

**IMPACT OF CASH MANAGEMENT PRACTICES AND FINANCIAL  
PERFORMANCE OF SMALL-SCALE BUSINESSES: A CASE STUDY OF  
SMALL-SCALE BUSINESSES IN MUKONO CENTRAL DIVISION**

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**UGANDA CHRISTIAN  
UNIVERSITY**

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## DECLARATION

I do declare that this research report is full of my original work and the best of my knowledge it has not been submitted or presented for any degree award in any other university


Signature:  ..... Date: 20/9/2024 .....

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**S21B33/064**

## APPROVAL

This acknowledges that I oversaw the completion of the research report titled “ Impact of cash management practices and financial performance of small-scale businesses: A case study of small-scale businesses in Mukono Central Division.” And that it is now prepared for submission to Uganda Christian university’s school of business.

Signature:.......... Date: 20/9/2024.....

Dr. Mugisha Henry ( Supervisor)

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I also acknowledge the support of my family members especially my parents for financing me and encouraging me to complete this research work.

May God bless you.

## LIST OF ABBREVIATIONS

- SMEs Small and Medium Enterprises
- SPSS Statistical Package for Social Scientists
- SSB Small Scale Businesses
- UCU Uganda Christian University

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## ABSTRACT

This study examined how cash management strategies affected the small-scale enterprises in Mukono Central Division's financial performance, emphasizing the value of keeping accurate records of transactions, creating cash budgeting, and controlling accounts receivable. To investigate the connection between working capital management and financial success, a cross-sectional research approach was used. The study's population consisted of 100 small-scale businesses that were registered; a sample size of 75 respondents was chosen using the sample size table developed by Krejcie and Morgan. Software from SPSS was used to examine the data that was gathered utilizing questionnaires.

The results show that respondents strongly agreed on the advantages of thorough record-keeping for tax compliance, financial planning, and decision-making. Nonetheless, there are several domains where regulatory compliance and credit assessment could be strengthened by better comprehension and application. The effectiveness of cash budgeting in enhancing financial performance, particularly in controlling cash flows and reducing risks, is also widely acknowledged by small business owners. However, there is still need for improvement when it comes to using cash budgets for revenue development and financial health evaluation, as seen by the disparities in understanding and utilization.

The study also emphasizes how important effective accounts receivable administration is for enhancing cash flow, preserving liquidity, and reducing the need for outside funding. It becomes clear that timely payment collection is essential for maximizing working capital, increasing profitability, and lowering default risks. The focus on precise data highlights how crucial sound accounting procedures are to making well-informed decisions.

Recommendations based on the results include using computerized accounting software for financial reporting, leveraging internet-based innovations for cash management, and providing training programs to improve SME owners' and managers' financial management abilities. These interventions have the potential to enhance both the financial performance and operational sustainability of small businesses.

## CHAPTER ONE

### 1.0 Introduction

This chapter presents the background to the study, research problem, objectives of the study, research questions, the scope of the study and conceptual framework of the study.

### 1.1 Background to the Study

Cash can refer to both physical cash and cash kept in a bank. It also includes notes and coins of a certain denomination. Tennent (2012) asserts that cash is a commercial enterprise's most valuable resource since it is easily convertible into other assets or company resources and retains a consistent value. For the foreseeable future, cash is a business's essential input and the output that is anticipated to be realized following the sale of goods and services (Attom, 2014). Making sure a company has enough cash on hand to maintain liquidity and reinvest excess funds in profitable ventures is the goal of cash management (Waweru, 2011).

Cash serves as the entity's primary resource as well as a means of acquiring other resources. Managing cash involves overseeing the organization's capacity to make purchases, settle debt, compensate staff, and maintain operational control. Therefore, the ability of the organization to fulfill its mission, aims, and objectives is directly correlated with efficient cash management. Scholars have defined the term "cash management" in a variety of ways. For example, cash management refers to the set of procedures that a firm uses to maximize the benefits of its cash flow. Cash management, according to Storkey (2013), is having the appropriate amount of money at the right place at the right time to fulfill the government's responsibilities in the most economical manner. Since cash is regarded as the lifeblood of any business, the Chartered Institute of Management Accountants (CIMA, 2012) noted that cash management is essential in every corporate organization. Cash management is a component of every corporate operation (Abioro, 2013).

Effective cash management techniques are one of many aspects that contribute to an enterprise's success (Attom, 2014). Ensuring positive cash flow is crucial for the seamless operation of a business (Abioro, 2013). explains that having adequate cash on hand when needed is the main goal of cash management, and that effective cash

management entails making better judgments about when to spend money, collecting and depositing money early, and creating more accurate cash flow projections. This lowers the cost of any required borrowing and makes it easier to spend extra money to reach the best overall return. According to Asian Banker Research (2011), reducing costs and enhancing security are the primary factors that drive efficiency in cash handling. As a result, accurate forecasting is essential to minimizing surplus cash, but it's also the most difficult work because it depends on a lot of variables. According to Moyer, Maguigan, and Kretlow (2019), efficient cash management is crucial for the following reasons: First, it helps with the financial statement plan that is needed to support bank loan applications; second, it lessens the issue of cash scarcity; third, it helps businesses monitor the cash resources that are allocated to inventory and accounts receivable; and fourth, it permits a business to run with the least amount of cash due to the high cost of access to capital.

Effective working capital management includes effective cash management, which is crucial to the success or failure of small businesses (Nyabwanga et al, 2012). Since inventory accounts for the largest percentage of capital, small-scale retail businesses are more reliant on sales to generate revenue. Small-scale businesses (SSEs) must pay for the things they purchase before their clients can make the necessary payments.

Business organizations use cash management procedures to control their cash inputs, outflows, and balances retained at any one time (Attom, 2014). Three primary cash management strategies were highlighted by Reider and Heyler (2013): cash budgeting, cash conversion cycle, and maintaining corporate records.

SSEs confront numerous challenges that impede their long-term survival and growth, such as a lack of funding, a lack of managerial expertise, and constantly shifting legal and regulatory frameworks that jeopardize company operations (Maengwe and Otuya, 2016). However, elements that owners and managers may directly influence have a negative impact on the success of the company, such as a lack of operating capital and stock. Even though SSEs are recognized as important drivers of economic growth in Uganda, up to 40% of start-ups are predicted to fail by year two, and at

least 60% to close their doors by year four (4). The study was conducted because it is unclear if inadequate financial management techniques are a factor in these closures.

