

**FINANCIAL MANAGEMENT AND SUSTAINABILITY OF SELECTED BUSINESS
ENTERPRISES IN KAMPALA CENTRAL BUSINESS DISTRICT UGANDA**

ALLAN ATWIINE

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**UGANDA CHRISTIAN
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DECLARATION

I hereby declare my research dissertation is my original work and it has not been submitted for any degree award in any University or Institution of learning.

Signature: 

ATWIINE ALLAN

Date: 15th April 2026

APPROVAL

I confirm the research information and presented in this research report has been carried out by the candidate under my supervision.

Signature.....

Kisenyi
Mr. Kisenyi Vincent

15/04/2026.

Date

DEDICATION

I dedicate my work to my parents for support given to me and also dedicate this report to all my friends for their social support and prayers.

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ABSTRACT

This study aimed to examine how financial management practices influence the SMEs performance operating in Kampala Central Business District, Uganda. The study followed three main objectives: to analyze the effect of financial reporting on SME performance, to assess how working capital management affects performance, and to evaluate the role of budgeting in improving SME outcomes. The research adopted both survey and descriptive research designs in order to clearly explain the study variables. Descriptive surveys were particularly useful in identifying relationships between variables and providing a clear quantitative description of the situation, while also observing behaviors. The study mainly focused on quantitative data analysis. The results showed that financial reporting practices among SMEs were fairly satisfactory, with an average score of 3.5. Working capital management was rated slightly higher, with a mean of 3.69, while budgeting also showed a satisfactory level with a mean of 3.44. Overall, the profitability of SMEs was moderate, reflected by a mean score of 3.4. Further analysis revealed that financial reporting has a significant effect on SME performance ($R^2 = 0.153$, $p = 0.000$), meaning it contributes positively to business outcomes. Similarly, working capital management was found to significantly influence performance ($R^2 = 0.234$, $p = 0.000$), indicating its strong role in ensuring business success. Budgeting showed the highest impact among the three variables ($R^2 = 0.286$, $p = 0.000$), confirming that it plays a major role in improving SME performance in Kampala.

From these findings, the researcher concluded that proper financial reporting is essential for enhancing SME performance, especially since it relates closely to managing the cash conversion cycle. The study also noted that SMEs that maintain a good balance between components of working capital—such as cash, receivables, inventory, and payables—tend to perform better. In addition, budgeting was found to be very important, particularly when businesses seek financial support from banks, as lenders often require financial projections before issuing loans. Budgeting also helps businesses track their progress toward achieving set goals. Based on the results, the study recommended that SME owners should establish strong systems for monitoring financial transactions, ensuring that all payments are properly recorded and tracked to improve financial efficiency and reduce errors. It also suggested that business owners and managers should adopt effective working capital management practices, such as using flexible and efficient methods of collecting funds, to improve performance. Overall, SMEs are encouraged to carefully implement financial management in order to enhance profitability, growth, and market share. However, since these practices can be time-consuming and require resources, they should be applied properly and consistently to achieve the desired financial goals.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter provided the background study, problem statement, study purpose, research objectives, research questions, scope of the study and importance of the study.

1.1 Background to the study

The study background in terms of theoretical, historical contextual perspectives and conceptual

Small and medium enterprises are well known contributors to the economic . Business start up create business opportunities. They promote goods and service investment offered within the country.

1.1.1 Historical perspective

SMEs cover the largest business world and 90% of enterprises allover the world are small and Medium Enterprises and approximately private sector employment at 60%.

The main reason of Small and Medium Enterprises (SMEs) in developing countries and Uganda in particular is their contribution wealth growth, income and employment generation. SMEs are commonly in both Uganda government and private sector institution for the creation of income and employment generation through self-employment and has helped in reduction of poverty. However Enterprises lack access to generating capital and this is can lead to worsened of the effects of the financial and economic.

Small and Medium Enterprises remain highly separated in Africa with donors and finance institutions operating a number of Small and Medium Enterprises programs. Gathering of resources to avoid poor efficiencies and duplications. In line with resource gathering, on 1st February 2017.

1.1.2 Theoretical perspectives

Various theories have come up to explain what influences sustainability of a business. Some of the theories explain business sustainability in this study include the following. Resource Based View of the firm by Lockett, O Shea, & Wright(2008) and Knowledge-Based View by Grant (2015) .These theories explain business sustainability and their limitations.

1.1.2.1 Resource Based View

Resource Based View theory views the company assumptions, resources and capabilities is that the company operates based capacity and resources. Differences in company capacity and resources with competitive firms will give competitive advantages. Ability to show what the company's capacity.

For best position of the firm for long term resources must be valuable, rare, difficult to imitate, and no substitutable . These resources can give development to the firm capacity that can lead to sustainability.

1.1.2.2 Knowledge Based Theory

Sustainability and Learning can form a loop. It says that knowledge is a key resource in the business running and efficiency within the long run. It brings about resource-based view which perceives the firm to have different capability and resources which help the business to utilize their resources in order to be more productive. It is significant for benchmarking the financial maintenance practices .

1.2 Statement of the Problem

Small and Medium Enterprises of Uganda are the influencers of the Ugandan economy but there is poor sustainability of SMEs (KACITA report, 2024) and it has led to low financial maintenance practices which has been ignored among small enterprises (KCCA, 2025). A study was made where SMEs are not achieving their wants and if the condition is not taken care of, SMEs to Uganda's economy contribution is likely to go down . It solve the gap whereby 70%-80% of SMEs to collapse within 10 years. The measurement of sustainability of SMEs such as market share, profits among others have been viewed as important factor in SMES profit generation and being efficiency . SMEs help in contributing positively to the economic development and growth although the rate of failing is also increasing. Results indicate that SMEs face a hard time in acquiring skills and expertise, technology, financing, information and technical know how and land in order to execute their day-to-day operations.

1.3 Purpose of the study

The study is to know the effect of financial management practices on sustainability of a selected business in Kampala Central Business .

1.4 Research Objectives

- (i) To access the effect of financial reporting on the sustainability of a selected business scale enterprise in Kampala Central Business District.
- (ii) To access the effect of working capital management on the sustainability of a selected business scale enterprise in Kampala Central Business District.
- (iii) To determine the effects of budgeting on the sustainability of a selected business scale enterprise in Kampala Central Business District.

1.5 Research Questions

The research attempted to answer the following questions:

- (i) Effects of financial reporting on sustainability of a selected business scale enterprise in Kampala Central Business District?
- (ii) Effects of working capital management on sustainability of a selected business scale enterprise in Kampala Central Business District?
- (iii) Effects of budgeting on sustainability of a selected business scale enterprise in Kampala Central Business District?

1.6 Scope of the Study

1.6.1 Geographical scope

The study will be carried out in Kampala Central Business District which is a District in Central Uganda. Kampala Central Business District is a District in Central Uganda. Like many other Ugandan Districts, it is named after its chief town, Kampala Central, where the District headquarters are located. Kampala Central Business District .

1.6.2 Content Scope

The study focuses on the effect of financial management practices on sustainability of a selected business in Kampala Central Business . Dependent variable which is financial management practices will be budgeted for, financial reporting and working capital management. It was defined on the other extent as managing information ,controlling, systems ,financial planning as well as working capital management whereas sustainability of SMEs

which is the dependent variable was conceptualized in terms of market share ,profitability and sales growth. SMEs' sustainability refers to the outcomes of firms' business operations .

1.6.3 Time Scope

It covers one year period and its from November 2020 to November 2021. The period of the study was expected to be adequate and help the data collection and presentation of findings academic and decision making.

