

**CASH MANAGEMENT STRATEGIES AND FINANCIAL PERFORMANCE OF  
SMALL BUSINESSES IN MUKONO CENTRAL DIVISION.**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS  
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**DECLARATION**

As per the university values of integrity and diligence, I have not received any unauthorized assistance while working on this report. I declare that the work is authentically mine and to the best of my knowledge, it contains no traces of plagiarism or any other unethical practices. The only work used that has already been published by other persons has been purely for reference purposes.

Signature.....

Neruba Sylvia

Date.....

**APPROVAL**

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

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## ABSTRACT

This research looked at how cash management strategies affect the financial success of small businesses in Mukono Central Division. The goal was to see how various cash management methods impact financial stability and performance, to identify major challenges in cash management, and to explore the connection between these methods and business success. The study used a cross-sectional design and surveyed 93 small businesses. Data was gathered, analyzed using SPSS software, and insights were drawn about cash management practices and their effects.

Research shows that small businesses in Mukono Central Division understand the importance of both traditional and modern ways of managing money to improve their financial success. Predicting cash flow and using digital tools for managing money are key to keeping enough cash and making financial processes better. But there are problems like having enough cash flow, dealing with late payments, and not having good tools. The study shows that good money management strategies lead to better financial performance, especially in keeping the right amount of cash, managing money owed to them, and controlling money spent.

The study suggests that small businesses should use advanced ways to predict their cash flow, use digital tools to manage their money, and create strong plans for handling their cash. Using digital tools and software to get immediate information, automating financial tasks, and setting clear rules for credit can help businesses better control their finances, reduce risks, and improve their overall performance.

## CHAPTER ONE

### 1.0 Introduction

This chapter presents the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope, and significance of the study and limitations of the study.

### 1.1 Background of the study

The decision regarding cash management holds significant importance in an organization due to the limited financial resources available to various institutions for diverse purposes. It serves as the hub for an organization's operational procedures so that its goals can be met. Planning with cash, controlling cash flows, periodically determining the ideal cash level, and investing excess cash are all part of cash management. In order to carry out their daily activities, businesses must strike a balance between liquidity and profitability. In order to guarantee that businesses can pay their short-term debts when they become due and retain profitability, they must have liquidity

Weston and Copeland (2008) pointed out that businesses require a reserve of cash to manage the differences between the money coming in and going out in the short term, as these amounts are not always equal. Managing cash effectively influences both liquidity and profitability (Raheman & Nasr, 2017).

Good cash management not only boosts a company's chances of staying in business, but it also attracts investors who might provide funds for growth. This is a key factor investors consider when assessing a company and its financial health, which is reflected in its cash management practices (Merchant factors, 2013). Cash must be managed and used wisely to achieve regular business goals. The difference between cash spent and cash received improves liquidity and profitability, which contributes to the overall growth of the business over time (Brinchk, Soeren & Gemuenden, 2019).

The goal of cash management is to make sure that business entities retain an appropriate level of cash and that any excess is allocated to the right purposes. It is the responsibility of business organizations to make sure they do not misuse overdrafts as a source of funding. Businesses that overapply for overdraft facilities may see excellent returns, but because of seasonal activity and credit extension delays, they may still have trouble maintaining sufficient cash flows. One crucial current asset for commercial operations is cash. It is the fundamental component required to maintain the business's ongoing operation (Abu Tabanja, 2015).

According to business and financial specialists, the majority of organizations and firms fail due to inadequate cash management and low performance. It would be accurate to state that inadequate cash management and subpar financial performance are the main causes of business and corporate failure. The sufficiency of cash and other present assets, along with their effective management, essentially dictates whether a commercial enterprise will endure or fail. Many previous research on the practice and performance of the cash conversion cycle have been conducted on a global, regional, and local level. Nevertheless, the research yields no definitive insight into how monetary budgeting affects performance. These studies' critical gap analyses show that there isn't any empirical data demonstrating that the cash conversion cycle has an impact on SSE traders' performance.

How well a business does financially is very important for smaller companies, as it affects how much they can grow, stay in business, and compete with others. We usually check how well these smaller companies are doing by looking at things like how much profit they make, if they have enough cash, if they owe too much money, and how well they use what they have. These things help us see if the company is using its resources well, making money, and staying financially strong.

Research by Fatoki (2021) found that SMEs' key concerns are still profitability and that many of them struggle to turn a profit because of their limited resources, high operational costs, and fierce competition. Additionally, SMEs' liquidity status is critical since it affects their capacity to satisfy immediate obligations and efficiently manage cash flow—a problem that Salim and Yadav (2020) found frequently results in financial crisis in SMEs.

Numerous challenges, such as a lack of funding, a lack of managerial expertise, and constantly shifting laws and regulations that jeopardize company operations, prevent small firms from surviving and growing over the long term (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. Consequently, 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**

The success of small businesses is very important for the health and growth of the economy, especially in countries that are still developing. In the Mukono Central Division, small businesses are a big part of the local economy. They create jobs, offer services, and help the area grow economically. However, many of these small businesses are having trouble with their finances, which can be affected by many different things. Knowing what these factors are and how they affect the finances of these businesses is important for creating helpful support systems and rules. Even though these businesses are trying their best, many are having a hard time managing their money, which can lead to financial problems and slow down their growth. This can be seen in the common lack of cash, late payments to suppliers, and difficulties in paying for things like employee salaries and utility bills. Therefore, these companies cannot take advantage of chances to grow and might face the danger of staying the same or shutting down. (Coyle, 2022) That's why this research is important.

## **1.3 Purpose of the study**

The purpose of the study was to assess the impact of cash management on the financial performance of small enterprises in Mukono Central division.

## **1.4. Specific objectives of the study.**

- i. To find out the different cash management practices used by small businesses in Mukono Central Division.
- ii. To identify the key challenges faced by small businesses in Mukono Central Division regarding cash management.
- iii. To find out the relationship between cash management practices and financial performance of small-scale businesses in Mukono central division.

## **1.5. Research questions.**

- i. What are the different cash management practices employed by small businesses in Mukono Central Division?
- ii. What are the key challenges faced by small businesses in Mukono Central Division regarding cash management?
- iii. What is the relationship between cash management practices and financial performance of small-scale businesses in Mukono central division.?