## **1.2 Statement of the Problem**

Raheman and Nasrsurvey (2016) found that small enterprises in Uganda had a high rate of business failure, with 46.3% of establishments closing during the first year of existence. However, the trend in closing rate slows down with the age of the company, which suggests that it will eventually stabilize. Remarkably, 73% of all firm closures were in the wholesale and retail trade, as well as the auto and motorcycle maintenance industries. Due to variations in sales turnovers, small businesses with poor cash management procedures face a lack of operational money and consequently poor business performance. A combination of recording, monitoring, planning, and control systems is necessary for a successful cash management system to operate efficiently.

Eliminating one or more components may cause the cash management system to become unstable, which will reduce the capacity to achieve complete control over cash flow and lead to cash flow issues for the organization. Prior research treated every practice as a stand-alone activity that affected business performance at varying degrees and produced varying outcomes. Given this, the purpose of the study is to examine how cash management strategies affect the financial performance of businesses.

## **1.3 General objective of the study**

The broad objective of this study was to find out the impact of cash management on financial performance of small-scale enterprises in Mukono Central division.

## **1.4 The specific objectives of the study**

- To find out the effect of maintaining business records on financial performance of small-scale businesses in the study context
- To establish the effect of preparing cash budget on financial performance of small-scale businesses in the study context
- To determine the effect of accounts receivables management on the financial performance small-scale businesses in the study context.

## **1.5 Research questions**

- I. What is the effect of maintaining business records on financial performance of small-scale businesses in the study context
- II. What is the effect of preparing cash budget on financial performance of small-scale businesses in the study context
- III. What is the effect of management of accounts receivables on financial performance of small-scale businesses in the study context.

## **1.6 Scope of the study**

### **1.6.1 Subject scope**

The study focused on cash management and financial performance of small-scale businesses in Mukono Central division.

### **1.6.2 Geographical scope**

The study was carried out in Mukono Central Division, Mukono District found in central region of Uganda about 24 kilometers from Kampala city.

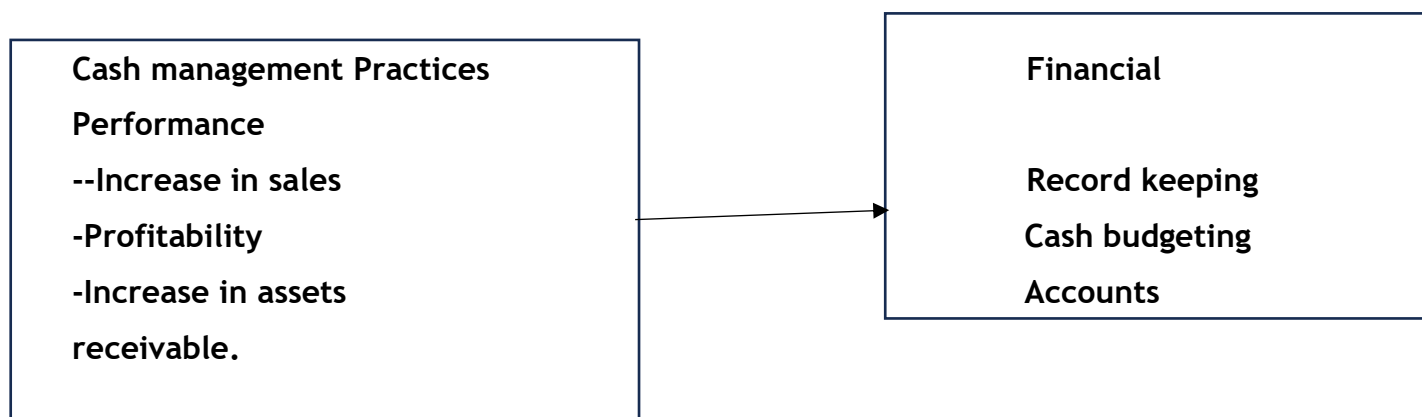
### **1.6.3 Time scope**

The study considered small scale businesses that have been in existence for more than five years. This period is selected to enable the researcher come up with coherent information from the respondents.

## **1.7 Significance of the study**

- I. The findings of this study will help other companies who are trying to make decisions regarding working capital management.
- II. The finding will also help to develop an understanding of the advantages and disadvantages of financial practices and techniques of managing cash.
- III. The study will also reveal how essential Working Capital Management Strategies such as policies, practice and techniques are to the financial performance of businesses.
- IV. The findings may also help assess the effectiveness of working capital management on financial performance of businesses.

## 1.8 Conceptual Framework



Source: Adapted from Nyabwanga *et al.* (2012)

It is believed that a company with good cash management procedures will be able to monitor the flow of its funds and utilize its financial resources more effectively, both of which should boost the company's success. The business's information, internal processes, and a reliable control system make up the cash management system. Because the independent variables—cash budgeting, accounts receivable, and record keeping—are linked, they all contribute to ensuring there is enough cash on hand to support corporate operations. High sales turnover is a sign of a successful trading process; profitability depends on the complete integration of cash management techniques. Eliminating any one of the practices causes the cash management system to become unstable, which makes it challenging to increase sales turnover and profitability.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter presents the literature related to this study. Specifically, this section covers theory of cash management, the various cash management practices and the empirical review of cash management practices.

#### 2.1 Definition of terms

##### 2.1.1 Cash

Generally speaking, cash is described as actual money in the form of coins or bills that are widely accepted as payment for products and services. It may also refer to amounts kept in bank accounts or other readily transactable financial products. Financial textbooks and references such as "Fundamentals of Financial Management" by Eugene F. Brigham and Joel F. Houston, 2019 provide a standard definition of cash, which is defined as "currency on hand, demand deposits with banks, and other assets readily convertible into known amounts of cash and subject to insignificant risk of changes in value."

##### 2.1.2 Cash management.

According to Reider and Heyler (2003), cash management is a tool used to keep the business operating as profitably, effectively, and efficiently as possible. It focuses on how the organization uses cash, taking into account its sources and uses as well as the policies and procedures in place to deal with situations where cash is scarce. This explanation is consistent with the definition given by a number of writers and researchers, including Pandey (2014), who described cash management as the process of organizing and managing a company's cash balances at any given time, as well as its cash flows into and out of the business. However, cash management was described by Kytönen (2014) as the management of short-term assets and this explanation is consistent with the definition given by a number of writers and researchers, including Pandey (2014), who described cash management as the process of organizing and managing a company's cash balances at any given time, as well as its cash flows into and out of the business. However, cash management was described by Kytönen (2014) as the management of short-term assets and the

management of short-term assets and liabilities, on the other hand, includes cash, marketable securities, accounts receivable, prepaid expenses, and other current assets and liabilities like accruals, notes payable, and accounts payable, according to Kytönen (2014).