1.7 Significance of the Study

The study can help the government to implement finances of Small-scale enterprises which will enable enterprises to carry out innovative ooperations.

The findings of study will help the policy implementors to inform of the best interventions to solve issues concerning the sustainability of SMEs in Uganda.

This study is important for financial managing practices in Uganda which will show relationships between financial maintenance practices and SMES' profits will help owner to improve sustainability of their businesses by managing financial prolems effectively.

1.8 Operational definition of key terms

Financial Management Practices

Refers to methods set to carry out financial reporting, budgeting accounting and activities in the enterprises.

Financial reporting

Refers to the finance results of a business that are released and got by its stakeholders and also the public.

Working capital management;

It refers to the strategy which is programed to ensure that a company works efficiently and uses its current assets and liabilities for effective use.

A budget

This is a finance plan usually one year. It may include costs and expenses, resource quantities, assets, liabilities and cash flows sales volumes and revenues. Companies and other organizations use it to express strategic plans of operations or events in measurable terms.

Profitability

This is calculated with expenses and incomes. Income is money got from activities of the organisation.

Sales growth

Sales measure the ability of the company to get returns through sales over a given period of time.

Market share

This is where competitors allocate suppliers, customers with themselves due to demand and supply.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical foundation of the study, the conceptual framework, and a review of existing literature related to the research topic.

2.1 Theoretical Framework

The study uses two key theories: the Resource Based Theory and the Knowledge Based Theory

.

2.1.1 Resource Based Theory (RBV)

The RBV is regarded as one of the most influential perspectives in management studies. Connection can be viewed as two aspects of the same concept according to Lockett et al. (2008). Such strategic resources enable firms to build capabilities that support superior performance and sustainability over time.

Another criticism relates to the assumption that managers have complete control over organizational resources. McGuinness (2018) argues that this view oversimplifies issues related to property rights and overestimates the extent to which managers can fully control the resources within an organization.

The theory also gives limited attention to the different ways in which various types of resources contribute to long-term competitiveness. It does not sufficiently explain how each of these resources influences a firm's performance in practice.

2.1.2 Knowledge Based Theory

The theory was developed after scholars identified some weaknesses in both the Pecking Order Theory and the Resource Based View. This perspective was further advanced by Kogut and Zander (2015) and Grant (2015). The theory considers knowledge to be one of the most important resources that a business can possess (Spender, 2015).

The Knowledge Based Theory builds on the ideas which sees a firm as a different combination of capabilities and resources . From this perspective, management is expected to create value by effectively using the resources that already exist within the organization while also preparing for

the resources that may be required .Because of this, the theory becomes useful when examining financial management practices. Understanding these practices and their influence on the sustainability of a business requires adequate knowledge and experience.

Grant (2015) further explains that firms can be viewed as social systems where individuals work together to create and share knowledge.

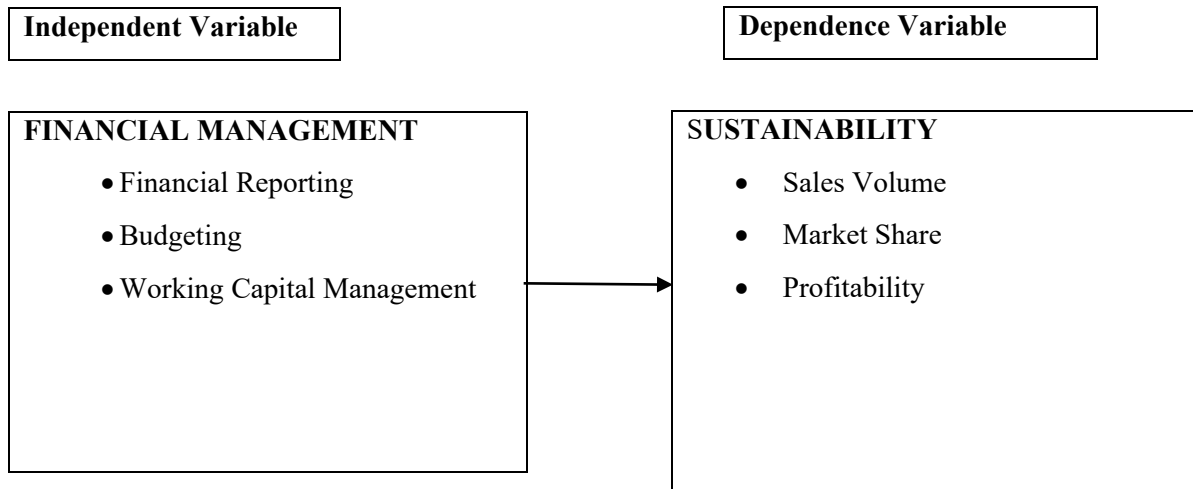
Because of these limitations, some scholars argue that the theory does not fully provide a strong and tested explanation of business sustainability. This is mainly because modern businesses operate in environments that are uncertain, highly competitive, and constantly changing, which requires more comprehensive theoretical explanations.

Table 2.1: showing theoretical details of the study

Theories	Detail	Limitation	Sources
Resource Based View	Profits with the resources Used .It tries to give Data about the internal sources of the business	No managerial Implications within the theory , it implies infinite regress.	(Lockett et al., 2008), Barney (2018)
Knowledge Based Theory	It considers knowledge as the most important of the firms resources.	It has no enough consensus for its purpose. It does not show the nature of heterogeneous assets which help and are suitable to many Businesses	Grant (2015)

2.2 Conceptual Framework

The conceptual framework indicating the effect of financial management practices on business sustainability of selected business enterprises



Source: Adapted from the Signaling Theory of Myers and Majluf (1984) and later modified by the researcher (2021).

In this study, financial management practices are treated as the independent variable, and they include reporting financially, working capital maintenance and budgeting. Business sustainability which is the dependent variable is measured in terms of profits, growth in sales, and market share of the enterprise.

2.3 Review of Related Literature

2.3.1 The Effect of Financial Reporting on the Sustainability of Selected Business Enterprises

Financial reporting, according to Nzotta (2018), is a key aspect that influences the decision-making process of various stakeholders such as managers, investors, business owners, and other interested parties. Glautier and Underdown (2016) explain that the main objective of financial reporting is to provide useful information about the resources owned by an organization and communicate relevant financial information to individuals who need it for decision making.

Nzotta (2018) further explains that financial reports help users to evaluate the performance and sustainability of a firm over a certain given time. Through financial reports, stakeholders can assess whether the organization is able to increase shareholder wealth and create value for its

owners. In addition, financial reporting helps in determining how effectively the firm generates value from its activities.

Financial reports normally present financial information that helps users understand the resources owned by a company, the nature of those resources, and the obligations of the company to other parties. These reports also show the transactions effects and events that may cause changes in the firm's resources over time (Glautier & Underdown, 2016).

Belkaoui (2017) notes that reports which are financial should have certain qualities in order to be useful. These include relevance, reliability, understandability. Best (2019), as cited by Adediran et al. (2018), argues that the most important qualitative characteristics are relevance and reliability, since they determine the usefulness of financial information in decision making. To evaluate the quality of financial reporting, several characteristics are usually considered. One of these is relevance, which refers to the ability of financial information to influence decisions made by users such as investors and other capital providers (IASB, 2018).

Researchers have also explained predictive value as the ability of past earnings information to help forecast future profits (Schipper & Vincent, 2014). Financial information may also have confirmatory value when it supports or changes previous expectations based on earlier evaluations (IASB, 2018).

