

**BUSINESS RISK MANAGEMENT AND FINANCIAL PERFORMANCE: A CASE  
OF SELECTED SMALL AND MEDIUM ENTERPRISES IN ADJUMANI TOWN  
COUNCIL, ADJUMANI DISTRICT-NORTHERN-UGANDA**

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**S23B05/143**

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**UGANDA CHRISTIAN  
UNIVERSITY**

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## DECLARATION

I **MAZIRA WINNIE** hereby declare that this work in title of “Business Risk Management and Financial Performance of selected Small Medium Enterprises (SMEs) in Adjumani Town Council, -Adjumani District–northern Uganda” is my own work which has never been submitted in any institution for any form of academic award.

Sign: *Mazira Winnie* .....

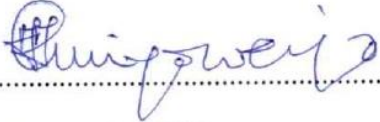
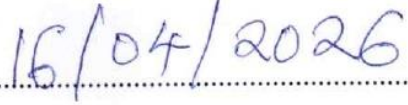
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## APPROVAL

This is to certify that this work entitled "Business Risk Management and Financial Performance of selected Small Medium Enterprises (SMEs) in Adjumani Town Council, -Adjumani District-northern Uganda" has been done under my supervision and is now ready for submission to the school of business studies in partial fulfillment of the requirements for the award of bachelor degree in business administration of Uganda Christian University (UCU).

Signature: .....  ..... Date: .....  .....

**DR. DAVID NYAMUYONJO**  
Research Supervisor

## **DEDICATION**

I dedicate this work to my beloved parents for .their moral and material support for me during my study and my uncle Taban, Amoli and Aunt Betty, my beloved grandmother who inspired me for further studies that I may not only provide their needs but be an inspiration to them. I further dedicate this research to my parents for their active roles in laying education foundation that I now build on. I also dedicate this research work to my dear brother and sister who have loved and encouraged me to study and my course mate for their cooperative and genuine company during the study. May the Almighty God bless you all.

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## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL .....	ii
DEDICATION.....	iii
ACKNOWLEDGMENT.....	iv
TABLE OF CONTENTS.....	v
LIST OF ABRIVIATIONS.....	vii
LIST OF TABLES .....	viii
LIST OF FIGURES .....	viii
ABSTRACT.....	x
CHAPTER ONE.....	1
GENERAL INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Background of the study .....	1
1.2.0 Statement of the problem .....	4
1.2.1 The research gaps;.....	4
1.3.0. Research Objectives.....	5
1.3.1. General objectives of research. ....	5
Specific Objectives .....	5
1.5.0. Research questions.....	5
1.6.0 Scope of the study .....	5
1.6.1 Content scope.....	6
1.6.2 Geographical scope.....	6
1.6.3. Contextual scope.....	6
1.6.4 Time scope .....	7
1.7. Significance of the study.....	8
1.8. Justification of study .....	8
1.9 The conceptual Framework.....	9
1.10 Operational Definitions of Terms and Concepts .....	10
CHAPTER TWO .....	11
LITERETURE REVIEW .....	11
2.0 Introduction.....	11
2.1.0 Theoretical Review. ....	11
2.2.0 The Empirical Literature Review.....	14
2.2.1. The effects of Financial Risks Management on Financial performance of SMEs) .....	14
2.2.2. The effects of Human Risks Management (HRM) on the financial performance of SMEs. ....	17
2.2.3 The effects of Independent Risks Management (IRM) on the financial performance of SMEs.....	19
2.24. Summary Literature Review and Research Gaps .....	20
CHAPTER THREE .....	22
THE RESEARCH METHODOLOGY.....	22
3.0 Introduction.....	22
3.1 Research design .....	22
3.2 Area of study.....	22
3.3 Population of study .....	23
3.4.0 Sample selection and Sample Size.....	23

3.4.1 Sample Selection.....	23
3.4.2 Sample Size.....	24
3.5.0 Sampling technique/procedure.....	24
3.6. Data sources.....	24
3.7.0. Data Collection methods and instrument.....	24
3.7.1 Data collection methods.....	24
3.7.1 Data Collection instruments.....	24
3.8.0 Quality control methods.....	25
3.8.1 Reliability.....	25
3.8.2 Validity.....	25
3.8 Data management and processing.....	25
3.9 Data Analysis.....	26
3.9.1 Quantitative data analysis.....	26
3.10. Ethical Considerations.....	26
3.11. Limitations of the Study.....	26
3.13. The research program/time plan and budget.....	27
CHAPTER FOUR.....	28
PRESENTATION AND DISCUSSION OF FINDINGS.....	28
4.0 Introduction.....	28
4.1.0 Bio data Presentation.....	28
4.1.1.0 The age of respondents.....	28
4.1.2.0. The Gender of the Respondents.....	29
4.1.3.0. The Marital status of the respondents.....	30
4.1.4.0. The Education Level of the respondents.....	32
4.5.0 Data presentation and discussion in line with the specific objectives.....	33
CORRELATION AND REGRESSION ANALYSIS BETWEEN FINANCIAL RISK MANAGEMENT AND FINANCIAL PERFORMANCE.....	38
HUMAN RISKS MANAGEMENT AND FINANCIAL PERFORMANCE CORRELATION AND REGRESSION ANALYSIS.....	45
CHAPTER FIVE.....	52
SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATION.....	52
5.1 Introduction.....	52
5.2 Summary of research findings.....	53
5.2.1 Financial Risk Management and Financial Performance.....	53
5.2.2 Human Risks management and Financial Performance.....	53
5.2.3 Independent Risks management and Financial Performance.....	53
5.3 Conclusions.....	53
5.4 Recommendations.....	54
5.4 Suggestions for future.....	54
REFERENCES.....	55
APPENDICES.....	57
APPENDIX 1: PRE-CONSENT LETTER.....	57
APPENDIX 2: Questionnaire for Sole SMEs and Group SMEs.....	58
APPENDIX 3: Questionnaire for sole SME and Group SMEs employees.....	61

## LIST OF ABRIVIATIONS

BRM;	Business Risks Management
FP:	Financial Performance
SMEs:	Small and Medium Enterprises
BR:	Business Risks
BRMPs:	Business Risks Management Practices
BRMIs:	Business Risk Management Indicators
FR:	Financial Risks
FP:	Financial Performance
FRCMs:	Financial Risk Control Measures
FPI:	Finance Performance Indicator
HR:	Human Risks
HRCMs:	Human Risk Control Measures
IR:	Independent Risks
IRCMs:	Independent Risk Control Measures
CRB:	Credit Reference Bureau

## LIST OF TABLES

Table 3.1: Showing summary of sample selection for the study .....	23
Table 4.1 showing the ages of SMEs and their Employees.....	29
The table 4.2. Showing the gender of the respondents. ....	29
Table 4.3 showing the marital status of the respondents. ....	30
Table 4.4 showing the education level of the respondents. ....	32
Table 4.5.1 The Financial Risks Management and the financial performance of sole SMEs. ....	33
Table 4.5.2 The Financial Risks Management and the financial performance of group SMEs. ....	35
Table 4.5.3 showing the Financial Risks Management and the financial performance of both sole SMEs and group SMEs.....	36
Table 4.5.4 Correlation analysis between financial risks management and financial performance. ....	38
4.5.5 Table Regression Analysis for financial risks management. ....	38
Table 4.6.1 The Human Risks Management and the financial performance of sole SMEs. ....	39
Table 4.6.2 The Human Risks Management and the financial performance of group SMEs. ....	40
Table 4.6.3 showing the effects of human risks management on finance performance of both sole and group SMEs.....	42
Table 4.6.4 Correlation analysis between human risks and financial performance.....	45
Table 4.6.5 Regression Analysis for human risks management .....	45
Table 4.7.1 The Independent Risks Management and the financial performance of sole SMEs. ..	46
Table 4.7.2 The Independent Risks management and the financial performance of group SMEs. ....	47
Table 4.7.3 the effects of Independent Risks management on the financial performance of SMEs.....	49
Table 4.7.4 correlation analysis between independent risks management and financial performance. ....	51
Table 4.7.5 Regression Analysis for independent risks management .....	52

## LIST OF FIGURES

The Figure 4. 1 illustrating the respondents age brackets.....	30
Figure 4.2. Illustrating the gender of the respondents.....	31

Figure 4.3 illustrating the marital status of respondents.....	33
Figure 4.4 illustrating the education level of respondents.....	35
Figure 4.5.1 The Financial Risks and the financial performance of sole SMEs.....	37
Figure 4.5.2 The Financial Risks and the financial performance of group SMEs.....	38
Figure 4.5.3 The effects of Financial Risks on the financial performance of SMEs sole SMEs and group SMEs and their employees.....	40
Figure 4.6.1 The Human Risks and the financial performance of sole SMEs.....	44
Figure 4.6.2 The Human Risks and the financial performance of group SMEs.....	46
Figure 4.6.3 displays the Effect of human risk on the financial performance of both sole and group SMEs.....	49
Figure 4.7.1 The Independent Risks and the financial performance of sole SMEs.....	53
Figure 4.7.2 The Independent Risks and the financial performance of group SMEs.....	54
Figure 4.7.3 The Effects of independent risk on the financial performance of both sole and group SMEs.....	57

## ABSTRACT

This research was carried out to analyze the relationship between Business Risks management and the Financial Performance of the Small Medium Enterprises in Adjumani Town Council, Adjumani District –northern Uganda. The specific objectives of the study were; “to assess the effects of Financial Risks management on the financial performance”, “to Examine the effects of Human Risks management on the financial performance” and “to analyze the effects of Independent Risks management on the financial performance” of SMEs in Adjumani Town Council-Adjumani District respectively. The investigation was focused on the effects of Finance risks, human risks and independent risks managements on the Financial Performance of the selected SMEs with the view of strengthening their Business Risks Management (BRM) capacities for enhancing their Financial Performance. A Quantitative design was adopted to enable convenient data access and numerical analysis of financial performance. Open ended questionnaires with rated score scales were used to extract data from 72 respondents (sole SMEs and group partnership SMEs with their employees). The field data were subjected to Statistics for Social Sciences, analysis and interpretation of table and figures generated reveals that; Business risk and financial performance are mischievous. Major business risks are; financial risk (cash loss or insolvency), human risk (employee errors or mistakes) and independent risks (unexpected damages or disasters). Financial risk is the most critical business risk challenging the financial performance of SMEs especially sole SMEs are at higher risk than group partnership SMEs. Knowledge of risk control strategies does not improve financial performance of SMEs unless they become personal habit (culture) of business employees as major expositors to risk factors. The effective mitigation of business risk should begin from limiting human risks projected beyond qualification or just good records but rather a habit of consistent value of resources (capital goods or assets) and self-experience in financial discipline. The challenges of independent risks are high for SMEs due to defective risk monitoring system of most SMEs and only effective engagement can bail out the financial performance SMEs.

# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.0 Introduction

This research analyzes the relationship between business risk management and financial performance of selected Small Medium Enterprises (SME) in Adjumani Town Council (ATC), Adjumani District-northern Uganda. The study examines the possible Business Risks analyzing their effects on the Financial Performance (FP) of the Small Medium Enterprises (SME) especially in Adjumani Town Council (ATC), Adjumani District-northern Uganda. This chapter includes; the Introduction, Research Background, the Problem Statement, the Objectives of the Study, the Research Questions, Scope of the Study, Area of Study, Significance of the Study, Justification and conceptual framework and list of definitions.

### 1.1 Background of the study

Small Medium Enterprises (SMEs) are universally recognized as the backbone of most global economies due to their vital contributions in employment, Gross Domestic production (GDP) (Lim et al., 2023). However, business risk is the most critical challenge for most SMEs. Business Risks is type of hazard that interferes with the smooth operation of business transaction and systems (Bernard M. K., Marus E., Arthur S. and Bernard P. O., 2023). The most potential business risks of the Small and Medium Enterprises (SME) are; finance risks such as; money or cash loss related risks, independent risks such as; market risk, accidents, technological errors and disasters and Human risks such as; employer and employee hazards are often undermined by most SMEs and seriously affects their financial performance (George Smith, 2025).

Finance: is the liquidity or Solvency of cash in a business or industry and Financial Performance; is the outcome of Cash management which is the process of collecting, managing, and investing cash in a manner that lowers Financial Risks. (Bernard Marr., 2021). It's crucial for all business risks to be taken into account by undertaking an appropriate risk control measure (Barnes, P. et al., 2019). Studies reveals poor financial performance as corresponding effect of poor business risk management and the most serious effects of poor financial performance are; loss of liquidity (insecure saving and unfavorable credit), loss of profitability (low cash efficacy and returns) and poor cash security respectively and if not controlled (treated) may lead to insolvency or cash

bankruptcy" (Tobazaa S.G and Gatsi J.G., 2025 & Owor, 2020). It is almost impossible to achieve financial stability without Business Risk Management (IMF, 2019). Unfortunately, most SMEs are not preparing to handle them and suffer considerable financial loss (George Smith, 2025).

Business Risk Management (BRM); is the first line treatment of financial sickness and involves; risk identification, risk analysis and assessment, risk Prioritization, risk response planning, implementation of risk control measures, continuous monitoring and review of risk management strategies, communicating and reporting compliance with risk regulation consideration and cultivating risk ware culture for all parties to the business transaction. (Bernard Marr., 2021). These BRM strategies are vital remedies for major business risks especially financial Risks which directly affects the liquidity and profitability of SMEs while human risks invite employer or employee finance mismanagement increasing their vulnerability to independent risks such as; market risk, accidents, technological errors and disasters lowering their financial performance (Owor, 2020).

