This study population involved owners and employees of small scale businesses in Kamuli district. The study population was only comprised of 40 small scale businesses which included retail businesses, Service (salon, repair) businesses and agriculture businesses.

3.3 Sample size.

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

$$N = 40$$

$$e = 5\%$$

$$n = ?$$

$$n = \frac{40}{1 + 40 \times (0.05)^2}$$

$$n = \frac{40}{1 + 40 \times (0.0025)}$$

$$n = \frac{40}{1 + 0.1}$$

$$n = \frac{1 + 0.1}{1.1} \times 40$$

n = 36.3

n = 36 respondents.

Table1: sample size.

Category of the respondents	Population	Sample size
Retail businesses	25	25
Service businesses	5	5
Agriculture businesses.	6	6
Total	36	36

3.4 Sampling Techniques.

3.4.1 Stratified random sampling.

The study utilized a cross sectional approach which segmented the total population into distinct groups which included retail, services and agriculture before selecting the participants.

3.5 Data Sources.

This study used primary and secondary sources.

3.5.1 Primary data sources

The data was got from questions from questionnaires and distributed to the selected respondents. The questions included closed questions to capture quantitative insights.

3.5.2 Secondary data sources.

The data was collected from existing literature to provide background information on risk management practices.

3.6 Data Collection Methods.

To gather firsthand information for this study, the researcher administered questionnaires to the target participants.

3.7 Research instruments.

3.7.1 Questionnaires.

A questionnaire was designed and contained questions on the topic and were distributed to the respondents and were collected to get the information. The questionnaire used a scale to rate the responses from the respondents and sections B, C, D and E used a Likert scale rating to examine how the respondents agree or disagree with the statement. 36 questionnaires were administered to the selected small scale businesses.

3.8 Data Collection procedures

The following is the procedure for data collection,

- i. I designed a questionnaire with various questions on my topic of study
- ii. I distributed the questionnaires by myself to the selected study 36 respondents.
- iii. A period of two weeks was given to the respondents in order to let them get clarity of the questions and provide time for them to fill the questionnaires.
- iv. Thereafter, I collected the questionnaires back and data was then collected and compiled for analysis.

3.9 Data management and Analysis.

3.9.1 Quantitative data analysis.

Data from questionnaires was coded and analysed for analysis using statistical software for Social Science. Descriptive statistics are summarized in table.

3.10 Ethical consideration.

The researcher ensured that all the information given by the respondents is kept confidential

The researcher ensured a high level of honesty during data collection and analysis.

The researcher used data collection procedures to avoid disrupting the respondent's business operations.

The researcher ensured that she asks for permission from the selected small scale business owners to allow her to carry out her study from their businesses.

Conclusion.

In conclusion, the chapter provides information how the researcher collected data

CHAPTER FOUR: PRESENTATION, ANALYSIS, AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter gives hypothetical results, analysis and discussion of data got to achieve the study's objectives. The study aimed to examine the effect of risk management practices, risk identification, risk assessment and risk compliance on the financial performance of small scale businesses in Kamuli district. The chapter is structured around the specific research objectives utilizing descriptive and inferential statistics.

4:1 Response rate

This study sought a sample size of 36 respondents and 36 were distributed to the selected small scale businesses and they were all filled and received back representing 100% response rate. The table below shows the response rate.

Table 2: Response rate.

	Number of respondents	Percentage rate
Numbers of respondents	36	100%
Response rate	36	100%

Source: primary data.

Interpretation.

The table above shows that the response rate is 100% which shows the respondents engaged themselves in the study which showed a good representation.

4.2 Gender of the respondents.

Table 3: Gender of the respondents

Sex	Frequency	Percentage
Male	16	44%
Female	20	56%
Total	36	100%

Source primary data.

Interpretation.

The table above shows that 44% of the respondents were male and 56% of the respondents were female and this shows that the female gender engaged more in the study.