Another important characteristic of financial reporting is faithful representation. This means that the financial information presented in financial statements should accurately reflect the economic events of the organization. For financial information to faithfully represent reality, it must be complete, neutral and free from significant errors. Maines and Wahlen (2016) explain that faithful representation can be assessed through factors such as neutrality, completeness, absence of material errors and verifiability.

Financial information must also be understandable. According to IASB (2018), understandability refers to the quality of information that allows users to easily interpret and appreciate its meaning. Curtis (2015) suggests that understandability is usually determined by how clear and simple the information presented in annual reports .

Another characteristic of financial reports is comparability, which gives users similarities and differences of financial information of many organizations or across different periods (Schipper & Vincent, 2014). In addition, financial reports should also be timely, meaning that information

should be made adequate to decision makers before it influences decisions (IASB, 2018). Timeliness generally refers to the speed with which financial information is reported to users. Financial reporting serves several important purposes. It provides information to management which is useful for planning, analysis, performance evaluation and decision making. It also supplies financial information to investors, creditors and other providers of capital so that they can make informed decisions regarding investments and credit facilities. In addition, financial reports help communicate information to shareholders about how the organization is performing.

Financial reports also provide details about the financial resources of an organization, its liabilities, and the changes that occur in these resources over time. They further explain how organizations acquire and utilize their resources. In addition, financial reporting helps other stakeholders evaluate the performance of management in fulfilling their responsibilities and obligations in managing the organization's resources.

Financial reporting also assists auditors by providing information necessary for conducting audits. Beyond this, it contributes to broader social interests by protecting the concerns of employees, government institutions, trade unions and other stakeholders (Park, 2018).

According to Vargiya (2015), the importance of financial reporting cannot be ignored because it serves many purposes and meets the needs of different stakeholders who rely on financial information for decision making.

Financial communication systems are very important in organizations because they ensure that firms comply with different legal and regulatory requirements. Many firms submit their finance reports to the authorities of the government for monitoring and regulatory purposes. For companies that are listed on stock exchanges, financial results must be reported both quarterly and annually and made available to the public. Financial reporting also supports statutory audits since auditors need to examine the financial statements of an organization before giving their professional opinion.

In addition, financial reports assist organizations in planning, analyzing their operations, and making important decisions. They also play a role in helping firms raise funds either locally or internationally. Investors and other members of the public rely on financial statements to evaluate the sustainability and performance of an organization. If such information is not disclosed clearly, stakeholders may not be able to properly assess how the organization is performing.

In this regard, information that relates to accounting plays an important use in developing contracts that help reduce agency problems between managers and shareholders (Holthausen & Leftwich, 2018). Financial accounting information is especially useful because it helps monitor the behavior of managers, which is necessary for effective contract arrangements.

Several previous studies have provided evidence on the use of reporting finances in addressing some issues related to organizational sustainability. The attention given to reporting of finances and accounting information in relation to sustainability and compensation contracts is largely because such contracts are often incomplete and require additional information to function effectively (Armstrong et al., 2020).

Improved transparency and high-quality financial reporting can strengthen governance systems and make contractual relationships more effective. This may also help reduce conflicts of interest between managers and shareholders.

2.3.2 The Effect of Working Capital Management on the Sustainability of Selected Business Enterprises

Working capital is considered one of the most significant aspect in ensuring the sustainability of businesses in any economy. Over the years, researchers have shown increasing interest in examining the financial sustainability of small and medium enterprises (SMEs). Many studies conducted in different countries have investigated this relationship because working capital management has a direct influence on business profitability (Robinson, 2017).

The main objective of working capital management is to manage an appropriate balance between different components such as cash, inventories, receivables and payables (Okinyi & Keiyoro, 2019). Proper management of these components ensures that a business has sufficient liquidity to continue operating smoothly and to meet its financial obligations when they become due.

The success of any business largely depends on how well it manages its cash, inventories, receivables and payables. Cash, in particular, is a key component of current assets (Shaskia, 2017). According to Yasin (2018), effective cash management is especially important for SMEs because a large portion of their assets is normally tied up in current assets.

Efficient cash management contributes positively to the sustainability and survival of businesses. Heshmat (2017) observed that good cash management practices can give firms a competitive advantage.

Cash management has a direct impact on both profits and liquidity of firms (Raheman & Nasr, 2018). Research focuses on determining the relationship between cash managing practices and firm profits, as well as examining the connection between profits and liquidity.

The main challenge for such firms is to protect their profit margins while minimizing bad debts, reducing collection costs and maximizing the amount of cash collected from customers.

Management of accounts receivable directly affects both liquidity and profitability of firms (Raheman & Nasr, 2018). Therefore, organizations should establish effective credit policies and closely monitor their debtors. Shorter collection periods, lower levels of bad debts and well-structured credit policies can significantly improve firm profitability.

Although it is normal for businesses to have accounts receivable, Nyamao et al. (2017) advise SMEs to maintain an optimal level of debtors to avoid problems related to bad debts and high credit management costs.

Peterson and Joyce (2018) further explain that return on assets (ROA) can be improved by reducing production costs, lowering the amount of capital tied up in inventory, or increasing the overall profitability of the firm.

2.3.3 The Effect of Budgeting on the Sustainability of Selected Business Enterprises

Budgeting plays an important role in guiding decision making within an organization. A well-prepared budget helps managers to choose between different projects and decide where resources should be allocated. Funds and other resources are usually directed toward the activities that have been planned in the budget. In addition, the budget communicates to employees and board members the financial targets that the organization expects to achieve in the coming year. Because of this, budgets are often seen as useful communication tools within organizations (Haldma & Laats, 2017).

Budgeting is essential in organizations according to Horngren (2015) because it allows management to monitor financial activities. Management normally compares the actual income and expenditure with the planned budget on a monthly or quarterly basis. This comparison helps managers determine whether spending is within the expected limits. If expenses are higher than revenues, management can take corrective actions such as reducing unnecessary costs to avoid financial losses. On the other hand, if revenues exceed expenses, the organization may decide to invest the surplus funds or use them for additional capital projects.

Budgeting also helps management detect possible fraud or misuse of funds. When there are unusual differences between planned expenditure and actual spending, management can investigate the reasons behind such variations. In this way, budgeting assists organizations in planning for capital investments and other major expenditures. A comprehensive budget also helps the organization set financial targets for the year and ensures that funds are allocated to the projects that need support (Siddika, 2018).

Becchetti (2017) explains that budgeting encourages early consideration of important policies within an organization. For budgeting to work effectively, there must be a clear organizational structure where responsibilities are properly assigned. Budgeting also encourages participation from managers at different levels of the organization in setting goals and developing plans. Departmental managers are required to coordinate their plans with other departments so that the activities of the entire organization move in the same direction.

In addition, budgeting helps management express their plans in financial terms. It allows managers to determine the amount of labor, materials and capital needed for operations. According to Yasin (2018), budgeting supports proper planning and ensures that resources are used in the most economical way possible.

Budgeting also reduces uncertainty within organizations, especially among lower-level managers who may not fully understand the organization's policies and objectives. Through the budgeting process, managers gain a better understanding of the challenges faced by other departments and how their activities are connected. Budgeting also encourages management to consider the general business conditions effects when making plans (Ubom, 2019).

Another advantage of budgeting is that it helps organizations obtain credit from financial institutions. Banks often require projections of future operations and expected cash flows before approving loans.

Budgets also assist organizations in planning activities because they express future expectations in numerical terms. In addition, budgeting helps improve coordination since different departments within an organization are interrelated. Through budgeting, the expected performance of each department is combined to present a complete picture of the organization's overall performance (Sakthi, 2016).