### **2.1.3 Financial performance**

In Wanjiku's (2014) definition, financial performance is the monetary outcome of a company's financial policies and activities that take into account return on equity, return on investment, return on investment, and liquidity levels. According to Micheni (2013), financial performance is a subjective indicator of a company's ability to turn a profit from its assets. Furthermore, he states that a broad indicator of a company's financial commitment over a specific time frame is its financial performance.

### **2.1.4 Small Enterprises.**

Faris Stephanie (2018), Small-scale enterprises typically consist of retail or service sectors, such as bakeries, small manufacturing units, pharmacies, grocery stores, and tradespeople. Small firms are privately held companies with lower capital needs, smaller workforces, and either no or very little machinery. These companies are best suited to run on a small scale in order to benefit the neighborhood and make money for the owners.

According to the 2009 UIA statute, a small-scale firm is one that employs no more than four people and has total assets of no more than 10 million Ugandan Shillings annually or a turnover of sales or income.

Conversely, small-scale businesses employ five to forty-nine people and have total assets of UGX 10 million to UGX 100 million or less.

## **2.2 SME financial performance and business records**

A 2014 study by Attom on the methods used by small and micro businesses in Kasoa, Ghana's central region, to manage their cash. According to the report, the majority of small and micro businesses, particularly those in the retail industry, neglected to maintain transaction records. Retail businesses did not keep track of cash payments or receipts in 78% and 80% of cases, respectively. It was challenging to distinguish

between money intended for company use and personal use due to a lack of transaction records. Consequently, the ability to keep track of all their financial activities has a significant impact on the proper planning, monitoring, and control of cash flows. Nonetheless, the study examined the impact of maintaining company records on productivity.

Most small-scale businesses don't retain records of their operations, according to a study by Ademola et al. (2012) on the importance of record keeping for the survival and expansion of small businesses. A large number of them either kept the records in their heads or did not know how to retain them, believing that maintaining records would take a lot of time. Since there is no indication that the businesses are declining, many of the respondents who are in charge of them don't even care if they are expanding. The study underscored the need for commercial organizations to maintain accurate and timely records in order to fulfill their established goals. Conversely, the study's emphasis was did not look into how company record keeping affected sales when discussing the importance of record keeping for SSE survival and expansion.

Another study by Kasim, Zubeiru, and Mtala (2015) examined the importance of record keeping for the survival and expansion of small and medium-sized businesses in Northern Ghana. It found that approximately 79% of respondents kept track of all their financial transactions, which allowed them to manage their cash flows and assess their company's financial standing. This demonstrated how different entities have different cash management strategies and levels of process sophistication, all of which have an impact on an organization's overall success. But rather than examining the impact of business record keeping on sales in the setting of SMEs alone, the study concentrated on the function that record keeping plays in the survival and expansion of SMEs.

The influence of maintaining accounting records on the performance of small-scale enterprises was investigated by Abdul-Rahamon and Adejare (2014). According to the study's findings, there is a significant positive correlation between the performance of small-scale businesses in Nigeria and the maintenance of accounting records; a 1% increase in record-keeping standards is associated with a 12% increase in performance. This suggested that maintaining accounting records raises the

likelihood of the business running smoothly, attaining success, and offering data to support cash management in the company. In Kisii South District, Nyabwanga, Ojera, Lumumba, Odondo, and Otieno (2012) evaluated the impact of working capital management techniques on the financial performance of SSEs. There were 72 trading and 41 manufacturing SSEs in the sample of 113 SSEs. Data analysis methods included multiple regression analysis and Pearson's correlation coefficients. As a result, the study's conclusions showed that SSEs had poor working capital management practices because the majority had not implemented formal working capital management procedures and had generally poor financial performance. The study also showed a strong relationship between SSE financial performance and the effectiveness of receivables management and cash management (ECM) and efficiency of efficiency management.

Gul, Khan, Rehman, Khan, Khan, and Khan (2013) looked into how Pakistani small- and medium-sized businesses' (SMEs) performance was affected by working capital management (WCM). The study was conducted from 2006 to 2012 during a period of seven years. SMEDA, the Karachi Stock Exchange, tax offices, the company itself, and Bloomberge Business Week provided the data for this study. Return on Assets (ROA), a stand-in for profitability, was the study's dependent variable. The Cash Conversion Cycle (CCC), Number of Days Account Payable (APP), Number of Days Inventory (INV), and Number of Days Account Receivable (ACP) were the independent variables. The findings indicated that whereas ACP, INV, CCC, and DR had an inverse relationship with profitability, APP, GROWTH, and SIZE had a positive link with it.

While a small number of researchers (Kasim et al., 2015; Ademola et al., 2012) have provided studies on record keeping and performance among SMEs and micro and small firms, the majority of researchers (Attom, 2014; Gul et al., 2013) have concentrated their analysis on WCM. For example, Attom (2014) concentrated on how Ghanaian corporate profitability was affected by cash management methods. On the other side, Kasim et al. (2015) examined the impact of bookkeeping on a company's ability to survive and expand. Using secondary data, Gul et al. (2013) investigated the connections between working capital management and the financial performance of SMEs.

### 2.3 SMEs' Financial Performance and Cash Budgeting

In their study of the cash management practices and financial performance of small and medium-sized businesses, Hamza, Mutala, and Antwi (2015) found that respondents did not prepare cash budgets for a variety of reasons. For example, 31.6% of respondents said they did not need one at the time, 14.8% said it did not apply to their company, and 16.5% did not know what a cash budget was. Nonetheless, the current study looks into how SSE performance is affected by cash budgeting.

In 2012, Nyabwanga, Ojera, Lumumba, Odondo, and Otieno evaluated how working capital management techniques affected SSEs' financial results. According to the study's findings, roughly 33% of respondents said they didn't need a monetary budget, and 17% didn't know how to create one. As a result, the businesses had no means of knowing how long the cash surplus would last or when further funding would be required for expenses because they had not invested their brief cash surpluses for profit. But the study found no connection between performance and cash budgeting practices.

Gul, Khan, Rehman, Khan, Khan, and Khan (2013) looked into how Pakistani small- and medium-sized businesses' (SMEs) performance was affected by working capital management (WCM). Return on Assets (ROA), a stand-in for profitability, was the study's dependent variable. The Cash Conversion Cycle (CCC), Number of Days Account Payable (APP), Number of Days Inventory (INV), and Number of Days Account Receivable (ACP) were the independent variables. The findings indicated that whereas ACP, INV, CCC, and DR had a negative relationship with profitability, APP, GROWTH, and SIZE had a positive link with profitability. They did not, however, conduct a study on SSEs in the field of study, nor did they look into the relationship between cash budgeting and performance.