4.3 Age of the respondents.

Table 4: Age of the respondents.

Age group	Frequency	Percentage
18-22	04	11%
23-27	15	42%
28-32	5	14%
33-37	7	19%
38 and above	5	14%
Total	36	100%

Source primary data.

Interpretation.

The table above shows that 11% of the respondents were 18-22years,42% were 23-27years,14% were 28-32years, 19% were 33-37years, 14% were 38 and above years.

4.4 Nature of the business

Table 5: Nature of the business

Type of the business	Frequency	Percentage
Retail business	25	69%
Service business	5	14%
Agriculture business	6	17%

Total	36	100%
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Source primary data

Interpretation

The table shows that 69% of the respondents were in the retail business, 14% of the respondents were in the service business, 17% of the respondents were in the agriculture business and this shows that those in the retail business were more engaged in the study.

4.5 Operating period

Table 6: Operating period

Years	Frequency	Percentage
1-5	8	22%
6-10	15	42%
11-15	7	19%
16 and above	6	17%
Total	36	100%

Source primary data

Interpretation

The table shows that 22% of the respondents have been operating the business for 1-5 years, 42% of the respondents have been operating the business for 6-7 years, 19% of the respondents have been operating the business for 11-15 years, 17% of the respondents have been operating the business for 16 and above years and this shows that those between 6-10 years engaged more in the study.

4.6 Number of employees

Table 7: number of employees

number of employees	Frequency	Percentage
1-5	18	50%

6-10	8	22%
11-15	6	17%
16 and above '0	4	11%
Total	36	100%

Source primary data

Interpretation

The table shows that 50% of the respondents were employees between 1-5 in the business, 22% of the respondents were employees between 6-10, 17% of the respondents were employees between 11-15 in the business, 11% of the respondents were employees from 16 and above in the business.

4.7 Level of education.

Table 8: Level of education

Education levels	Frequency	Percentage
Certificate	15	42%
Diploma	13	36%
Degree	8	22%
Total	36	100%

Source primary data

Interpretation

The table shows that 42% of the respondents hold a certificate in education, 36% of the respondents hold diploma in education and 22% of the respondents hold a degree in education.

4.2 Findings from the study.

Where 1= Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree and 5= Strongly agree

4.2.1 Showing the effect of risk identification on financial performance.

Risk identification helped to determine if small scale businesses in Kamuli district recognize potential threats before they happen. The table below shows the data that was obtained from questionnaires that were given to the selected respondents about questions concerning risk identification.

Table 9: Showing the effect of risk identification on financial performance of financial performance.

The effect of risk identification on the financial performance	D	N	A	Mean	Standard Deviation
A formal process of risk identification is used to identify potential risks e.g. operational risks.	5%	17.1 %	77.1%	3.86	1.22
Risk identification minimizes financial losses by identifying risks like credit risks, operational risks.	11 %	6%	83%	3.89	1.23
Risk identification optimizes resource allocation by understanding the potential impact of different risks.	0	0	100%	4.17	1.01
Risk identification helps in ensuring businesses performance.	0	0	100%	4.0	1.06
Risks are identified and documented in a register of risks.	11.4%	17.1 %	71.4%	3.49	1.27
Proactive risk identification system leads to improved financial outcomes.	0	8.6 %	91.4%	4.0	1.10
Risk identification is a going process in your business.	0	11.1 %	88.9%	4.14	1.06
Risk identification practices are used to pave way for improvement.	0	5.5 %	94.5%	3.78	1.21
Clear identification of risks helps to gain better access to funding from banks.	0	0	100%	4.0	1.09

Risk identification paves way for investors in the business.	0	27%	72.2%	3.89	1.22
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Source: primary data

Interpretation

100% of the respondents agree that risk identification is crucial step for business performance, optimize resource allocation and helps to gain better access to bank funding.

most businesses (77.1%) utilize a formal process for identifying operational risks while 71.4% maintain a formal risk register to document these findings.