This means accurate risk prioritization is key for each BRM undertaking risk response options such as; avoiding, reducing, transferring or accepting risks control measures while at the same time monitoring and evaluating the effect of the risk responses options especially on their financial performance for risk awareness sustainability (World Bank, 2019). Nevertheless, BRM is more challenging on the financial performance of the SMEs today than ever before due to complex and competitive market conditions Lisa (Schwarz, 2024). Despite this, only 60% global SMEs undertakes financial management tasks (USSIA, 2017). This is the scenario especially in Uganda where poor business risk management is itself a primary business risk for SMEs. This is crucial considering SMEs contributes about 90% of the economy employing over 70% of the national workforce (World Bank, 2019).

One of the factors that increase both finance and human risk is low finance management experience (Bernard Marr, 2021). This is the case with most of the SMEs in Uganda especially in Adjumani Town Council, Adjumani district in northern Uganda where most of SMEs lack proper financial management skills such as; adequate transaction and financial record-keeping and limited understanding of financial statements which limits their financial performance.

Another factor that increases financial risk of SMEs is insecure financial services. Despite more harmonized and enabling financial services regulations (CRB,2022) most SMEs access financial credit (loan) services from money lender as quick loans who have stringent banking requirements (unfavorable Terms of conditions) and high-interest rates (IGC,2020 and AFI, 2019). This is because instead of partnering with banks and local financial service providers such as; microfinance institutions and Savings Cooperatives and Credit Associations (SACCOs) which have flexible financial services tailored to meet the special financial needs of the SMEs (M. Pasara et al, 2021). This further undermines their financial risk management capabilities.

However, the electronic banking services such as; M-Pesa (Kenya), MTN Mobile Money (Uganda), and Airtel Money (Tanzania) respectively has significantly revolutionized information enabling unlimited access to business risks and financial management costs for SMEs reducing the business and financial risk management tasks on both employer and employee lowering both human and independent risks (Z. Virgierova et al, 2022, Accounting Insights., 2024 & B. Com Institute., 2024). On the other hand, the upgrading of Mobile Money services to urgent banking enabled SMEs to have absolute control over business risk and financial management system such as; banking as cash transaction barriers have been lifted and cash flows (liquidity), turnovers (profitability) and cash operation efficiency (cash security) have been marginally improved to facilitate maximum financial performance since the reliability of access to secure credit, savings services and higher sales cycle; stock and business efficiency and human network partnership. (M. Pasara et al., (2021).

However, financial risk remains the most leading setback for most SMEs especially in Uganda since only 26% of the SMEs are able to access reliably secure financial services even from the formal financial service providers due to unfavorable services terms and conditions especially critically uncompromising collateral policies) FSDD-Africa, (2018). Although SMEs have begun to recognize business risks and undertake measures to guarantee their financial performance, more effort is required to capacitate SMEs to overcome business risks.

This reaffirms the need to assess business risk management and financial performance of SME especially in Adjumani Town Council, Adjumani District northern Uganda.

### **1.2.0 Statement of the problem**

Business risk still contributes significant entrepreneurial challenges for most Small and Medium Enterprises (SMEs) in the world today. Effective business risk management helps SMEs to identify, assess uncertainties and mitigate financial loss to grantee profitability, liquidity and future growth (Barnes. et al., 2019). Studies indicate that poor business risk management significantly reduces financial performance and increases business failures for SMEs (IMF, 2019). Despite improvements in technology that have enabled reliable access financial services and risk management tools, still most SMEs faces critical financial instability due to inadequate financial risk management capabilities (Smith G., 2025). In developing countries particularly Uganda, most SMEs faces manifold financial risks such as; limitations in formal credit access, cash flow volatility and exposure to informal lending arrangements with unfavorable terms and conditions. Evidence shows that only small proportion of SMEs access formal financial services which limits their ability to manage financial risks effectively and improve their financial performance (AFI, 2019). Consequently, many, SMEs experiences declining profitability, liquidity and greater challenges in business growth, increasing their vulnerability to insolvency. In contrast, Adjumani Town Council (ATC), Adjumani district-Uganda, most SMEs are struggling to operate their business on; lower financial literacy, limited institutional support and higher dependency on informal financial services. Financial risks have emerged as major constrain to SMEs growth compared to operational and human risks. Despite the importance of business risk management in the financial performance of SMEs, there is still low empirical evidence on how business risk management practices of SMEs in this specific context. Therefore this study seeks to examine the effects of business risk management on the financial performance of the SMEs especially in Adjumani Town council Adjumani district. The findings are expected to contribute to policy and managerial interventions aimed at strengthening the sustainability of SMEs and their financial performance.

#### **1.2.1 The research gaps;**

the research gaps will include; Business and Finance Polices (regulations) on the quality and quantity of business risk management and the quality of financial performance. Other gaps include; Business financing (capitation) opportunities designed specifically for SMEs (M. Pasara et al., (2021) and especial financial need of the SME There will also be gaps in; tracking,

measuring and total analysis of financial health especially since solvency, turnovers efficiency of each SMEs forms inner business confidential business principle to study (Bernard Marr., 2021 and (AFI, 2019).

### **1.3.0. Research Objectives.**

#### **1.3.1. General objectives of research.**

To analyze the relationship between Business Risks management and the Financial Performance of the Small Medial Enterprises in Adjumani Town Council, Adjumani District –northern Uganda.

#### **Specific Objectives**

1.4.1. To assess the effects of Financial Risks management on the financial performance of SMEs) in Adjumani Town Council-Adjumani District-northern Uganda.

1.4.2. Examine the effects of Human Risks management on the financial performance of SMEs in Adjumani Town Council-Adjumani District.

1.4.3. To analyze the effects of Independent Risks management on the financial performance of SMEs in Adjumani Town Council-Adjumani District.

#### **1.5.0. Research questions**

1.5.1. What are the effects of Financial Risk management on the financial performance of SMEs in Adjumani Town Council-Adjumani District-northern Uganda?

1.5.2. What are the effects of Human Risk management on the financial performance of SMEs in Adjumani Town Council-Adjumani District?

1.5.3. What are the effects of Independent Risk management on the financial performance of SMEs in Adjumani Town Council-Adjumani District?

#### **1.6.0 Scope of the study**

The scope of the study is the possibilities and perceptions of the study. It includes, content (theoretical) scope, Geographical scope, Contextual scope and Time scope respectively

### **1.6.1 Content scope**

The content scope analyzes the relationship between Business Risks management practices and the Financial Performance of the Small Medial Enterprises in Adjumani Town Council, Adjumani District –northern Uganda. The field studies assess the effects of Finance risks, human risks and independent risks managements on the Financial Performance of the selected SMEs with the view of strengthening their Business Risks Management (BRM) capacities for enhancing their Financial Performance. The field data collection and analysis consider; bio data of respondents (age, Gender, Marital status and Education level) and risk control mechanisms of the SMEs focused on Finance Risk control, Human Risk Control and Independent Risk control mechanisms respectively and their effects on the financial performance of the SMEs

### **1.6.2 Geographical scope**

The geographical scope considers, Adjumani district which is located in the north eastern region of Uganda between latitude 31° 24" and 32° 4" east of Greenwich; and longitude 2° 53" and 3° 37" north of the Equator. It lies on the Eastern bank of the Albert Nile, which is its common border with Moyo District. It borders the districts of Amuru in the south and east, Arua and Yumbe in the west and Moyo in the north. Adjumani is one of the districts that form Uganda's common border with the Republic of Southern Sudan in the north-east. The total land area of the district is 3128sq.kms, of which 46.8sq.kms is covered by water. The area occupied by forest is estimated 37.44sq.kms. Of the 1455sq.kms of arable land, only 120.8sq.kms is under cultivation (UNPHC, 2015). The 2014 population and housing census established the total population of Adjumani district (East Moyo County) at 231,623, of which 52.2% were females and 47.8% were males.

### **1.6.3. Contextual scope**

The contextual scope considers socio-economic and environmental dynamic of Adjumani district which was one of the counties of Moyo district known as east Moyo was inaugurated on 17 July, 1997. The district has been split into two (Adjumani East and Adjumani west) in July 2015 owing to her population increase. Today the district has 10 sub-counties and one town council (Adjumani Town Council/the biggest town council in Uganda is where the research is confined), Pakele, town board, Dzaipi, Adropi, Pachara, Ciforo, Ukusijoni, Arinyapi, Ofua, and Itirikwa. The district has 54 parishes and 206 villages. The climate of Adjumani district is tropical in

nature with moderate rainfall and temperature. The rainfall pattern is bimodal with annual rainfall varying between 750mm to 1500mm. The rain season fall between April to June and August to November, with peak rainfall usually experienced in May. Dry conditions are experienced from December to March is the most suitable for free conduction of this research. During this period, although production is low, livelihood is fear due to post harvest enjoyment and many women brew alcohol as source of economic activity during this period and most people trade in beverages as leisure income since they could even take it on credit while children are for long holidays from school and are free for short term business such as; shop attendant, restaurant/bar/hotel, waiters/waitress, commercial motorcyclists (Boda-Boda), sport betting/Casinos attendants/clients, mobile money attendants, grocery/food store attendant in where passive leisure (night discos and shows) exposes people to peer and drug facilitated business risks as tremendous challenger of financial performance.

The National Housing and Population Census 2014 shown that national population represents a number of ethnic and tribal groups with Madi being the single largest group comprising of 90%, followed by 10% Lugbara, Acholi, bantu and other tribes of Uganda and South Sudan who have accessed the community as technocrats/public service or as urban refugees. However, from 2013 to date over 400,000 traumatized South Sudan asylum seeker are being hosted in Adjumani district elevating (doubling) market. Although some economical refugees bring their children to Adjumani town to enjoy better social amenity such as school, hospitals, hotels, housing and leisure with their host community counterparts they increase market, lessons learnt from other business (money lending) reveals both refugees and host communities require specific business risk management especially here in Adjumani district in northern Uganda.

#### **1.6.4 Time scope**

The research examines five (5) years of Business Risk Management and Finance Performance of SMEs from 2000 to this date 2025. This is the period of emerging economy, business experiences and finance performance from global pandemics especially of COVID 19 and how it impacts on the top priority Sustainable Development Goal (SDG). That is SFG1 “ending global poverty” (UNDP, 2015) and especially how local businessmen operating Small and Medium Enterprises (SMEs) under unconditional economic stress particularly in Adjumani Town Council, Adjumani district in northern Uganda have managed business risks to enhance their

financial performance in supporting their communities in ascertaining the anticipated middle-income status in Uganda by this year 2025 (Uganda, vision, 2040).

### **1.7. Significance of the study**

The findings of this research contribute valuable data to international, regional and national business authorities about the status Business Risk Management and financial performance of SMEs. The results of this study also act as policy brief to the Ministry of Finance and Economic Planning (MoFEP) of the government of Uganda, Economist, Industrialist, Investors and entrepreneurs in analyzing the state of Economic/business risks facing the financial performance of the SMEs.

This study also raises level of awareness of local business stakeholder (authorities) about the BRM practices of the local Businessmen especially of SMEs in relation their financial performance as measure of tax payment habits and improved services. The findings of this research also empowers both Local Business Authorities (LBA) and entrepreneurs of SME to consider undertaking research in BRM as an effective financial control tool.

Above all the research contribute to the School of Business Studies in partial requirement leading to the award of Bachelor Degree in Business Administration of Uganda Christian University (UCU).

### **1.8. Justification of study**

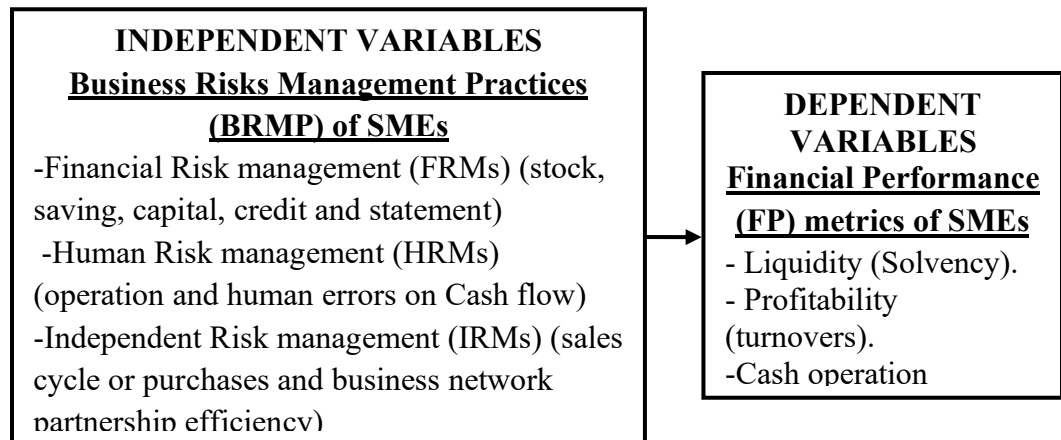
This research provides opportunity to analyze the impact of the available BRMS especially on the financial performance local entrepreneurs operating SMEs as the main tax revenue source with the view of influencing economic policy makers and experts to consider capacitating entrepreneurs of SMEs for consistent business risk management and comprehensive finance control. The research also establishes the impact of BRM and financial performance on Sustainable Development Goal (SDG) One (SDG1) “Ending all forms of poverty globally” (UNESCO 2016). It will further examine the economic status, the trend of prevailing Business risks on the financial performance of SMEs in post Covid 19 pandemics periods (2019 to 2023) especially in Adjumani district, northern Uganda. Above, this research also contributes scholarly

ideas regarding effects of business risks on financial performance and field based feedbacks for improved Business Risks Management and Financial Performance.