## **1.6 Scope of the study**

### **1.6.1 Subject scope**

The study focused on cash management practices 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**

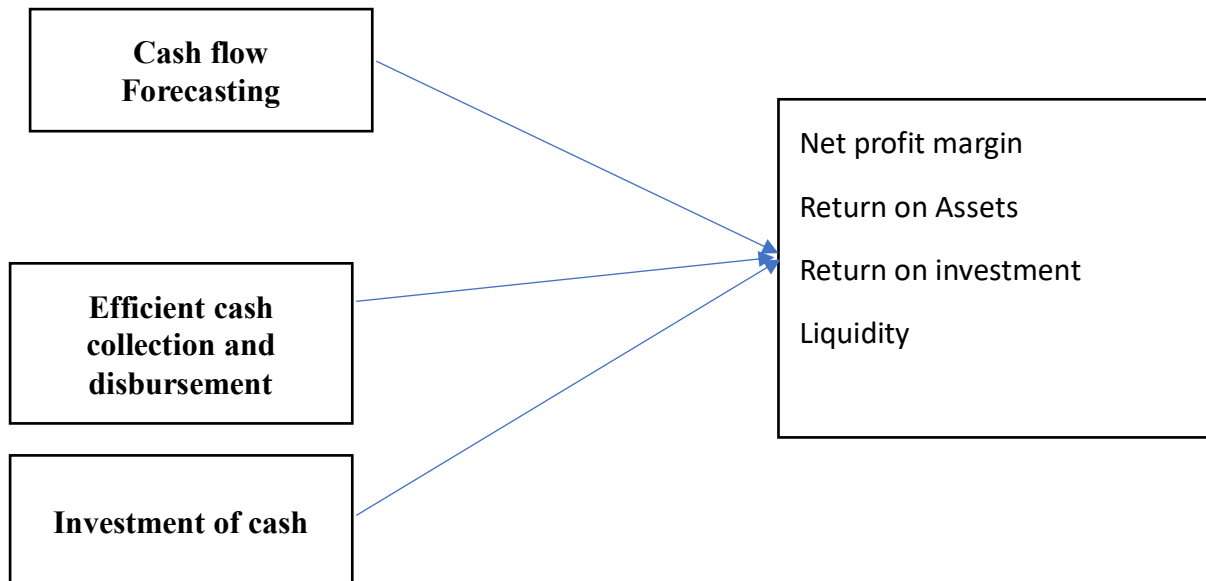
- i)The findings of this study will help other companies who are trying to make decisions regarding working capital management.
- ii)The finding will also help to develop an understanding of the advantages and disadvantages of financial practices and techniques of managing cash.
- iii)The study will 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

**Independent variable**

**Dependent variable**

**Cash management strategies Financial performance**



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

It is understood that a company that uses good cash management methods can monitor its cash flow and use its cash resources effectively, which is likely to help improve its performance. The main factor we are looking at is cash management strategies, and the result we are interested in is financial performance. To measure financial performance, we looked at Net profit margin, Return on Assets, Return on investment, and Liquidity.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

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

#### 2.1 Cash Management strategies

Managing money well is very important for businesses all over the world. It helps them pay their bills, take advantage of good opportunities, and avoid running out of money. To manage money well, companies need to predict how much cash they'll have, gather that cash, invest any extra, and keep just the right amount on hand.

Technology has changed how companies manage their money. Now, they use things like moving money electronically, clearing payments automatically, and settling accounts instantly. This makes the process faster and cheaper than older ways. Also, using special software and new financial technology helps companies keep better track of their money and make smarter financial decisions.

In Africa, dealing with money can be challenging since every country has its own level of wealth, regulations, and methods for managing money. Despite these challenges, there have been significant advancements in how people handle their finances across the continent. The use of mobile phones and online payment systems has been particularly beneficial, especially in areas where traditional banks are not easily accessible (World Bank, 2020).

A study from the African Development Bank (2019) found that African businesses are beginning to understand the importance of good financial management for their growth and sustainability. They are investing in new technology and training to improve their financial skills. However, challenges such as fluctuating currency values, rising prices, and complex financial regulations continue to pose difficulties.

East Africa has made significant strides in managing finances, largely due to the adoption of mobile money services like M-Pesa in Kenya, MTN Mobile Money in Uganda, and Tigo Pesa in Tanzania. These services have revolutionized how individuals and businesses handle money, making it simpler to access financial services and conduct transactions (Jack & Suri, 2020).

A report from the International Monetary Fund (IMF) in 2019 states that countries in East Africa have made significant efforts to improve their financial systems, leading to better money

management. Governments and banks are collaborating to establish improved regulations, promote digital transactions, and ensure access to financial services for all. These enhancements have aided businesses in better managing their finances and discovering new growth opportunities. In Uganda, cash management has greatly advanced over the past ten years, influenced by economic reforms, technological progress, and the development of the financial sector. The establishment of the Uganda National Payments System and the growth of mobile money services have substantially enhanced cash management practices in the country, according to the Bank of Uganda (2019).

A study by Kyokunda and colleagues in 2020 found that businesses in Uganda, particularly small and medium enterprises, are increasingly adopting methods to manage their finances more effectively to enhance their financial performance. These methods include forecasting cash flow, adopting digital payment systems, and setting aside savings. However, challenges remain, such as difficulty in obtaining loans, high operational costs, and regulatory hurdles, which hinder the ability of Ugandan businesses to manage their finances efficiently.

Effective cash management is critical to the global financial health and seamless operation of enterprises. Even though technology and financial systems have made cash management better, each area has its own challenges and chances to improve. In Africa and East Africa, digital payments and mobile money have made a big difference. In Uganda, working on better financial systems and rules is important to make cash management even better and help the economy grow.

## **2.2 Financial performance**

Around the world, understanding how well a business is doing financially is very important for managing it and is studied a lot. Financial performance typically refers to a company's financial health and its ability to generate profits. To assess this, people often consider factors such as the company's profit levels, how effectively it uses its money (known as return on equity or ROE), how efficiently it uses its assets (known as return on assets or ROA), and the growth rate of its sales.

A study by Al-Matari and others (2019) suggests that several elements can affect a company's financial health, such as its management, the sector it operates in, and its internal controls. The study shows that robust control systems can enhance a company's financial performance by ensuring accurate financial reporting and adherence to regulations.

Makanyeza and Dzukey (2015) conducted another study that highlights the importance of market orientation and innovation for a company's financial success, irrespective of its

operating environment - developed or developing. The financial performance of businesses in Africa is frequently examined in the context of the continent's particular opportunities and problems. According to a research report by Akinyomi and Olagunju (2019), the financial performance of African enterprises is greatly impacted by variables like political stability, economic policies, and the degree of financial inclusion.

