

**FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF
SMALL-SCALE BUSINESS IN BUGUJJU MUKONO**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

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**UGANDA CHRISTIAN
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DECLARATION

DECLARATION

I, **Asiimire Amanda** hereby certify that this research report is entirely original with no submissions made for academic credit to any other institution.

Signature: *Am*

Date: *03/09/2024*

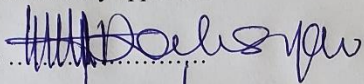
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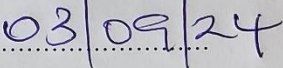
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APPROVAL

APPROVAL

This research report has been done under my supervision and is hereby submitted for examination with my approval.

Signature: 

Date: 

MR. AGUME ANTHONY KABISYAKI

DEDICATION

This report is dedicated to my parents, Mr. Arthur Natukunda and Mrs. Jonah Nkimusimire who have relentlessly been a driving force in my entire education. This report is also dedicated to all colleagues and my academic supervisor that played a big part in my academic journey. I am very grateful. May the Almighty God richly bless each of them.

ACKNOWLEDGEMENT

I give thanks to Almighty God for the bravery and discernment that allowed me to finish this research. I would want to express my heartfelt gratitude to the research respondents for taking the time to engage in this study; the information supplied contributed to the study's success.

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ABSTRACT

This research report established the connection between financial management practices and financial performance of small-scale businesses in Bugujju village in Mukono district. It focused on the objectives; to establish the effect of budgeting on the financial performance of small scale businesses, to find out the influence of risk management on financial performance of small scale businesses. And to analyse the relationship between cash flow management and financial performance of small scale businesses. The report provides background information for this research, including the problem statement, objectives and purpose. It describes the research questions, the extent of the study, and its relevance in chapter 1. Chapter 2 provides an overview of the literature study on financial management techniques and financial success in small enterprises, as well as how different researchers have evaluated these variables. Chapter 3 presents the research methodology. This includes the research design which was cross-sectional research design, study population of 60, sample size of 52, data collection instruments which was a questionnaire, data quality (reliability and validity), and data presentation methods. Chapter 4 discusses the research findings in relation to the research objectives. The study found out that small firms can achieve success, profit, and business expansion through effective financial management practices. Well-established financial management practices such as budgeting, risk management and cash flow management assist managers in predicting future financial needs and trends as well as helping them comprehend the financial status of the company at a given moment. Data was provided in a tabular format to enhance clarity and ease of interpretation.

CHAPTER ONE

INTRODUCTION

1.0.Introduction.

This introductory section of the chapter focuses on the background of the study in which the concept of pecuniary administration Practices is put into perspective, while bringing out a general perception that these practices lead to improved pecuniary performance of small and minor Scale Enterprises. The chapter handles the main essence of the study which is establishing the connectio between financial administration practices and financial performance. It also comprises of the problem statement, specific objectives of the study, the scope and significance of the study as well as the conceptual framework.

1.1.Background of the research.

Renbering the history of minor scale businesses ranges as far as the time of the industrial revolution in the 1760s, where most were started as small factory workshops (Ruthrock, 2013). In Africa, minor & medium enterprises play a crucial role in economic development, contributing significantly to employment, income generation, and poverty alleviation. However, despite their importance, many small businesses struggle with financial management, which can impact their overall performance and sustainability (Babalola & Abdulkadir, 2020).

Uganda, like many other African countries, relies heavily on small-scale businesses as engines of economic growth and poverty reduction (Achoko et al., 2019).

The Uganda Bureau of Statistics (UBOS) report of 2020 shows that a small-scale business in Uganda is defined as an enterprise that has an annual turnover of not more than UGX 1.2 billion, employs fewer than 50 employees or has a total assets value of not more than UGX 2.5 billion(UBOS, 2020).

Also, Small-scale businesses are a very important components of the Ugandan economy, contributing significantly to GDP, employment, as well as the economic growth (Kinyatta, 2018). In Uganda, small-scale businesses contribute upto over 70% of the country's GDP and employ over 80% of the of the available labour in the country {UBOS, 2020}. As much as the small-scale businesses are important, these businesses face a number of challenges, including poor financial management practices, which hinder their financial performance, growth and sustainability (Mugenyi, 2017).

Mukono district is home to very many small-scale businesses which are striving to succeed in very competitive markets. However, many of these businesses struggle with issues related to financial management, including inadequate record-keeping, lack of financial planning, and limited access to finance (Ssenyonga et al., 2018). According to the Mukono Municipality Profile of 2020, Mukono Municipality, located in central Uganda, is a hub for small-scale businesses, with many entrepreneurs operating in various sectors, including retail, manufacturing, and services. The municipality has experienced & witnessed gradual growth in over the years, with a increasing number of small-scale businesses setting up operations in the area. According to a study by the Uganda Small Scale Industries Association (USSIA), most small-scale businesses in Uganda operate in shared premises and are established before obtaining the necessary licenses and registrations (USSIA, 2019, p. 12) as is the case in Mukono Municipality. Notwithstanding the above, their rate of survival and competitiveness are a cause for concern. Many Ugandans tend to start and then shut down small scale businesses before completing a year in operation (Rooks & Sserwanga,2009)

The concept of financial management is in support of accurately recording all of the pecuniary (and some nonmonetary)activities{transactions}, translating these transactions in standard forms that show the networkth position and performance of the business & ensuring that the business's funds are protected{safeguarded} and used in a going concern way, now and in the future (Terry 2009).

Financial management practices, such as budgeting: Allocating resources and managing finances (Mbratu, 2020), risk management: Identifying and mitigating financial risks (Saunders & Allen, 2017), cash flow management, and financial reporting, are essential for the success and sustainability of small-scale businesses (Mwanga, 2019). Effective financial management enables businesses to optimize resources, minimize costs, maximize profits, and make informed decisions (Nalukenge, 2017). Conversely, poor financial management leads to

financial distress, reduced competitiveness, and increased risk of business failure (Kibuuka, 2016).

Previous studies have investigated the relationship between financial management practices and financial performance in various contexts. However, there is a need for studies to be conducted specific to small-scale businesses in Mukono Municipality. A study carried out by Mwangi (2019) examined financial management practices among small-scale businesses in Kampala City, but did not focus on Mukono Municipality specifically. In addition, a study done by Mugenyi (2017) investigated challenges facing small-scale businesses in Uganda, but did not investigate financial management practices in depth.

This study therefore aims to fill this gap by studying the relationship between financial management practices and financial performance among small-scale businesses in Mukono Municipality, Uganda focusing on Bugujju village. This study will so investigate the current financial management practices employed by small-scale businesses in the area and determine the impact of these financial management practices on financial performance.

1.2.Statement of the Problem.

Small scale enterprises play a very critical role in driving economic growth, creating employment opportunities, and alleviating poverty in any economy (Abisuga-Oyekunle et al., 2020). Considering that there are a number of small businesses in a wide range of industries that perform well and are unceasingly profitable, about 33% of small businesses fail in their first two years of operation, around 50% lie flat after the first five years and roughly 33% make it to 10 years or more (Melissa Harton, 2024). Despite the widespread adoption of financial management practices, evidence suggests that small scale enterprises worldwide continue to struggle with suboptimal financial performance (A. Oluwatobi and A. Agboola 2018).