### 1.9 The conceptual Framework

The conceptual framework in figure one (fig.1) relates Business Risks Management Practices with Financial performance of SMEs as seen below

**Fig. 1. The Conceptual frame work**



*Source: Formulated by researcher*

#### Description of Variables

From the conceptual framework in Figure One (Fig.1) above it can be seen that; The main variables under study are; Business Risk Management Practices (PRMPs) which is the Independent Variables (IV), Financial Performance (FP) metrics of SMEs is the Dependent Variables (DV) while Business and Finance Polices (Superseding or intervening Variables) are left out as constant institutional factors.

**The Dependent Variable (DV)** considers; Financial Performance (FP) metrics of SMEs such as; liquidity (the cash flow stability SMEs), profitability (the cash turnovers stability) and cash operation efficiency (cash security) as major financial performance metrics dependent on Business Risk Management (BRM) of SMEs.

**The Independent Variable (IV)** considers; Business Risks Management (BRM) of SMEs

As the chief factors determining their financial performance. The major BRM includes; Finance Risk management (FRM), Human Risk Management (HRM) and Independent Risk Management (IRM).

The Financial Risk management (FRM) or finance risk control measures such as; stock taking, saving, capital or credit balance and financial statement are performed as risk limits and regular audit priority.

The Human Risk management (HRM) considers operational risks controls forecast on cash flow (savings efficacy & credit stability) by implementing stringent internal controls, regular monitoring of business processes, creating backup systems, and conducting employee training to minimize errors.

The Independent Risk management (IRMs) involves; effective stock or sales cycle (efficient purchases/stock, business network and partnership) focused on the applies Information/Cyber security controls such as encryption of sensitive data, security updates, access controls, and intrusion detection systems and their effect on the supply chain risk controls such as establishing alternative suppliers, conducting due diligence on suppliers, and creating contingency/business continuity plans for supply chain disruptions.

### **1.10 Operational Definitions of Terms and Concepts**

**Business Risks (BR);** is type of risk is a hazard that targets business operations, systems, and processes (Bernard M. K., Marus E., Arthur S. and Bernard P. O., 2023).

**Business Risk Management (BRM);** is the treatment of business risks and involves aligning the identified business risks to the objectives and strategies of the business by identifying, analyzing and controlling the potential risk metrics. (Bernard Marr., 2021)

**Finance: is the liquidity or Solvency of a business or industry** (Bernard Marr., 2021)

**Financial Performance;** was defined as outcome of Cash management which is the process of collecting, managing, and investing cash in a manner that lowers Financial Risks. (Bernard Marr., 2021).

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviews the existing literatures (policy books, scholarly ideas and experiences) related to Business Risks Management and Financial performance in Adjumani Town Council, Adjumani District northern Uganda. The available literatures are reviewed under the following headlines; The theoretical review and empirical literature review considers; the effects of Financial Risks Management on Financial performance, the effects of Human Risks Management on the financial performance and the effects of Independent Risks Management on the financial performance of SMEs respectively with the view of determining the most critical risk of financial performance.

#### 2.1.0 Theoretical Review.

The theories aligned to theoretical relationship between Business risk Management and financial performance includes; the Cash Conversion Cycle (CCC) theory of Moving and Gitman, L. J and ‘economics theory’ and ‘argent theory of Berle and Means (Adam Hyes, 2025).

**The Cash Conversion Cycle (CCC) theory;** considers the relationship between BRM and Financial Performance as inseparable. CCC theory emphasizes the importance of managing the time it takes for a company to convert its investments in inventory and other resources into cash flows from sales. CCC theory content that “the shorter is the CCC, the more quickly is finance gain” According to the CCC theorists, SMEs who reduces their CCC can improve liquidity and reduce dependence on external financing (credit or loans capital) which have potential business risks (Adam Hyes, 2025).

The CCC theory also reveals that reducing the number of days accounts receivable, inventory, and accounts payable can significantly enhance the profitability of SMEs as efficiency in liquidity reduces the need for costly short-term borrowing that could add risk to business. Today many authors have acknowledged the financial implications of the CCC, and reaffirming that a shorter CCC helps SMEs minimize the cost of capital and enhances financial flexibility. Proper management of the CCC allows SMEs to take control over their financial risks by ensuring; cash

transaction, prompt pays and Cash on Delivery (CoD) payment helps SMEs prevent capital loss and enhances financial flexibility and reinvestments that aids cash flows efficacy (SAPTaulia, 2025). Vital for SMEs especially in Adjumani Town Council, Adjumani District northern Uganda.

**The ‘Economics theory’ and ‘Agent theory of Berle and Means (1933).** These theories were first applied in financial management and stakeholder interest by Fama (1970-1980) and Jensen and Meckling (1975) respectively both theories explain the economic behavior of people in large firms. (Bebdickson, J., Muldoon, J., Liguori, E.W., Davis, P. E. (2016)

**The ‘Economic theory’** assume large business firms are managed by one sole proprietor who bands (groups) all workers in the business on him as being the sole owner. According to ‘Economic Theory’ “all parties to business (suppliers, transporters, employees and consumers) are under the direct control of the entrepreneur”. That is in this case Small and Medium Enterprise (SME) owners assumes total control of their business (both business risks and financial performance metrics such as; liquidity, profitability and cash flow operation cycle). This implies all the responsibility for business risks (financial risks, human/operation risks and independent risks) and financial control all depends on the SME owners (promising or unpromising).

According to Economic Theory; all SMEs are to blame for business risk management related loss and poor financial performance.

**However, the ‘Agent Theory’** contents that “large business firms are owned by shareholders and run by managers and the economic interest of both are different”. According to ‘Agent Theory’ “business managers are agents of the shareholder (principal owners) who expects, the mangers will work for more growth in stock, wealth liquidity, profitability (cash returns in the portfolio (increase share values, dividends, economic optimism and future security of their business) (Caiza et al., 2020). On the other hand, managers (agents) intern assume shareholder’s wants as constraints on their own wants which includes; better; pay, working conditions (residential office space), privileges (bonus pay, transport/best airliners, personal project/investments and safer hospitality clubs in the world of secure and peaceful social security) (N. Wadesango and Nompumelelo Mpufu,2025).

Agent Theory assumes the two business parties (the shareholders/owners and the agents/managers) are in antagonist working relations and any error in business risks management affects financial expectations (performances) on both sides. For this case the shareholders (principal owners) try their best persuade the agents (employees) that they will fulfil their expectations to enable the managers (worker/employees) to do their best to ensure all business risk should not interfere with finances and the reverse is true. (M. R. Rooly, 2021).

Unfortunately, most SMEs considers economic theory and monopolizes their own business and forfeits the greater support of their employees in controlling especially human (operational) risks and independent risk which cannot be managed by one person (SMEs owner alone). This is because they operate using traditional business system which regards their own business as sole family livelihood and development options (Rupan Soti, 2020).

On the other hand, the theory emphasizes the importance of terms of employment especially for employees of SMEs so that it motivates them to work maximum in controlling all possible business risks for legitimacy improved financial conditions for both parties (workers and SMEs) whose livelihood is directly attached to working on improving financial performance of the business.

Behavioral science modelists asserts socio-behavioral dynamics dictates on consistency of record keeping and output of financial records where employee (agents) are compelled to set their norms of assessing the value of their work, effort, pay, and ultimately, their happiness (Robert West and Asheley Gould, 2022).

Martin, Washburn, Makri, and Gomez-Mejia (2015) also utilized a form of the behavioral agency model in their study examining CEO's perceptions of organizational efficacy. The authors defined organizational efficacy as the successful execution of required behavior within a firm. They used behavioral agency theory to examine and predict the relationship between CEO's investment strategies, risk behavior, related decision-making outcomes, and their perceptions of firm efficacy. The scholarly article provided both theoretical and practical insights into CEO perceptions of firm efficacy and its impact on risk bearing performance outcomes as well as the way CEO compensation influences executive risk taking and firm performance (Martin, et al., 2015). The combined Agency theory and behavioral theory was used to examine

the strategic advantages of holding cash in the asset portfolios of U.S. firms. The general criticism of holding large amounts of cash is that firms are not using it to maximize shareholder wealth. In other words, shareholders' best interests are not served when excess cash is held instead of using it to fund investments or pay dividends (Ye Y.L.,2018) challenged that criticism in their study and offered alternative hypotheses which indicated that excess cash can be used as a valuable strategic asset (Ye Y.L.,2018).

### **2.2.0 The Empirical Literature Review.**

The empirical literature review present; the effects of Financial Risks Management on Financial performance of SME, the effects of Human Risks Management (HRM) on the financial performance of SME and the effects of Independent Risks Management (IRM) on the financial performance of SME respectively as below.

#### **2.2.1. The effects of Financial Risks Management on Financial performance of SMEs)**

Finance risks can be referred to as the type of business risk that weakens the financial base of the business. (Chen et.al 2022). It's very crucial to note that financial risk is the most serious business risk with far-reaching impact on the financial performance of most SMEs. Unfortunately, most SMEs are not prepared to handle their financial risks suffer considerable financial loss (George Smith, 2025).

Although it's almost impossible to achieve financial stability without Finance Risk Management (IMF, 2019), Financial risk remains the most leading setback for most SMEs in the world especially in Africa particularly in Uganda where only 26% of the SMEs are able to reliably access secure financial services and effectively manage credits (borrowed financial capital) from the formal financial service providers due to unfavorable collateral policies which forms the core of their financial risk areas (Vacacela1 N.M., et al 2025).

Financial Risk Management (FRM) involve effective management of the; business stock, finance savings, working capital, credits (finance borrowing) and satisfactory finance statement respectively all of which directly and critically effects the financial performance metrics of SMEs such as; loss of liquidity (insecure saving and unfavorable credit), loss of profitability

(low cash efficacy and returns) and poor cash security respectively and if not controlled (treated) may lead to insolvency or cash bankruptcy" as core financial risk syndromes (Owor, 2020).

The effective management of business stock is one of the supreme finance Risk Management practice of SMEs since liquidity of business is proportional to the manner of the business stock control (Collins A.L and Fredric A.2022). This is because Liquidity' is "the measure of the ability of a firm to pay its debts as they come due" (Vacacela N.M et al., 2025) and finance: is the liquidity or Solvency of cash in a business and Financial Performance; is the outcome of Cash management which is the process of collecting, managing, and investing cash in a manner that lowers Financial Risks. (Bernard Marr., 2021).

However, low finance management experience of the SMEs is the major factor advancing finance risks (Ahabyoona F, M., 2016). This is true especially considering the finance management experience of the SMES particularly the decency of finance savings, efficiency of the working capital, and safety of credits access (finance borrowing) and satisfactory adjustment of finance statement. This is vital for SMEs in Uganda especially in Adjumani Town Council, Adjumani district in northern Uganda where most of SMEs lack proper financial management skills such as; adequate transaction and financial record (finance book-keeping experiences) and limited understanding of financial statements which becomes major limitation on their financial performance.

The insecurity of financial services access of most SMEs contributes the major weight of financial risks. Despite more harmonized and enabling finances service regulations (CRB,2022) most SMEs access finance credit (loan) services from money lender as quick loans who have stringent banking requirements (unfavorable Terms of conditions) and high-interest rates (IGC,2020 and AFI, 2019). This is because instead of partnering with banks and local Finance service providers such as; microfinance institutions and Savings Cooperatives and Credit Associations (SACCOs) which have flexible financial services tailored to meet the especial financial needs of the SMEs (M. Pasara et al, 2021). This further undermines their financial risks management capabilities.

Although, the electronic banking services such as; M-Pesa (Kenya), MTN Mobile Money (Uganda), and Airtel Money (Tanzania) respectively has significantly revolutionized financial information access enabling considerable control SMEs over their finance risks, finance risk management still costs financial performance of SMEs the most compared to the other types of business risks such as; human and independent business risks (Z. Virgierova et al, 2022). This is because finance risk directly affects the profitability' "the ability of a company to generate income (returns on capital) (Caiza et al., 2020) and sustain growth (cash efficacy cycle) in both short-term and long-term periods" (Tobazaa S.G and Gatsi J.G.,2025) and limiting Cash Operation Efficiency (core of cash security)' as "the ratio of the output gained from the business activities relative to the input to run the business operations" (Tobazaa S.G and Gatsi J.G.,2025).

On the other hand, the upgrading of Mobile Money services to urgent banking enabled SMEs to have absolute control over business risk and financial management system such as; banking as cash transaction barriers have been lifted and cash flows (liquidity), turnovers (profitability) and cash operation efficiency (cash security) have been marginally improved to facilitate maximum financial performance as they improve reliability of access to secure credit, savings services and higher sales cycle; stock and business efficiency and human network partnership. (Vacacela N.M et al., 2025). This reduces the Cash Conversion Cycle (CCC) (Tobazaa S.G and Gatsi J.G., 2025) lowering financial risk management tasks on both employer and employee minimizing both human and independent risks (Virgierova, Z., Panic, M., Voza, D., & Velickovic, M. (2022).

The major financial risk management strategies include; risk identification, risk analysis or assessment, risk Prioritization and risk response planning are the chief determinants of financial performance and requires systematic review of financial records (Bernard Marr., 2021).

As Financial record keeping is the practice of maintaining accurate and detailed records of all financial transactions of a business (Williams et al (2016). it means systematic recording or updates of cash books in double entry and consistent balance of financial statement can be the first line financial risk management practices crucial for effective risk identification, risk analysis or assessment, risk Prioritization and risk response planning which is essential for effective management and regulatory compliance focused on enhanced financial performance of SMEs (Dawuda & Azeko, 2015).