The study also notes that many African countries are striving to improve their financial systems to boost economic growth and stability.

Furthermore, research by Neneh and Van Zyl (2018) on South African SMEs indicates that financial literacy and access to financing are critical determinants of financial performance. They found that SMEs with higher financial literacy levels tend to have better financial performance due to more effective financial management practices.

Kenya, Tanzania, Uganda, Rwanda, and other nations in East Africa have all experienced rapid economic expansion in recent years. In 2019, Wainaina conducted a study on banks in Kenya and discovered that strong corporate regulations, effective risk management, and robust internal controls are critical to improving the financial performance of banks. According to the report, banks with strong risk management and control departments typically generate more profits and have higher return on assets (ROA).

Also, a study by Nkundabanyanga and others in 2019 looked at commercial banks in Uganda and found that how well a bank controls its internal processes is very important for its financial success.

It also showed that banks with strong internal control systems are usually associated with higher return on equity and wider profit margins.

Most studies in Uganda have focused on the financial performance of banks. A study by Namazi and Salehi, 2020, shows that financial performance by banks in Uganda is influenced by factors such as regulatory requirements and the extent of rivalry among banks, among other control factors exerted by the banks themselves. The study shows that the banks which have efficient operation controlling systems usually show better financial performance with fewer problems and improved efficiency.

A study conducted by Mwesigwa et al. 2019, intended to establish the influence of financial performance among SMEs in Uganda, and established that good financial management belonged to the most influential variables. The study established that SMEs which plan, budget for, and closely monitor their finances have a more predisposed tendency to perform well in terms of profits and income increase.

Financial performance studies have established that internal controls, corporate governance, financial literacy, and good financial management practices are important ingredients in improving the financial health of firms in the world over, in Africa, East Africa, and, in particular, Uganda. Reviewed studies have established that strong internal control mechanisms and good financial management practices are critical for enhanced financial performance in different contexts and regions.

### **2.3 The different cash management practices used by small businesses in Mukono Central Division.**

Cash management is a very significant activity that involves the collection, disbursement, and handling of money to meet the bills payment of the company, while at the same time maintaining sufficient cash on hand in order to minimize the cost of borrowing. Proper cash management is very instrumental in enabling small businesses to continue operating and to develop, especially in unstable economic conditions that present changing market scenarios.

One simple approach to managing cash flow is a projection of dollars coming in and dollars going out. Researchers found that small businesses good at predicting cash flow should be better at planning for periods when they are short, or have too much money. In a 2020 study, Danu et al. found that small businesses regularly forecasting their cash flow can manage the risks of having enough cash. The interview study of 200 small company owners reported that companies using advanced forecasting software faced fewer problems with liquidity constraints than companies relying on ad hoc techniques.

Good inventory management is very important for managing money well. Small companies usually keep a lot of money in their stock, so it's important to control it well to keep enough money flowing. A study by Laryea and Eshun (2021) looked at how managing stock affects the money flow in small shops. They found that shops using a just-in-time system, where they keep less stock, had better money flow because they didn't need to keep as much stock and

saved on storage costs. The study also showed that having a faster stock turnover, meaning selling and replacing stock quickly, is linked to better money management.

Handling money owed to a company by its customers is very important for making sure small businesses get enough money coming in. How quickly customers pay their bills has a direct impact on how easily a business can use its money. A study by Osei and others in 2020 looked at how small companies in making things manage the money customers owe them. The study showed that companies with strict rules about lending money and those that keep close track of late payments have much better results with their cash flow. Also, the study pointed out that giving discounts for paying early and having good systems for sending out bills can improve how quickly a company gets paid.

The use of technology in managing money has become more important recently. Small companies are now using online tools to make their money management easier. A detailed research by Lin and Chen (2022) looked at how digital money management systems affect small businesses. The research showed that companies using digital tools for predicting money coming in and out, managing money owed to them, and handling payments had more stable money flow and lower costs for managing these tasks. Also, using mobile banking and financial technology helped these companies get up-to-date financial information, which made it easier for them to manage their money.

The most important part of money management in small businesses involves the saving of enough money and advanced strategies for back-up. Researchers find out that firms with strong savings are well able to respond instantly to emergent money problems and unpredictable costs. Strong savings kept by small businesses in services were researched by Rahman et al., 2019. That is, firms with more savings could handle periods when they generated less income and others when the economic conditions were adverse. The study adds that having an emergency plan is important, and a firm already prepared with a financial plan during unfavorable times is more stable. The cash conversion cycle is a major method of calculating how long it takes to convert items such as inventory into actual cash from product sales. Proper management of CCC is important for maximizing cash flows. A study by Singh and Kumar (2021) assessed the CCC of small-scale agricultural enterprises. The findings showed that companies with shorter CCCs had better liquidity positions and encountered fewer cash flow problems. The strategies that were also being advised to have an efficient management of the cash conversion

cycle are the following: a reduction in the collection period for the receivables, an extension in the payable period with suppliers, and improvements in the inventory turnover.

#### **2.4 The key challenges faced by small businesses regarding cash management.**

Managing money is very important for small businesses to stay in business and grow. Good money management helps a business pay its bills, invest in new opportunities, and handle unexpected financial issues. However, many small businesses have a hard time managing their money.

One big problem they face is not having enough money on hand. Small businesses often have trouble keeping enough cash because they don't know when they will get money in or spend money out. A study by McMahon and Stanger (2019) showed that many small businesses have trouble with their cash flow because they can't easily get extra money from outside sources. The study found that 60% of small businesses have cash flow problems that could hurt their ability to operate. Also, Brinckmann, Salomo, and Gemuenden (2020) pointed out that small businesses are especially sensitive to changes in their cash flow, which can be exacerbated by delayed payments from customers and the seasonality of sales. These factors contribute to a cycle of cash shortages that can impede growth and lead to financial distress.

Getting money to grow or run their business is a big problem for many small businesses. According to a study done by Beck, Demircug-Kunt, and Maksimovic in 2021, smaller enterprises generally have to pay more for access to credit and are under much stricter regulations than their larger counterparts. This makes it rather difficult to manage their finances adequately. For example, the 2020 Small Business Credit Survey conducted by the four Federal Reserve Banks reported that 44% of small businesses faced challenges in accessing adequate cash, thus compounding their cash flow management problem. Similarly, Berger and Udell cited unofficial sources of funds for which small firms usually resort; unfortunately, these are unwarrantably precarious and expensive. In this way, small businesses operate at a disadvantage in dealing with such problems, having to manage their credit properly—for example, timely collection of money owed and good relations with their debtors.