Mukono Municipality in Uganda represents the broader challenges faced by small scale enterprises operating in developing regions (J. B. Kasirye, 2019). Mukono hosts quite a big number of small-scale businesses which strive to succeed in a very competitive market. However, many of these businesses grapple with issues related to financial management, including inadequate record-keeping, lack of financial planning, and limited access to finance (Ssenyonga et al., 2018).

Despite the presence of financial management systems, these businesses in Mukono Municipality continue to exhibit deficiencies in financial performance (Ketimu, 2021). Empirical evidence gathered from local enterprises underscores the persistence of issues such as low profitability, cash flow constraints, inadequate financial reporting, and susceptibility to economic downturns (Mujurizi, 2022).

Thus, despite the implementation of financial management practices, small scale enterprises in Mukono Municipality Uganda, meet notable challenges that undermine their financial performance. This underlines the need for a comprehensive examination of the relationship between financial management practices and financial outcomes within the local small scale enterprise landscape, aiming to identify related factors contributing to financial performance deficiencies.

1.3.Objectives of the Study.

The main objective of this study was examining the effect of financial management practices on the financial performance of small-scale businesses. The specific objectives were;

- i. To establish the effect of budgeting on the financial performance of small scale businesses.
- ii. To find out the influence of risk management on financial performance of small scale businesses.
- iii. To analyse the relationship between cash flow management and financial performance of small scale businesses.

1.4.Research Questions.

- i. What is the effect of budgeting on the financial performance of small scale businesses?
- ii. What is the influence of risk management on financial performance of small scale businesses?
- iii. What is the relationship between cash flow management on the financial performance of small scale businesses?

1.5. Scope of the study.

1.5.1. Geographical Scope:

The study was carried out in Bugujju village, Nsuube-kauga parish, Mukono Town Council, Mukono district located in Central Uganda.

1.5.2. Content Scope

This research aimed to study how financial management practices affect the financial performance of small scale businesses in Mukono Municipality, Uganda. This was due to the undeniable importance and relevance of financial management practices in relation to financial performance of small scale businesses in Mukono Municipality, Uganda, and yet limited studies had been conducted, hence a research gap to fill.

1.5.3. Time scope

This study was undertaken from May to August of 2024. This period was chosen because the study was mainly for academics and a deadline of August, 2024 was given, for submission for grading. The study took about 4 months.

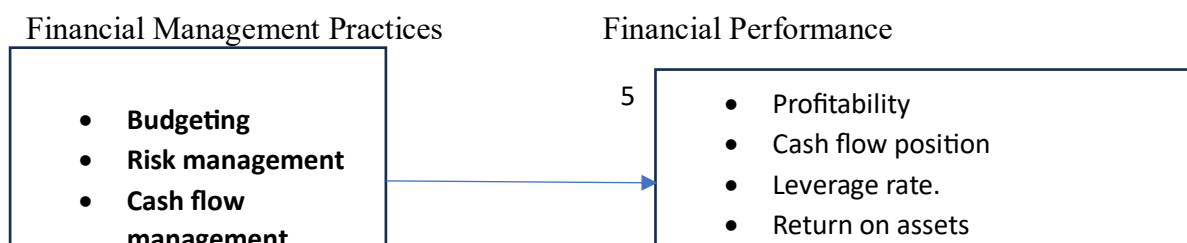
1.6. Significance of the Study

The management of small scale enterprises was able to appreciate the importance of financial management practices and rate their level of application of financial management practices in their operations.

Researchers and Academicians benefited from this study as it added to the existing body of knowledge on the effect of financial management practices and financial performance since a research knowledge gap had been identified on this topic, specifically in Mukono Municipality, Uganda.

The policy makers were able to gain insight on the effect of financial management practices on the financial performance of small scale enterprises which is helpful in formulation of policies and governance of small scale enterprises.

1.7. Conceptual framework.



CHAPTER TWO

LITERATURE REVIEW.

2.0. Introduction.

This chapter presents an overview of the literature that relates to topic under the study which is Financial Management Practices and financial performance of small-scale businesses.

2.1. Financial Management Practices.

Financial management practices (FMP) are described as the management of finances, specifically how they are used to meet organizational objectives and maximize shareholder value. Financial management practices demonstrate the direction in which future business growth should take place, such as determining where to increase the market value of products and services that generate economic growth for a country, managing working capital, capital structure, financial reporting mechanisms, capital budgeting, and so on (Lavia-lopez and Hiebl, 2014). To improve financial performance and expand market share and profits, businesses should make optimal financial decisions and use effective financial management procedures (Muguchia, 2018). In a similar vein, Marus Eton asserts that companies must train their employees in internal control procedures that guarantee adherence to accounting and financial record-keeping principles, as well as align their individual business operations with the best financial management practices (Marus Eton et al... 2020). Small firms can achieve success, profit, and business expansion through effective financial management practices (Yohanes et al..., 2018). Well-established financial management procedures assist managers in predicting future financial needs and trends as well as helping them comprehend the financial status of the company at a given moment (Muhozi and Mulyungi, 2008)

Using the best financial management methods is a problem for today's company organizations. When ineffective FMPs are combined with an unpredictably harsh business environment, small-scale enterprises frequently face enormous obstacles (Lakew and Rao, 2014). The foundation upon which financial managers monitor an organization's financial performance and value to shareholders is efficient and effective financial management practices (Maduekwe and Kamala, 2016). Thus, it is imperative that corporate enterprise managers and finance managers enforce adherence to cash regulations set in place for guidance and cash management (Kakeeto et al., 2017).

Because all of the payments and income received during a specific period are shown and highlighted, cash flow management is a crucial discipline (Bobitan and Mioc, 2011). Bankruptcy can be avoided and business sustainability and profitability can be raised through effective cash management. In addition, Mbroh (2012) makes the case that company owners ought to try to enlist the help of business specialists, since they would employ a variety of statistical models to predict the company's performance (Eton et al., 2019).

2.2. Financial performance.

The foundation of small-scale business effectiveness is financial management (Muriithi, & Omagwa, 2018). Every business's ability to succeed depends on its ability to manage its finances, and ineffective financial management can cause major issues for businesses (Lakew & Rao, 2014). Nuwagaba (2012) asserts that negligent financial management techniques are the primary reason why businesses fail. The profitability of the business will suffer if financial decisions are made incorrectly, regardless of whether the management is employed or an owner. Consequently, poor financial management has the potential to harm a businesses' profitability. According to Nzotta (2004), powerful financial control tools including budgetary control, ratio analysis, and Cost Volume Profit analysis are used by financial management to help corporate organizations' profitability position. Alfred (2011) contended that sound financial stewardship is a component of financial management techniques.

As seen, financial performance still remains the most feasible indicator of the success of any business, and some of the studies in the recent past have continued to show what drives determinants of financial performance. Studies by Agboola & Oluwatobi, (2020) show that financial performance has been positively influenced through the application of the right

financial management practices which include budgeting, financial planning, risk management and cash flow management among others.

Besides, firm size and age also remain significant determinants of performance, as larger and older firms always tend to achieve better financial performance than the smaller ones (Mubaraki et al., 2020; Ahmed et al., 2019). On the other hand, it has also been found out that the adoption of digital technologies, such as cloud computing and big data analytics has a relationship with financial performance of businesses. This is partly because it improves financial forecasts, secures risk management, and modernizes decisions (Bharadwaj et al., 2019).