### **2.2.2. The effects of Human Risks Management (HRM) on the financial performance of SMEs.**

Human risk can be referred as the risk originating from the failure of human responsibilities. (Bahadur M., 2020). Human risks are employer and employee hazards that emerge when both the employer and employee ceases from effective business risk management tasks such as; finance management, stock control and cash operation respectively (George Smith, 2025). The most potential human risk which could be accurately minimized by an experienced SMEs includes;

Human operational risk; are business risks arising from human operation limitations. Operational risks originate when both employer and employee fail to satisfactorily manage the business risks management tasks of their daily business operations (George Smith, 2025).

Human operational risk controls include; implementing stringent internal controls, regular monitoring of business processes, creating backup systems, and conducting employee training to minimize errors. This enables the employee to develop business risk management capabilities for an effective practice of risk management strategies such as; risk identification, risk analysis and assessment, risk Prioritization, risk response planning and implementation of risk control measures for continuous monitoring and review of risk management strategies in a manner that facilitates communicating and reporting compliance with risk regulation consideration and cultivating risk ware culture for all parties to the business transaction. (Bernard Marr, 2021).

Human risks management also involves the consistent application of human resource inputs to effective business risk management scenarios such as; the business administration and management control capability of both the employer and the employee in handling the application of Information and Communication Technology (ICT) in business operations. For instance, information or cyber security controls such as coding of sensitive business data as in the electronic business transaction involving; online marketing, cash transactions as a standard

requirement of an accurate (secure) mobile cash payment (mobile money and argent banking) all have considerable human risk factors (Accounting Insights. (2024).

Therefore, rigorous capacity building of SMEs on information science (ICT) and their application in electronic finance services such as; Mobile Money and argent banking can be suitable approach of managing human risk on business transactions which could costs SMEs both employer and employee, cyber financial loss due to human limitations by hacking which undermines security system and application access controls especially when system intruders (hackers) override either employer or employee's capacity to manage both software and hardware performance monitoring. (Accounting Insights. (2024).

However, harking has increased internet thieves and electronic financial risks especially of SMEs with low experience in cyber finance operation (mobile money and argent banking). This is so crucial considering the scenarios of cynical cyber conmen and finance sagas associated with finance service providers and banks facilitated by cyber harking activities (Accounting Insights. (2024). This requires each SMEs to refresh its cyber capabilities focused on effective management of the application of cyber finance service programs on business finance data management, cash transfers, and sales system control aimed at supply chain risk controls such as; establishing alternative suppliers especially when ICT link to another fails, conducting due diligence on suppliers' reliability, and creating contingency/business continuity plans for supply chain disruptions that might occur due to either human or cyber limitations of the business transactions. (Vacacela1 N.M., et al 2025).

While human risks management is the first to consider in undertaking an appropriate risk control measure, ineffective human risks management contributes to major financial risk management limitations due to inaccurate; risk identification, risk analysis or assessment, risk Prioritization and risk response planning as chief determinants of financial performance which is only possible when human risks are minimized (Bernard Marr., 2021).

Therefore, consistent human efforts in finance risk management such as finance recording (updates of cash books in double entry and consistent balance of financial statement by the

human resource (both the employer and the employee) and consistent control of liquidity by SMEs can be the first line financial risk management practices crucial for effective management of both finance risks and independent risks of the SMEs. (Virgierova, Z., Panic, M., Voza, D., & Velickovic, M., 2022).

Although mistakes are human, SMEs can minimize human risk by ensuring: consistent and comprehensive identification of the relevant laws, regulations, and standards pertinent to their business, operation locations and systems while ensuring risk assessments encompass compliance risks and that controls are implemented to mitigate these specific risks. This can be achieved by conduct regular compliance audits to assess adherence to business regulations standards and identification and systematic response to business risks in a sustainable manager that minimizes potential penalties, legal issues, and reputational damage are major outcome of effective human risk management (George Smith, 2025).

Human risk can best be effectively managed by building a robust risk-aware culture that fosters an environment where all business parties understand the importance of risk management and can contribute to a risk-aware mindset across all levels to support the values of risk management by strong commitment from top-level (from SMEs/leaders) who should consistently model the clear communication of not only the importance of risk management to their employee in practical risk control roles by motivating (rewarding) team contributions in business risk management responsibilities (Bernard M. K., Marus E., Arthur S. and Bernard P. O., 2023).

### **2.2.3 The effects of Independent Risks Management (IRM) on the financial performance of SMEs.**

Independent business risks are those autonomous operation hazards which have subtle target on business connections such as; marketing risks, accidents, technological errors and disasters which disrupts the business transactions and consequently interfere with the financial performance (George Smith, 2025).

Technological errors are the independent risks from either wrong use or misapplication of technological products such as; money transfers, cash counter, Automatic Teller Machines (ATMs) (George Smith, 2025). Technological risk can be managed by rigorous capacity building

of SMEs on information science (ICT) and their application in electronic finance recording and business services such as; mobile money, argent banking and finance service equipment focused on the mitigation of human risk on their consistent applications in business transactions which could costs SMEs both employer and employee considerable financial (B.Com Institute, 2024).

This is because although cyber risks management is human task, it elicits independent business risk due to hacking activities on both software (malware) and hardware(counterfeit system parts) which can only be managed by timely security updates, system application access controls, and system intrusion (hacking) detection by either employer or employee may be potential human risks management areas focused on consistent software and hardware performance monitoring can be promising hybrid management strategy addressing both human risks and independent risks respectively (George Smith, 2025).

It is also crucial to note that independent risks such as; accidents (on automobiles or business gadgets wares) and natural disasters such as floods and earth quacks can also be managed by consistent risk analysis and monitoring. Other approaches of managing independent risk such as; natural and artificial disasters such as; motor accidents, fire outbreaks and personnel injuries or death involves cultivating risk aware culture as potential risk management strategy focused on sales system control aimed at genuine business partnerships for supplies, procurement of original machine part ICT gadgets or services. Independent risks can be effectively managed by conducting consistent inspection of business systems, machines parts and inspection of business operations. (George Smith, 2025).

#### **2.24. Summary Literature Review and Research Gaps**

**Summary Literature Review;** Business risk is the most critical global entrepreneurial challenge as no business party is immune to business risks hazard that interferes with the smooth operation of business transaction and systems (Bernard M. K., Marus E., Arthur S. and Bernard P. O., 2023). The most potential business risks of the Small and Medium Enterprises (SME) are; finance risks such as; money or cash loss related risks, independent risks such as; market risk, accidents, technological errors and disasters (Chen et.al 2022). and Human risks such as;

employer and employee hazards are often undermined by most SMEs and seriously affects their financial performance (George Smith, 2025) and independent business risks are those autonomous operation hazards which have subtle target on business connections such as; marketing risks, accidents, technological errors and disasters (Virgierova, Z., Panic, M., Voza, D., & Velickovic, M., 2022). Cash Conversion Cycle (CCC) theory prevents loss of finance improving liquidity and reducing dependence on external financing (credit or loans capital) which attracts finance risks (Tobazaa S.G and Gatsi J.G.,2025) while Economic theory assumes most SMEs owners have to take resistibility of both their business risks and fiancé loss. On the other hand, Agent Theory assumes company owners are (the shareholders/SMEs owners) and (the agents/managers/employees) are in antagonist working relations and any error in business is risky and affects financial expectations on both sides as SMEs owners expect their employees will grow the business while the employees expect better condition of service in financial terms. (Bebdickson,J., Muldoon,J.,Liguori,E.W., Davis, P. E., 2016, N. Wadesango &Nompumelelo Mpufu,2025., and Rupan Soti,2020). These scenarios explain the impact business risk management task that hinge between the SMEs owners and their employees as a result more research is required to examine the dependable relationship between risk management and the financial performance of SMEs especially in Adjumani Town Council, Adjumani District.

**The research gaps;** the research gaps will include; Business and Finance Polices (regulations) on the quality and quantity of business risk management and the quality of financial performance. Other gaps include; Business financing (capitation) opportunities designed specifically for SMEs (M. Pasara et al., (2021) and especial financial need of the SME (AFI, 2019). There will also be gaps in; tracking, measuring and total analysis of financial health especially since solvency, turnovers efficiency of each SMEs forms inner business confidential business principle to study (Bernard Marr., 2021)

## CHAPTER THREE

### THE RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter describes the approaches of the study. It explains the methodologies used for obtaining field data and how the data obtained was analyzed, interpreted and discussed for a better understanding of the study. This chapter includes; The Research design, Area of study, Population of study, Sampling size, Sampling Techniques, Data collection instruments and methods, Data analysis, Intervention guide, Control methods, Validity Control, Reliability, Ethical considerations, Limitations of the study.

#### 3.1 Research design

This research employs quantitative research designs. Qualitative design is used to access and analyze the risk management and financial performance of many SMEs and data analysis consider scientific approach (Statistic for Social Sciences) was used to analyze field data. SSS) are qualitative in nature Cochran M., 2002) and Bryman A., 2006).

#### 3.2 Area of study

This research was carried out in Adjumani Town Council (ATC) which is located in the urban Centre at coordinates; 3°22'38.0"N, 31°47'26.0"E (Latitude: 3.377222; Longitude: 31.790556), 480km away from Kampala the capital city of Uganda UNBOS (2012). The area is semi -urban as few people are professional businessmen and most (SMEs entrepreneurs) employ traditional business approaches inevitable to current business risks. The researcher has selected Adjumani Town council as an urban center (the biggest town council in Uganda) for the purpose of assessing it's social and economic perceptions of business risks and financial performance since the population is highly heterogeneous consisting of native host communities are mixed with refugees, social aid workers and business communities where business ethics varies greatly across communities as in some communities legitimate (cash on request) transactions may be interpreted as buyer under rating) which is critical for effective business risk control crucial in efficient financial performance.

### 3.3 Population of study

The population of study consists of 120 Small and Medium Enterprises (SMEs) owners and their employees concern with concern with managed their business risk and for improving their financial performance in Adjumani Town Council (ATC) as being the largest urban center easily accessible by the researcher.

### 3.4.0 Sample selection and Sample Size

#### 3.4.1 Sample Selection

The researcher used Krejcie, & Morgan 1970 sample table of sample selection based on the equal representation of statistical groups within the population of study with similar socio-economic status randomly sampled by the researcher considering each SMEs at least employs two (2) workers so that their workers are twice in each stratum as seen in table of selection below.

**Table 3.1: Showing summary of sample selection for the study**

S/N	Categories of population	Sample selection	Sample Techniques
1	SMEs (sole owners)	15	Stratified Random Sampling
2	Sole Shop keepers	30	Stratified Random Sampling
3	Company SMEs owners	15	Stratified Random Sampling
4	Company shop keepers	30	Stratified Random Sampling
	Total	90	

*Source; Primary selection (2025)*

### **3.4.2 Sample Size**

The sample size is part of sample selection (in this case population SSIs) from whom the researcher obtains field data. The sample size is calculated as 74 participants from (Yamane, 1967) formula  $n = N/1+N(e)^2$ , Where N = Population size, n = sample size, e = level of precision (0.05). In the formula percentage (a) = 95% higher confidence and a=5% level confidence. The formula is convenient because it quantitatively gives sample size for each stream. For this study, the sample size  $(n) = N/1+N(e)^2 = 90/1+90(0.05)^2 = 74$  (where N=90 from table 3.1 and e=0.05). The confidence percentage a=82.2% ( $74/90*100=82.2\%$ ) well above upper percentile. However, the research considers 12 Sole SME, 24, shop keepers of sole SMEs, 12 group SMEs and 24 group business managers totaling 72 respondents.

### **3.5.0 Sampling technique/procedure**

The researcher used stratified random sampling to select all respondents.

### **3.6. Data sources.**

Field data was sourced from four categories of Small Medium Enterprise (SMEs) such as; sole SMEs and their workers and group or partnership SMEs and their employees respectively.

### **3.7.0. Data Collection methods and instrument**

#### **3.7.1 Data collection methods**

This is the method employed to access field data. The researcher used guided questionnaire filling to obtain from all the SMEs categories such as; sole SMEs and their workers and group or partnership SMEs and their employees respectively.

#### **3.7.1 Data Collection instruments.**

This is the tool used to extract field data from respondents. The researcher admitted questionnaires to both sole SME, group SMEs and their employees respectively. The questionnaires were designed as open-ended statements with their degree of validity parameters or score rating presented as; 5 Most true or best (90-100) %, 4 Very True or Better (70-80) %, 3 True or Good/Average (40-60) %, 2 Fairly True or good/below average (1-30) % and 1 False or

wrong/nothing (0) % respectively and each respondent was guided in filling the questionnaires in free discretion until data saturation was based on reliable information.

### **3.8.0 Quality control methods**

The quality control measures consider how the reliability and validity of the field data was maintained. The measures include;

#### **3.8.1 Reliability**

Reliability is the degree of research instrument is the accuracy in measuring data variations (Oriarewo, 2013). The reliability of the data was enhanced by collecting data from appropriate respondents (SME and their workers) in Adjumani Town Council, Adjumani district. The reliability of the research instrument was also tested on 10 respondents of the study population which were not part of the study segment and the result was noted as consistent.

#### **3.8.2 Validity**

Validity is the quality of accuracy (trustworthiness) of research data (Mugenda O.M, 2003). Validity of the field data was determined by using content validity index (C.V.I) which represents number of questions rated relevant by the respondents (n) divided by the total number of questions (N). This can be symbolized as  $C.V. I = n/N$ . The C.V.I was calculated and values above 0.5 or 50% will be considered valid (Mbabazi, 2006). On the other hand, consistency of research instrument regarding; errors, omission, interpretations and translation are other factors determining validity.