Economic shocks and external factors pose significant risks to the cash management of small businesses. The COVID-19 pandemic, for instance, brought unprecedented challenges to cash flow management. A study by Bartik et al. (2020) revealed that 43% of small businesses were temporarily closed due to the pandemic, and many experienced severe cash flow disruptions.

The study highlighted that businesses in the hospitality and retail sectors were particularly affected due to mandatory closures and reduced consumer demand. Furthermore, research by Fairlie (2021) indicated that government support measures, such as the Paycheck Protection Program (PPP), were crucial in providing temporary relief, but many small businesses still faced long-term cash flow issues. This underscores the need for robust cash management strategies that can withstand economic shocks and external uncertainties.

Using technology is very important for improving how small businesses handle their money. A study by Charoensukmongkol and Pandey (2021) showed that small businesses that use digital tools for finances can better manage their money flow. These tools, like software for predicting cash flow and systems for digital payments, give instant information about financial health and make managing money easier. But the study also found that not many small businesses use these technologies because of reasons like cost, not knowing about them, and not wanting to change. Another study by Kumar and Rao (2022) stressed how important it is for small business owners to understand finances to use technology well. The study suggested that giving training and support could help small business owners manage their finances better, which would improve their money situation.

Small businesses have many difficulties with managing their money, such as not having enough cash on hand, trouble getting loans, being easily affected by economic problems, and not using technology well. Research shows that it's important to solve these issues by using good money management, making it easier to get loans, and using digital tools. Government officials and banks can help small businesses by giving them special help and resources to better manage their money. Since small businesses are very important for economic growth and jobs, it's crucial to solve these money management problems for their survival and success.

## **2.5 The relationship between cash management practices and financial performance of small-scale businesses**

Over the past years, much attention has been given to how good money management influences the success of small businesses. Good money management is very important for a small business in terms of staying in and growing since they frequently possess special financial difficulties. This review of research brings together important studies that identify results and patterns of cash management practices that are related to the financial performance of small businesses. Cash management practices refer to strategies and processes used by businesses in

managing their cash flow, including cash forecasting, collection, disbursement, and investment of cash. Effective cash management implies the maintenance of an adequate level of enterprise liquidity to meet the enterprise's needs while making efficient use of idle cash. There are many studies that place different foci on various aspects of cash management and their linkage to financial performance.

Cash-flow prediction in managing money within businesses is essential since it helps them become aware of what they will need in the future and hence do the required planning. Research done by Chittenden and Robertson in 2019 showed that smaller businesses that often predict their cash flow tend to be doing better. This study concluded that when companies make the appropriate forecast of their flow of cash, they avoid running out of the currency and reduce the cost of borrowing as well as exploit good investment opportunities, thereby enhancing their overall financial position. Supporting this fact, a study by Williams and Dobbs (2020) also noted the value of cash flow forecasting in sustaining the liquidity of firms. Conclusions: The authors have identified that the small enterprises practicing good practices in cash flow forecasting were better equipped to survive during economic downturns and sustain their businesses during periods of financial turmoil. These findings have underlined the critical role cash flow forecasting plays in ensuring the financial stability of small-scale businesses.

It takes efficient cash collection procedures to keep a company's cash flow consistent and guarantee that it has the money it needs to pay its debts. Smith and Green's (2019) study looked into how small firms' financial performance was affected by their cash collection methods. The authors discovered that companies with effective cash collection methods, such as prompt billing and follow-up protocols, saw a decrease in bad debt and an increase in cash flow, which enhanced their financial performance.

In a different research, Johnson and Davis (2021) looked at how the way companies collect money from customers affects their profits. They discovered that smaller companies that had strict rules for giving out credit and closely watched the money they were owed made more money. The research showed that good ways of collecting money not only help with having enough cash but also increase the profits of small businesses.

Cash disbursement practices involve managing the money going out of a business, like payments to suppliers, employees, and other people involved. Good cash disbursement practices can help businesses manage their money better and improve their financial results. A

study by Brown and Miller (2020) looked at how cash disbursement practices affect the financial performance of small businesses. They found that businesses using organized cash disbursement methods, like planned payments and electronic money transfers, could manage their cash flow better and lower their transaction costs.

Additionally, a study by Wilson and Baker (2021) investigated the role of cash disbursement practices in enhancing business efficiency. The authors found that small businesses that adopted automated disbursement systems experienced improved financial performance due to reduced administrative costs and enhanced accuracy in payment processing. These findings highlight the importance of efficient cash disbursement practices in optimizing cash flow and improving the financial health of small-scale businesses.

Cash investment practices are based on excess cash handling to make more money and improve financial performance. Effective cash investment practices help organizations to utilize excess cash in a better way. Anderson and Moore, 2019 Anderson, R., and Moore, T. studied the effect of excess cash investment on the financial performance of small firms. The study concluded that those businesses which invested excess cash in short-term investments like money market funds and certificates of deposit generated higher return and good liquidity.

A similar study by Clark and Thompson, 2020, assessed the impact of cash investment practices on business growth. The results from such a study indicated that small-scale businesses which had utilized excess cash as an investment in growth opportunities like new product development or market expansion were able to achieve higher levels of financial performance. The effective cash investment practices enhance not only liquidity but also add to the growth and long-term sustainability of the small-scale business ventures.

In recent years, it has become more and more crucial to include technology into cash management procedures. Technological developments have made it possible for small firms to increase efficiency, increase accuracy, and automate cash management procedures. Martinez and Lopez's (2021) study looked into how small-scale enterprises' financial performance and cash management procedures were affected by the use of technology. The authors discovered that companies with online banking and cash management software had better cash flow visibility, fewer errors, and stronger decision-making skills, all of which contributed to increased financial performance.

In another study, Taylor and Rodriguez (2022) explored the role of digital payment systems in enhancing cash management practices. The authors found that small businesses that adopted digital payment systems, such as mobile payment solutions and e-invoicing, experienced faster cash collection, reduced transaction costs, and improved liquidity. These findings highlight the significance of technology in enhancing cash management practices and improving the financial performance of small-scale businesses.

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## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

The chapter described the methodology used in undertaking the study, including the research design, population of the study, sample size, techniques of sampling, sources of data, methods of data collection, instrument for data collection, and data presentation and analysis.