The inadequate use of cash budgets (79%) to track cash inflows and outflows was found to be one of the contributing factors to the persistent issue of unpredictable cash balances, according to another study conducted by Attom (2014) on cash control methods by micro and small-scale firms in Ghana. The study did not, however, find a connection between performance and monetary budgeting techniques. According to a Kemp et al. (2015) study conducted in South Africa,

respondents to the study did not actually use cash budgets to measure the solvency (mean of 2.80), profitability (mean of 2.88) and liquidity (mean of 2.94) of their respective businesses. The low use of the cash budget was ascribed to the respondents' lack of knowledge that can help measure their financial performance not knowledgeable enough to manage monetary budgets efficiently. Nevertheless, the study did not look at how cash planning affects business performance.

While some researchers (Kemp et al., 2015; Attom, 2014) have provided studies on cash budgeting and performance among SMEs and micro and small firms, the majority of researchers (Hamza, Mutala, and Antwi, 2015; Nyabwanga et al., 2012) have concentrated their analysis on WCM. Nyabwanga et al. (2012), for example, concentrated on how working capital management techniques affected SSE performance. On the other side, Hamza, Mutala, and Antwi (2015) examined the level of cash budget planning. Attom (2014) investigated general cash control practices in small and micro businesses. Nevertheless, there is no proof in these studies about how cash budgeting affects SMEs' performance.

Numerous studies on the practice and performance of cash budgeting have been conducted based on the empirical evidence. Nevertheless, the research yields no definitive insight into how monetary budgeting affects performance. The study was conducted because, according to critical reviews of these studies, there is little empirical data demonstrating the impact of cash budgeting on the performance of SMEs merchants.

#### **2.4. The impact of accounts receivable management on small and medium-sized enterprises' financial performance.**

The management of accounts receivable (debtors) refers to the typical amount of time needed to turn a company's receivables into cash after a sale. It is computed by dividing daily average credit sales by accounts receivable. The time it takes to turn average sales into cash is indicated by this ratio. The link between accounts receivable and cash flow is defined by this measurement (Garcia, Teruel & Martinez-Solano, 2011). A larger investment in accounts receivable is necessary for a longer debtors' management term. Less cash is available to fund financial outflows like bill payment when there is a larger investment in accounts receivable (Sharma & Kumar,

2011). Businesses can increase their profitability by cutting back on the number of days that outstanding accounts receivable. According to this interpretation, the quicker clients pay their bills, the more cash is available for inventory replenishment and, ultimately, the larger sales realized, which results in high profitability for the company. He used a case study approach with private Nigerian companies, and his hypothesis was that a decrease in profitability is linked to a one-day increase in the number of days' accounts receivable due to the negative association between debtors' management and profitability. By doing this, managers can decrease the length of credit that is extended to their clients and increase profitability (Lazaridis & Tryfonidis, 2016).

According to a 2003 study by Deloof, managers can boost corporate profitability by shortening the debtors' management term. The likelihood that the business will become unprofitable increases with the length of days that accounts receivable are outstanding. In the case of the Bahir Dar City Administration, Tirngo (2013) investigated the effect of working capital management on the profitability of micro and small businesses in Ethiopia and discovered that the number of days of accounts receivable had a substantial detrimental effect on profitability (Tirngo, 2013). Padachi (2016) looked at working capital management trends and how they affect a company's success.

The findings demonstrated that a higher investment in receivables and inventory is linked to a lower level of profitability. He also shown a negative correlation between profitability and the number of days that accounts receivable.

Using a sample of thirty companies registered on the Nairobi Securities Exchange (NSE) from 1993 to 2008, Mathuva (2009) investigated the impact of working capital management components on corporate profitability. He conducted data analysis using the fixed effects regression models, pooled ordinary least square (OLS), and Pearson and Spearman's correlations. The main conclusions of his research revealed an extremely substantial inverse association between firm profitability and the length of time it takes for businesses to collect cash from their clients (the management of their debts). Waweru (2011) conducted research on the connection between the value of companies listed on the NSE and working capital management. Secondary data from annual reports and audited financial statements of NSE-listed

companies was used in the study. A seven-year sample of twenty-two companies that were listed on the NSE between 2003 and 2009 was examined. While the Pearson correlation result showed a negative association, the regression models suggested a relationship between working capital management and the firm's worth relationship between debtors' management period and the value of the firm.

Nzioki et al. (2014) when examining how working capital management affects the NSE listed companies' profitability. He proved that there is a negative association with the cash conversion cycle and a positive correlation with the average payment and collection periods and profitability. The number of days of account receivable and the cash conversion cycle had negative correlations with profitability, according to Makori and Jagango's (2012) analysis of the impact of working capital management on Kenyan firms' profitability during the years 2003 to 2012. In contrast, they discovered that there is a positive association between profitability with the turnover of payables and inventory. Additionally, they made the argument that a company's management might provide value for the shareholders by lowering the number of days of accounts receivable.

## **2.5 The literature gap**

Drawing on the October 2010 draft report on SMEs Proclamation No. 46, which emphasized the legal foundation for funding small and medium-sized businesses. Several SMEs are in the process of establishing themselves in the central division of Mukono, and the majority of them plan to expand their branches to all regions in order to increase their market share. Nevertheless, while a preliminary analysis is conducted to prepare the master business plan for the establishment of numerous branches, little research is done to examine the effectiveness of working capital management, particularly cash management, of the businesses that would help to resolve issues and support the expansion of market share and revenue generation of small and medium-sized businesses. Even more among the results about the same subject, some researches confirmed a negative relationship and others a good relationship between cash management and financial success. Because of this, the research is interested in this topic because it's a concern that a person may rely on to make the best decision.

## **CHAPTER THREE.**

### **METHODOLOGY**

#### **3.0 Introduction.**

The methodology utilized to conduct the study is presented in this chapter. It includes the research design, study population sample size, sampling strategies, data sources, data collection methods, data collection tools, data, data presentation, and data analysis.

#### **3.1 Design of the research**

A cross-sectional research design was employed in the study. Examining demographic data at a single point in time is the goal of a cross-sectional study. Both qualitative and quantitative analysis were also employed in the study to ascertain the connection between financial success and working capital management.

#### **3.2 Study population**

According to the URSB 2018/2019 FY report, the study focused on a population of 100 registered small-scale firms, which includes 20 hardware stores, 20 grocery stores, 40 retail stores, and 20 general merchandise dealers.

#### **3.3 Quantity of Sample**

It was necessary to select a small number of controllable respondents to take part in the study because the small-scale company environment was too broad. 75% of the population was included in the sample (Krejcie and Morgan, 1970).