### **3.8 Data management and processing**

Data management and processing was achieved by manual coding and editing in line with theme from research instruments (questionnaires), then consistent themes was compiled and entered into Microsoft excel table of values was further processed into charts for further analysis and interpretation.

### **3.9 Data Analysis**

The field data collection and analysis consider; bio data of respondents (age, Gender, Marital status and Education level) and risk control mechanisms of the SMEs focused on Finance Risk control, Human Risk Control and Independent Risk control mechanisms respectively and their effects on the financial performance of the SMEs. The Microsoft data was analyzed according to Statistical Package for Social Sciences (SPSS) and relevant relationships (average, cumulative frequency, percentage and standard deviations) of each table or chart were computed for better data interpretation and discussion.

#### **3.9.1 Quantitative data analysis**

The qualitative data was coded and later analyzed using Statistics Packages for Social Science (SPSS) for vital relationships such as; average, cumulative frequency, percentage and standard deviations of each table or chart was computed for better data interpretation and discussion.

### **3.10. Ethical Considerations**

Ethical standards were guaranteed by first obtaining permission (introduction letter) from Uganda Christian University (UCU) administration for collecting field data and presented to authorities and respondents (SMEs) alongside the pre-consent letter to update the them about the purpose of the research before engaging them on data collection. Empathy and confidentiality were considered to allow friendly atmosphere all views of respondents (whether positive or negative) were successfully absorbed.

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

The research may be subject to the following limitations; some authorities may view it as a separate investigation of business policy enforcement weakness. Some Small Medium Enterprises (SMEs) may view it as a legal stalking targeting business licensing and tax monitoring by a hired researcher. The above speculations were solved by first presenting them both the introduction letter from Uganda Christian University (UCU) and the pre-concert seeking letter before requesting their participation in the data contribution with due adherence to apathy and confidentiality.

### 3.13. The research program/time plan and budget.

The research program time schedule is summarized in the table below.

S/N	RESEARCH ACTIVITIES	TIME LINE
1.	Preparation of research proposals; consultations of supervisor's coordination of field letter from Uganda Christian University (UCU) administration and local authorities	December 2025
2.	Field data collection; administration of research tools (questionnaires and data processing)	January 2026
3.	Preparation of research reports and submission into UCU	March 2026

### 3.12. The research budget is summarized in the table below.

s/n	Research program activities	Estimate budget (UGX)
1	Official and Field communication and internet	80,000≠
2	Field Feeding and transport of researcher and agents	50,000≠
3	Stationary, printing and other secretarial services	60,000≠
<b>4</b>	<b>Total</b>	<b>190,000≠</b>

## CHAPTER FOUR

### PRESENTATION AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

This chapter describes the data processing of the research. It presents the analysis of the field data collected and the interpretation of the processed data as a discussion of the research findings in relations to the specific objectives of study; effects of Financial Risks management on the financial performance of SMEs), effects of Human Risks management on the financial performance of SMEs and effects of Independent Risks management on the financial performance of SMEs in Adjumani Town Council-Adjumani District respectively. The chapter includes; data presentation, data discussion and summary of research findings.

#### 4.1.0 Bio data Presentation.

The available bio data obtained and presented for discussion includes; Age, Gender, Marital status and Education level. These variables are processed and presented in table

#### 4.1.1.0 The age of respondents.

The researcher processed the age of the respondents and recorded them as in the table 4.1.1.0 below

**Table 4.1 showing the ages of SMEs and their Employees**

<b>Age bracket (years)</b>	<b>Sole SME Tally</b>	<b>Sole SME employees Tally</b>	<b>Group SME companies Tally</b>	<b>Group SME Company employees Tally</b>	<b>Total frequency (Tf)</b>	<b>Percentage (%)</b>
Below 18-30	0	20	0	0	20	28
31-40	8	4	3	8	23	32
41-50	4	0	9	14	27	37
51-60	0	0	0	2	2	3
<b>Total</b>	<b>12</b>	<b>24</b>	<b>12</b>	<b>24</b>	<b>72</b>	<b>100</b>

**Source: (primary data,2025).**

Table 4.1 shows various ages of the respondents from SMEs and that of their employees in Adjumani Town Council. The findings indicate that most of respondents are within operating age

group. Respondents who 41 to 50 years comprise of the biggest percentage of the sample, with 27 respondents illustrating 37% of the total. This implies most SME owners and employees being mature in that they have acquired business experience and practical knowledge. Respondents aged 31 to 40 years follow closely, alongside 23 respondents justifying for 32% of the total population. This shows that a considerable attendance are in their establishment stage, where they are actively involved in business activities hence high productivity. Respondents below 18 to 30 years add up to 20 individuals, constituting 28% of the whole. Even though somewhat less than the other two major age groups, this portrays how the young people are actively participating in SMEs. The least group is 51 to 60 years, with only 2 respondents showing 3% of the total. This implies that few older people are involved in SMEs. The overall findings show that SMEs in Adjumani Town Council are largely managed by individuals aged between 31 and 50 years. They are in there economically active and productive years which positively influences business decision making and financial performance.

#### 4.1.2.0. The Gender of the Respondents.

The researcher extracted the data related to the gender of the respondents and processed it into the table 4.2 as below.

**The table 4.2. Showing the gender of the respondents.**

Respondents	Respondent Gender				
	Male	Female	Total Frequency (Tf)	Male %	Female %
Sole SMEs	8	4	12	24	10
Sole SME employees	6	18	24	18	46
Group SMEs companies	9	3	12	28	8
Group SME company employees	10	14	24	30	36
<b>Total</b>	<b>33</b>	<b>39</b>	<b>72</b>	<b>100</b>	<b>100</b>

**Source (primary data, 2025).**

Table 4.2 indicates the gender allocation of the respondents who participated in the study. Both males and females are actively involved in SMEs within Adjumani Town Council, however there is some variation in their representation as shown from the findings. Out of the 72 respondents, 39 were female while 33 were male. This means that females actively responded compared to the males. This also portrays how women play a significant role in SMEs of Adjumani Town Council Adjumani district. According to the categories of respondents, amid sole SMEs owners, 8 were male while 4 were female. This shows that sole ownership of businesses in Adjumani Town Council was more common among men. However, when it comes to sole SME employees, females conquered with 18 respondents compared to only 6 males. This shows that women are engaged more as employees within individually owned enterprises. For group SME companies, 9 males and 3 females were represented among company owners or representatives, suggesting that men were more involved in group business ownership. Although, among group SMEs company employees, females responded more with 14 respondents and males with 10.

The findings disclose that men appear to dominate in ownership and leadership positions, women are more represented in employment roles within SMEs. The relatively balanced participation of both genders demonstrates that SMEs in Adjumani Town Council provide opportunities for both men and women to engage in business activities. This gender distribution is important for the study because it reflects different outlooks relative to business risk management practices and financial performance.

#### **4.1.3.0. The Marital status of the respondents.**

The study scanned through the crude data and recorded the marital status of the respondents in the table 4.3 below.

**Table 4.3 showing the marital status of the respondents.**

Respondents	Respondents' Marital status						
	Single	Married	Divorced	Total Frequency (Tf)	Single %	Married %	Divorced %
Sole SMEs	3	6	3	12	9	21	33

Sole SME employees	20	4	0	24	57	14	0
Group SMEs companies	0	10	2	12	0	36	23
Group SME company employees	12	8	4	24	34	29	44
<b>Total</b>	<b>35</b>	<b>28</b>	<b>9</b>	<b>72</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source: (Field data January, 2026)**

From the table 4.3 above, it can be seen that all the majority of the SMEs are actually married (21% for sole SMEs and 38% for SME companies respectively totalling 57%). This data suggests that entrepreneurship is an initiative of people who are faced with personal responsibility of objectives which is much often realized by married people who may have children or dependants to support which then inevitably compel them to business. On the other hand, most of the employees (for both sole SMEs and SME companies) are single. This may be because it could be socially easy to engage a single person on time sensitive business duty than their married counterpart who have a desperate social obligation to attend or have their own unconditional socio-economic responsibility to face. In contrast married people may actually consider employment in a business with terms of reference (formal work agreement or job contract) to guarantee their employment security. Accordingly, inevitable though 14% of sole SME employees and 29% of the SME companies employ married workers. However, married employees are practically difficult to engage on faithful business due to their families' emergencies that may compel them to misappropriate finance enabling them untimely unfold as both independent and human risks increasing finance risk of the SMEs. On a separate note, the sharp divorce segment of 33% for sole SMEs, 23% SME companies and 44% for SME company employees respectively might reveals entrepreneurship task is a disagreement sensitive business risks management dynamic.

#### 4.1.4.0. The Education Level of the respondents.

The study investigated the crude data and recorded the education level of the respondents in the table 4.4 below.

**Table 4.4 showing the education level of the respondents.**

Respondents	Respondent's Education Level						
	Primary level	Secondary Level	Tertiary or University	Total Frequency (Tf)	Primary level %	Secondary level %	Tertiary %
Sole SMEs	0	8	4	12	0	25	13
Sole SME employees	8	16	0	24	100	50	0
Group SMEs companies	0	2	10	12	0	6	31
Group SME company employees	0	6	18	24	0	19	56
<b>Total</b>	<b>8</b>	<b>32</b>	<b>32</b>	<b>72</b>	<b>100</b>	<b>100</b>	<b>100</b>

**Source: (Field data January 2026).**

From the table 4.4 illustrated in the figure 4.4 above, it can be seen that majority of the respondents have equally completed secondary education level and attain tertiary level of education (tallied 32 for sole SMEs and SME companies respectively) while most of the sole SMEs owners and their employees have remained at secondary level, most of the SME company partners have at least attained some level of tertiary education. This data suggests that forming SME partnership Company requires certain level of enlightenment, formal cooperation and mutual respect founded on common value. On the other hand, only 8 participants (only sole SME shop keepers) have remained at primary level of education. This reveal that they are likely to be engaged on simple tasks such as sales and not managerial tasked of the SMEs.

#### 4.5.0 Data presentation and discussion in line with the specific objectives.

**Table 4.5.1 The Financial Risks Management and the financial performance of sole SMEs.**

S/N0	Financial risks and financial performance variables (Specific Objective 1 of the study)	Respondents		Data form	
		Sole SME Scores	Sole SMEs employees Scores	Mean Score deviation	mean deviation Score %
1.	Own business finance plan.	2	1	1.5	15
2.	Business capital is personal	2	2	2	30
3.	Business capital is Group share	0	0	0	0
4.	Have low capitation	4	4	4	80
5.	Business capital is borrowed	4	3	3.5	65
6.	Have financial service security	2	1	1.5	15
7.	Faces many finance risks	4	5	4.5	85
8.	Have manual finance records	5	5	5	100
9.	Updated electronic financial record	1	1	1	0
10.	Daily financial risk analysis (M&E)	2	1	1.5	15
11.	Have knowledge of financial loss	2	1	1.5	15
12.	Have financial loss control plan	2	3	2.5	35
13.	Positive cash balance	2	1	1.5	15
14.	Deficit cash balance	3	4	3.5	65

**Source: (field data January 2026)**

According to Table 4.5.1, Adjumani Town Council's sole SMEs face significant financial risks management that have a direct impact on their financial performance. According to the findings, the majority of businesses have a low capital base (80%), which limits their capacity to grow,

acquire more inventory, or weather financial storms. At the same time, a high percentage of respondents (85%) agreed that they face many financial risks management, confirming that financial uncertainty is a common challenge among sole enterprises.

Additionally, the findings reveal that a significant number of sole proprietorship-based small and medium-sized enterprises (SMEs) rely on borrowed funds (65%), while others rely solely on personal capital. Despite the fact that borrowing may support business operations, loan repayment obligations increase financial strain. Businesses are more financially vulnerable in this situation. The majority of sole proprietorship-based small and medium-sized businesses (100 percent) use outdated electronic financial systems very little, but they do rely heavily on manual record keeping for financial management. Additionally, only a small percentage have financial loss control plans, and only 15% conduct daily financial risk analysis. Poor financial decision-making may be facilitated by these inadequate monitoring and control mechanisms. The high proportion of businesses reporting cash deficits (65%) in comparison to those maintaining positive cash balances (15%) also demonstrates that many businesses struggle with cash flow. Business survival and profitability can be threatened by poor cash flow management. Overall, the table suggests that sole proprietorship-based small and medium-sized businesses operate in an unstable financial environment marked by low capitalization, reliance on borrowing, inadequate financial monitoring systems, and cash flow issues. Their financial performance is significantly impacted by these financial risks, particularly in terms of profitability, stability, and sustainability over the long term.

**Table 4.5.2 The Financial Risks Management and the financial performance of group SMEs.**

S/N0	Financial risks and financial performance variables (specific objective 1 of the study)	Respondents		Data Form	
		Group SME score	Group SME employees scores	Mean Score deviation	mean deviation Score %
1.	Own business finance plan.	1	1	1	0
2.	Business capital is personal	1	1	1	0
3.	Business capital is Group share	5	4	4.5	85
4.	Have low capitalization	5	4	4.5	85
5.	Business capital is borrowed	1	1	1	0
6.	Have financial service security	1	1	1	0
7.	Faces many finance risks	4	5	4.5	85
8.	Have manual finance records	2	2	2	30
9.	Updated electronic financial record	2	2	2	30
10.	Daily financial risk analysis (M&E)	2	2	2	30
11.	Have knowledge of financial loss	2	3	2.5	35
12.	Have financial loss control plan	2	3	2.5	35
13.	Positive cash balance	2	2	2	30
14.	Deficit cash balance	3	4	3.5	65

**Source: (Primary data, 2025)**

The majority of group SMEs, as shown in the table, have a business finance plan and primarily rely on contributions to group shares rather than borrowing capital. However, many businesses have a low capitalization and face a number of financial risks management, limiting their expansion and security. Record-keeping practices are moderate with some SMEs still using manual systems and very few use the most recent electronic records, financial monitoring and loss control. There are measures, but they are not heavily implemented, even though some SMEs report positive cash balances, there are also instances of cash deficits obvious, pointing to an unstable cash flow. Overall, the findings suggest that despite having basic financial management

structures, group SMEs in Adjumani Town Council still face significant financial risks that negatively influence their financial results.