Other studies have also highlighted the importance of strategic planning, inclusion of the development of everchanging capabilities and innovation strategies in the improvement of financial performance of small-scale businesses (Jiao et al., 2020; Wang et al., 2019). Therefore, the literature reviewed suggests that a mix of best practices in financial management, together with favorable characteristics of a firm, strategic planning, and the adoption of digital technologies as well as sustainable practices, all combine to produce the best outcomes in terms of better financial performance of small-scale enterprises within today's dynamic business environment.

2.3. Budgeting Practices and Financial Performance of small-scale enterprises.

Financial planning is defined as; defining goals, rules, practices, budgets, and programs pertaining to an organization's financial operations (Cheruiyot & Sakwa, 2018). Small-scale businesses ought to prepare for the long run of the business as well as the short run-in order to be able to meet their operational and strategic objectives. Operational short-term financial plans are those which are completed within one year or two (Muriithi & Omagwa, 2018). According to Mutya (2019), the long-term financial plans are strategic in nature and act as a guide for creating the short-term financial plans. Financial planning assists in lowering financial risks or uncertainties that could obstruct their potential to be sustainable or successful.

The findings from research by Oyelere and Olowookere suggest that proactive monitoring and management of budget variances enables businesses to identify inefficiencies early and in turn leading to improved cost management and overall financial performance of the entities (Oyelere & Olowookere, 2017). In Uganda, studies show that proper budgeting practices significantly improve the financial performance of small-scale businesses. The insights of behavioural economists focused attention on intellectual bias and organizational culture, which

shaped the budgeting effectiveness. They were of the view that soundness in the budgeting practices of an entity should be localized to the socio-economic background and other individualities of the culture so that the output and performance of financial decision-making are fully enhanced (Nkundabanyanga et al., 2020).

Other studies underscore the importance of aligning strategic planning with budgeting processes to enhance financial performance in small-scale enterprises. Research emphasizes that integrating long-term strategic objectives of an entity into the budgetary frameworks improves resource allocation, efficiency and strengthens business resilience against prevailing market uncertainties (Kabanda & Mubiru, 2019). Mugerwa and Nakato examined the relationship between budgeting practices and financial performance metrics such as return on investment (ROI) and liquidity ratios among small-scale businesses in Uganda. Their findings suggest that small-scale businesses that implement effective budgeting practices achieve better financial performance outcomes (Mugerwa & Nakato, 2023).

2.4 Risk Management Practices and Financial Performance:

Managers are working in an increasingly complicated corporate governance environment, according to Mc Namee and Selim (2000). They contend that the financial management aspect has a special chance to refocus its attention from functional area control to risk as a result of risk management's emergence as a crucial organizational process. According to this new paradigm, corporate governance refers to the organization's strategic responses to risk, whereas risk itself drives organizational activity. Because, as Hesperheide (2003) states, one of the best ways to comprehend the significance of excellent financial management is to show owners that the business is managing its risks and as a result is a sound investment.

Research by Muriuki and Mukulu (2020) emphasizes that robust risk management practices significantly influence the financial performance of small businesses. Their study highlights that businesses with formalized risk management frameworks experience lower financial volatility, reduced operational losses, and enhanced profitability due to better risk mitigation strategies (Muriuki & Mukulu, 2020). The identification and assessment of risks in a business influences financial performance of Small scale businesses. In a study conducted by Akinboye et al it is suggested that addressing behavioural biases among small-scale business owners and managers enhances the implementation of proactive risk management strategies (Akinboye et al., 2019).

A study by Wanyama and Nangoli (2022) examined the relationship between risk management practices and financial performance metrics such as return on assets (ROA) and profitability among small-scale businesses. Their findings show that small-scale businesses that adopt comprehensive risk management frameworks achieve better financial performance results than those that do not, demonstrating that there exists a direct impact of risk mitigation on business profitability and sustainability (Wanyama & Nangoli, 2022).

2.5 Cash Flow Management and financial performance:

Cash flow management is very vital for the financial health of small-scale businesses, as highlighted by research conducted by Jones and Smith (2018). The study which was conducted by Rahman and Hossain showed that implementation of cash flow forecasting practices positively influences the financial performance of small-scale businesses. Their research suggests that businesses that regularly forecast cash flows are better performing and prepared to forecast and address liquidity challenges and so improving profitability as well as minimizing financial risks (Rahman & Hossain, 2019).

Davis and Johnson's research also suggests that owner-manager behaviour and decision-making styles significantly affect cash flow management effectiveness in any organization (Davis & Johnson, 2020). Research by Lee and Park shows how mobile banking apps and digital payment platforms improve cash flow visibility and facilitate real-time monitoring of financial transactions in businesses. The above mentioned technological advancements enhance efficiency and accuracy in cash flow management when considered by management (Lee & Park, 2021).

Strategic fit of cash flow management throughout the long-term planning perspective can facilitate improved financial performance of any firm. Research studies by Garcia and Lopez (2020) show that integrating the cash flow objective in the strategic planning framework assists the businesses in utilizing resources optimally, and in so doing capturing growth opportunities and minimizing risks regarding finance. It is however not known whether such small-scale businesses within the Bugujju village had cash management systems, accounting personnel with experience, or both, and whether they previously provided these businesses with sound guidance on how to operate.

2.6 Summary of Literature Review and Gaps

This chapter's literature review makes the case that while risk management through identification, assessment, and control can raise profits, effective cash management policies on the maintenance of appropriate cash levels in an organization can guarantee the necessary increases in operating cash. Budgeting and financial planning could help the business achieve long-term financial sustainability. Nonetheless, the assessment revealed several gaps in the knowledge of small-scale firm performance and financial management practices. The lack of expertise in financial management and the particular financial management techniques needed by small enterprises were not taken into account in the literature. Furthermore, the research does not address a lack of financial management skills or specialized financial management techniques for small enterprises. The procedures for financial planning and regulation of operations such as cash management in small firms have not been properly identified.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section focuses on the description and detailment of the methods used for data collection, comprehensions and conclusions in the subsequent chapter. It articulates the research design, population, sample size, data collection tools and data instruments, measurement of variables, data processing and analysis with projected problems related to this study.

3.1 Research Design

A cross sectional research framework was used to acquire both qualitative & quantitative data. Furthermore, descriptive research design was used to scrutinize the obtained information while analytical research designs was also acknowledged to conduct this study.

3.2 Area and scope of the study

The research was carried out in Bugujju village, Nsuube-kauga parish, Mukono Town Council, Mukono district located in Central Uganda. The main emphasis the study was on the the financial management practices' relationship with the business' pecuniary performance.

3.3 Study population

This research was aimed at targeting a population of 60 respondents who mainly were owners of minor scale businesses.

3.4 Sample size

The sample size was arrived at by using Slovene's formula, the sample size was obtained using

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

Where; N = Target population n = sample size e = level of significance

$$N = 60$$

$$e = 5\%$$

$$n = \frac{60}{1 + 60 \times (0.05)^2}$$

$$1 + 60 \times (0.05)^2$$

$$n = \frac{60}{1 + 60 \times 0.0025}$$

$$1 + 60 \times 0.0025$$

$$n = \frac{60}{1 + 0.15}$$

$$1 + 0.15$$

$$n = \frac{60}{1.15}$$

$$1.15$$

$$n = 52 \text{ respondents}$$

3.5. Sampling techniques

Sampling as described by Sarantakos (1997) as the system of choosing the units of the target population which are entailed in the study in such a way that the sample of selected respondents to represent the population. For quantitative part, purposive sampling was used to select respondents from whom the researcher got specific information. These were purposively selected because of their position in the market and it helped to provide more unbiased information.