**Table 1. Sample size**

<b>Table 1. Sample size</b>		
<b>TYPE OF BUSINESS</b>	<b>POPULATION</b>	<b>SAMPLE SIZE</b>
Retail shops	40	30
Hardware shops	20	15
Groceries	20	15
General merchandise	20	15
<b>TOTAL</b>	<b>100</b>	<b>75</b>

### **3.4 Sampling technique.**

Basic random sampling was utilized in the research. This suggests that the probability of selection were the same for every member of the research population.

### **3.5 Sources of data.**

Data from primary and secondary sources were gathered. Questionnaires and in-person interviews were used to gather primary data. To obtain information that isn't available from any other source, primary data is used. By going over numerous publications, including books, journals, magazines, and other published materials that were accessible, the secondary data was retrieved.

#### **3.5.1 Primary data**

Primary data is information that has been collected initially and has never been published before. Data gathered by a researcher by methods such as surveys, interviews, or experiments from first-hand sources is referred to as primary data.

#### **3.5.2 Secondary information.**

Secondary data are those that are already public and have been reported by other academics. Secondary data refers to information obtained from surveys, experiments, or studies conducted by other researchers or for different purposes.

### **3.6 Data collection tools.**

Questionnaires were the primary data gathering tool employed in the study.

#### **3.6.1 Survey**

A questionnaire is a revised written series of questions, typically with rather narrowly defined options, to which respondents record their responses. Because information must be gathered from a large sample quickly, the questionnaire was utilized equally. The proprietors of small enterprises who completed the questionnaires served as respondents' sources of data.

### **3.7 Analysis and display of data.**

After being verified for accuracy, the data was coded, classified, and input into a computer. From there, it was edited and tabulated using SPSS software, and it was condensed into frequency tables. Regression analysis and correlation were also employed in the study to ascertain the connection between financial success and working capital management

### **3.8 The ethical considerations.**

When it comes to the rights of people who become the topic of your research or are impacted by its conclusions, ethical behavior in the context of research relates to how you should conduct yourself (Saunders, Lewis, & Thornhill, 2009). By doing this, the researcher made sure that the research design is both morally and methodologically sound for all parties involved. The scholar made sure that participants are not forced to participate in research; they are required to provide their consent and be fully informed about the procedures and risks involved; furthermore, the researcher did not place participants in any situations where their participation could put them in danger.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION.

#### 4.0 Introduction

This chapter presents the results of the study in relation to the study objectives. The results are presented below as follows.

#### 4.1 Response rate.

The response rate for this research was 100% which was high. Amin (2005) suggested that a high response rate also suggests more accurate survey results

**Table 4:1 Response rate**

Number of questionnaires distributed respondents	75
Number of questionnaires received back from respondents	75
Number of questionnaires not received back from respondents	0

**Source: Primary data**

Response rate =  $\frac{\text{received questionnaires}}{\text{Total questionnaires distributed}} = \frac{75}{75} * 100$

Total questionnaires distributed = 75  
=100%

This study's 100% response rate was a noteworthy achievement. According to Amin (2005), a high response rate also implies more precise survey findings. The number of respondents to the study compared to the researcher's intended population is provided in this part, together with information on the respondents' gender, age, educational attainment, current employment status, and length of

service. The data from the questionnaire served as the basis for this.

## 4.2 Biographic characteristics

### 4.2.1 Gender of the respondents

Table 4.2 presents the distribution of respondents based on gender who participated in a study. The table includes the frequency of respondents in each category, as well as the corresponding percentages.

Details	Frequency	percentage
Male	43	57.3
Female	32	42.7
Total	75	100

Source: Primary data

Tables 4.2 above 57.3% of the respondents were males compared to their counter parts females who were 42.7% of all the respondents involved in the study.

### 4.3 Age group of the respondent.

The age distribution of study participants is shown in Table 4.3, together with the frequency and percentage of responders in each age group.

	Frequency	Percent
21-30	28	37.3
31-40	24	32.0
41-50	13	17.3
Above 50	9	12.0
Total	75	100.0

Source: Primary data

17.3% of respondents in table 4.3 above were between the ages of 41 and 50, 32% were between the ages of 31 and 40, 12% were over 50, and 37.3% were between the ages of 21 and 30.

#### 4.4 Marital status of the respondent

Table 4.4 provides an overview of the marital status distribution among respondents who participated in the study. The data presents the frequencies and percentages of various marital statuses observed within the sample group.

	Frequency	Percent
Single	21	28.0
Married	46	61.3
Widow	1	1.3
Widower	2	2.7
Divorced	5	6.7
Total	75	100.0

Source: Primary data

61.3% of the respondents were married, according to table 4.4 above. The next most common demographics were single (28%), divorced (6.7%), widowers (2.7%), and widows (1.3%). This demonstrates that the majority of respondents felt it fair to operate certain small-scale businesses because they had families.

#### 4.5. Education level of the respondent

The table provides a breakdown of the education levels of respondents who participated in the study, along with the corresponding frequencies and percentages. It categorizes respondents into five education levels: primary, secondary, certificate, diploma, and bachelor's.

	Frequency	Percent
Primary	3	4.0
Secondary level	17	22.7
Certificate	11	14.7
Diploma	23	30.7
Bachelors	21	28.0
Total	75	100.0

Source: Primary data

The majority of respondents (4%) in the above table were at the primary education

level, followed by 22.7% at the secondary education level, 14.7% at the certificate level, and so on.

28% held a bachelor's degree, while 30.7% had only completed their diploma. This demonstrates that the chosen respondents could at least read and write and could complete the questionnaire without the researcher having to give it any thought.

#### 4.6 Business type

Table 4.6 provides a breakdown of the types of businesses represented by respondents in the study. It lists the frequency and percentage of each business type based on the participants' responses

	Frequency	Percent
Retail shop	30	40.0
Grocery	14	18.7
Hardware	14	18.7
General merchandise	14	18.7
Total	75	100.0

Source: Primary data

According to the findings, 40% of the respondents owned retail stores, followed by 18.7% with general merchandise stores, 18.7% with hardware stores, and 18.7% with grocery stores. This demonstrates that the chosen respondents fit the study's objectives and were drawn from the appropriate pool.

#### 4.7 The period spent by the respondents doing this business

An overview of how long respondents spent working on a certain business project is given in Table 4.7. Respondents are categorized according to the duration of their involvement in their own firms.