**Table 4.5.3 showing the Financial Risks Management and the financial performance of both sole SMEs and group SMEs.**

S/ N 0	Variables for Specific Objective one (Effect of financial risk management on financial performance of SMEs)	Respondents' categories				Data forms	
		Sole SME score	Sole SMEs employees score	Group SME score	Group SME employees score	Mean Score deviation	mean Score %
1.	Own business finance plan.	2	1	1	1	1.25	10
2.	Business capital is personal	2	2	1	1	1.5	15
3.	Business capital is Group share	0	0	5	4	4.5	90
4.	Have low capitation	4	4	5	4	4.25	92.5
5.	Business capital is borrowed	4	3	1	1	2.25	40
6.	Have financial service security	2	1	1	1	1.25	10
7.	Faces many finance risks	4	5	4	5	4.5	90
8.	Have manual finance records	5	5	2	2	3.5	75
9.	Updated electronic financial record	1	1	2	2	1.5	15

10.	Daily financial risk analysis (M&E)	2	1	2	2	1.75	20
11.	Have knowledge of financial loss	2	1	2	3	2	30
12.	Have financial loss control plan	2	3	2	3	2.5	45
13.	Positive cash balance	2	1	2	2	1.75	20
14.	Deficit cash balance	3	4	3	4	3.5	70

**Source: (Primary data, 2025)**

The findings on financial risks management and their impact on the financial performance of Adjumani Town Council's sole and group SMEs are presented in Table 4.5.2. Despite the differences in their sources of capital, the findings indicate that both types of businesses face similar financial difficulties. Group SMEs rely heavily on group share capital (90 percent), whereas sole proprietorship SMEs rely heavily on personal funding, according to the findings. However, a very high rate of low capitalization (92.5%) indicates that the majority of SMEs operate with inadequate financial resources. Businesses are less able to expand, keep enough stock, and withstand financial shocks when they have insufficient capital. Ninety percent of those polled agreed that SMEs face numerous financial risks. This demonstrates that the study area faces a significant level of financial uncertainty due to factors like shifting income, rising costs, and debt obligations. Although borrowing capital is only used by a small percentage of businesses (40 percent), it still adds to financial stress wherever it is used. The results show that, when it comes to practices for managing money, manual record keeping is still very common (75%), but very few people use electronic financial systems (15%). Additionally, only 20% of SMEs conduct daily financial risk analysis, and only 45% have financial loss control plans. This suggests that strategies for structured financial risk management are not widely used. Further evidence of the difficulty of cash flow management can be found in the fact that 70% of businesses reported negative cash balances while only 20% maintained positive cash balances. Profitability and long-term viability are directly impacted by poor cash flow. Overall, the table demonstrates that both solo and group SMEs operate in a financially constrained environment marked by inadequate financial monitoring systems, cash flow issues, financial risk exposure,

and low capital. Their financial performance is significantly impacted by these elements, particularly in terms of expansion, profitability, and business stability.

### **CORRELATION AND REGRESSION ANALYSIS BETWEEN FINANCIAL RISK MANAGEMENT AND FINANCIAL PERFORMANCE.**

**Table 4.5.4 Correlation analysis between financial risks management and financial performance.**

<b>category</b>	<b>Pearson Correlation(r)</b>	<b>Sig. (p-value)</b>	<b>interpretation</b>
Sole SMEs	0.68	0.002	Strong positive relationship
Group SMEs	0.061	0.004	Moderate positive relationship

Financial risk and the findings have a strong positive correlation ( $r = 0.68$ ) management practices and financial performance among sole SMEs. This indicates that better practices such as having a finance plan, proper record keeping, and regular improving financial outcomes are linked to monitoring. The correlation is also positive and statistically significant for group SMEs ( $r = 0.61$ ). This suggests that improved performance is aided by efficient financial management, despite the fact that the impact is slightly less than that of sole SMEs. The relationships are statistically significant because their p-values are less than 0.05.

#### **4.5.5 Table Regression Analysis for financial risks management.**

<b>Category</b>	<b>R<sup>2</sup></b>	<b>Beta(β)</b>	<b>Sig.</b>	<b>interpretation</b>
Sole SMEs	0.46	0.68	0.002	Risk management significantly improves performance
Group SMEs	0.37	0.61	0.004	Risk management significantly improves performance

Interpretation:

For sole SMEs, financial risk management explains 46% of the variation in financial performance ( $R^2 = 0.46$ ). This shows that structured financial planning, proper monitoring, and financial control systems strongly influence business performance. For group SMEs, financial risk management explains 37% of the changes in financial performance. Although slightly lower than sole SMEs, the effect remains significant. The positive beta coefficients confirm that improvements in financial risk management lead to increased financial performance.

**Table 4.6.1 The Human Risks Management and the financial performance of sole SMEs.**

S/N0	Human risks and financial performance variables (specific objective 2 of the study)	Respondents		Data form	
		Sole SME Scores	Sole SMEs employees Scores	Mean Score deviation	mean deviation Score %
1)	Both boss & workers follow business plan	1	1	1	0
2)	Workers take financial risk precautions	3	2	2.5	50
3)	Workers don't take daily stock records	5	3	4	80
4)	Workers have Low finance control	5	4	4.5	85
5)	Workers analyzes and response to daily financial loss	2	4	3	60
6)	Workers have manual finance records	2	2	2	30
7)	Workers ensure cash transactions	2	3	2.5	50
8)	Workers acknowledges all credits in book	2	1	1.5	15
9)	Worker records all expenditures in book	2	3	2.5	50
10)	Supervise worker's finance records daily	2	1	1.5	15
11)	Workers are trained in finance risk control	1	1	1	0
12)	Workers are responsible for financial loss	1	2	1.5	15
13)	Workers leave on financial loss	5	4	4.5	85
14)	Workers directly pays credits or bill	2	3	2.5	50
15)	Workers involved in finance borrowing	1	1	1	0
16)	Internal cash control	2	1	1.5	15
17)	Workers are business experts	1	1	1	0
18)	Workers need training on electronic finance system	5	5	5	100

19)	Workers presents all finances to the boss	2	1	1.5	15
20)	Working relation is critical business risk	2	5	3.5	65
21)	Workers follow set finance access rule	1	1	1	0
22)	Workers always reserve cash balance	1	1	1	0

**Source. (Primary data, 2025)**

The findings on human risks and how they affect the financial performance of Adjumani Town Council's sole SMEs are presented in the table. The findings demonstrate that human factors have a significant impact on these businesses' financial performance. According to the findings, many small and medium-sized businesses (SMEs) do not strictly follow their business plans, which can have an impact on sound financial planning. Practices for financial control also have flaws. Low financial control, workers leaving when financial losses occur, and workers not keeping daily stock records received high scores. This suggests poor record-keeping, inadequate supervision, and a lack of accountability, all of which have the potential to result in financial losses.

Additionally, the findings demonstrate that the majority of employees lack financial risk control training. Employees who don't get enough training may not have the skills they need to properly manage cash, catch losses early, or keep accurate records. Financial records supervision and internal cash control both received low scores, indicating that internal control systems are also weak. The likelihood of mismanagement and fraud is raised by inadequate monitoring. The highest score was given to the requirement for training in electronic financial systems, indicating that many small and medium-sized businesses still use manual records, which are more susceptible to manipulation and errors. Overall, the table demonstrates that sole proprietorship SMEs' financial performance is negatively impacted by inadequate training, inadequate supervision, inadequate internal controls, and poor financial skills. Business performance would probably improve if training was strengthened and internal control systems were improved

**Table 4.6.2 The Human Risks Management and the financial performance of group SMEs.**

S/N0	Human risks and financial performance variables (specific objective 2 of the study)				
		Group SME score	Group SME employees	Mean Score deviation	mean deviation Score %

			scores			
1.	Both boss & workers follow business plan	2	3	2.5	50	
2.	Workers take financial risk precautions	3	2	3	60	
3.	Workers don't take daily stock records	4	2	3	60	
4.	Workers have Low finance control	5	3	4	80	
5.	Workers analyzes and response to daily financial loss	2	4	3	60	
6.	Workers have manual finance records	2	3	2.5	50	
7.	Workers ensure cash transactions	2	2	2	30	
8.	Workers acknowledges all credits in book	2	3	2.5	50	
9.	Worker records all expenditures in book	4	4	4	80	
10.	Supervise worker's finance records daily	2	1	1.5	15	
11.	Workers are trained in finance risk control	2	4	3	60	
12.	Workers are responsible for financial loss	2	2	2	30	
13.	Workers leave on financial loss	4	3	3.5	65	
14.	Workers directly pays credits or bill	3	4	3.5	65	
15.	Workers involved in finance borrowing	1	1	1	0	
16.	Internal cash control	2	2	2	30	
17.	Workers are business experts	2	3	2.5	50	
18.	Workers need training on electronic finance system	5	3	4	80	
19.	Workers presents all finances to the boss	2	3	2.5	50	
20.	Working relation is critical business risk	3	4	3.5	65	
21.	Workers follow set finance access rule	2	3	2.5	50	
22.	Workers always reserve cash balance	1	2	1.5	15	

**Source (primary data, 2025)**

Human risks and their impact on the financial performance of group SMEs in Adjumani Town Council are presented in Table 4.6.2. The findings demonstrate that training, financial discipline, employee behavior, and internal control systems have a significant impact on business performance. Some small and medium-sized businesses (SMEs) do follow planned strategies, but not strongly, according to the findings. However, financial control is seriously lacking, as a

high score indicates that many employees lack financial control. As a result, profitability suffers and the risk of financial mismanagement rises. Additionally, the results reveal discrepancies in stock monitoring and record keeping. Even though some expenses are recorded, daily stock control is not always followed. The extremely low score for financial records supervision indicates inadequate monitoring systems. Businesses run the risk of incurring financial losses because of inadequate internal cash control. Training is still a big problem, Even though some employees have been trained in financial risk management, there is a strong need for training in electronic financial systems. This suggests that there is a lot of reliance on inaccurate manual records. Overall, the table demonstrates that group SMEs' financial performance is significantly impacted by inadequate financial control, limited supervision, inadequate training, and poor accountability. Training would probably get better and internal control systems would probably get better.

**Table 4.6.3 showing the effects of human risks management on finance performance of both sole and group SMEs**

S / N	Field variables for Specific Objective 2 (Effect of human risk on the financial performance of SMEs)	Respondents (both sole and group SMEs)				Data forms	
		Sole SME score	Sole SMEs employees score	Group SME score	Group SME employees score	Mean Score deviation	Mean Score %
1)	Both boss & workers follow business plan	1	1	2	3	1.75	20
2)	Workers take financial risk precautions	3	2	3	2	2.5	40
3)	Workers don't take daily stock records	5	3	4	2	3.5	65
4)	Workers have Low finance control	5	4	5	3	4.25	82.5
5)	Workers analyzes and response to daily	2	4	2	4	3	60

	financial loss						
6)	Workers have manual finance records	2	2	2	3	2.5	40
7)	Workers ensure cash transactions	2	3	2	2	2.5	40
8)	Workers acknowledges all credits in book	2	1	2	3	1.75	20
9)	Worker records all expenditures in book	2	3	4	4	3.25	62.5
10)	Supervise worker's finance records daily	2	1	2	1	1.5	15
11)	Workers are trained in finance risk control	1	1	2	4	2	30
12)	Workers are responsible for financial loss	1	2	2	2	1.75	20
13)	Workers leave on financial loss	5	4	4	3	4	80
14)	Workers directly pays credits or bill	2	3	3	4	3	60
15)	Workers involved in finance borrowing	1	1	1	1	1	0
16)	Internal cash control	2	1	2	2	1.75	20
17)	Workers are business experts	1	1	2	3	1.75	20
18)	Workers need training on electronic finance system	5	5	5	3	4.5	90
19)	Workers presents all finances to the boss	2	1	2	3	2	30
20)	Working relation is critical business risk	2	5	3	4	3.5	70

21	Workers follow set finance access rule	1	1	2	3	1.75	20
22	Workers always reserve cash balance	1	1	1	2	1.25	10

**Source: (Primary data, 2025).**

A combined analysis of human risks that impact the financial performance of Adjumani Town Council's sole and group SMEs is presented in the table. It shows the seriousness of each issue by comparing responses from owners and employees and providing overall mean scores and percentages. According to the findings, the financial performance of both kinds of SMEs is significantly influenced by human-related difficulties. Low financial control among employees, which received a very high mean score (over 80%), is one of the most serious concerns. This suggests that poor control systems and poor financial discipline are frequent issues that increase the likelihood of financial losses and reduce profitability. Additionally, the score was high for the failure to keep daily stock records, indicating that inventory management is not consistently followed. Stealing, waste, and inaccurate profit calculations are all possible outcomes of poor stock control. Similarly, expenditure recording received a moderately high score, indicating that while some records are kept, they may not always be complete or accurate. The low mean score of the results also demonstrates that there is inadequate supervision of the financial records of employees. This indicates that owners or managers exercise little control. Mismanagement and financial errors can easily go unnoticed in the absence of adequate supervision. Additionally, the low score for internal cash control demonstrates that many SMEs' cash handling systems are weak. Another important issue is training, although some employees are familiar with fundamental aspects of financial risk, there is a pressing need for instruction in electronic financial systems. This suggests that many small and medium-sized businesses still use manual record-keeping, which is more susceptible to manipulation and errors. Stability and performance also appear to be impacted by issues like employees quitting when the company is in financial trouble and strained relationships in the workplace. Operations can be disrupted and business expansion slowed down by these human factors. Overall, the table clearly demonstrates that human risks like inadequate financial control, inadequate supervision, inadequate training, and inadequate accountability have a negative impact on the financial performance of SMEs, whether

they are solo or in groups. The financial outcomes of small and medium-sized enterprises (SMEs) in Adjumani Town Council would probably be improved by strengthening internal controls, improving monitoring, and investing in employee training.