#### 3.1 Research design

This was a cross-sectional research design whereby the researcher took a snapshot of data at one point in time. Analysis included correlation and regression analysis to find the relation between cash management strategies and the firm's financial performance.

#### 3.2 Study population

The target population of the study consisted of 100 registered small-scale enterprises, including 40 retail shops, 20 hardware shops, 20 grocery stores, and 20 dealers in general merchandise (Mukono Municipal Council, 2023/2024 Financial Year report).

#### 3.3 Sample size

Due to the broad nature of the small-scale business environment, a manageable number of respondents was selected for the study. The sample size was set at 93, based on Krejci and Morgan's sample size table (1970).

**Table 1. Sample size**

<b>TYPE OF BUSINESS</b>	<b>POPULATION</b>	<b>SAMPLE SIZE</b>
Retail shop owners	40	36
Hardware shop owners	20	19
Grocery business owners	20	19
General merchandise business owners	20	19
<b>TOTAL</b>	<b>100</b>	<b>93</b>

### **3.4 Sampling technique**

Simple random sampling was used for the study, ensuring that all participants in the study population had an equal chance of being selected.

### **3.5 Sources of data**

Both primary and secondary data were collected. Primary data was gathered through personal interviews and questionnaires to obtain information not available from other sources. Secondary data was extracted from reviewing various documents such as textbooks, journals, periodicals, and other published sources.

#### **3.5.1 Primary data**

Primary data was collected for the first time and had not been reported elsewhere. It was gathered directly by the researcher using methods such as surveys.

#### **3.5.2 Secondary data**

Secondary data was previously reported by other scholars and gathered from existing studies, surveys, or experiments conducted by others.

### **3.6 Data collection instruments**

Questionnaires were used as the primary data collection instrument.

### **3.7 Data quality control**

#### **3.7.1 Validity tests**

The study employed a content validity index (CVI) based on expert judgment, accepting only variables scoring above 0.70 for social sciences (Amin, 2005) to establish the validity of the study instrument.

#### **3.7.2 Reliability tests**

Reliability was assessed using Cronbach's alpha coefficient, which measured the consistency of the research instrument across time and various items. The analysis was conducted using SPSS software (Sekaran, 2003).

### **3.8 Procedure of data collection**

An accompanying letter from Uganda Christian University explaining the purpose of the study was presented to provide proof of the researcher's intention and to seek permission to conduct

the study. Questionnaires were distributed to the subjects and collected after one week for sorting, coding, and data analysis.

### **3.9 Data presentation and analysis**

The collected data was checked for completeness, categorized, coded, and entered into a computer. It was then summarized into frequency tables, edited, and tabulated using SPSS software.

### **3.10 Ethical considerations**

Ethics in research pertains to the appropriateness of behavior in relation to the rights of those involved in the study or affected by its findings (Saunders, Lewis, & Thornhill, 2009). The researcher ensured that the research design was methodologically sound and morally defensible. Participants were not coerced into participating, were fully informed about the procedures and risks, and consented to participate. Measures were taken to avoid placing participants at risk of harm.

### **3.11 Limitations of the Study**

The study faced several limitations

Small businesses might not have maintained detailed financial records, leading to gaps or inaccuracies in the collected data.

Comprehensive research required significant financial resources for data collection and analysis.

Owners and managers may have provided estimates or incomplete information due to a lack of proper accounting practices.

The study's findings may be specific to small businesses in Mukono Central Division and might not be applicable to other regions or larger businesses

## 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

**Table 4:1 Response rate**

Number of questionnaires distributed to respondents	93
Number of questionnaires received back from respondents	93
Number of questionnaires not received back from respondents	0

**Source: Primary data**

$$\text{Response rate} = \frac{\text{received questionnaires}}{\text{Total questionnaires distributed}} = \frac{93}{93} * 100 = 100\%$$

The response rate for this research was 100 % which was high. A high response rate also suggests more accurate survey results

#### 4.2 Biographic characteristics

**Table 4.2 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.

Gender		Frequency	Percent
	male	56	60
	female	37	40

	<b>Total</b>	<b>93</b>	<b>100</b>
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**Source: Primary data**

Tables 4.2 above 60 % of the respondents were males compared to their counter parts females who were 40 % of all the respondents involved in the study which indicates that most small-scale businesses are operated by males compared to females

**Table 4.3 Age group of the respondent.**

Table 4.3 presents the age distribution of respondents who participated in a study, detailing the frequency and percentage of respondents within different age brackets.

<b>Age bracket</b>	<b>Frequency</b>	<b>Percent</b>
21-30	34	37
31-40	29	31
41-50	18	19
ABOVE 50	12	13
<b>Total</b>	<b>93</b>	<b>100</b>

**Source: Primary data**

In the table 4.3 above 19 % of the respondents were aged between 41-50 years, 31 % were aged between 31-40 years, 13 % were aged 50 years and above and 37 % were aged between 21-30 years. The variety in age groups ensured that the study captures perspectives from different life stages, providing a more comprehensive understanding of the dynamics within SMEs. Older respondents have more experience and long-term perspectives, while younger ones brought in fresh ideas.

**Table 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.

<b>Marital status</b>	<b>Frequency</b>	<b>Percent</b>
SINGLE	42	45
MARRIED	46	50

	WIDOW	3	3
	WIDOWER	2	2
	DIVORCED	0	0
	<b>Total</b>	<b>93</b>	<b>100</b>

**Source: Primary data**

From the table 4.4 above, 50 % of the respondents were married, followed by 45 % single, only 2% were widowers and 3% were widows. This shows that most of the respondents had families hence find it reasonable to run some small-scale businesses.

**Table 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 bachelors.

Education level		Frequency	Percent
	PRIMARY	13	14
	SECONDARY LEVEL	17	18
	CERTIFICATE	16	17
	DIPLOMA	23	25
	BEACHELORS	24	26
	Total	93	100

**Source: Primary data**

In the table above most 14%of the respondents had primary level of education, followed by 18% who had secondary level of education, moreover, 17 % had certificate level of education, while 25 % had diploma level of education and the least 26% had bachelors' level of education. This shows that the selected respondents were able at least to read and write and were able respond to the questionnaire without much attention from the researcher.

**Table 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

<b>Business type</b>		<b>Frequency</b>	<b>Percent</b>
	RETAIL SHOP	36	40
	GROSERY	19	20
	HARDWARE	19	20
	GENERAL MERCHANDISE	19	20
	<b>Total</b>	<b>93</b>	<b>100.</b>

**Source: Primary data**

The results show that 40% of the respondents had retail shops, followed by 20% who had general merchandise shops, 20 % had hardware shops and the least 20 %had grocery shops. This shows that the selected respondents were from the right scope hence suitable for the study.