	Frequency	Percent
0-5 years	44	58.7
6-10 years	26	34.7
11-15 years	3	4.0
above 15 years	2	2.7
total	75	100.0

**Source: Primary data**

The data presented in Table 4.7 above indicates that 34.7% of the respondents had been in the industry for six to ten years, 58.7% for 0 to five years, and only 4% for 11 to 15 years. This indicates that the chosen respondents were appropriate for the study because the majority of them had operated small enterprises for a considerable amount of time; as a result, they were knowledgeable and capable of providing the study with accurate information.

#### **4.8 Business Records and financial Performance of SMEs**

The conclusions of the significance of business records and financial performance among small and medium-sized enterprises (SMEs) are shown in Table 4.8. Understanding how SMEs handle their financial data and how it affects different facets of their business depends on these results. Since the information comes from a primary research source, it represents firsthand knowledge from SMEs.

Statement	Mean	Std Deviation
Detailed records enables small businesses to create accurate financial forecasts	3.93	1.37
Keeping detailed records enables small businesses to create accurate budgets and financial forecasts	4.27	0.62
Proper record-keeping ensures that businesses are compliant with tax regulations.	3.72	0.99

Lenders and investors often require detailed financial records when assessing a business's creditworthiness	4.48	0.95
Business records serve as valuable tools for decision-making	3.49	1.33
Regular review of financial records allows businesses to evaluate their performance against key performance indicators (KPIs) and benchmarks	3.88	1.48
Accurate record-keeping helps businesses comply with various legal and regulatory requirements	4.37	1.13

**Source: Primary data**

The information on many facets of company records and how they affect small and medium-sized businesses' (SMEs) financial performance is displayed in the table. For every statement, the respondents' perceptions are reflected in the mean scores and standard deviations supplied.

First off, it's clear that respondents generally agree on the significance of maintaining thorough records in order to produce precise budgets and financial forecasts. High mean scores (4.48, 4.37, and 4.27) were obtained for both statements related to this element, suggesting a strong belief in the importance of thorough record-keeping in financial planning. The comparatively high standard deviations, however, point to some variation in respondents' viewpoints. In a similar vein, respondents recognize the significance of accurate record-keeping for guaranteeing adherence to tax laws (mean = 3.72) as well as for fulfilling lender and investors (4.48 on average). These results demonstrate how important precise financial records are for maintaining regulatory compliance and enhancing SMEs' credibility when requesting funding.

Additionally, the data shows that very few respondents (mean = 3.49) see corporate records as useful instruments for decision-making, which may indicate that respondents place less importance on this element. highlighting how important thorough data is for making informed strategic decisions. Finally, respondents acknowledge the significance of accurate record-keeping in compliance with legal and regulatory requirements (mean = 3.61). The mean score for the statement regarding the regular review of financial records for evaluating performance against KPIs and benchmarks is, however, 3.88. This is consistent with the general knowledge that careful documentation is necessary to successfully negotiate the complicated world of company rules.

In conclusion, the information emphasizes how crucial it is for SMEs to keep thorough business records in a variety of ways. Strong record-keeping procedures are essential to efficient corporate administration because they support financial planning, regulatory compliance, decision-making, and obtaining outside finance, among other functions. The standard deviations, on the other hand, reveal that although record-keeping is widely acknowledged as being important, respondents may have different nuances and priorities.

#### **4.9The effect of preparing cash budget on financial performance of small-scale businesses**

Table 4.9 presents key findings on the impact of preparing a cash budget on the financial performance of small-scale businesses. The table outlines various statements regarding the benefits of implementing a cash budgeting system and provides statistical measures such as mean and standard deviation to quantify respondents' perceptions.

Statement	Mean	Std Deviation
A cash budget helps small businesses to plan and manage their cash flows effectively.	4.29	1.30

Cash budget reduces the risk of running out of cash unexpectedly, which could otherwise disrupt operations and harm financial performance.	3.57	1.43
A cash budget provides valuable insights into the financial health of the business, enabling informed decision-making	4.29	1.19
Cash budget enables businesses to plan and execute these initiatives more effectively, potentially leading to increased revenue and profitability.	4.53	0.93
Cash budget reflects financial discipline and foresight, enhancing the credibility of the business and instilling confidence in its ability to manage its finances responsibly.	3.60	1.26
Regularly monitoring actual cash flows against the budgeted amounts allows businesses to quickly identify deviations and potential problems, such as declining sales or rising expenses.	3.28	1.30

**Source: Primary data**

The information in Table 4.9 looks at how small firms' financial performance is thought to be affected by creating cash budgets. The respondents' opinions toward different claims about the benefits of monetary budgeting are revealed by the mean scores and standard deviations.

The results imply that cash budgeting is typically thought to be advantageous for small companies. The statement that received the highest mean score (4.53) suggests a strong conviction that cash budgets help companies plan and carry out

initiatives more successfully, which may result in more revenue and profitability. This emphasizes how crucial cash budgeting is to achieving financial success.

Additionally, respondents (mean score of 4.29) highly concur that cash budgets aid small firms in efficiently planning and managing their cash flows. This demonstrates how useful cash budgets are seen to be in helping small businesses manage their cash flow more effectively, which is essential for their financial stability. Furthermore, the data indicates that cash budgeting is thought to offer insightful information about the company's financial health (mean score of 4.29), which facilitates well-informed decision-making. This highlights how cash budgets can be used as a tool to improve strategic planning and financial transparency.

The perceived efficacy of monetary budgeting does, however, seem to be less evident in some regions. For example, there was less agreement among respondents when it came to the statement about reducing the chance of abruptly running out of cash, as indicated by the mean score of 3.57. Similarly, the idea that cash budgets demonstrate financial restraint and forethought, which raises the company's reputation, received a mean score of 3.60, indicating a somewhat lower degree of agreement on this point.

Furthermore, the statement on the regular monitoring of actual cash flows against budgeted amounts earned a slightly lower mean score (3.28), suggesting that although the significance of monitoring is acknowledged, there might be difficulties or gaps in the effective implementation of this aspect. In conclusion, there are differences in the level of agreement across many elements even though the advantages of cash budgeting for small enterprises are typically seen favorably. By taking care of these differences and making sure that cash budgeting techniques are implemented well, small businesses' financial performance and stability may be further improved.

#### **4.10 Effect of accounts receivable management on financial performance of small and medium scale businesses.**

Key findings about how accounts receivable management affects small and medium-sized firms' financial performance are shown in Table 4.10. It lists numerous comments about accounts receivable management and uses statistical indicators like

mean and standard deviation to determine respondents' opinions.