Robinson (2017) explains that budgeting also supports the control function in organizations. It helps management measure performance and identify deviations from expected results so that

corrective actions can be taken. Budgeting also helps clarify responsibilities because managers understand the targets they are expected to achieve.

Budgeting further encourages organizations to quantify their objectives by expressing them in measurable financial terms. It also promotes division of work and specialization among employees. Specialization often leads to greater efficiency in the performance of tasks and improves the overall functioning of the organization. As a result, budgetary control contributes to improving the general efficiency of the organization (Siddika, 2017).

O'Neill and Ducker (2017) also suggest budgeting improves communicating among people who share financial responsibilities. For example, in family businesses or partnerships, discussing financial matters through budgeting helps members agree on how money should be spent. Through this process, individuals gain better control of their financial resources and are able to take opportunities for an advantage otherwise be missed (Peterson & Joyce, 2018).

Because a budget acts as a financial plan or roadmap, it helps managers identify deviations from expected results early enough. When such deviations occur, managers can take immediate action such as adjusting product strategies, modifying marketing activities or seeking additional financing to address cash shortages (Becchetti, 2017).

The preparation of a budget also requires coordination among the various departments of an organization. This process helps managers understand how their activities are connected with those of other departments within the business (Owualah, 2017).

2.4 Related Studies

Evans (2016) explains that business sustainability has different dimensions, including economic performance and the satisfaction of business owners. The highest level of economic sustainability does not always correspond with the highest level of owner satisfaction. According to this view, individual attitudes and behavior can have a strong influence on the economic sustainability of a business. Interpersonal skills, for example, may play an important role in supporting business growth and sustainability.

However, Hisrich (2015) suggests that characteristics of the firm itself may have a greater influence on the satisfaction of the business owner than personal attitudes.

This shows that sustainability can be viewed from both internal and external perspectives. Internal sustainability refers to benefits within the enterprise such as increased profits, growth in sales, expansion of the business and personal satisfaction of the owner. External sustainability, on the other hand, includes broader outcomes such as job creation, improved productivity, better quality of products or services, stronger relationships with stakeholders, development of skilled employees, growth in assets and expansion of market opportunities.

The discussion above shows that a number of factors can influence the sustainability of an enterprise. These factors may include personal attitudes of the business owner, market conditions, environmental influences, industry trends and other external dynamics (Heshmat, 2017). Different scholars have proposed several indicators that can be used to measure business sustainability. For example, Hisrich (2015) and Bygrave (2016) focused on indicators such as growth in sales, increase in income, employment creation. Newton (2017) considered indicators like higher productivity, improved competitiveness, increased market share, profitability and expansion through opening new branches. Bosma et al. (2015) emphasized factors such as development of skilled employees, satisfaction and long-term survival of the business. In addition, Emeric (2018) suggested that sustainability can be evaluated through economic indicators like growth in sales, income and employment together with the level of satisfaction experienced by business owners. According to Emeric (2018), sustainability may also be assessed using subjective measures such as the perceptions of business owners as well as objective measures like efficiency, profitability, firm size and market share.

Several international donors and agencies have begun to collaborate with the private sector in developing countries. In many of these countries, the SME sector includes all service providers that operate outside the public sector, regardless of whether they operate for charitable or profit-making purposes. Despite this effort, the role of the private sector in supporting SMEs continues to generate debate among scholars and policy makers (Kopla, 2017).

Bates and Nucci (2016) argue that many consumers prefer services provided by the private sector because they believe they offer better quality, easier access and faster response. However, in some developing countries where regulation is weak, services offered by private providers may sometimes be of poor quality. This can negatively affect individual outcomes and may also create wider problems such as poor disease control or misuse of drugs. Some scholars are also concerned that the user fees charged by private providers may limit access for

poorer groups of people who cannot afford the costs. This situation may reduce equity in accessing services such as healthcare. On the other hand, supporters of private sector participation argue that because public systems often face limited resources, it may be more practical to strengthen the already existing private sector to improve access to services (Becchetti, 2017).

Measures of output in the SME sector often include the number of direct contacts with clients. Sustainability in terms of customer numbers may be reflected in the number of clients served in a business centre on a daily, weekly, monthly or yearly basis. It may also be measured by the number of customers who receive specific business services. Some customers may visit the enterprise only to obtain information or guidance through physical visits, telephone calls or by accessing the organization's website. Other indicators may include the number of people entering the business premises, those reaching the reception desk or those consulting with sales staff and specialists (Bagachwa, 2015).

Business sustainability is sometimes considered one of the most reliable and easily available indicators of the performance because of their size, location and level of investment, play an important role in economic growth. They also contribute significantly to employment creation in many economies (Brigham & Houston, 2018). The rapid growth of global markets in recent years has increased competition.

Several theories have attempted to explain the factors that influence the sustainability of firms. These explanations can generally be grouped into two main approaches. The first approach focuses on the effect of factors such as firm size, age and profitability on sustainability. The second approach examines the influence of elements such as organizational strategy, structure and the characteristics of the owners or managers of the firm (Becchetti, 2017).

Profitability is essential for the survival of SMEs in the long run, especially in highly competitive markets. Long-term profitability depends on the relationship between revenues and costs. While profitability is necessary for sustainability, it alone does not guarantee long-term survival. For example, a firm with low profits may lack the financial resources needed for expansion. At the same time, even a highly profitable business may decide not to expand if the risks involved are considered too high. In some lifestyle SMEs, owners may sacrifice current profitability in order to achieve greater benefits in the future. Strategies such as dynamic

pricing or gradual investment projects may require lower profits at the beginning in order to gain larger market share later on (Marie, 2017).

However, Gleim (2016) points out that profit margin alone does not fully reflect the efficiency of employees or the overall productivity of the organization. Instead, it mainly indicates the ability of the business to generate profit from revenue.

Another important indicator is Return on Assets (ROA). According to Markowsk (2017), ROA measures how effectively management uses the company's assets to generate profits. Allis (2016) also explains that ROA shows how efficiently profits are produced from the assets employed in the business compared to other firms in the same industry. A low ROA compared with industry averages may indicate that a company is not using its assets efficiently. Domash (2017) notes that many investors consider an ROA of around 5 percent as the minimum acceptable level. ROA is calculated by dividing net profit before tax by total assets. Kennon (2016) further suggests that ratios below 5 percent often indicate that a business is highly asset-intensive.

Return on Equity (ROE) is another measure used to evaluate business performance. Sabatini (2015) explains that ROE measures the return that investors receive on the capital they have invested in the company. DiNunno (2017) argues that ROE estimates often depend on assumptions about future performance, and therefore it is important to consider the costs and benefits involved when evaluating the real impact of business decisions on operations, staffing and opportunities.

Efficiency generally shows the relationship of resources used and the outputs produced in order to achieve certain objectives. It focuses on using the minimum amount of resources to achieve a given level of output, or producing the maximum output with the available resources (Cannon, 2018). Effectiveness, on the other hand, refers to the extent to which planned objectives are successfully achieved.

Both efficiency and effectiveness are important for achieving sustainability and profitability while also protecting organizational resources. In practice, organizations may evaluate these objectives through periodic performance audits conducted quarterly or biannually (Ubom, 2019).

Hussey (2018) found that in many SMEs external auditors are responsible for preparing statutory accounts and also provide advice to management. However, Nayak and Greenfield (2018) observed that many micro-business owners fail to maintain adequate financial records that could assist them in making informed decisions.

According to McMahon (2017), having a well-developed financial reporting system helps small and medium enterprises make sure that their economic resources are used properly and in an efficient way.