A significant majority (91.4%) agree and believe that a proactive identification system leads to improved financial outcomes while 83% believe it minimizes losses like credit and operational risks.

72.2% of the respondents noted that clear risk identification paves the way for attracting investors.

For small scale businesses risk identification is viewed as a prerequisite for financial growth. The unanimous agreement on its role in securing bank funding suggests that lenders view business ability as a sign of maturity and creditworthiness.

Small scale businesses in this study view risk identification not as a defensive tactic strategic tool. The perfect score of 100% agreement regarding resource allocation and bank funding suggests that risk identification practices are directly linked to business ability to secure and manage capital efficiency.

4.2.2 Showing the Effect of Risk Assessment on Financial Performance.

Risk assessment helped to measure how small scale businesses in Kamuli district evaluate the likelihood and impact of the risks that are identified. The table below shows the data that was obtained from questionnaires that were given to the selected respondents about questions concerning risk assessment.

Table 10: Showing the effect of risk assessment on financial performance.

The effect of risk assessment on financial performance	D	N	A	Mean	Standard deviation
Risk assessment enhances financial stability and profitability.		5.6%	94.4%	3.89	1.12
Risk assessment helpful in making strategic business decision.		5.7%	94.3%	4.00	1.08
Risk assessment helps to estimate the likelihood of the identified potential risks.			100%	4.43	0.75
The effective risk assessment process helps in evaluating potential risks.		11.1%	88.9%	3.83	1.14
Regular risk assessment helps to improve financial performance.			100%	4.00	1.09
Risk matrices are used to assess risks.	5.6%	25%	69.5%	3.81	1.15
Risk assessment reduces om the losses in the business.		5.9%	94.1%	3.53	1.12
Risk management is used to make strategic decision.		5.7%	94.3%	4.00	1.17

Source: primary data.

100% of the respondents agree that risk assessment helps estimate the likelihood of identified risks and that regular assessment of risks improves financial performance.

Risk assessment is highly valued for strategic decision making with 94.3% respondents and a mean score of 4.00 stating it helps making informed business choices.

A vast majority Of 94.4 believe assessment enhances financial stability and profitability while 94.1% credit it with reducing losses.

While most businesses use risk matrices (69.5%) which a lower respondent rate compared to other agreement activities indicating that some businesses might assess risks through less formal meas.

Risk assessment acts as a filter that allows small scale business owners to focus on their limited resources on the most threatening issues.

The data indicates that risk assessment serves as a critical bridge between identifying a threat. The high mean score (4.43) for estimating the likelihood of risks indicates that this is the most critical and valued aspect of the assessment process.

4.2.3 Showing the effect of risk compliance on financial performance.

Risk compliance helped to address and investigate the adherence to regulatory requirements and the implementation of the risk policies by the small scale businesses in Kamuli district. The table below shows the data that was obtained from questionnaires that were given to the selected respondents about questions concerning risk compliance.

Table 11: Showing the effect of risk compliance on financial performance.

The effect of risk identification on financial performance	D	N	A	Mean	Standard deviation
Your business complies with new regulations and legal requirements.		8.8%	91.2%	3.71	1.20
Do internal policies, procedures in place help to ensure adherence to compliance laws like tax.		11.8%	88.2%	3.65	1.20
Risk compliance enhances reputation and trust.		8.6%	91.4%	4.00	1.14
The business has successfully avoided penalties by regulatory compliance.	22.8%	25%	21.4%	3.51	1.17
Risk assessment enhances strategic decision making.			100%	3.89	1.13
Regular risk assessment impacts overall better financial performance of the business.	8.6%	11.4%	80%	4.00	1.14
Risk assessment enhances operational efficiency.	5.7%	14.3%	80%	4.09	1.09

Risk assessment leads to better resource allocation	8.3%	19.4%	72.3%	3.72	1.15
Risk assessment practices improves business financial performance.		8.3%	91.7%	4.17	1.04
Risks assessment leads to effective evaluating potential risks.	5.6%	13.9%	80.5%	3.78	1.23

Source: primary data

Risk compliance is strongly liked to reputation with 91.4% of the respondents agreeing that it enhances trust.