<b>Statement</b>	<b>Mean</b>	<b>Std Deviation</b>
Efficient management of accounts receivable can enhance cash flow by ensuring timely collection of payments from customers.	<b>4.13</b>	<b>1.32</b>
Proper management of accounts receivable allows businesses to optimize their working capital.	<b>4.65</b>	<b>0.95</b>
Effective accounts receivable management can contribute to improved profitability.	<b>3.64</b>	<b>1.29</b>
Timely collection of accounts receivable can reduce the need for external financing and associated costs such as interest expenses	<b>4.48</b>	<b>0.45</b>
It can minimize the risk of default and bad debts, thereby safeguarding financial stability.	<b>4.91</b>	<b>0.29</b>
Accurate and up-to-date accounts receivable data is essential for financial reporting and analysis	<b>3.89</b>	<b>1.06</b>

**Source: Primary data**

Table 4.10 provides insight into how accounts receivable management affects small and medium-sized businesses' (SMEs) financial performance. Each statement is given a mean and standard deviation rating, which provides information about how the surveyed businesses view the efficacy and unpredictability of certain management methods.

With a mean score of 4.13 and a standard deviation of 1.32, the first statement implies that effective accounts receivable administration is recognized as essential

for improving cash flow. This shows that respondents had a somewhat moderate degree of agreement about how crucial it is to collect payments from customers on time in order to support cash flow. Still, the significant the standard deviation alludes to some variation in viewpoints and points to different levels of comprehension or application among SMEs.

The second statement, however, has a significantly higher mean rating of 4.65 and a standard deviation of 0.95. This suggests that there is more agreement among respondents on the importance of effective management of accounts receivable in maximizing working capital. The sample's more consistent perception of this factor's significance for SMEs' financial health appears to be indicated by the comparatively lower standard deviation.

By comparison, the third statement has a moderate standard deviation of 1.29 and a lower mean rating of 3.64. This shows that opinions on the direct relationship between increased profitability and efficient accounts receivable management are less widely held. A wider variety of responses or experiences are suggested by the comparatively higher standard deviation, suggesting that some respondents might not completely understand the direct correlation between profitability and efficient receivables management.

Higher mean ratings—4.83 and 4.91 for the fourth and fifth assertions, respectively—show that respondents strongly agree that prompt collection minimizes default risks and lessens the need for outside funding. Despite the general agreement on the relevance of both assertions, the moderate to high standard deviations of the responses indicate some variation in respondents' perspectives or experiences. Finally, the sixth statement, which highlights the significance of precise and current receivables data for financial reporting and analysis, has a standard deviation of 1.06 and a mean rating of 3.89. This indicates that respondents generally believe that reliable data is necessary for financial considerations, yet there seems to be some variation in how much SMEs prioritize or accomplish this.

Despite the general consensus regarding the significance of both claims, their moderate to high standard deviations indicate some variation in the respondents' views or experiences.

Finally, a mean grade of 3.89 and a standard deviation of 1.06 are assigned to the sixth statement, which discusses the significance of precise and current receivables data for financial reporting and analysis. Although there seems to be some variation in the degree to which SMEs prioritize or attain this accuracy, this shows a generally high degree of agreement among respondents regarding the need for correct data for financial objectives.

In conclusion, while most SMEs agree that managing accounts receivable is critical for risk mitigation, working capital efficiency, and cash flow, there is less agreement over how directly it affects profitability. To fully reap the rewards of efficient accounts receivable administration, SMEs must adopt customized tactics and raise their level of awareness. Furthermore, there is variation in attitudes and practices.

## CHAPTER FIVE.

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the discussion, conclusions and recommendations of the study on cash management practices and financial performance. The first section presents a summary of the study findings in relation to the specific objectives. This is followed by a discussion, conclusion, and recommendations of the study in relation to the objectives of the study.

#### 5.2 Discussion of the key findings

##### 5.2.1 Business Records and financial Performance of SMEs

The results of the study on the financial performance of SMEs' business records are in line with the body of current research, which emphasizes how crucial it is to maintain accurate records. Attom (2014) and Ademola et al. (2012) draw attention to the pervasive problem of SMEs' poor record-keeping, which has a detrimental influence on cash management and financial planning. This is consistent with the findings since high mean ratings on the significance of records for regulatory compliance and financial planning reflect the issues brought up by these research. Nonetheless, the empirical data' comparatively lesser focus on records for decision-making points to a disconnect between awareness and execution, which is consistent with the difficulties noted by Attom and Ademola et al. Empirical data from Abdul-Rahamon and Adejare (2014) shows a favorable correlation between SME success and accounting record-keeping, highlighting the critical role of efficient procedures for keeping records. Comparably, a favorable situation in which a significant portion of enterprises keep records is reflected in Kasim, Zubeiru, and Mtala's (2015) study on SMEs, which is consistent with the significance of records emphasized in both the literature and empirical review. Additionally, Gul et al. (2013) and Nyabwanga et al. (2012) highlight the role that financial management techniques, like working capital management, play in determining the outcomes of small and medium-sized enterprises (SMEs), subtly highlighting the value of accurate record-keeping in supporting effective financial management. The combination of empirical data and literature highlights the complex significance of keeping comprehensive business records for small and medium-sized enterprises (SMEs). This stresses the need for

improved record-keeping integration into decision-making processes in order to improve business performance and sustainability.

### **5.3 The effect of preparing cash budget on financial performance of small-scale businesses**

The study's conclusions support a number of points raised in the literature review, advancing knowledge of the connection between small- and medium-sized businesses' (SMEs') financial success and cash planning. According to research by Hamza, Mutala, and Antwi (2015), a sizable percentage of SMEs did not prioritize cash budgeting for a variety of reasons, including ignorance of its significance or a failure to recognize its immediate requirement. This is consistent with the findings, which show that small business owners strongly agree on the value of cash budgeting in improving financial performance. The study's findings, however, provide further context by highlighting owners' differing comprehension and use of it, which is consistent with Kemp et al. (2015) and Attom (2014)'s concerns about insufficient knowledge and abilities hindering effective cash budget utilization.

Furthermore, the study specifically emphasizes the effectiveness of cash budgets in managing cash flows and mitigating risks, which indirectly impacts profitability and financial health. This is in addition to the emphasis Nyabwanga et al. (2012) and Gul et al. (2013) placed on the significance of working capital components such as accounts receivable, inventory, and the cash conversion cycle. This is consistent, albeit via different pathways, with the findings of Gul et al. (2013) showing the favorable correlation between profitability and specific working capital management strategies.