3.6. Sources of data

A combination of both primary and secondary data was used in this research. Primary & secondary data as envisaged were collected by the method detailed hereunder. Regarding flexibility in data collection, the researcher conducted a comprehensive examination of the case unit, which was Bugujju village, Mukono district. The researcher used questionnaires with which the researcher obtained a great position of getting information which was first hand & thereby avoid second hand data and/or information.

3.7 Data collection instruments

The study used the following research instrument: -

3.7.1 Questionnaire

Tailored questionnaire focusing the study questions & capturing research objectives was designed and used to obtain respondents' perceptions. Questions focused to assess the impact of *Financial management practices and financial performance of small-scale enterprises* in Bugujju, Mukono.

3.8 Measurement levels

The sound measurement base {level} met the tests of validity & reliability. There were four {4} types of measurement levels for instance, ordinal, nominal, ratio and interval {Kothari 2013}. The nominal scale was used to examine the gender and education level. The interval scale was used for period one has been in business. The five-point scale which included the following kinds of answers was used; 5 = Strongly Agree, 4= Agree 3=Undecided/neutral, 2=Disagree and 1= Strongly Disagree, and the respondents were asked to indicate their degree of agreement with the statements.

3.9 Procedure of data collection

Ethically, the researcher obtained an introductory letter from the Research Coordinator, School of Business and Administration of Uganda Christian University {UCU}. Regarding this letter, it was obtained in order for the researcher to execute and commence the research. The researcher circulated the questionnaires to small-scale business proprietors in Bugujju village. This data was

gathered in the year 2024 using questionnaires. The researcher further assured respondents that the examination would be strictly academic & that utmost confidentiality would be observed. The data was used in this research was unanimously coded and can't therefore be traced or tracked back to individual respondents.

3.10 Quality/error control

The research was oriented by validity & reliability of research apparatuses as follows: -

3.10.1 Validity of instruments

McMilan and Schumaner {2006} stated that validity refers to the degree of congruence amidst the comprehensions of the phenomena & the realities of the world. The validity of the questionnaires was influenced by pre-testing the instruments. Pre-testing helped to project the time it required to fill the questionnaires, relevancy of the questions, & accuracy of the questions in measuring the subject matter under research . Pretesting was done by circulating the questionnaire to five(5) participants {respondents} within the study population but not part of the sample. Results from the field and opinion of the researcher enabled to identify gaps and made modifications to the instrument. To guarantee validity of the mentioned instrument, the researcher ensured that items in it conformed to the study's objectives.

3.10.2 Reliability of instruments

Rendering the words of Muggenda {2003}, reliability is a measure of the extent to which a research apparatus {instrument} yields consistent results of the data after repeated and continuous trials. To recommend the reliability of the instrument, the apparatus was first administered to the respondents who were outside the sample. The test was done on five key players' who were not part of the sample population to change on the questions as per the comments.

3.11 Data processing and analysis

Data was processed into meaningful information. The procedure involved editing, tables, computation & analysis with a kin of checking the completeness and accuracy of the information.

3.11.1 Editing

This was done to obtain and eliminate errors that may have occurred during data entry. Only relevant, correct and important information was identified & used to draw conclusions.

3.11.2 Tabulation

Some of the data was expressed in tables to enable the analysis and identification of relationship between variables.

3.11.3 Quantitative data

Beneath this technique, data was examined using a statistical package known as Ms. Excel to generate frequencies and then the percentages were computed using the same package. This was useful in obtaining tables for easy presentation & interpretation of the study findings. This was carried out by way of content analysis where field notes from the respective respondents were summarized in brief. The analysis of the data was done using the information provided by the respondents. Further, a sequential analysis was undertaken to provide much depth and insight to the data collected.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

The information gathered from the field is presented in this chapter in an attempt to evaluate the performance and financial management techniques of small businesses in the Bugujju-Mukono District. Frequency tables are used to display them. The results are interpreted in light of the study's objectives and examined in light of the theoretical framework. It follows the goals of the study and the research questions, presenting the data gathered in a more structured and condensed manner.

4.1 Profile of the Respondents

The age, sex, marital status, and level of education of the small company owners in Bugujju who were the subject of the study are among the demographic features of the respondents that are displayed in this section.

Table 1: Profile of Respondents

	Category	Frequency
Age bracket of respondent	20 – 30	21

	30 – 40	20
	40 and above	11
	Total	52
Gender of respondent	Male	22
	Female	30
	Total	52
How long have you been in the district	Below 3 yrs.	15
	Between 3 – 6 yrs.	19
	6 – 8 yrs.	8
	More than 8 yrs.	10
	Total	52

Source: Primary Data, 2024

4.1.1 Age Distribution of Respondents

In terms of age, the majority of respondents were between the ages of 20 and 30, with 21 being the average, compared to 20 for those between the ages of 30 and 40, who were still in the reproductive stage. Other respondents, 11 in total, were 40 years or older. The age distribution in the chosen sample appears to be sufficiently typical, as seen in the table above.

4.1.2 Gender of Respondents

The researcher determined that 30 of the 52 interviewees were female and 22 were male, as shown in the table above. This suggests that the majority of responders were females, with only

a few males. This further demonstrates that there was no gender bias in the study. However, based on the sex distribution, it is clear that the sample was reasonably selected, allowing the conclusions to be broadly accepted.

4.1.3 Period at Work

In addition, respondents were asked how long they had been conducting business in the district. This was meant to provide a clear picture of whether or not the district had made any noteworthy progress. According to the results, only 10 respondents had been in business for longer than eight years, while the bulk of 42 respondents had been in the district for less time. Of the respondents, eight have lived in the district for six to eight years, nineteen have lived there for three to six years, and fifteen have been there for less than three years. Looking at the number of years spent working in the industry, this remark suggests that the respondents had some expertise and knowledge of what produces progress in their firms in the district.

4.2 To establish the effect of budgeting on the financial performance of small-scale businesses.

This research study determined how budgeting affects the financial performance of small businesses in Uganda. The findings are hereby presented in the table below.;

Table 2. Effects of Budgeting on Financial Performance of Small Scale

	Statement	SA	A	N	D	SD	St De	Mean
1	Budgeting helps small businesses prioritize expenses, allocate resources efficiently, and avoid overspending, leading to improved financial discipline and reduced waste.	51.9%	48.1%	0%	0%	0%	.505	1.48
2	Budgeting enables small businesses to set financial goals, forecast income and expenses, and make informed decisions	34.6%	50%	15.4%	0%	0%	.687	1.81

	about resource allocation, leading to more effective financial planning and strategy.							
3	Through the setting up of a budget, small businesses can spot areas for cost reduction, fine-tune and optimize expenses, and minimize unnecessary expenditures which results in better control of costs and decreased financial loss	53.8%	0%	0%	46.2%	0%	.503	1.54
4	Budgeting helps small businesses manage cash inflows and outflows more effectively, reducing the risk of cash shortages, late payments, and lost business opportunities.	38.5%	46.2%	15.4%	0%	0%	1.007	1.92
5	By budgeting, small businesses can set targets for financial performance indicators such as revenue growth, profit margins, and return on investment (ROI), and track progress towards achieving these goals, leading to improved financial performance and competitiveness	69.2%	30.8%	0%	0%	0%	.466	1.31