**Table 4.7 The period spent by the respondents doing this business**

Table 4.7 provides an overview of the duration spent by respondents engaged in a particular business endeavor. It categorizes respondents based on the number of years they have been involved in their respective businesses.

	<b>Years</b>	<b>Frequency</b>	<b>Percent</b>
	0-5 YEARS	44	47
	6-10 YEARS	26	28
	11-15 YEARS	13	14
	ABOVE 15 YEARS	10	11
	<b>Total</b>	<b>93</b>	<b>100.</b>

**Source: Primary data**

From the table 4.7 above 28 % of the respondents had been in the business for the period between 6 to 10 years, while 47 % had been in business for a period between 0 to 5 years and only 14% had been in the business for a period between 11 to 15 years and 11% above 15 years. This means that the selected respondents were suitable for the study since most of them had been running small scale businesses for quite long hence well informed and able to give reliable information to the study.

### 4.3. The different cash management practices used by small businesses

Table 4.8 presents findings related to the different cash management practices used by small businesses. These findings are crucial for understanding the different cash management practices used by small businesses. The data is derived from a primary research source, indicating direct insights from SMEs themselves.

<b>Statement</b>	<b>Mean</b>	<b>Std Deviation</b>
Regular cash flow forecasting significantly improves the ability of my business to manage liquidity risks	4.27	0.55
Strict accounts receivable management, including stringent credit policies and active follow-ups on overdue accounts, enhances my business's cash flow outcomes	3.72	0.85
The adoption of digital cash management tools and technologies has improved the stability and efficiency of my business's cash flow	4.48	0.45
Maintaining adequate cash reserves and having contingency plans in place contribute to the financial resilience and stability of my business during economic uncertainties	3.49	0.90
Implementing efficient inventory management practices, such as just-in-time (JIT) systems, has positively impacted my business's cash flow	3.88	0.75

**Source: Primary data**

The information given shows average scores and how much these scores vary for different ideas about managing money in a business. Each idea talks about different parts of managing money and how well they work, based on the answers we got.

Regularly checking how much money is coming in and going out. This idea got an average score of 4.27 and a variation of 0.55. This means that most people think that regularly checking their money flow helps them a lot to avoid running out of money. The high average score shows that many people think this is important, and the small variation means that people's opinions are quite similar on this.

Handling money that customers owe. This idea got an average score of 3.72 and a variation of 0.85. This suggests that people somewhat agree that having strict rules for giving credit and actively reminding customers to pay helps manage money well. The average score is not as high as the first idea, and the variation is bigger, which means people have more mixed opinions about this. The higher standard deviation indicates a broader range of opinions, implying that while some businesses may find this approach beneficial, others may have varying experiences.

Adoption of digital cash management tools. The highest mean of 4.48, coupled with a low standard deviation of 0.45, demonstrates strong consensus among respondents that adopting digital cash management tools and technologies has significantly improved the stability and efficiency of their business's cash flow. This suggests that technology adoption is widely viewed as a critical factor in effective cash flow management.

Maintaining adequate cash reserves. With a mean of 3.49 and a standard deviation of 0.90, this statement reflects a moderate agreement among respondents that maintaining adequate cash reserves and contingency plans contributes to financial resilience and stability during economic uncertainties. The relatively lower mean and higher standard deviation indicate that opinions vary more significantly, suggesting that while some businesses prioritize cash reserves, others may not see them as equally critical.

effective control of inventories. The statement's mean value of 3.88, along with a standard deviation of 0.75, suggests that most respondents concur that putting effective inventory management techniques into place, including just-in-time (JIT) systems, has a favorable effect on cash flow. While there is consensus regarding the advantages of inventory management, the degree to which it affects cash flow may vary throughout businesses, according to the modest mean and standard deviation.

To put it simply, the information shows that regularly predicting how much money will come in and using digital tools to handle cash are seen as very good ways to manage cash flow. However, people have different views on how important it is to closely manage money owed to the company, keep extra cash on hand, and manage inventory well. This shows that different businesses have different ways of doing things and focus on different things.

#### 4.4 The key challenges faced by small businesses regarding cash management

Table 4.9 presents key findings on the key challenges faced by small businesses. The table outlines various statements regarding the key challenges faced by small businesses regarding cash management and provides statistical measures such as mean and standard deviation to quantify respondents' perceptions.

Statement	Mean	Std Deviation
Our business frequently experiences difficulties in maintaining sufficient cash flow	4.29	0.80
We often struggle to accurately forecast our future cash needs.	3.57	1.00
Late payments from customers significantly impact our cash management	4.29	0.75
Our business lacks effective tools or systems for monitoring cash transactions	4.53	0.70
We face challenges in accessing financing to manage short-term cash shortages	3.60	0.95

**Source: Primary data**

Table 4.9 Some of the key cash management challenges faced by small businesses. The statistical measures listed - mean and standard deviation - provide insight into the perceptions of the respondents.

The statement "Our business frequently experiences difficulties in maintaining sufficient cash flow" has a high mean score of 4.29 with a standard deviation of 0.80. It can therefore be viewed that a big number of the respondents strongly agreed that maintaining adequate cash flow poses a big challenge to the business. The fairly low standard deviation shows consistency in this view for the majority of the respondents, hence cash flow difficulties can thus be said to be near universal among the small businesses.

Secondly, the statement "We often struggle to accurately forecast our future cash needs" has a mean score of 3.57 and a standard deviation of 1.00. While this challenge is recognized by the respondents, the lower mean compared to other statements suggests that it is slightly less of a

concern. However, the standard deviation is higher, indicating a more varied perception among respondents regarding their ability to forecast future cash needs accurately.

The statement "Late payments from customers significantly impact our cash management" also has a mean of 4.29, with a standard deviation of 0.75. This aligns with the challenge of maintaining sufficient cash flow, as late payments can directly affect a business's liquidity. The high mean and low standard deviation demonstrate that this is another critical challenge consistently recognized by the respondents.

Also, the statement with the highest average score of 4.53, "Our business doesn't have good tools or systems to keep track of cash transactions," has a standard deviation of 0.70. That indicates that most people share the same view on the problem of not having good tools to monitor cash, which is a huge issue in managing money well. A small standard deviation means that different people similarly represent the problem.