Lybaert (2018) further explains that the level to which owners use different information sources is often influenced by their level of education. In many enterprises, the style of management depends heavily on the decisions made by the owner. Therefore, if the owner or manager lacks important skills such as technical, managerial, or financial skills, the chances of business failure may increase (Gaskill & Hyland, 2016).

Information accounting that is managed can contribute either to the success or failure of SMEs depending on how the information is prepared and how it is used within the business. However, Horngren (2015) argues that accounting techniques themselves are neutral tools. In other words, they do not cause poor management. Instead, the results depend on how wisely or poorly managers choose to use these tools in running their organizations.

2.5 Research Gap

SMEs contribute much to employment creation and economic development. Sustainability and performance of many SMEs has remained poor and not fully explained (Nguyen, 2017). The problem is the poor application of financial management practices within many SMEs.

A study by Tushabomwe-Kazooba (2018) reveals that many SMEs in the country are not performing well as expected. If this situation continues without improvement, the contribution of SMEs to the national economy could be negatively affected.

Studies about financial management have been carried out by different researchers, many of them do not clearly explain the relationship between financial management practices and the sustainability of firms. In addition, there is still limited empirical evidence about how working capital management specifically affects the sustainability of SMEs. For this reason, the current

study attempts to fill this gap by examining the relationship between working capital management and the sustainability of SMEs located in Central Division, Kampala.

Furthermore, previous studies on SMEs mainly focused on some measures of financial sustainability such as gross profit margin, net profit margin, and liquidity. However, there are other important indicators that can also be used to measure financial sustainability, including Return on Assets (ROA) and Return on Equity (ROE). This study therefore considers these additional indicators in order to provide a broader understanding of financial sustainability among SMEs, especially those operating in Kampala Central Business District.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter reveals data gathering procedures, data analysis, research design, sampling procedures, research instruments, validity and reliability of instruments, ethical considerations and limitations, the research population and sample size of the study.

3.1 Research design

The study adopted a descriptive survey research design, particularly using descriptive correlation strategies. Descriptive research is a non-experimental approach that focuses on explaining the characteristics of a specific individual or group. It examines the relationship between variables, tests hypotheses, and helps in developing generalizations based on theories that are widely accepted. The design also considers events that have already occurred and links them with current situations, which helped the researcher gain a deeper understanding of both the independent variable (IV) and dependent variable (DV). In this type of study, the researcher is able to analyze the research hypothesis in detail.

Through descriptive research, participants were studied within their natural environment, allowing the researcher to observe real situations without manipulating any variables (Kothari, 2016). In addition, descriptive surveys were applied to identify possible relationships between variables through descriptive correlation, provide clear quantitative descriptions, and observe behavior as it occurs. This approach helped the researcher gain better insight and understanding of the social issues related to the study. Quantitative research generates objective information that can be easily presented using numbers, measurements, and statistical analysis (Amin, 2017).

3.2 Research Population

This study focused on 405 business enterprises, mainly SMEs where owners and managers considered as the main respondents in Kampala Central Business District. The total population of 405 enterprises was obtained from the Kampala Central Business District Urban Profile (2024), and it formed the basis of this study.

The research only considered businesses that had been operating for at least six years, since such enterprises were expected to have adequate experience related to the subject under study.

The researcher believed that this group of respondents had the necessary knowledge and information that could help in providing reliable data for the research.

In every selected enterprise, one respondent was chosen to participate in the study

3.3 Sample Size

The Slovine's formula as shown ;

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

n means Size of the sample

N means Size of the population

e means Significance level

$$n = \frac{402}{1+405(0.0025)}$$

$$N = \frac{405}{2.01265}$$

$$n = \underline{201}$$

The researcher printed and distributed 220 questionnaires and more to the respondents whereby few of the questionnaires were expected disappear because of many different reasons.

3.4 Sampling technique

This sampling technique used in the study was simple random sampling where each respondent is given a chance of be selected in participation of study.

3.5 Research instruments

3.5.1 Questionnaire

The main method used to collect data in this study was a questionnaire. The researcher chose questionnaires because they make it possible to reach many respondents within a short period of time and help in gathering the required information easily. Questionnaires were used as the main instrument for collecting data from most of the sampled respondents. This tool was considered appropriate because it allows the researcher to collect information from a large number of people and also gives respondents freedom to answer questions without being influenced.

A total of 201 questionnaires were prepared and distributed to the selected respondents. The questionnaire mainly consisted of closed-ended questions. These questions helped the researcher collect measurable and numerical data that could be used for proper comparison and analysis of the research variables.

3.6 Validity and Reliability of the Instrument

3.6.1 Testing the Validity of the Research Instrument

To ensure the validity of the questionnaire, it was presented to three lecturers who reviewed the questions based on the objectives of the study. Their role was to check whether the questions were relevant and suitable for the research. After their review, the researcher made the necessary corrections and improvements to the questionnaire while keeping the study objectives in mind.

After this process, the Content Validity Index (CVI) was calculated using the appropriate formula to determine whether the instrument was valid for the study.

$$\text{CVI} = \frac{\text{No. of questions declared valid}}{\text{Total no. of questions in the questionnaire}}$$

According to Amin (2017) CVI considered acceptable if $\text{CVI} \geq 0.70$. In the current study, the CVI is 0.90 and was interpreted as acceptable.

3.6.2 Reliability of the instrument

To help the instrument reliability, test retest method was used. The questionnaire will be given to ten personnels . within 2 weeks, the same questionnaire will be given to he same people and the Cron batch Alpha will be calculated by use of SPSS software for analyzing data.

Table 3.1: Showing reliability test result

Constructs variables	Cron bach's alpha	items
Finance reports	.788	6
Working capital	.558	6
Budgets	.731	6
Profits	.518	6
Sales in growth	.523	4

Market share	.605	5
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3.7 Data gathering procedures

3.7.1 Before the Administration of the Questionnaires

Before distributing the questionnaires, the researcher first obtained an introductory letter from the Faculty of Business and Management (FoBM). This letter was presented to the business enterprise owners as permission to conduct the research. The researcher then requested approval from the selected respondents before carrying out the study. At this stage, the researcher also reviewed the questions carefully to avoid mistakes and ensured that only the appropriate respondents were selected.

3.7.2 During the Administration of the Questionnaires

During the data collection process, respondents were requested to fill in the questionnaires. The researcher informed them that the questionnaires would be collected within three days after distribution. After the questionnaires were returned, the researcher checked them to ensure that the questions had been properly answered.

3.7.3 After the Administration of the Questionnaires

After collecting the questionnaires, the data obtained was coded and entered into a computer. The data was then analyzed using the Statistical Package for Social Sciences (SPSS) to allow proper statistical treatment and interpretation.

3.8 Data Analysis

3.8.1 Quantitative Data Analysis

Different statistical methods were used to analyze the data collected. Frequencies and percentages were used to describe the demographic characteristics of the respondents. Means and standard deviations were used to determine the level of financial management practices and the sustainability of SMEs. In addition, regression analysis was used to examine the significant relationship between the variables.

Both the independent variable (financial management practices) and the dependent variable (sustainability of small scale enterprises) were measured using the specified mean ranges.

Table 3.2: Quantitative Data Analysis

Means ranges	Responses	Interpretations
5.22-6.20	Agree	high
4.52-5.31	Agree	high
3.72-4.51	Strongly agree	Very high
2.72-3.52	Strongly disagree	Very Low
2.11-2.72	Disagree	Low

3.9 Ethical considerations

The researcher made sure that all information provided by respondents was treated with strict confidentiality. The study followed important ethical principles such as respect for individuals and fairness. The researcher also made sure that the rights of the participants were protected. These rights included being informed about the purpose of the study, deciding freely whether to participate, and withdrawing from the study at any time without any penalty.