Source: field data (2024)

The findings of this study highlight how important budgeting is in small-scale business financial management. 51.9% of respondents (majority) strongly agreed that budgeting helps small businesses prioritize expenses, allocate resources efficiently, and avoid overspending, leading to improved financial discipline and reduced waste. Another 48.1% agreed with the statement, emphasizing the significance of budgeting in the financial management of small-scale businesses. These findings show that budgeting is a very important tool for small businesses to enhance their financial performance. Prioritizing expenses and allocating

resources efficiently can enable small-scale businesses to minimize waste, reduce unnecessary expenditures, and improve the overall financial discipline of the enterprise. The findings of this study also show that small-scale businesses ought to adopt budgeting as a practice to ensure responsible financial management, reduce financial risk, and increase their competitiveness in the market.

The study also found that budgeting is of great significance in small-scale business' financial planning and strategy. 50% of respondents strongly agreed that budgeting enables small businesses to set financial goals, forecast income and expenses, and make informed decisions about resource allocation, leading to more effective financial planning and strategy. This shows that most of the respondents believe that budgeting is a vital tool for small businesses to achieve financial clarity, prioritize resources, and drive growth. As much as 15.4% of respondents were unsure about the statement, the overall results have it that budgeting in small-scale businesses is important in financial management. These findings therefore imply that budgeting enables small businesses to put in place clear financial objectives, anticipate income and expenses, and allocate resources properly.

Also from this study, it is highlighted that there is a significant importance of budgeting in small businesses' cost control and financial management. 53.8% of respondents which was the majority strongly agreed that by establishing a budget, small businesses can identify areas for cost reduction, optimize expenses, and minimize unnecessary expenditures, leading to improved cost control and reduced financial losses. Although 46.2% of respondents disagreed with the statement, the majority consensus emphasized the significance of budgeting in small-scale businesses' cost control. The findings show that by preparing a budget, small-scale businesses can easily identify areas for cost reduction, optimize their expenses, and minimize unnecessary expenditures.

A significant 46.2% of respondents contacted agreed that budgeting helps small businesses manage cash inflows and outflows more effectively, reducing the risk of cash shortages, late payments, and lost business opportunities. Another 38.6% of respondents contacted strongly agreed with this statement, emphasizing the importance of budgeting in maintaining healthy cash flows in a business. Whereas 15.4% of respondents were unsure about the statement, the results suggests that budgeting is a very valuable tool for small-scale businesses to enhance their cash flow management. The findings also imply that by preparing budgets, small-scale

businesses can manage their cash inflows and outflows better hence reducing the risk of cash shortages, late payments, and loss of business opportunities that may arise.

The findings from this study also highlight the significance of budgeting in setting and achieving financial performance targets for small-scale businesses. 69.2% of respondents who were the majority strongly agreed that by budgeting, small-scale businesses can set targets for financial performance indicators such as revenue growth, profit margins, and return on investment (ROI). They can also track progress towards achieving the set goals which in turn leads to improved financial performance of the businesses and competitiveness in the market. In addition, 30.8% of respondents agreed with this statement. This further emphasizes that budgeting is very important for small-scale business financial management. The findings suggest that budgeting enables small businesses to establish clear financial objectives as well as monitoring progress, and making more informed decisions to drive growth. Setting targets for key financial performance indicators can enable small-scale businesses to focus their efforts well, allocate resources effectively, and also enhance their overall financial performance.

4.3 To determine the effect of risk management on the financial performance of small businesses.

This study established the effect of risk management on the financial performance of small-scale businesses. Results from the study relating to this objective are presented in the table below;

Table 3. The influence of risk management on financial performance of small-scale businesses.

	Statement	SA	A	N	D	SD	St De	Me an
1	Good risk management is very important for small businesses to identify and control risks that may be faced so as to avoid any financial losses and reduce the effect of unexpected events on performance.	57.7%	42.3 %	0%	0%	0%	.499	1.42

2	This will allow small businesses to showcase a robust risk management framework and improve their credit profile, leading to better terms on borrowing with reduced interest costs as well as more financial flexibility. .	26.9%	46.2 %	3.8%	23.1 %	0%	1.096	2.23
3	Risk management helps small businesses craft their own contingency plans so that they can be in a position to respond fast to any disturbances that come along, continue running their ventures and take care of financial stability in times of misfortune. .	26.9%	65.4 %	0%	7.7%	0%	.758	1.88
4	This will enable small businesses to make prudent investments by allocating their resources to those opportunities likely to grow, and staying away from ventures that would jeopardize the growth of such opportunities.	30.8%	69.2 %	0%	0%	0%	.471	1.68
5	Effective risk management demonstrates a commitment to responsible business practices, enhancing the confidence of investors, customers, and partners, and potentially leading to increased investment, sales, and partnership opportunities	76.9%	23.1 %	0%	0%	0%	.425	1.23

Source: field data (2023)

The research findings emphasized the vital role of effective risk management in small-scale businesses. 57.7% of respondents strongly agreed that effective risk management enables small businesses to identify and mitigate potential risks, thereby reducing the likelihood of financial losses and minimizing the impact of unforeseen events on financial performance. Also, 42.3% of respondents agreed with the statement, further emphasising the importance of properly

managing risk. These results therefore suggest that small-scale businesses can noticeably benefit from putting in place robust risk management practices. Identifying and mitigating potential risks in small-scale businesses can reduce financial losses. Effective risk management can also enable small-scale businesses to build resilience, capitalize on upcoming opportunities, and eventually achieve long-term success. These findings also suggest that small businesses can benefit from prioritizing risk management to optimize their financial performance in the long run.

A significant proportion of 46.2% of respondents agreed that demonstrating a strong risk management framework can enable small-scale businesses to enhance their creditworthiness, leading to better loan terms, lower interest rates, and improved financial flexibility. Additionally, 26.9% of respondents also agreed with this statement, further emphasizing the importance of a robust risk management framework. These results generally show that small-scale businesses can have more favorable financing options by implementing a strong risk management framework which gives a good image of the enterprises to the financial institutions. Therefore demonstrating a commitment to risk management can propel small-scale businesses to increase their credibility with lenders, be able to negotiate better loan terms, and also to reduce their costs of borrowing. The study findings also suggest that small businesses should prioritize risk management so as to improve their financial flexibility and resilience and be able to respond to changing market conditions.

This research underscores the significant role of risk management in enabling small businesses to develop contingency plans and respond to disruptions. A majority of 65.4% of the respondents strongly agreed that risk management enables small businesses to develop contingency plans, ensuring they can respond quickly to disruptions, maintain operations, and maintain financial stability in the face of adversity. Another 26.9% of respondents also agreed with this statement, further emphasizing the importance of risk management in the resilience of small-scale businesses. Only 7.7% of respondents disagreed with the statement. This shows that there is value in risk management and the development of contingency plans. These results hence suggest that small-scale businesses can highly benefit from risk management through developing contingency plans which enables them to respond quickly to disruptions, maintain operations, and financial stability. Small businesses can reduce the impact of unforeseen events, minimize downtime, and ensure continuity of operations through implementing risk management practices.