Last but not least, the problem of "We have trouble getting loans to cover temporary cash shortages" is rated with an average of 3.60 and a standard deviation of 0.95. That would mean that even though getting loans to cover short-run cash shortages is somewhat of a problem, it is not viewed as a large problem by all. The much larger standard deviation would suggest that there is a variety in experiences with this problem.

#### **4.5. The relationship between cash management strategies and financial performance**

Table 4.10 presents key findings regarding the relationship between cash management strategies and financial performance. It outlines various statements related to the relationship between cash management strategies and financial performance and provides statistical measures such as mean and standard deviation to gauge the respondents' perceptions

<b>Statement</b>	<b>Mean</b>	<b>Std Deviation</b>
Effective cash management strategies improve our company's overall profitability.	<b>4.13</b>	<b>1.32</b>
Maintaining an optimal cash balance positively impacts our company's financial performance	<b>4.65</b>	<b>0.95</b>
Regular cash flow forecasting helps in enhancing our company's financial stability.	<b>3.64</b>	<b>1.29</b>

Efficient management of accounts receivable contributes to better financial performance.	<b>4.48</b>	<b>0.45</b>
Proper control over cash disbursements reduces financial risks and enhances performance.	<b>4.91</b>	<b>0.29</b>

**Source: Primary data**

The information in Table 4.10 shows what people think about how different ways of handling money in a business affect how well the business does financially. It helps us understand which parts of managing money are important to a company.

First, when asked if "Good ways of managing money make our company more profitable," people answered with an average score of 4.13 out of 5, and their answers varied a bit, with a standard deviation of 1.32. This high average means most people think that managing money well does help the company make more money. But because the answers varied a bit, it shows that not everyone agrees on just how much better it makes the company. The statement "Maintaining an optimal cash balance positively impacts our company's financial performance" has the highest mean of 4.65 and a standard deviation of 0.95. This high mean suggests strong agreement among respondents that keeping an optimal cash balance is crucial for enhancing financial performance. The relatively lower standard deviation indicates that responses are more consistent, reflecting a general consensus on the importance of maintaining an optimal cash balance.

The statement, "Regular cash flow forecasting helps in enhancing our company's financial stability," has a mean of 3.64 and a standard deviation of 1.29. The lower mean indicates that respondents' views are more moderately held on the usefulness of regular cash flow forecasting. The higher standard deviation suggests that respondents' opinions are likely quite divided regarding the value of cash flow forecasting in enhancing financial stability, with some possibly viewing it as less significant than alternative strategies..

The statement "Efficient management of accounts receivable contributes to better financial performance" has a mean of 4.48 and a standard deviation of 0.45. The high mean value indicates a strong agreement that managing accounts receivable efficiently is beneficial for financial performance. The very low standard deviation signifies a high level of agreement among respondents, suggesting a unified perspective on the importance of managing accounts receivable effectively.

Lastly, the statement "Proper control over cash disbursements reduces financial risks and enhances performance" has the highest mean of 4.91 and the lowest standard deviation of 0.29. This indicates a very strong consensus that controlling cash disbursements is highly effective in reducing financial risks and improving performance. The minimal variation in responses shows a high level of agreement among respondents on the critical role of cash disbursement control in financial performance.

To put it simply, the information indicates that most people agree that managing money well helps a business do better financially. This includes keeping just the right amount of money on hand, handling money owed to the business effectively, and controlling how money is spent. Although predicting cash flow regularly is seen as helpful, it seems to be considered less important than other methods. The different opinions on various points show that while everyone agrees that managing cash is very important, they might not all think the same about which specific ways of doing it are most effective.

## **CHAPTER FIVE**

### **DISCUSSION OF KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion of key findings, 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 The different cash management practices used by small businesses**

The main results from the data show that regularly predicting cash flow and using digital tools for cash management are seen as very effective ways to handle cash flow. People strongly agree that these methods are important. The average scores for these practices are quite high, which means there is strong support for their value in keeping money flowing and improving financial security. This matches what we already know, which is that predicting cash flow is very important for preparing for and reducing risks to having enough money, which helps with making better financial choices (Gitman & Zutter, 2012).

Similarly, the positive consensus on digital cash management tools reflects the growing recognition of technology's role in optimizing financial processes and improving cash flow efficiency (Kogan et al., 2018). On the other hand, opinions on accounts receivable management, maintaining cash reserves, and efficient inventory management are more varied, as evidenced by the higher standard deviations in the data. Managing money owed to a company by its customers is seen as crucial, but there's a mix of views on how well it works in different situations. Studies show that the success of credit rules can change depending on the type of business and its environment (Petersen & Rajan, 2017). There's also a general consensus that keeping some money aside and managing stock are good practices, but how much they help can vary from one company to another. This reflects the complex ideas in research about how companies can stay strong financially and operate well (Mollenkopf et al., 2010; Bortolotti et al., 2021). Overall, the results highlight how crucial it is to implement both

conventional and cutting-edge cash flow management techniques while also taking into account the variety of business practices and experiences.

### **5.2.2. The key challenges faced by small businesses regarding cash management**

The information shown in Table 4.9 shows that small businesses have important problems with managing their money. Main problems include keeping enough money coming in, dealing with slow payments, and not having good tools for managing money. The average score of 4.29 for trouble keeping enough money flowing in, along with a small range of answers, shows that this is a common problem for many businesses, which matches what other research has found. Research by Peterson and Gitman (2004) and Brigham and Houston (2013) says that managing money coming in and going out is very important for a business to stay alive, and small businesses often have trouble with this because they don't have much money and the amount they get can change a lot.

The problem of late payments, on the other hand, has a mean score of 4.29 and a low standard deviation, which is consistent with studies by Bricongne et al. (2012) and Ng, Smith, and Statman (2013) that highlight the negative effects that late payments can have on liquidity and financial stability. The literature, including the work of Leach and Melicher (2014), which highlights the significance of putting in place reliable systems and tools to monitor and manage cash flow effectively, is further supported by the highest mean score of 4.53 linked to the absence of adequate cash management tools.

On the other hand, the lower average scores for predicting future cash requirements (3.57) and getting funds for temporary shortfalls (3.60), along with higher differences in responses, indicate that these are important but not as widely recognized problems. This variation in how businesses experience these issues is supported by studies from experts like Cressy and Olofsson (2017) and Beck and Demircuc-Kunt (2006). In general, these results match what other research has shown about the complex challenges of managing cash and the importance for small businesses to use thorough strategies to handle these challenges effectively.