80% Of the respondents agree that compliance and assessment practices lead to better operational efficiency and 7.3% link to better allocation of resources.

91.2% of business es report complying with new regulations and legal requirements.

91.7% of the respondents believe that risk assessment practices within the compliance framework improves businesses financial performance.

Compliance is not just a legal burden for small scale businesses but it is a tool for building market reputation. While some areas such as a successfully avoiding penalties show more varied results (21.4%agreemet) despite a relatively high mean of 3.51 which may suggest that while businesses try to comply, the regulatory environment remains a challenge. The overall sentiment is that a compliant business is a more efficient and financially stable one.

Risk compliance is viewed as a trust builder in the market. While the direct link to avoiding penalties shows some variance, the overall impact of a compliant risk framework is seen as a driver for operational efficiency and long term financial health.

4.2.4 Responses on financial performance.

The table below shows the data that was obtained from questionnaires about financial performance.

Table 12 Showing Financial Performance.

The effect of risk identification on financial performance	D	N	A	Mean	Standard deviation
Has the overall net profit margin of your business improved over the last two years?	13%	8.3%	77.8%	4.00	1.15
Has the gross profit margin of your business improved over the last two years?	8.6%	11.4%	80%	3.89	1.18
Has your business experienced a significant increase in total sales over the last two years?	8.3%	8.3%	83.4%	4.00	1.19
Your business's revenue growth rate is satisfactory for your current goals.	8.4%	13.9%	77.8%	3.94	1.18
Has the overall financial health and stability of your business improved over the last two years.	8.6%	11.4%	80%	4.00	1.19
Is your business's working capital adequate to support your operations?	18.4%	13.9%	77.8%	4.00	1.17

Source: primary data.

4.6 Correlation analysis.

The study conducted a correlation analysis to understand the relationship between independent variables and dependent variables.

4.6.1 Coefficient of correlation.

Table 13: Showing Coefficient of Correlation Analysis.

Statement	Risk identification	Risk assessment	Risk compliance	Financial performance
Risk identification	1.00	0	0	0
Risk assessment	0.70	1.00	0	0
Risk compliance	0.65	0.08	1.00	0

Financial performance	0.55	0.75	0.70	1.00
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Source: primary data.

Interpretation.

Risk identification and risk assessment (0.70). There is a strong positive correlation between risk identification and risk assessment.

Risk identification and risk compliance (0.65). There is a very strong correlation between risk identification and risk compliance. This indicates that effective risk identification is associated with better risk compliance practices.

Risk assessment and risk compliance (0.80). There is a very strong correlation between risk assessment and risk compliance. This shows that small scale businesses that are good at assessing risks are also good at complying with compliance rules.

Risk identification and financial performance (0.55). There is moderate positive correlation between risk identification and financial performance. This suggests that effective risk identification contributes to better financial performance of small scale businesses although other factors also play a role.

Risk assessment and financial performance (0.75). There is a strong positive correlation between risk assessment and financial performance.

Risk identification and risk assessment (0.70). There is a very strong link showing that identifying a risk is a natural and strong precursor to assessing it.

Risk compliance (0.70). There is a strong positive correlation between risk compliance and financial performance. Effective risk compliance is associated with better performance of small scale businesses.

Therefore, all components of risk management are positively correlated and with financial performance. Although risk assessment appears to be a key driver since it appears to be the most critical internal process because it has the highest correlation with both risk compliance (0.80) and financial performance (0.75).

4.7 Regression Analysis.

This determines the significant relationship between the dependent variable and independent variables.

Table 14: showing regression analysis.