The study's findings bring out the importance of risk assessment and management in informing investment decisions for small-scale businesses. 69.2% of the respondents strongly agreed that by assessing and managing risks, small businesses can make informed investment decisions, allocating resources to opportunities with potential for growth and avoiding risky ventures that could harm financial performance. Another 30.8% of respondents also agreed with this statement. This emphasizes the role of risk management in small-scale business investments. These results show that small-scale enterprises can enhance their investment decisions through assessing and managing risks in the business hence leading to more effective distribution of resources and in turn improved financial performance. These findings also suggest that small-scale businesses should incorporate risk management strategies into their investment decision-making processes in order to ensure informed resource allocation.

The results from this study show the significance of effective risk management in demonstrating commitment to responsible business practices. 76.9% of the respondents strongly agreed that effective risk management showcases a commitment to responsible business practices, enhancing the confidence of investors, customers, and partners, and potentially leading to increased investment, sales, and partnership opportunities. Another 23.1% of the respondents agreed with this statement. This emphasizes the importance of risk management in building the trust of the stakeholders in the business. Small-scale businesses can reap significantly from effective risk management. This includes enhanced credibility, increased investor confidence, and improved customer loyalty to the business. Small-scale businesses can establish a reputation for responsible business practices, leading to increased opportunities and long-term success when they prioritize risk management.

4.4 To analyze the relationship between cash flow management and financial performance of small-scale businesses

The study ascertained the relationship between cash flow management and financial performance of small-scale businesses and the results are presented in the table below.

Table 4. Shows the relationship between cash flow management and financial performance of small-scale businesses

	Statement	SA	A	N	D	SD	St De	Mea n
1	small businesses can make informed decisions about investments, funding, and resource allocation, leading to more effective strategic planning and growth.	46.2%	53.8 %	0%	0%	0%	.503	1.54
2	Optimized Cash Flow Management. It enables small businesses to develop strategies that will optimize inflows and outflows of cash, hence reducing the chances of cash deficits, payments made late, and business opportunities lost..	57.7%	42.3 %	0%	0%	0%	.499	1.42
3	When small businesses can analyze the relationship between cash flow management and financial performance, it will be possible to detect possible risks and work out strategies on how to reduce them; this makes such businesses better placed to handle unforeseen challenges.	50%	50%	0%	0%	0%	.505	1.50
4	It helps small businesses identify areas for improvement, enabling them to manage their finances more effectively, reduce debt, and achieve financial stability.	73.1%	26.9 %	0%	0%	0%	.448	1.27

5	Improving cash flow management and enhancing financial performance will enable small businesses to up their profitability. In so doing, they can realize growth through reinvestment, expand their operations, and succeed in the long term.	61.5%	38.5 %	0%	0%	0%	.491	1.38
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Source: field data (2024)

In this study, a majority of 53.8% of the respondents agreed that small-scale businesses can ably make informed decisions about investments, funding, and resource allocation which leads to more effective strategic planning and growth. 46.2% of the respondents contacted strongly agreed with this statement which further emphasized the significance of informed decision-making in the success of small-scale businesses. The results from this study suggest that small businesses can drive growth and expansion by making well informed decisions about thier investments, sources of funding, and resource distribution. This can enable them to optimize their strategic planning, prioritize initiatives, and allocate resources more effectively and efficiently. The findings from this study also imply that small-scale businesses can leverage data-driven insights in order to inform their decision-making processes. By making informed decisions, small businesses can reduce financial risk, improve operational efficiency, and increase their competitiveness against their rivals.

Majority of respondents (57.7%) strongly agreed that optimized cash flow management enables small businesses to develop strategies to optimize cash inflows and outflows, hence reducing the risk of cash shortages, late payments, and loss of business opportunities. Another 42.3% of the respondents agreed with this statement. This stresses the importance of optimized cash flow management. These results also suggest that small-scale businesses can notably benefit from properly implementing cash flow management practices as they can be able to minimize the risk of cash shortages, late payments, and lost business opportunities. This can enable them to maintain a stable financial position, focus on new opportunities, and achieve long-term success.

50% of the respondents strongly agreed and the other 50% agreed that risk analysis enables small-scale businesses to identify potential risks and develop strategies to mitigate them. This means that small-scale businesses can proactively prepare for unexpected challenges by looking at the connection between cash flow management and financial performance since it helps to pinpoint potential vulnerabilities and develop targeted strategies to address them. The findings from this study proposes that small businesses ought to regularly analyze their cash flow management practices and their financial performance to identify potential risks and opportunities that may arise

73.1% of respondents strongly agreed that cash flow management enables small-scale businesses to identify areas for improvement, leading to more effective financial management, reduced debt, and achieved financial stability. More 26.9% of respondents agreed with this statement. This emphasizes the importance of cash flow management in the success of small-scale business since it enables them to optimize their financial performance, minimize debt, and achieve stability i the long run. Small-scale businesses can implement targeted strategies to enhance their cash flow management practices once they identify areas for improvement. Effective cash flow management can enable small-scale businesses navigate financial challenges and focus on the available opportunities.

61.5% of the respondents strongly agreed that effective cash flow management and financial performance can increase profitability, enabling small-scale businesses to invest in growth, expand operations, and achieve long-term success. Also, 38.5% of respondents agreed with this statement. These results suggested that small-scale businesses can highly benefit from optimizing their cash flow management practices. They can be able to improve their financial stability as well as increasing their profitability which in turn creates opportunities for growth and expansion. These research findings also suggest that small-scale businesses should prioritize cash flow management in order to achieve their set objectives and goals. Effective cash flow management can facilitate small-scale businesses to navigate challenges that arise focus on available opportunities. Small-scale businesses can gain a competitive edge and achieve their full potential when they put in place cash flow management practices.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter contains the summary and conclusions of the study based on the findings already detailed in chapter four. It also provides the recommendations based on the study's conclusions.

5.1 Summary of the objectives

The summary presented here was based on the findings and it was done as per the objective of the study which included the following. the effect of budgeting on the financial performance of small-scale businesses, the influence of risk management on financial performance of small-scale businesses, and the relationship between cash flow management and financial performance of small-scale businesses in Bugujju, Mukono.

5.1.1. The effect of budgeting on the financial performance of small scale enterprises

Budgeting was identified as such a vital tool for small-scale businesses to effectively manage their finances. Through this process of creating budgets, small businesses can easily identify areas to reduce costs, optimize and minimize unnecessary expenditures which results from improved cost control and reduction of financial losses leading ultimately to better financial

performance. Also, with a budget, small businesses can set out their investment priorities well as manage cash flows and hence maintain stable finances (Bhimani et al., 2015). There are basic principles of budgeting which have to be observed by small businesses so that they attain sustainability and competitiveness from a financial point (Drury, 2018). Besides that, through budgeting activities, these firms will learn how to be disciplined about their finances: this reduces prospects of debt while increasing creditworthiness as well (Cohen et al., 2018). In the sense that after taking up budgeting practices risks are minimized during various operations thereby realizing objectives: there also has to be room for making strategic decisions based on resource prioritization (Garrison et al., 2018). According to Garrison et al. (2018), through budgeting, small businesses can come up with strategic decisions, resource prioritization, and optimum financial performance. As outlined by Horngren et al. (2017), other benefits of budgeting to small businesses include the identification of cost reduction areas and optimal expenses that will lead to minimal unnecessary expenditures. In general, for small-scale businesses to attain financial success and continuity, budgeting is of utmost importance. Based on these findings by Horngren et al. (2017), through the adoption of budgeting small businesses could improve their financial management which in turn would help them reduce risks and grow.