Participants were also requested to sign an informed consent form to confirm their willingness to take part in the study. They were assured that all the data collected would be coded and used only for research purposes in order to protect their identity and privacy.

3.10 Limitations of the Study

(i) Testing: Research assistants helped in administering the questionnaires. Differences in the time of administration, interpretation of questions, and explanations given to respondents could have influenced the responses.

(ii) Extraneous Variables: Some factors were beyond the researcher's control, such as the honesty of respondents, personal bias, and the uncontrolled environment in which the study was conducted.

(iii) Attrition or Mortality: Not all questionnaires were returned or fully completed. Some respondents were unable to participate due to reasons such as travel, illness, hospitalization, or refusal to continue with the study. To reduce this problem, the researcher selected a number of respondents higher than the minimum sample size.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS OF RESULTS

4.0 Introduction

This chapter showed, interpreted and analyzed data collected from the field. Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings.

4.1 Response Rate

Table 4.1: showing response rate

Issued questionnaires	Questionnaires filled and returned	Response rate
220	201	91%

The response rate of the study was determined to show whether the number of questionnaires returned was adequate for analysis. A total of 220 questionnaires were distributed, and out of these, 201 were properly completed and returned, giving a response rate of 91%. This indicates that most of the respondents participated in the study. According to the results presented, the number of returned questionnaires is sufficient and acceptable for analysis since the response rate is above the recommended level suggested by Holbrook et al. (2016).

4.1 Demographic Characteristics of Respondents

The study also sought to collect general information about the respondents. This information was important in helping the researcher understand the background of the participants, their level of experience, and how familiar they were with the issues being studied. It also helped in making the findings more reliable.

4.1.1 Gender

Information on was collected in order to determine the distribution between male and female participants.

Table 4.2: shows gender

Detail	F	(%)
Males	121	63.6%
Females	69	36.4%
Gender total	190	100%

The study aims at showing how distribution of the people in the field. The study findings most (63.7%) were males and 36.3% were female. This shows most workers in SMEs are male .

4.1.2 Age category of respondents

Table 4.3: Age of respondents

Years	(F)	(%)
25-30	20	10.5%
31-35	100	52.6%
36-40	40	21.1%
41 >above	30	15.7%
Total	190	100%

The results in Table 4.3 indicate that the majority of respondents, 100 (52.6%), were in the age group of 26–30 years. This was followed by 20 respondents (10.5%) who were aged between 20–25 years. About 40 respondents (21.1%) fell within the age range of 31–36 years, while the smallest group, 30 respondents (15.7%), were aged 41 years and above.

This shows that most employees in SMEs are relatively young, especially within the 26–30 age bracket. This could mean that SMEs tend to employ youthful individuals who are more flexible and able to adapt to changing market demands, which can help improve service delivery and business growth.

These findings are in line with earlier studies by Tengeh (2016), and Fatoki and Patswawairi (2017), who pointed out that many small businesses are often owned or managed by middle-aged individuals. Such individuals are considered to have an advantage over younger ones because they usually possess more experience, skills, and knowledge, which increases their chances of success, as also noted by Sawang (2019).

4.1.3 Education level of respondents

Table

Details	(F)	(%)
Certificates	20	10.5%

Diploma D	30	15.7%
Bachelor degree	90	47.3%
Bachelor	20	10.5%
Other	30	15.8%
Total	190	100

Source: Primary Data, 2025

Table 4.4 The findings reveal that the largest group, 70 respondents (34.8%), had attained a Bachelor's degree. This was followed by 62 respondents (30.8%) who held diplomas. About 38 respondents (20%) had Master's degrees, while 21 respondents (10.4%) fell under other categories, including those who did not complete PLE and a few with PhDs. The smallest group, 10 respondents (5%), had certificate-level education.

These findings are similar to those of Sibanda and Manda (2016), who observed that many small business owners tend to have relatively lower levels of education, and it is uncommon to find those with advanced qualifications like Master's degrees or PhDs. This could affect the financial performance of such businesses, since higher levels of education are often linked to better management and decision-making skills.

4.1.4 Working experience

Table

Years	F	(%)
<2	40	21.1%
3-5	50	26.3%
6-8	90	47.4%
9 >above	10	5.3%
Total	190	100

Source: Primary Data, 2025

In the above table, respondents (47.4%) had worked for 6-8 years, they are followed by those of 3-5 years (26.3%), and those of 21.1% had worked for 2 years below and 5.3 % worked for above 9 years. This showed majority of these workers were equipped with experience in the fields therefore they could give the researcher information required.

4.2 Descriptive Statistics of Financial Management Practices

In this study, financial management practices were treated as the independent variable. This variable was divided into three main components, namely financial reporting, working capital management, and budgeting, with each section having five questions.

All the questions were designed using a five-point Likert scale, where respondents were required to show their level of agreement or disagreement with each statement. This helped in measuring how strongly the respondents felt about the different financial management practices in their businesses.

4.2.1 Descriptive Statistics of Financial Reporting

Table

Financial Reporting details	Means	Standard Deviation	Interprets
Releasing of cash procedures	4.06	.836	High
Rules and proper policies of cash management	3.90	1.031	High
controlling ,preventing and detection of fraud and errors	3.58	1.155	High
Balancing cash	3.54	1.241	High
Cash managing to increased sale	2.5	1.235	Low
Means total	3.50	1.099	High

interpretation mean		
Means ranges	Responses	Interpretations
4.31-5.00	agree	High
3.51-4.30	Strongly agree	Very high
2.71-3.50	Agree	High
1.91-2.70	agree	High
1.00-1.90	agree	High

The results in Table 4.6 show that financial reporting practices among SMEs in Kampala Central Business District, Uganda were generally rated as satisfactory, with an overall mean score of 3.5

When respondents were asked whether their businesses have clear policies and procedures for releasing cash, most of them agreed. This is supported by a mean score of 4.06, which falls within the “agree” range. This indicates that many SMEs have established clear guidelines for handling cash, and this practice is being followed at a satisfactory level.

The study also looked at whether businesses follow proper rules and regulations related to cash management. Most respondents agreed with this statement, and the mean score of 3.9 shows

that adherence to policies is fairly good. This implies that financial reporting practices are helping SMEs comply with set rules and procedures in managing their finances.

4.2.2 Descriptive Statistics of Working Capital Management

Table

working capital management details	Means	Standard Deviation	Interpretations
Managing of cash helps business to have adequate stocks as per customer wants	3.95	1.227	High
It helps in increasing sales	3.89	1.079	High
It is efficient and effective	3.50	1.348	High
Receivables are properly Managed	2.55	1.102	High
Proper management of accounts payables	3.47	1.074	High
Av Mean	3.69	1.166	High

Means interpretations		
Means ranges	Responses	Interpretations
3.32-6.00	agree	High
2.35-3.31	Strongly Agree	Very High
1.11-2.34	Agree	High
1.01- 1.10	Neutral	Not sure
1.00-1.80	disagree	Low

The findings in Table 4.7 indicate that working capital management among SMEs in Kampala Central Business District, Uganda was generally considered satisfactory, as shown by the overall mean score of 3.69. This suggests that most SME owners are managing their working capital in a fairly good way.

Respondents were asked whether proper cash management helps the business maintain enough stock to meet customer demand. Most of them agreed with this statement, and the mean score of 3.95 falls within the acceptable range of 3.4–4.2. This shows that businesses are handling receivables and stock levels in a satisfactory manner.