#### **5.3.2 Effect of accounts receivable management on financial performance of small and medium scale businesses.**

The value of effective accounts receivable management in enhancing cash flow is largely acknowledged by respondents. This is consistent with research that highlights the connection between cash flow and accounts receivable, finding that SMEs have

greater cash availability when their debtors' management term is shorter (Garcia, Teruel & Martinez-Solano, 2011). Regarding the optimization of working capital through appropriate accounts receivable management, respondents strongly agree. This is consistent with research indicating that lowering the Increased profitability may result from the amount of days accounts receivable outstanding (Deloof, 2003; Tirngo, 2013).The literature supports the idea that shorter debtors' management periods are associated with higher profitability, even though respondents are not entirely in agreement that there is a direct correlation between improved profitability and effective accounts receivable management (Lazaridis & Tryfonidis, 2016; Mathuva, 2009).Most respondents concur that prompt collection minimizes default risks and lessens the need for outside funding. This is consistent with research showing a positive relationship between profitability and average payment and collection periods (Nzioki et al., 2014; Makori and Jagango, 2012).Respondents acknowledge the value of accurate and current receivables data for financial reporting and analysis, which is consistent with the literature's emphasis on the importance of of managing receivables for effective financial management (Padachi, 2016).

## **5.2 Conclusion**

The advantages of comprehensive records for financial planning, tax compliance, decision-making, and performance evaluation are broadly agreed upon by respondents. There are some differences in how important records are for determining creditworthiness and legal and regulatory compliance, though overall these views are quite nuanced. Though most SMEs agree that thorough documentation is important, there might be some areas in which their procedures could be strengthened, especially in regards to comprehending the significance of records in credit assessment and resolving issues with alleged difficulties with regulatory compliance. This demonstrates the complex value of thorough record-keeping for SMEs, emphasizing both its fundamental necessity and potential areas for improvement to enhance their overall sustainability and success.

Small business owners are mostly in agreement about how effective cash budgets are at enhancing financial performance. It indicates that there is a general consensus regarding the value of cash budgeting in terms of efficiently managing cash flows,

reducing risks, and facilitating proactive financial monitoring. Although there is broad agreement regarding these advantages, there is rather less agreement regarding how much cash budgets contribute to revenue growth and offer insights into financial health. This implies that respondents have differing degrees of comprehension and application.

However, the general attitude shows an understanding of how important cash budgets are to small firms' capacity to sustain stability, liquidity, and well-informed decision-making.

Everyone agrees that effective accounts receivable management is essential to improving the financial performance of small and medium-sized enterprises. It becomes clear that prompt payment collection is essential to preserving liquidity and lowering the need for outside funding, which lowers related expenses. Furthermore, it has been demonstrated that efficient receivables management maximizes working capital, boosts profitability, and lowers the risk of default, all of which promote financial stability. The focus on precise data highlights how crucial sound accounting procedures are to making well-informed decisions. The results, taken as a whole, demonstrate the complex effects of accounts receivable management and emphasize how important it is to improve several facets of the financial stability and operational sustainability of companies in this industry.

### **5.3 Recommendations**

Numerous advancements in cash management have been brought about by the internet's introduction. For instance, SMEs can use the internet to automatically direct extra money toward lucrative projects.

Owners and managers of small and medium-sized businesses are advised to utilize the available computerized accounting programs in order to aid elevate the caliber of financial reporting in these businesses. Modern businesses cannot function without computer spreadsheets because they enable managers to create a multitude of financial reports. financial budgets, for instance, are essential to financial management. Cash budgets are frequently used by management to calculate cash surpluses or deficits. The availability of computer spreadsheets facilitates the preparation of many cash budgets based on potential scenarios in the future.

SMEs' owners and management ought to make use of the a range of government-sponsored business support services and other training programs to hone their skills in financial management and other managerial subjects. This would enhance their trading activity, since the failure of SMEs has frequently been linked to inadequate managerial abilities.

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**APPENDIX QUESTIONNAIRE.**  
**UGANDA CHRISTIAN UNIVERSITY**

**School of Business**

I am Amito Betty Liz a student of Uganda Christian University conducting a research study on the “Impact of cash management practices on financial performance of small-scale businesses” in Mukono Central Division as a requirement for the award of Bachelor’s degree in Accounting and Finance of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

**SECTION A: Demographic Data**

Please tick (✓) in the appropriate  as the most agreed answer to the following statements.

1. Gender of the respondent.

Male                       Female

2. Age group of the respondent.

21-30 years     31-40 years     41-50 years     above 50 years

3. Marital status of the respondent.

Single     Married     Widow     Widower     Divorced

4. Education level of the respondent.

Primary level     Secondary level                       Certificate level

Diploma level                       Bachelors level     Masters level

Others specify.....

5. Business type:

Retail shop

Grocery shop

Hardware Shop

general merchandise

Others specify.....

6. For how long have you been doing this business?

0 - 5 years  6-10 years  11-15 years  Above 15 years

**SECTION B:**

(Please tick most appropriate of: Strongly agree =5, Agree=4, Not sure=3 Disagree=2, andstrongly disagree=1)

<b>1.The effect of maintaining business records</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Keeping detailed records enables small businesses to create accurate budgets and financial forecasts				
Keeping detailed records enables small businesses to create accurate budgets and financial forecasts				
Proper record-keeping ensures that businesses are compliant with tax regulations.				
Lenders and investors often require detailed financial records when assessing a business's creditworthiness				
Business records serve as valuable tools for decision-making				
Regular review of financial records allows businesses to evaluate their performance against key performance indicators (KPIs) and benchmarks				
Accurate record-keeping helps businesses comply with various legal and regulatory requirements				
<b>2.The effect of preparing cash budget on financial performance of small-scale businesses</b>				
A cash budget helps small businesses to plan and manage their cash flows effectively.				
Cash budget reduces the risk of running out of cash unexpectedly, which could otherwise disrupt operations and harm financial performance.				

A cash budget provides valuable insights into the financial health of the business, enabling informed decision-making				
Cash budget enables businesses to plan and execute these initiatives more effectively, potentially leading to increased revenue and profitability.				
Cash budget reflects financial discipline and foresight, enhancing the credibility of the business and instilling confidence in its ability to manage its finances responsibly.				
Regularly monitoring actual cash flows against the budgeted amounts allows businesses to quickly identify deviations and potential problems, such as declining sales or rising expenses.				
<b>3. Effect of accounts receivable management on financial performance of small and medium scale businesses.</b>				
Efficient management of accounts receivable can enhance cash flow by ensuring timely collection of payments from customers.				
Proper management of accounts receivable allows businesses to optimize their working capital.				
Effective accounts receivable management can contribute to improved profitability.				
Timely collection of accounts receivable can reduce the need for external financing and associated costs such as interest expenses				
It can minimize the risk of default and bad debts, thereby safeguarding financial stability.				
Accurate and up-to-date accounts receivable data is				

essential for financial reporting and analysis				
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