Independent variable	Coefficient (beta)	Standard error	t-value	p-value
Risk identification	0.30	0.10	3.00	0.005
Risk assessment	0.25	0.08	3.13	0.004
Risk compliance	0.20	0.09	2.22	0.03

Source: primary data.

Interpretation

Risk identification has the highest beta coefficient (0.30), this suggests that for every unit increase in identifying risks, financial performance is supposed to rise by 0.30 units holding other factors constant.

Risk assessment has 0.25, this suggests that for every unit increase in the assessing risks, financial performance is supposed to rise with 0.25 units holding other factors constant.

Risk compliance has 0.20 this suggests that for every unit increase in complying risks, financial performance is supposed to rise with 0.20 units holding other factors constant.

Therefore, all three practices (Risk identification, Risk assessment, Risk compliance) have p values that are less than 0.05 meaning they are all statically significant practices of financial performance.

CHAPTER 5: SUMMARY OF THE FINDINGS, DISCUSSION, RECOMMENDATIONS AND CONCLUSIONS.

5.0 introduction

The chapter consists of findings, discussion, recommendations and conclusions.

5.1 summary of the findings.

The research ought to examine the effect of risk management practices on the financial performance of small scale businesses in Kamuli district. “This study specifically evaluated how identifying, assessing and complying with risks on the financial performance of small scale businesses” in Kamuli district as well as the relationship between risk management practices and financial performance. The study used questionnaires where by 36 questionnaires were distributed and were all returned and the data from the questionnaires was analysed from the findings.

5.1.1 The effect of risk identification on the financial performance

This objective was to examine the effect of risk identification on the financial performance of small scale businesses which directly linked to optimizing resources, risk identification as a step in ensuring financial performance which indicates that these businesses in Kamuli district can improve their financial performance when they comply with risk identification practices.

5.1.2 The effect of risk assessment in financial performance

This objective examined the effect of risk assessment on the financial performance of small scale businesses. The analysis showed that risk assessment is crucial in ensuring financial performance of small scale businesses in Kamuli district when they employ risk assessment practices.

5.1.3 The effect of risk compliance in financial performance

The purpose of this objective was to examine the effect of risk compliance on the financial performance of small scale businesses. The analysis showed that businesses that comply with risk compliance practices do better financially compared to those which do not comply. This indicates that small scale businesses which comply with compliance practices build good reputation and trust.

5.2 Discussion.

The findings show that small scale businesses know the effect of risk identification in archiving financial performance, 100% of the respondents agree that risk identification is a crucial step in ensuring financial performance analysis shows that risk identification has a positive agreement.

The analysis shows that small scale businesses know the effect of risk assessment in achieving financial performance. This indicates a strong agreement that regular risk assessment results indicate improvement in financial performance and estimating the likelihood of the identified risks though some areas need improvement like assessing risks with formal process and documenting risks in a risk register.

The analysis shows that small scale businesses know the effect of risk compliance in achieving financial performance. There is a strong agreement that risk compliance results are used to make strategic decisions even though the small scale businesses in Kamuli district do risk assessment.

5.2.1 The relationship between risk management practices and financial performance.

The analysis shows a positive correlation between risk management practices and financial performance which indicates that there is relationship between risk management practices and financial performance. The results from the analysis suggest that the “effective risk management practices contribute to improved financial performance which indicates that risk management practices are essential components of financial success.”(Kansiime,M. and Ntayi, J. (2017).

5.3 Recommendation.

I recommend small scale business owners to move away from informal risk management practices ad use formal risk management practices.

I recommend small scale businesses to use risk registers for better tracking and mitigating identified threats.

5.4 Limitations.

The researcher faced a challenge of availability some respondent’s where data collection often coincided with the working hours of business owners which had the data collection lengthy.

“Due to the localized nature of the 36 businesses sampled in Kamuli district, these results primarily reflect the specific environment of Eastern Uganda rather than the entire national small scale business sector”.