They were also asked if cash management contributes to increased sales in the business. The responses were positive, with a mean score of 3.89, indicating that the majority agreed that effective cash management supports business growth through higher sales.

In addition, the results show that inventory management in these businesses is fairly efficient and effective, as reflected by a mean score of 3.5. Overall, since all the mean values fall within the range of 3.4–4.2, it can be concluded that respondents generally agreed that working capital management practices among SMEs in Kampala Central Business District are satisfactory.

4.2.3 Descriptive Statistics of Budgeting

Budget details	Means	Stds. Devs.	Interpretations
Controlling revenue and expenditure of the business	4.17	.666	High
Cash needed and Cash inflows in the business	4.05	.912	High
Weekly cash projections	3.97	.680	High
Cash projecting monthly	3.67	.915	High
Cash requirements and clear terms	2.50	1.150	Low
Av Means	3.44	0.864	High

Means interpretations		
Means ranges	Responses	Interpretations
5.21-6.00	agree	High
4.41-5.20	Strongly Agree	Very High
3.61-4.40	Agree	High
2.81-3.60	Agree	High
2.00-2.80	disagree	Low

The findings presented in Table 4.8 show that budgeting practices among SMEs in Kampala Central Business District, Uganda were generally rated as satisfactory, with an overall mean of 3.44. This suggests that most SME owners are fairly managing their budgeting activities, including aspects related to inventory and cash planning.

From the results, budgeting appears to be reasonably well practiced among these businesses, as indicated by the average mean score of 3.44. Respondents agreed that their businesses prepare cash budgets to help control receipts and payments, with a mean score of 4.17. They also indicated that there are clear projections of cash inflows and expected cash needs, supported by a mean of 4.05.

In addition, many respondents agreed that their businesses prepare weekly cash projections (mean = 3.97), while others indicated that cash projections are mainly done on a monthly basis (mean = 3.67). All these responses fall within the acceptable range of 3.4–4.2, showing that

budgeting practices are being applied at a satisfactory level and most respondents generally agreed with these statements.

Respondents were further asked whether their businesses clearly plan for short-term cash needs, such as on a weekly basis, which also aimed at understanding how well SMEs handle immediate financial requirements.

4.3 Descriptive Statistics on Performance of Small and Medium Enterprises

Profits	Means	Stds. Devs.	Interpretations
Expectation of profits to be high	3.83	.94	High
High returns after investing	3.57	1.14	High
Assets giving you profits	3.54	1.11	Low
Net profit margins being high	2.55	1.12	Low
Revenue exceeding expenditure	2.50	1.10	High
Profit mean	3.2	1.1	Low
Growth			
Sales of new and quality products have increased customers	4.13	.632	High
Sales volume always increase yearly	3.78	.675	High
Sell large quantities of goods	3.61	1.056	High
Average Mean Growth	3.84		High
Market Share			
newly discovered needs	3.71	1.222	High
Maintenance of good customer focus	3.56	1.326	High
Always provide high degree of customer care	2.99	1.174	Not sure
Always respond to customers' tastes and preferences	2.43	1.075	
Average Mean	3.17	1.199	High
Overall Mean	3.4	1.171	High

Key for interpretation of means		
Mean range	Response	Interpretation
4.21-5.00	agree	High
3.41-4.20	Strongly Agree	Very High
2.61-3.40	Agree	High
1.81-2.60	agree	High
1.00-1.80	disagree	Low

The results in Table 4.9 show that profitability among SMEs in Kampala Central Business District is moderate, as indicated by the overall mean score of 3.4. This suggests that these businesses have some level of resources that allow them to perform financially, though not at a very high level. Similarly, profitability as a construct was rated moderate, with an average mean of 3.2, showing a fairly acceptable performance.

The findings also reveal that many business owners expect profits to remain high in the future, as shown by a mean score of 3.83. Respondents also agreed that there is a reasonable return on investment (mean = 3.57), which indicates that businesses are gaining some returns from the capital they invest. In addition, business assets were reported to generate profits for owners (mean = 3.54). However, not all aspects were positive. Respondents did not strongly agree that their businesses have high net profit margins (mean = 2.55), and it was also noted that revenue does not always exceed expenses (mean = 2.5). This overall shows that SME profitability is only moderate.

Regarding business growth, respondents agreed that selling new and high-quality products helps attract a large number of customers from different parts of Uganda, with a mean score of 4.13. They also agreed that sales volume tends to increase over time (mean = 3.78) and that businesses sell goods in relatively large quantities (mean = 3.61). Since all these values fall within the range of 3.4–4.2, it indicates that growth among SMEs is satisfactory.

In terms of market share, the results show a fairly satisfactory level, with an average mean of 3.17. Respondents indicated that business owners often segment their customers based on new needs and buying behaviors (mean = 3.71), and they also maintain a reasonable level of customer focus (mean = 3.56). However, some areas still need improvement. For example, businesses do not always provide highly convenient services to customers (mean = 2.99), and they are not very effective in responding to changing customer needs (mean = 2.43). Overall, this suggests that while SMEs are making some effort to maintain and grow their market share, there are still gaps that need attention.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter shows the discussion of the findings, conclusions, and recommendations. The focus was on how working capital management and financial management practices can influence the performance of SMEs, based on the variables shown in the study. Conclusions are drawn from what I found out from the findings and recommendations are provided.

5.1 Discussions

5.1.1 Objective one; the effect of financial reporting on performance of SMEs

The study shows that financial reporting has an impact on performance of small-scale enterprises in Kampala CBD. This can prove that proper and accurate financial reporting contributes to the success of SMEs. These findings align with Nzotta (2018), that financial reports help stakeholders to evaluate an organization's performance.

Financial reporting is important because it gives management information for planning. It also gives information to investors and shareholders enabling them to make financial decisions. Financial reports provide insight into the firm's assets, their quality, the firm's obligations

The most significant qualitative characteristics of financial reporting are relevance and reliability. Other enhancing qualities are clarity, comparability, verifiability of financial information for decision making.

5.1.2 Objective two; the effect of working capital management on performance of SMEs

After the study it showed that working capital maintenance significantly affects the performance of SMEs. Good maintenance of working capital improves business results while bad maintenance reduces it. This supports study of Okinyi & Keiyoro (2019), who emphasized that working capital maintains the right balance of cash, inventory, receivables, and payables.

Shaskia (2017) showed that managing debtors is important for profits and liquidity. Firms should put policies to monitor debtors and minimize bad debts and give a stop collection period.

5.1.3 Objective three; the effect of budgeting on performance of SMEs

The study showed that working capital maintenance is important for the performance of SMEs. Good management of working capital improves performance while weak management reduces it. Okinyi & Keiyoro (2019), who emphasized that working capital management should involve maintainin balance of cash, inventory, receivables, and payables. Effective management helps the businesses to continue operations smoothly and meet short-term obligations.

Nyamao et al. (2017) advised SMEs to manage their debtor levels to reduce unnecessary costs. Overall, working capital management is the key factor of SME performance.

5.2 Conclusions

5.2.1 Objective one; effect of financial reporting on performance of SMEs

The study concludes that financial reporting has an important role on SME performance. Effective financial reporting is important because it enables business manage cash flow, meet customer demand and maintain good supplier relationships

5.2.2 Objective two; effect of working capital management on performance of SMEs

Findings show that working capital maintenance is significant in SME performance. Managing balance between current assets and liabilities reduces the risk of not achieving and completing obligations. Proper management of cash, receivables, inventory and payables enhances financial performance.