5.1.2. The influence of risk management on financial performance of small-scale enterprises.

The study found that risk management is an important aspect of the activities of small businesses since it facilitates the identification, assessment and control of potential risks that can affect the financial performance. Effective risk management practices help small businesses to decrease financial losses, improve cost control and attain better financial stability (Horngren et al., 2017). Through the adoption of risk management strategies, small businesses will be able to reduce the effect of unexpected events on their operations in terms of market fluctuations, regulatory changes and operational disruptions (Garrison et al., 2018). Risk management also helps small businesses in prioritizing investments and managing cash flows so as to keep up proper financial stability (Bhimani et al., 2015).

The research further showed that risk management practices have a significant effect on the financial performance of small-scale businesses (Kaplan & Atkinson, 2015). Following risk management strategies, small businesses can enhance their factors revenue growth, profits and return on investment (Horngren et al., 2017). Effective risk management practices will also

help small businesses build capacity to respond to changes taking place in the market and which they can utilize to steer adjust new opportunities as well towards their long-term success in achieving adaptation (Drury, 2018).

5.1.3. The relationship between cash flow management and financial performance of small-scale businesses

Understanding cash flow in small business is key to understanding the very heartbeat of a firm's operations, as it has an immediate impact on financial performance (Kaplan & Atkinson, 2015). Effective cash flow management helps in enhancing liquidity, reducing the risk of a finance-related nature, and improving overall firm stability (Horngren et al., 2017). By managing their cash flow properly, small businesses can ensure that they maximize their working capital and also minimize cash shortages so that this will help them enhance their credit worthiness (Garrison et al., 2018). In its very optimal sense, proper cash flow management will enable small businesses to make informed decisions as regards investment priorities which will eventually lead them to achieve set financial goals (Bhimani et al., 2015).

Cash flow management has a very significant effect on the financial performance of small businesses (Kaplan & Atkinson, 2015). Proper cash flow management can help small businesses improve their top-line growth, profit margins, and return on investment (Horngren et al., 2017). In its absence, however, cash flow management would enable small businesses to monitor spending as well as manage cash inflows and outflows while sustaining their financial stability through investment prioritization (Bhimani et al., 2015). This is in addition to helping them nurture good financial discipline by reducing the amount of borrowing and hence debt and also enhancing creditworthiness in the eyes of lenders by managing inflow more than outflow: that is what cash flow means. According to Bhimani et al. (2015), through proper cash flow managements like handling inflows more than outflows, small businesses will be in a better position to achieve stability in their finances, grow these finances through proper investments, and achieve set targets. More specifically stated by Cohen et al. (2018), effective cash flow management would promote discipline against vices such as borrowing to an extent that they cannot repay which in turn depicts negative information to creditors; effective cash flows help you plan your borrowing among other issues.

5.2 Conclusions.

5.2.1. The effect of budgeting on the financial performance of small-scale businesses.

The research shows that budgeting is very vital in the financial performance of small-scale enterprises. Good budgeting practices lead to better financial management; this reduces financial losses and increases financial stability. Budgeting helps small businesses set investment priorities, manage cash flows, and achieve their intended financial goals. In addition, through budgets, small businesses are able to keep in order financially and reduce chances of borrowing too much since this would make their creditworthiness attractive. The results of the study indicate that small-scale enterprises realized increased revenue growth, profit margins, and return on investment when they adopted budgeting. It also reemphasizes that for small-scale enterprises to attain success and sustain it from a financial perspective, budgeting is indispensable. Small businesses can reap tremendous benefits including long-term growth by embracing sound budgeting as part of their organizational culture.

5.2.2. The influence of risk management on financial performance of small-scale businesses

The research proves that there is a positive relationship between risk management and financial performance of small-scale businesses. Managing risk is found to improve financial management, reduce financial risks and also reduces risk on finances, as well as adding on finance stability. Small businesses realize a significant improvement in revenue growth, profit margins, and return on investment when they practice risk management. It allows small-scale businesses to make informed decisions, prioritize resources, and optimize financial performance. The findings emphasize that adequate success for this objective would be impossible without effective risk management practices which are also very much needed by these entities to ensure cost-effective use of their resources; otherwise, they will not achieve the expected results from their investments in different projects aimed at improving life conditions..

5.2.3. The relationship between cash flow management and financial performance of small-scale businesses

Cash flow management and small firms' financial performance: evidence Accurate and reliable cash flow management helps small businesses to generate necessary information for decision-making, effective management of financial resources, and attaining financial stability. The results of this work stress that cash flow managements are key dimensions in securing successfulness and sustainably. Effective cash flow managements provide the small-scale

business an explicit comprehension in terms of the position where they stand from a financial view, consequently making strategic decisions which result in driving growth. This can be achieved by ensuring that cash flow management is given a priority by small-scale enterprises so as to attain financial stability, meet their set financial goals as well as exploiting fully the established potential. Generally, from this study it has been confirmed again that cash flow management is very important when it comes to influencing the attainment of successfulness amongst other related aspects like sustainable development for small-scale enterprises.

5.3 Recommendations

5.3.1. The effect of budgeting on the financial performance of small-scale businesses.

Comprehensive Budgeting Process; A comprehensive budgeting process should be adopted by small-scale businesses in Mukono district to enhance the financial performance: set clear financial goals, identify revenue streams, and effectively allocate resources. In so doing, after adopting this comprehensive budgeting process, entrepreneurs will be able to fine-tune their financial performance, reduce the risk of their finances, and reduce risks on the financial position.

Training and Capacity Building in Budgeting; Small-scale businesses in Mukono district should initiate training and capacity building with a bias towards budgeting so as to enhance financial performance through the practice. This will involve training entrepreneurs on the best practices of budgeting, financial management, and analysis. From the point of building capacity in budgeting then small-scale businesses will be able to enhance financial performance, reduce financial risks, and promote their stability through optimal performance. The training on budgeting capacities will also enable entrepreneurs to make informed decisions for the sustainability of finances, as well as transparency, accountability, and competitiveness in their respective small-scale businesses.

Budgeting Training and Capacity Building; there should be budgeting training and capacity building for small-scale businesses in Mukono district to enhance their financial performance.

It entails the training of entrepreneurs on the best practices of budgeting, financial management, and analysis. Through building capacity in budgeting, small-scale businesses can enhance financial performance, which helps cut down risks related to finance and boosts stability of finances. The training in budgeting and capacity building will help the entrepreneurs make informed decisions that lead to prioritization of investments for sustainability. And it will be developed for transparency, accountability, competitiveness.

5.3.2. The influence of risk management on financial performance of small-scale businesses.

Risk Identification and Assessment; Risk identification and assessment is a very important issue for small businesses in order to implement risk management aimed at increasing financial performance. This includes periodical reviews of business operations by pinpointing probable risks and evaluating them in terms of likelihood and impact. Through the identification, and assessment of risks, entrepreneurs can design proper risk mitigation strategies that will help in reducing financial losses and also entailing financial stability. The finding from this study will help small businesses to make informed decisions, which will facilitate optimization of their financial performance to achieve sustainability, as well as promote transparency, accountability, and competitiveness.