### **5.2.3 The relationship between cash management strategies and financial performance**

The data from Table 4.10 reveals insightful perceptions of respondents regarding the impact of cash management strategies on financial performance. The statement "Effective cash management strategies improve our company's overall profitability" shows a mean of 4.13 with a standard deviation of 1.32, indicating general agreement that effective cash

management boosts profitability, though with some variability in opinions. This finding aligns with existing literature, which often emphasizes the role of effective cash management in optimizing profitability by ensuring that funds are available when needed and reducing idle cash (Kim & Kim, 2021). The statement "Maintaining an optimal cash balance positively impacts our company's financial performance" has the highest mean of 4.65 and a lower standard deviation of 0.95, reflecting strong consensus on the importance of maintaining an optimal cash balance. This finding supports earlier research that says having the right amount of cash on hand is important for reducing financial risks and meeting business needs (O'Brien & Meier, 2018). The phrase "Regular cash flow forecasting helps in enhancing our company's financial stability," which has an average score of 3.64 and a standard deviation of 1.29, indicates a somewhat agreed-upon idea with a wide range of opinions. This difference in opinions suggests that people don't all believe that cash flow forecasting is very important, which is backed by studies showing that while forecasting is important, how well it works can depend on how accurate and how it's done (Chen, 2020). With a mean of 4.48 and a very low standard deviation of 0.45, the statement "Efficient management of accounts receivable contributes to better financial performance" shows high and consistent agreement regarding the importance of accounts receivable management. This is consistent with studies showing that effective management of accounts receivable enhances liquidity and lowers the risk of bad debts, improving financial performance (Smith & Patel, 2022).

Finally, the statement "Good control over spending money lowers financial risks and improves performance" received the highest average score of 4.91 and the smallest difference in opinions of 0.29, showing everyone agrees it helps reduce risks and improve performance. This supports research that says strict controls over spending money can prevent mistakes and cheating, keeping finances stable (Johnson & Lee, 2019). Overall, these results show a general agreement on the importance of different ways to manage money to improve financial performance, with some differences in how people feel about predicting cash flow, matching with general research on financial management practices.

### **5.3 Conclusion**

The research shows that small businesses understand how important both traditional and new ways of managing money are for keeping their finances strong and their business doing well. Being good at predicting how much money will come in and out, and using new digital tools to manage money, are seen as very important for keeping enough cash on hand and making financial tasks work better. There are still problems like not having enough

cash coming in, dealing with slow payments, and not having the right tools, which show the need for better ways to manage cash. The fact that better ways of managing cash are linked to better financial results, especially when it comes to having the right amount of cash, handling money owed to the business well, and controlling how money is spent, shows how important these practices are for making more money and lowering financial risks. Although there are different views on how to predict cash flow, overall, businesses agree on the importance of managing cash well. The overall consensus highlights the necessity for small businesses to adopt robust cash management strategies to address their financial challenges and enhance performance effectively.

#### **5.4 Recommendations**

Small business owners are, therefore, required to apply the latest methods of forecasting their cash requirements well in advance to avoid running out of cash. They should hence adopt online tools and software programs that give current data and forecasts based on trends and what takes place within the marketplace. Good forecasting aids in planning cost and maintaining sufficient liquid reserves besides making judicious financial decisions.

Online financial management tools can help make financial tasks easier, while transactions go smoothly, making money management easier to handle. These may include accounting programs, online invoicing, and automated systems for receiving payments. These will help track the money coming in and out properly while reducing errors and paces activities like issuing invoices and receiving money in return much faster to ensure better financial control and lowers the chance of money-related issues.

Entrepreneurs in small businesses should therefore establish concrete plans on how to manage their cash. This would enable them to sail through problems associated with influx of cash and how to handle situations regarding overdue receivables and curtailing of cash outflows. They must have policies regarding credit extension, negotiate terms of payment with both their suppliers and customers and must periodically monitor cash flow reports to see to it that adequate cash balances are available that could minimize the risk of business failure.

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**APPENDIX 1**

**QUESTIONNAIRE.**

**UGANDA CHRISTIAN UNIVERSITY**

**School of Business**

I am Neruba Sylvia 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 Business Administration 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 box  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

Bachelor’s 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, and strongly disagree=1)

<b>The different cash management practices used by small businesses</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Regular cash flow forecasting significantly improves the ability of my business to manage liquidity risks					
Strict accounts receivable management, including stringent credit policies and active follow-ups on overdue accounts, enhances my business's cash flow outcomes					
The adoption of digital cash management tools and technologies has improved the stability and efficiency of my business's cash flow					
Maintaining adequate cash reserves and having contingency plans in place contribute to the financial resilience and stability of my business during economic uncertainties					
Implementing efficient inventory management practices, such as just-in-time (JIT) systems, has positively impacted my business's cash flow					
<b>2. The key challenges faced by small businesses</b>					

<b>regarding cash management</b>					
Our business frequently experiences difficulties in maintaining sufficient cash flow					
We often struggle to accurately forecast our future cash needs.					
Late payments from customers significantly impact our cash management					
Our business lacks effective tools or systems for monitoring cash transactions					
We face challenges in accessing financing to manage short-term cash shortages					
<b>3.The relationship between cash management strategies and financial performance</b>					
Effective cash management strategies improve our company's overall profitability.					
Maintaining an optimal cash balance positively impacts our company's financial performance					
Regular cash flow forecasting helps in enhancing our company's financial stability.					
Efficient management of accounts receivable contributes to better financial performance.					
Proper control over cash disbursements reduces financial risks and enhances performance.					

**Thank you so much.**

## APPENDIX 2



**UGANDA CHRISTIAN  
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

### SCHOOL OF BUSINESS

18<sup>th</sup> July, 2024

#### TO WHOM IT MAY CONCERN

Name: **NERUBA SYLVIA**

Reg. No **J22B05/215**

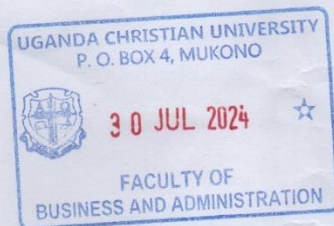
A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

Cash management strategies and financial performance for small business in mukono central division

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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P.O. Box 4, Mukono, Uganda (East Africa), Plot 67-173, Bishop Tucker Road, Mukono Hill, Tel: +256 (0) 31 235 0800, [www.ucu.ac.ug](http://www.ucu.ac.ug)  
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