5.2.3 Objective three; effect of budgeting on performance of SMEs

Budgeting helps in the impact on SME performance. SMEs in Kampala CBD have used budgeting to plan operations and monitor progress . Adhering to budgets ensures that resources are used effectively and effectively.

5.3 RECOMMENDATIONS

5.3.1 Objective one; effect of financial reporting on performance of SMEs

SME owners should put systems to monitor, record and track financial transactions to ensure accuracy and efficiency. Top management should monitor compliance with financial reporting standards set by the IIA and accountants should stay updated on current standards when performing their duties.

5.3.2 Objective two; effect of working capital management on performance of SMEs

SMEs should use effective working capital maintenance systems . Businesses should keep an eye on stock levels and protect inventory from unauthorized access . Managing optimal levels of cash, receivables, and payables improves sales, allows timely payments and strengthens supplier trust. Policies to reduce bad debts and shorten credit collection periods should be enforced..

5.3.3 Objective three; effect of budgeting on performance of SMEs

SMEs should develop strong budgeting ways and manage proper financial planning to control use of funds effectively. Budgeting involves planning, monitoring and departments must create budgets to prevent misuse of resources. Strong internal financial controls will reduce misappropriation and improve financial performance.

5.4 Contribution to Knowledge

Previous studies in countries like Kenya, Uganda, Botswana, and Nigeria have examined financial management practices in SMEs, producing mixed results (Nzotta, 2018; Courtis, 2015; Shin & Soenen, 2018; Deloof, 2019; Padachi, 2018; Lazaridis & Tryfonidis, 2018; Raheman & Nasr, 2018; Dong & Su, 2020; Yasin, 2018; Becchetti, 2017). This study adds empirical evidence that financial reporting, working capital management, and budgeting significantly affect SME performance in Uganda. SMEs should implement these practices carefully to enhance profitability, growth, and market share.

5.5 Areas for Further Research

Future researchers may explore the following areas:

The impact of cash collection on SME performance in Kampala Central Business District.

The relationship between financial reporting and SME profitability in Kampala Central Business District.

The effect of working capital management on SME profitability in Kampala Central Business District.

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APPENDIX II: INFORMED CONSENT

I am giving my consent to be part of the research study carried out by Atwiine Allan that will focus on “Financial Management Practices and Sustainability of a selected business Enterprises in Kampala Central Business District, Uganda”.

.....
Signature

APPENDIX III: RESEARCH INSTRUMENT

Dear Respondent,

I am Atwiine Allan, a student at Uganda Christian University, currently carrying out a study as part of my bachelor's degree requirements. The research focuses on financial management and sustainability of selected business enterprises within Kampala Central Business District.

I kindly request you to participate by answering the questions in this questionnaire. The information you provide will only be used for academic purposes and will be handled with strict confidentiality.

Thank you very much for your time and support.

Section A: Profile of respondents

1. Age

- | | | | |
|-------------------|--------------------------|-----------------------|--------------------------|
| a) 20-25 years, | <input type="checkbox"/> | b) 26-30years | <input type="checkbox"/> |
| c) 31-36years and | <input type="checkbox"/> | d) 41 years and above | <input type="checkbox"/> |

2. Gender

- a) Male
- b) Female

3. Level of education qualification

- a) Certificate
- b) Diploma
- c) Bachelor's degree
- d) Bachelor
- e) Others

4. Number of years' experience

- a) Below 2 years
- b) 3-5 years
- c) 6-8 years
- d) 9 years and above

SECTION B: FINANCIAL MANAGEMENT

Direction 1: Please tick the best option in the space provided which corresponds to your best choice in terms of financial practices. Kindly use the scoring system below:

Response Mode	Rating	Description	Legend
Strongly Agree	(5)	You agree with no doubt at all.	SA
Agree	(4)	You agree with some doubt	A
Neither Agree	(3)	You neither agree or Disagree	N(A/D)
Disagree	(2)	You disagree with some doubt	D
Strongly disagree	(1)	You disagree with no doubt at all	SD

No.	Financial Management	SA	A	N	D	SD
	Financial Reporting					
1	The business has well defined procedures for handling cash					
2	There is good compliance with rules and policies related to cash management					
3	Measures are in place to detect and prevent fraud or errors					
4	The business maintains appropriate cash balances.					
5	There is a proper balance between cash inflows and outflows.					
	Working Capital Management					
1	Cash management ensures enough stock to meet customer demand.					
2	Effective cash management has contributed to increased sales					
3	Inventory is handled efficiently in the business.					
4	Receivables are well managed.					
5	Payables are properly controlled.					

	Budgeting					
6	The business prepares a cash budget to monitor receipts and payments					
7	Cash inflows and needs are clearly projected					
8	Weekly cash forecasts are prepared					
9	Monthly projections are also carried out.					
10	Short-term cash requirements are properly identified					

SECTION C: SUSTAINABILITY OF BUSINESS ENTERPRISES

Direction 1: Please tick the best option in the space provided which corresponds to your best choice in terms of sustainability of a selected business Enterprises. Kindly use the scoring system below:

Response Mode	Rating	Description	Legend
Strongly Agree	(5)	You agree with no doubt at all.	SA
Agree	(4)	You agree with some doubt	A
Neither Agree or Disagree	(3)	You neither agree or Disagree	N (A/D)
Disagree	(2)	You disagree with some doubt	D
Strongly disagree	(1)	You disagree with no doubt at all	SD

	Profitability					
6	The business is expected to maintain high profits in the future					
7	There is a strong return on investment					
8	Business assets generate adequate profits					
9	Net profit margins are high					
10	Revenue consistently exceeds expenses					
	Sales growth					
1	Introduction of quality products has attracted more customers.					
2	Sales volume increases over time					
3	The business sells large quantities of goods					

	Market Share					
1	Customers are segmented based on their changing needs					
2	The business maintains strong customer focus					
3	Services offered are convenient for customers					
4	The business responds well to customer needs					

APPENDIX IV: THE BUDGET FOR THE STUDY.

NO.	DESCRIPTION	QUANTITY	UNIT COST	Total
1.	Stationery			
	A) 3 Ream of Photocopying Paper	3	8,500	25500
	B) 1 Ream Ruled Paper	1	7,000	7,000
	C) 5 Floppy Diskettes	5	1,000	5,000
	D) 6 Bic Pens	6	200	1,200
	E) 1 Flash Disk of 2.0 GB	1	28000	35,000
	F) 6 Pencils	6	100	600
2	Secretarial services			
	A) Typesetting		35,000	35,000
	B) Photocopying		15,000	15,000
	C) Sprial Binding	3 copies	15,000	45,000
	D) Printing	100 @	1500	150,000
	E) Hardcover Binding	4	8,000	32000
	F) Travel Costs			485000
3	Data Treatment			
	a) Coding			200,000
	b) Questionnaire administration			300,000
	c) Consultation on correction methodology, review			160,000
	c) Data collection/Interviews			120,000
	d) Data analysis			300,000
	d) Adjustments			340,000

	Grand total			1,880,000
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APPENDIX V: THE TIME FRAME OF THE STUDY

		2026		
		Jan	Feb	March
No	Activity			
1	Thesis REPORT Preparation			
2	Data Collection and Review			
3	Data Processing, Coding, Typing Editing			
4	Submission of Final Thesis REPORT			
5	Report Preparation			
6	Data Processing, Coding, Typing Editing			
7	Submission of the first draft of the Thesis			
8	Discussing the Results with the Supervisor			
9	Reviewing and Correcting Typesetting etc.			
10	Submission of Final Draft of the Thesis			

Atwine Allan

Financial management and sustainability of selected business enterprises in Kampala

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Atwine Allan

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