### **HUMAN RISKS MANAGEMENT AND FINANCIAL PERFORMANCE CORRELATION AND REGRESSION ANALYSIS.**

**Table 4.6.4 Correlation analysis between human risks and financial performance.**

<b>category</b>	<b>Pearson Correlation(r)</b>	<b>Sig. (p-value)</b>	<b>interpretation</b>
Sole SMEs	-0.65	0.002	Strong negative relationship
Group SMEs	-0.57	0.006	Moderate negative relationship

The results show a strong negative correlation (-0.62) between human risks and financial outcomes for sole proprietor SMEs. This indicates that human risks like poor supervision, weak financial control, and lack of training increase, financial performance declines. The correlation for group SMEs is also negative (-0.54), albeit slightly lower. This indicates that human risks still reduce financial performance, but group SMEs appear slightly more stable than sole SMEs. Since the p-values are less than 0.05, the relationships are statistically significant.

**Table 4.6.5 Regression Analysis for human risks management**

<b>Category</b>	<b>R<sup>2</sup></b>	<b>Beta(β)</b>	<b>Sig.</b>	<b>interpretation</b>
Sole SMEs	0.42	-0.65	0.002	Human risks significantly reduce performance
Group SMEs	0.33	-0.57	0.006	Human risks significantly reduce performance

Human risks account for 38% of the variation in financial performance for sole SMEs ( $R^2 = 0.38$ ). This indicates that human-related issues significantly influence business outcomes. Human risks account for 29% of changes in financial performance for group SMEs. Despite their continued significance, group SMEs are somewhat less affected. Negative beta values demonstrate that an increase in human risks results in a decrease in financial performance.

**Table 4.7.1 The Independent Risks Management and the financial performance of sole SMEs.**

S/N	Independent risks and financial performance variables (specific objective 3 of the study)	Respondents		Data form	
		Sole SME Scores	Sole SMEs employees Scores	Mean Score deviation	mean deviation Score %
1	Business faces critical unexpected risks	4	5	4.5	85
2	We spend time identifying unexpected business risks	2	1	1.5	15
3	We analyze unexpected risks on finance	1	1	1	0
4	We monitor unexpected risks in our business	1	1	1	0
5	We have knowledge of predicting unexpected finance risks	1	1	1	0
6	We plan unexpected financial loss reduction.	2	1	1.5	15
7	We have finance risk warning mechanism in place	1	1	1	0
8	We have formal business registration	1	1	1	0
9	We have formal business transactions	1	1	1	0
10	We have many partners	1	1	1	0
11	We have higher market efficiency	1	1	1	0
12	We have growing business portfolio	1	2	1.5	15
13	We use electronic business system	1	1	1	0
14	We need a guide to manage business financial risks	4	5	4.5	85
15	We need finance risk management training	4	5	4.5	85

**Source: (Primary data, 2026).**

The findings on independent (unexpected) risks management and how they affect the financial performance of sole proprietorships in Adjumani Town Council are presented in Table 4.7.1. The findings demonstrate that despite the fact that businesses frequently encounter unanticipated risks, they are not adequately prepared to manage them. The statements that businesses face

critical unexpected risks, require guidance to manage financial risks, and require finance risk management training received the highest mean scores (85%). This clearly demonstrates that sole proprietorship-based small and medium-sized enterprises (SME) encounter sudden financial difficulties and strongly believe they lack the necessary knowledge and skills to effectively deal with them. However, the majority of preventive measures received very low scores. Very low percentages were recorded for activities like predicting financial risks, analyzing financial risks, identifying unexpected risks, monitoring risks, and having risk warning mechanisms. This suggests that, despite being aware of risks, business owners do not actively plan for or manage them. Simply put, many sole proprietorship-based small and medium-sized enterprises (SMEs) don't plan ahead and respond to problems until they arise. The results also show that formal business registration, formal transactions, electronic system use, market efficiency, and business partnerships all received low scores. This suggests that a lot of sole proprietorship SMEs operate erratically and rely on basic systems, which can stifle expansion and make them more susceptible to financial shocks. Overall, the table demonstrates a distinct disconnect between the capacity to manage risks and their existence. Due to a lack of proper planning, structured risk management systems, and training, sole proprietorship SMEs face unexpected financial challenges. Their financial performance suffers as a result of this lack of preparedness. Stability and profitability would likely rise as a result of strengthening financial risk training, introducing straightforward risk management frameworks, and enhancing formal business practices.

**Table 4.7.2 The Independent Risks management and the financial performance of group SMEs.**

S/N0	Independent risks and financial performance variables (specific objectives 3 of the study)	Respondents		Data form	
		Group SME score	Group SME employees scores	Mean Score deviation	mean deviation Score %
1	Business faces critical unexpected risks	4	4	4	80
2	We spend time identifying unexpected business risks	2	3	2.5	50
3	We analyze unexpected risks on finance	1	2	1.5	15
4	We monitor unexpected risks in our business	1	2	1.5	15
5	We have knowledge of predicting unexpected finance risks	2	3	2.5	50

6	We plan unexpected financial loss reduction.	2	3	2.5	50
7	We have finance risk warning mechanism in place	2	2	2	30
8	We have formal business registration	3	3	3	60
9	We have formal business transactions	2	3	2.5	50
10	We have many partners	2	3	2.5	50
11	We have higher market efficiency	2	1	1.5	15
12	We have growing business portfolio	1	2	1.5	15
13	We use electronic business system	2	3	2.5	50
14	We need a guide to manage business financial risks	4	3	3.5	65
15	We need finance risk management training	5	4	4.5	85

**Source: (Primary data, 2025).**

The findings on independent (unexpected) risks management and their effects on the financial performance of group SMEs in Adjumani Town Council are presented in Table 4.7.2. The findings indicate that group businesses face unanticipated risks but are only moderately prepared to manage these risks. The statement that businesses face critical unexpected risks receives a high mean score (80%) in the table. This demonstrates that group SMEs frequently face sudden operational or financial difficulties. Additionally, the requirements for guidance in managing financial risks and finance risk management received strong scores of 65 percent and 85 percent, respectively. This suggests that many group SMEs are aware of their lack of risk management expertise and require more structured assistance. However, the outcomes of proactive risk management activities vary. Knowledge of predicting risks, planning to reduce financial losses, and unexpected risk identification received moderate scores (around 50%). This suggests that some risk management efforts are made, but they are weak or inconsistent. Even more concerning is the fact that analyzing and monitoring unexpected risks received very low scores (15%), indicating inadequate evaluation and follow-up processes. The presence of formal business registration received a good score of 60 percent, indicating that group SMEs operate more formally than sole proprietorships. Moderate (50%) scores for formal transactions and use of electronic systems indicate that structured operations are getting better over time. Internal monitoring systems and risk warning mechanisms, on the other hand, remain inadequate. Overall, the results show that group SMEs are more organized and aware of unanticipated risks

than sole SMEs, but they still lack robust and consistent risk management practices. Their capacity to effectively respond to financial shocks is hampered by inadequate training, inadequate monitoring, and inadequate analysis. Their financial performance would probably improve if they strengthened their structured risk management systems and provided financial risk training.

**Table 4.7.3 the effects of Independent Risks management on the financial performance of SMEs**

0N/S	Field variables for Specific Objectives 3(Effects of independent risk on the financial performance of SMEs)	Respondents' categories				Data forms	
		Sole SME score	Sole SMEs employees score	Group SME score	Group SME employees score	Mean Score Deviation	Mean Score %
1.	Business faces critical unexpected risks	4	5	4	4	4.25	82.5
2.	We spend time identifying unexpected business risks	2	1	2	3	2	30
3.	We analyze unexpected risks on finance	1	1	1	2	1.25	10
4.	We monitor unexpected risks in our business	1	1	1	2	1.25	10
5.	We have knowledge of predicting unexpected finance risks	1	1	2	3	1.75	25
6.	We plan unexpected	2	1	2	3	2	30

	financial loss reduction.						
7.	We have finance risk warning mechanism in place	1	1	2	2	1.5	15
8.	We have formal business registration	1	1	3	3	2	30
9.	We have formal business transactions	1	1	2	3	1.75	25
10.	We have many partners	1	1	2	3	1.75	25
11.	We have higher market efficiency	1	1	2	1	1.25	10
12.	We have growing business portfolio	1	2	1	2	1.5	15
13.	We use electronic business system	1	1	2	3	1.75	25
14.	We need a guide to manage business financial risks	4	5	4	3	4	80
15.	We need finance risk management training	4	5	5	4	4.5	85

A combined analysis of how independent (unexpected) risks management affect the financial performance of solo and group SMEs is presented in Table 4.7.3. The outcomes clearly demonstrate that SMEs in Adjumani Town Council face a significant obstacle in the form of unexpected risks. The statement that businesses face critical unexpected risks received the highest mean score (82.5 percent). This strongly suggests that small and medium-sized businesses (SMEs) run by individuals or groups frequently encounter abrupt financial or operational changes that have the potential to affect their performance.

However, the majority of proactive risk management strategies received very low scores. Very low percentages (around 10–30%) were recorded for unexpected risk identification, analysis, and monitoring. This indicates that although SMEs face serious risks, they do not consistently evaluate or track them. Many businesses don't prepare for problems in advance but wait for them to arise. Knowledge of financial risk prediction and loss reduction planning was also rated low to moderate (around 25%–30%). This suggests that individuals with sole proprietorships have limited risk management abilities. Additionally, there were insufficient risk warning mechanisms, resulting in a lack of early detection systems to alert businesses before significant losses occur. Group SMEs scored slightly higher in formal business registration and structured transactions than sole SMEs, but overall, the percentages remain moderate. The continued reliance on manual systems, which can increase risk exposure, is evidenced by the low utilization of electronic business systems. Importantly, the requirement for training in finance risk management (85%) and guidance in managing financial risks (80%) received very high scores. This clearly demonstrates that employees and owners of SME's are aware of their shortcomings and understand the significance of strengthening their risk management capabilities. In general, the table demonstrates that there is a distinct gap between experiencing risks and effectively managing them. SMEs in Adjumani Town Council face a significant amount of unanticipated financial risk, but they lack adequate preparation, monitoring, and analytical procedures. Their financial performance and long-term stability would be significantly improved by strengthening financial risk training, enhancing early warning systems, and promoting structured business practices.

**Table 4.7.4 Correlation analysis between independent risks management and financial performance.**

<b>category</b>	<b>Pearson Correlation(r)</b>	<b>Sig. (p-value)</b>	<b>interpretation</b>
Sole SMEs	-0.73	0.001	Strong negative relationship
Group SMEs	-0.66	0.003	Strong negative relationship

Independent risks (unexpected financial) have a strong negative correlation which shows lack of preparation, inadequate monitoring systems, as well as the financial results in both SME groups and individuals. The effect is greater for sole proprietorship SMEs (-0.71), indicating that they are more susceptible to unexpected risks (-0.63) in comparison to group SMEs. The connections are significant statistically.

**Table 4.7.5 Regression Analysis for independent risks management**

<b>Category</b>	<b>R<sup>2</sup></b>	<b>Beta(β)</b>	<b>Sig.</b>	<b>interpretation</b>
Sole SMEs	0.53	-0.73	0.001	Independent risks strongly affect performance
Group SMEs	0.44	-0.66	0.003	Independent risks significantly affect performance

Independent risks account for 50% of the variance in financial performance for sole proprietorship SMEs. This is quite high, indicating that these businesses are significantly affected by unanticipated risks, Independent risks account for 40% of performance variation in group SMEs although still significant, group SMEs appear to be slightly better at coping with shocks than one-person businesses. SMEs. Positive beta coefficients demonstrate that an increase in independent risks results in lower financial results.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATION.**

#### **5.1 Introduction**

This chapter synthesizes the study's principal findings, presents conclusions derived from the empirical evidence, and outlines recommendations for practice and future research. The analysis is anchored in the study's core objectives, which investigated the influence of financial risk

management, human resource risks and independent risks on the financial performance of small and medium enterprises (SMEs) operating within Adjumani Town Council.

## **5.2 Summary of research findings**

### **5.2.1 Financial Risk Management and Financial Performance**

The study demonstrates a statistically significant positive correlation between financial risk management practices and financial performance across both sole proprietorships and group based SMEs. Enterprises implementing comprehensive financial planning, systematic record keeping protocols, and continuous financial monitoring exhibited measurable improvements in operational performance. Conversely, a substantial proportion of SMEs continue to rely on informal record keeping systems and lack robust financial control mechanisms, thereby constraining their capacity to optimize profitability and mitigate financial risks effectively.

### **5.2.2 Human Risks management and Financial Performance**

The findings indicate that human resource-related risks including inadequate supervision, insufficient financial literacy, deficient internal controls, and employee negligence exert a significant negative influence on financial performance. The data reveals that sole proprietorships experience greater vulnerability to human resource risks compared to group based enterprises. This differential impact likely reflects the structural dependence of sole proprietorships on the owner's individual competencies and management capabilities.