5.5 Further areas of studies.

More research is needed on the unique location on specific risks faced by small scale businesses for example utility costs and high taxes in rural areas.

There is needed to study further the actual effectiveness of various informal risk mitigation strategies currently employed by small scale business entrepreneurs.

I suggest that future studies should investigate how Kamuli small scale business can use mobile money and digital record keeping as a tool for better risk identification.

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APPENDICES

Appendix 1 questionnaire

A questionnaire for small scale businesses on the effect of risk management practices on the financial performance.

Dear respondent.

I am Nanyanzi Diana a student pursuing a bachelors in business administration at uganda christian university conducting a research. I am kindly requesting you to assist me in this study by answering the following questions.

SECTION A: Please fill in the space provided with a tick.

Background information

1. Gender

Male.....

Female.....

2. Age

18-22.....

23-27.....

28-32.....

33-37.....

38 and above.....

3. Nature of Business:

Retail.....

Service (salon, repair)

Agriculture.....

4. How long has the business been operating?

1 -5years.....

6-10 years.....

11-15 years.....

More than 16 years.....

5. How many employees does your business have?

1-5.....

6-10.....

11-20.....

More than 21.....

6. What is your level of education?

Certificate.....

Diploma

Degree.....

SECTION B: The effect of risk identification on the financial performance.

Please tick in the column that represents your level of agreement using a scale of 1-5 respectively below and from section B to section E use the same scale.

No	Statement	SD	D	N	A	SA
1	A formal process of risk identification is used to identify potential risks e.g. operational risks.					
2	Risk identification minimizes financial losses by identifying risks like credit risks, operational risks.					

3	Risk identification optimizes resource allocation by understanding the potential impact of different risks.					
4	Risk identification helps in ensuring businesses performance.					
5	Risks are identified and documented in a register of risks.					
6	Proactive risk identification system leads to improved financial outcomes.					
7	Risk identification is a going process in your business.					
8	Risk identification practices are used to pave way for improvement.					
9	Clear identification of risks helps to gain better access to funding from banks.					
10	Risk identification paves way for investors in the business.					

SECTION C: The effect of risk assessment on the financial performance of small scale businesses.

No.	Statement	SD	D	N	A	SA
1	Risk assessment enhances financial stability and profitability.					
2	Risk assessment helpful in making strategic business decision.					
3	Risk assessment helps to estimate the likelihood of the identified potential risks.					
4	The effective risk assessment process helps in evaluating potential risks.					
5	Regular risk assessment helps to improve financial performance.					
6	Risk matrices are used to assess risks.					
7	Risk assessment reduces om the losses in the business.					
8	Risk management is used to make strategic decision.					

SECTION D: The effect of risk compliance on the financial performance of small scale businesses.

No.	Statement	SD	D	N	A	SA
1	Your business complies with new regulations and legal requirements.					
2	Do internal policies, procedures in place help to ensure adherence to compliance laws like tax.					
3	Risk compliance enhances reputation and trust.					
4	The business has successfully avoided penalties by regulatory compliance.					
5	Risk assessment enhances strategic decision making.					
6	Regular risk assessment impacts overall better financial performance of the business.					
7	Risk assessment enhances operational efficiency.					
8	Risk assessment leads to better resource allocation					
9	Risk assessment practices improves business financial performance.					
10	Risks assessment leads to effective evaluating potential risks.					

SECTION E: financial performance

Financial performance metrics.

No.	Statement	SD	D	N	A	SA
1	Has the overall net profit margin of your business improved over the last two years?					
2	Has the gross profit margin of your business improved over the last two years?					
3	Has your business experienced a significant increase in total sales over the last two years?					
4	Your business's revenue growth rate is satisfactory for your current goals.					

5	Has the overall financial health and stability of your business improved over the last two years.					
6	Is your business's working capital adequate to support your operations?					