Risk Mitigation Strategies; Risk mitigation strategies should be embraced by small businesses for enhanced risk management and financial performance. This involves spreading investments, watching over cash flows, insuring against adequate coverage. The embracement of risk mitigation strategies by entrepreneurs helps in cutting down financial risks, building up stability of finances, and realizing an optimal performance of finances.

Risk Mitigation Strategies; Small businesses need to adopt risk mitigation strategies in their firms that will help improve risk management and hence financial performance through diversification of investments, proper management of cash flows, and maintaining adequate insurance coverage. Risk mitigation strategies enable entrepreneurs to reduce the impact of finance risks, increase financial stability, and attain optimum financial performance..

5.3.3. The relationship between cash flow management and financial performance of small-scale businesses.

Small scale enterprises in Mukono district should first effective cash flow forecasting as the top priority activity on their to do list so that this will help in managing cash flows which later translates into improved financial performance. This entails developing regular estimates of expected cash out and inflows plus what identifies likely cash shortfalls and what to do. Through forecasting their cash flows, entrepreneurs will manage their cash position with more efficiency, thus lowering financial risks and ensuring liquidity. It is this effective cash flow forecasting that will help small businesses take up investment opportunities; it can also be used to make adjustments on market demands to attain financial stability.

Cash flow management by small-scale businesses in Mukono district should be monitored from time to time. This will identify cash inflows and outflows on a regular basis and readdress where necessary. Review of cash flow management is such an important issue to enable the entrepreneurs to detect any problems concerning the cash flow, make necessary adjustments, and ensure liquidity of the business. Through regular review of cash flow management, it becomes possible to detect cash flow problems, optimize cash management and ensure liquidity of By regularly monitoring and reviewing their cash flows, small-scale businesses in Mukono district can improve financial performance ...

Cash flow management in small-scale enterprises in Mukono district through practice should organize in the regular tracking of cash inflows and outflows. It means regularly tracking cash inflows and outgoings and identifying areas where expenditure items need to be adjusted. It means keeping tabs on what is coming in as well as what is going regularly. By reviewing cash flow management on a regular basis, business owners can detect potential cash flow problems. This will help track optimization and adequacy of their businesses' liquidity. Cash flow management for small businesses should be reviewed continually, which enhances performance, competitiveness, and growth.

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APPENDIX 1: QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY, MUKONO

Questionnaire for Retail shop owners, Restuarant owners, Local food vendors

The survey on the Financial management practices and financial performance of small-scale enterprises in Bugujju Mukono.

Dear respondents

This questionnaire is designed to study the financial management practices and Financial Performance of Organisation: A Mukono district local government. The information you provide will help us understand better about the relationship between financial management practices and Financial Performance of Organisation: A Case of Mukono district local government. Because you are the one who can give the correct picture, own requesting you to respond to the questionnaire

frankly and honestly. Only the members of the research team will access the information you give. In order to ensure utmost privacy, you are provided with the participants which will also be used for the follow up procedures. The summary of the results will be mailed to you after the data has been analyzed in case you are interested. Thank you very much for your time and co-operation.

Section A: Bio data

(Kindly tick in the box provided below from No. 1 to 4)

1. Age bracket of the respondents

(a) 20 – 30 Years

(b) 30 – 40 Years

(c) 41 years and above

2. Gender of the Respondents

a). Male

b) Female

3. Designation/activity involved in? (tick as applicable)

4. a). How long have you been in that bussines?

a). Below 3 yrs.

b). Between 3 – 6 yrs.

c). 6 – 8 yrs.

d) More than 8 yrs.

INSTRUCTIONS:

In this part and the parts that follow, you are required to tick the most appropriate option applicable to you

Section B:

To establish the effect of budgeting on the financial performance of small scale businesses.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No. Qns	Statements:	5 SA	4 A	3 NS	2 SD	1 D
1.	Budgeting helps small businesses prioritize expenses, allocate resources efficiently, and avoid overspending, leading to improved financial discipline and reduced waste.					
2.	Budgeting enables small businesses to set financial goals, forecast income and expenses, and make informed decisions about resource allocation, leading to more effective financial planning and strategy.					
3.	Through the setting up of a budget, small businesses can spot areas for cost reduction, fine-tune and optimize expenses, and minimize unnecessary expenditures which results in better control of costs and decreased financial loss.					
4.	Budgeting helps small businesses manage cash inflows and outflows more effectively, reducing the risk of cash shortages, late payments, and lost business opportunities.					
5.	By budgeting, small businesses can set targets for financial performance indicators such as revenue growth, profit margins, and return on investment (ROI), and track progress towards achieving these goals, leading to improved financial performance and competitiveness					

Section C:

To determine the effect of risk management on the financial performance of small businesses.

Please where Applicable, tick using the following key.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No. Qns	Statements:	5 SA	4 A	3 NS	2 SD	1 D
1.	Effective risk management helps small businesses identify and mitigate potential risks, reducing the likelihood of financial losses and minimizing the impact of unforeseen events on financial performance.					
2.	By demonstrating a strong risk management framework, small businesses can enhance their creditworthiness, accessing better loan terms, lower interest rates, and improved financial flexibility.					
3.	Risk management helps small businesses craft their own contingency plans so that they can be in a position to respond fast to any disturbances that come along, continue running their ventures and take care of financial stability in times of misfortune.					
4.	This will enable small businesses to make prudent investments by allocating their resources to those opportunities likely to grow, and staying away from ventures that would jeopardize the growth of such opportunities.					
5.	Effective risk management demonstrates a commitment to responsible business practices, enhancing the confidence of investors, customers, and partners, and potentially leading to increased investment, sales, and partnership opportunities					

Section D:

To analyse the relationship between cash flow management and financial performance of small scale businesses

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No.	Statement: -	5	4	3	2	1
Qns		SA	A	NS	SD	D
1.	small businesses can make informed decisions about investments, funding, and resource allocation, leading to more effective strategic planning and growth.					
2.	Optimized Cash Flow Management. It enables small businesses to develop strategies that will optimize inflows and outflows of cash, hence reducing the chances of cash deficits, payments made late, and business opportunities lost..					
3.	When small businesses can analyze the relationship between cash flow management and financial performance, it will be possible to detect possible risks and work out strategies on how to reduce them; this makes such businesses better placed to handle unforeseen challenges.					
4.	It helps small businesses identify areas for improvement, enabling them to manage their finances more effectively, reduce debt, and achieve financial stability.					
5.	Improving cash flow management and enhancing financial performance will enable small businesses to up their profitability.					

	In so doing, they can realize growth through reinvestment, expand their operations, and succeed in the long term.					
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Thank you for your cooperation and responses

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380

Note:

85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	10000 0	384

“N” is population size

“S” is sample size.

Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.



**UGANDA CHRISTIAN
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SCHOOL OF BUSINESS

25th July, 2024

TO WHOM IT MAY CONCERN

Name: **ASIIMIRE AMANDA**

Reg. No **S21B33/004**

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

Financial management practices and financial performance of small scale businesses in Bugujju ,Mukono

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

.....
Mukisa Simon Peter
Research coordinator

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