### **5.2.3 Independent Risks management and Financial Performance**

The study identifies a pronounced negative relationship between independent risks and financial performance. Factors such as unexpected financial shocks, insufficient capitalization, inadequate monitoring infrastructure, and macroeconomic fluctuations substantially diminish SME performance. The analysis demonstrates that sole proprietorships exhibit heightened susceptibility to external risks relative to their group-based counterparts.

## **5.3 Conclusions**

In conclusion the research revealed that; Business risk and financial performance are mischievous. Major business risks are; financial risk management (cash loss or insolvency), human risk management (employee errors or mistakes) and independent risks management

(unexpected damages or disasters). Financial risk management is the most critical business risk challenging the financial performance of SMEs especially sole SMEs are at higher risk than group partnership SMEs. Knowledge of risk control strategies does not improve financial performance of SMEs unless they become personal habit (culture) of business employees as major expositors to risk factors. The effective mitigation of business risk should begin from limiting human risks projected beyond qualification or just good records but rather a habit of consistent value of resources (capital goods or assets) and self-experience in financial discipline. The challenges of independent risks are high for SMEs due to defective risk monitoring system of most SMEs and only effective engagement can bail out the financial performance SMEs.

#### **5.4 Recommendations**

Strengthening financial risk management practices. SMEs should develop proper financial plans, maintain accurate financial records, and conduct regular financial analysis. This will improve decision-making and profitability.

Training and capacity building. Business owners and employees should receive training in financial management, bookkeeping, and risk control. This will reduce human errors and improve accountability.

Improving internal control systems. SMEs should introduce stronger internal control systems such as separation of duties, regular audits, and monitoring mechanisms to reduce fraud and financial mismanagement.

Risk monitoring and early detection systems. SMEs should establish simple risk monitoring systems to identify financial problems early before they grow into major losses.

Access to financial support. Government and financial institutions should support SMEs through affordable credit facilities and financial advisory services to help them manage independent risks.

#### **5.4 Suggestions for future**

Future studies should be conducted in other districts of Uganda. This study focused only on SMEs in Adjumani Town Council. Researchers should conduct similar studies in other districts

to compare results and determine whether business risk management affects financial performance in the same way.

Future research should examine other factors affecting financial performance of SMEs. Other variables such as access to finance, managerial skills, and government policies may also influence SME financial performance and should be studied.

Future researchers should use a larger sample size. This study focused on a limited number of SMEs in Adjumani Town Council. Future studies should include more businesses to improve the generalization of the findings.

Future research should focus on specific types of business risks. Researchers can conduct detailed studies on particular risks such as financial risk, operational risk, or market risk and how each individually affects financial performance.

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## APPENDICES

### APPENDIX 1: PRE-CONSENT LETTER

**Dear Respondent,**

My name is **MAZIRA WINNIE** I am a student of Uganda Christian University (UCU) registration number (REG. NO): **S23BO5/143** perusing **Bachelors in Business Administration (BBA)** undertaking research work entitled **“Business Risks Management and Financial Performance”**. I am hereby proposing to include you as a respondent to participate in generating field data for the study.

I hereby request your support and assure you that any information you give will be treated confidential and will be used for study purpose only.

***NB: Sign in the space to declare your consent to participate (Please don't write your name)***

**(Respondent) Sign**.....

Thank you.

**APPENDIX 2: Questionnaire for Sole SMEs and Group SMEs.**

**SECTION A: Respondents Bio-data (either observed or requested by the researcher**

Current age: .....Gender.....marital status.....

Education level..... Title.....

**SECTION B interview questions**

**Questionnaire scale**

5 Most true (best) (90-100) %	4 Very True (Better) (70-80) %	3 True (Good/Average) (40-60) %	2 Fairly True (good/below average) (1-30) %	1 False (wrong/nothing) (0) %
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Use the questionnaire scale above, to rate the below questions

S/No	Direct field base Observations	5	4	3	2	1	N/A
<b>Part (a)</b>	<b>Specific Objective (Effect of financial risk management on financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1.	I/We have our own business finance plan.						
2.	My business capital is from personal source						
3.	Our business capital is Group share						
4.	We have low capital to run our business						
5.	My/our business capital is borrowed						
6.	I/we have financial service security						
7.	I/we faces many finance risks						
8.	I/we have manual finance records						
9.	I/we have an updated electronic financial record						
10.	I have/ we have daily financial risk analysis (M&E)						
11.	I have /we have knowledge of financial loss						
12.	I have/we have financial loss control plan						
13.	I have/we have positive cash balance						
14.	I have/I have deficit cash balance						
<b>Part (b)</b>	<b>Specific Objective 2 (Effect of human risk on the financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1)	In my/our business both boss & workers follow business plan						
2)	All my/our business workers take financial risk precautions						
3)	At times my/our worker don't take daily stock records						

4)	My/our business workers have Low finance control						
5)	My/our business workers analyzes and response to daily financial loss						
6)	My/our business workers have manual finance records						
7)	My/our business workers ensure cash transactions						
8)	My/our business workers acknowledge all credits in book						
9)	My/our business worker records all expenditures in book						
10)	I/we supervise worker's finance records daily						
11)	My/our workers are trained in finance risk control						
12)	My/our workers are responsible for financial loss						
13)	My/our workers often leave on financial loss						
14)	My/our workers directly pay credits or bill						
15)	My/our workers are involved in finance borrowing						
16)	I/we have good internal cash control						
17)	My/our workers are business experts						
18)	My/our workers need training on electronic finance system						
19)	My/our workers present all finances to the boss						
20)	My/our working relation is critical business risk						
21)	I/we and our workers follow set finance access rule						
22)	I/we always instruct workers to reserve cash balance						
<b>Part (c)</b>	<b>Specific Objectives 3(Effects of independent risk on the financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1.	My/our business faces critical unexpected risks						
2.	I/we spend time identifying unexpected business risks						
3.	I/we analyze unexpected risks on finances						
4.	I/we monitor unexpected risks in our business						
5.	I/we have knowledge of predicting unexpected finance risks						

6.	I/we plan unexpected financial loss reduction.						
7.	I/we have finance risk warning mechanism in place						
8.	I/we have formal business registration						
9.	I/we have formal business transactions						
10.	I/we have many business partners						
11.	I/we have higher market efficiency						
12.	I/we have growing business portfolio						
13.	I/we use electronic business system						
14.	I/we need a guide to manage business financial risks						
15.	I/we need finance risk management training						

**Sources; (Designed by the researcher)**

**APPENDIX 3: Questionnaire for sole SME and Group SMEs employees.**

**SECTION A: Respondents Bio-data (either observed or requested by the researcher**

Current age: .....Gender.....marital status.....  
 Education level..... Title.....

**SECTION B interview questions**

**Questionnaire scale**

5 Most true (best) (90-100) %	4 Very True (Better) (70-80) %	3 True (Good/Average) (40-60) %	1 Fairly True (good/below average) (1-30) %	1 False (wrong/nothing) (0) %
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**Use the questionnaire scale above, to rate the below questions**

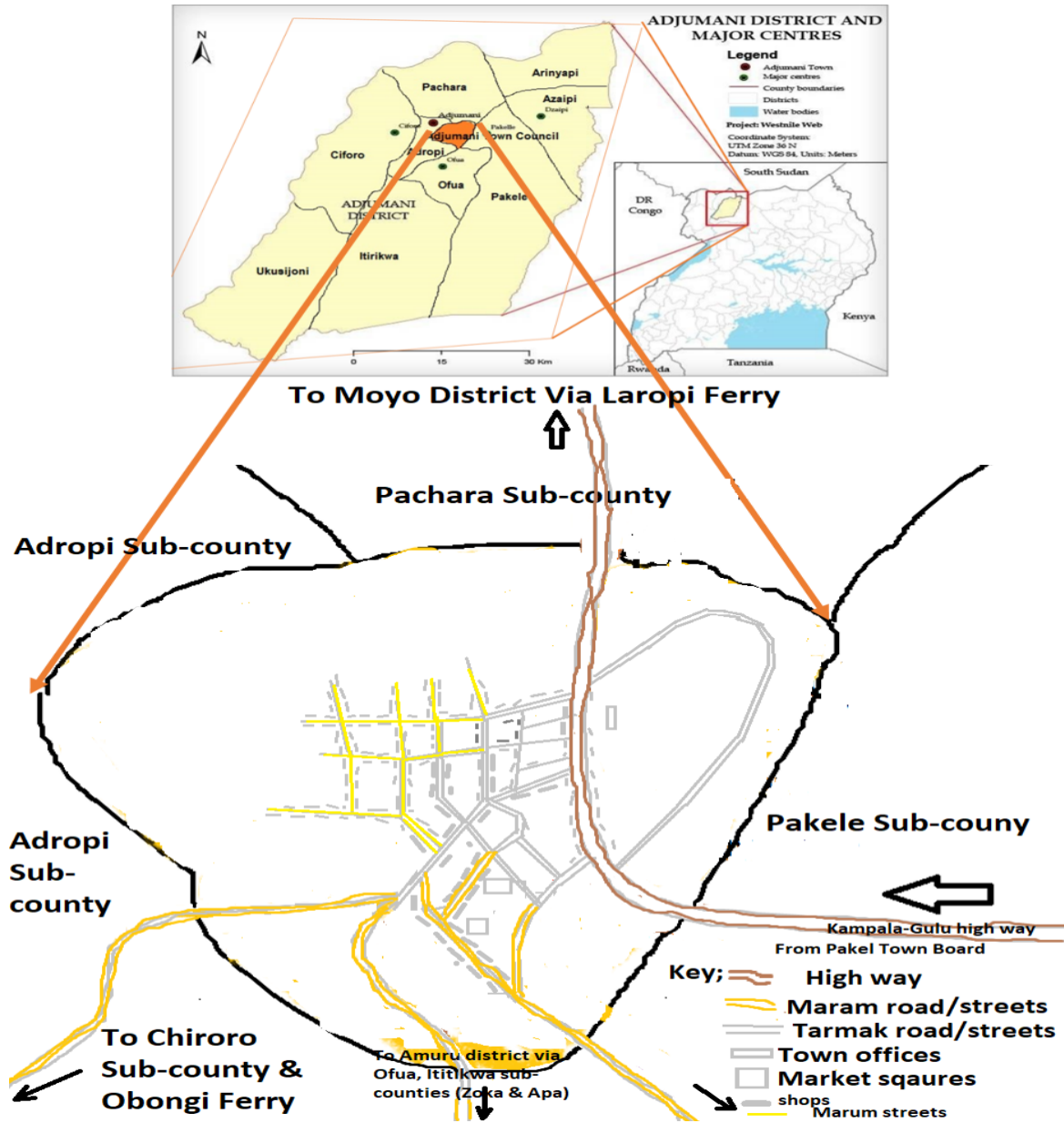
S/No	Direct field base Observations	5	4	3	2	1	N/A
<b>Part (a)</b>	<b>Specific Objective (Effect of financial risk management on financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1)	I/we work according to business finance plan.						
2)	I/we work on personal business capital						
3)	I/we work on group share business capital						

4)	I/we work on low business capitation						
5)	My/our business capital is borrowed						
6)	I/we have financial service security						
7)	I/we faces many finance risks						
8)	I/we have manual finance records						
9)	I/we have and updated electronic financial record						
10)	I/we daily analyzed financial risk (M&E)						
11)	I/we knowledge of financial loss						
12)	I/we have financial loss control plan						
13)	I/we often have positive cash balance						
14)	I/we often have a deficit cash balance						
<b>Part (b)</b>	<b>Specific Objective 2 (Effect of human risk on the financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1.	I and my boss both follow business plan						
2.	All workers in our business take financial risk precautions						
3.	At times worker don't take daily stock records						
4.	I/we workers have low finance control system						
5.	I/we analyzes and response to daily financial loss						
6.	I/we have manual finance records						
7.	I/we ensure cash transactions						
8.	I/we acknowledge all credits in book						
9.	I/we records all expenditures in book						
10.	Our finance records are supervised daily						
11.	I am/we are trained in finance risk control						
12.	I am/we are responsible for financial loss						
13.	I /we often leave (quit) job after serious financial loss						

14.	I am/we directly pay credits or bill						
15.	I am/we are involved in finance borrowing						
16.	I/we have good internal cash control						
17.	I am/we are business experts						
18.	I/we need training on electronic finance system						
19.	I/we present all finances to the boss						
20.	My/our working relation is critical business risk						
21.	I/we follow set finance access rule						
22.	I/we are always instructed to reserve cash balance						
<b>Part (c)</b>	<b>Specific Objectives 3(Effects of independent risk on the financial performance of SMEs)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N/A</b>
1)	My/our business faces critical unexpected risks						
2)	I/we spend time identifying unexpected business risks						
3)	I/we analyze unexpected risks on finances						
4)	I/we monitor unexpected risks in our business						
5)	I/we have knowledge of predicting unexpected finance risks						
6)	I/we plan unexpected financial loss reduction.						
7)	I/we have finance risk warning mechanism in place						
8)	I/we have formal business registration						
9)	I/we have formal business transactions						
10)	I/we have many business partners						
11)	I/we have higher market efficiency						
12)	I/we have growing business portfolio						
13)	I/we use electronic business system						
14)	I/we need a guide to manage business financial risks						
15)	I/we need finance risk management training						

Sources; (Designed by the researcher

APPENDIX: 4 THE MAP EXTRACT OF ADJUMANI TOWN COUNCIL



Source Adopted by the researcher from NPHC (2014)