

**THE IMPACT OF FINANCIAL PLANNING ON FINANCIAL PERFORMANCE OF  
SMEs :A CASE STUDY OF COCA COLA BEVERAGES, NAMANVE**

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**DECLARATION**

I hereby affirm that this work presented to the supervisor for grading is entirely my original content and all the references and citations are originals based on the research. It has never submitted to any institution for grading .

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DATE: 17th March 2026

**APPROVAL**

I hereby affirm that this research dissertation prepared by Ssewanyana Sharif has been confirmed and has been under my approval

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## **ABBREVIATIONS**

- CCC - Cash Conversion Cycle
- CEP - Capital Expenditure Planning
- CFM - Cash Flow Management
- DV - Dependent Variable
- FCT - Financial Constraint Theory
- FPPM - Financial Planning Performance Model
- IFC - International Finance Corporation
- IRR - Internal Rate of Return
- IV - Independent Variable
- M - Mean
- NPV - Net Present Value
- OECD - Organisation for Economic Co-operation and Development
- RBV - Resource Based View
- ROA - Return on Assets
- ROE - Return on Equity
- ROI - Return on Investment
- SD - Standard Deviation
- SMEs - Small and Medium Enterprises
- SPSS - Statistical Package for the Social Sciences
- SSPM - Strategy Structure Performance Model
- WCM - Working Capital Management

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## ABSTRACT

This study sought to investigate the impact of financial planning on the financial performance of Small and Medium Enterprises (SMEs), using Coca-Cola Beverages based in the Namanve Industrial Area as the focal point of the study. This was informed by the following objectives: examining the impact of budgeting practices on financial performance, evaluating the impact of cash flow management on financial performance, and examining the impact of financial planning on financial performance. Financial performance was evaluated using parameters such as profitability, liquidity, and solvency, while financial planning was evaluated using parameters such as budgeting, cash flow management, and capital expenditure planning.

A descriptive and correlational research design was employed to establish the link between financial planning and financial performance. A population of 120 employees from various departments, including accounting, finance, marketing, and administration, was targeted. A sample of 70 respondents was established using Krejcie and Morgan's sampling table. Stratified random sampling and simple random sampling methods were employed to ensure proper representation of respondents from various departments. Both primary and secondary data collection methods were employed. Under primary data, structured questionnaires were used as a means of collecting data. Secondary data was obtained from various records and relevant documents. Descriptive statistics, including frequency, percentage, means, and standard deviation, were employed to analyze the obtained data with the aid of Statistical Package for Social Sciences (SPSS).

The results indicated that effective budgeting enhances financial performance by improving cost control, resource allocation, and profitability. Moreover, the study established that effective cash flow management is critical in ensuring that organizations are able to meet their financial obligations. Finally, the study established that financial planning has a strong positive relationship with financial performance, thus showing that organizations that employ effective financial planning are more likely to attain financial stability and success.

The study concludes that financial planning is a critical strategy that can improve financial performance in SMEs. Effective budgeting, cash flow management, and financial decision-

making can improve efficiency and sustainability of organizations. Therefore, this study recommends that SMEs should improve their financial planning by employing effective budgeting techniques, cash flow management, and financial management skills to improve their business performance.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter brings to you the end results of financial planning and financial performance of SMEs with reference to our case study of Coca Cola Beverages located in Namanve industrial area one of the producers of the soft drinks worldwide. This chapter displays the background of the study, problem statement, objectives, research question, scope and also the significance of the survey. Financial planning forms the foundation of successful financial management, especially for SMEs such as Coca Cola Beverages whose businesses operate on fewer resources and expose themselves to high levels of market dynamics. It consists of the future needs, budgeting and controlling of an organization's financial assets towards the fulfillment of the longer sustainability of the organization (Berman, 2018). For SMEs, inefficiency of a formal financial outlay manifests in suboptimal decision-making, cash flow problems and eventual business closure.

This survey investigates the impact of healthy financial planning of different organizations using the case study of coca cola beverages. Even though the company operates worldwide, it bottles often as a head single-function, localized businesses incorporated into large scale SMEs. Their differentiation structure is an intriguing setting to explore financial planning practices in the daily life automation.

### **1.1 Background**

The aspect of the world economy is driven to a higher chance on SMEs enlargement and survival, they are key factors for employment creation, innovation and economic diversity and growth. (OECD,2021). A high rate of SMEs fails in the first interval of initial five years of life. Financial mishandling is constantly the major cause of the failures in various research on the topics (Kotler & Keller, 2019). Inadequate financial planning such as adequate budgeting, mishandling of cash flows and unsystematic capital expenditure decisions, subjects such businesses to disruptions and stiff competition.

A survey by the International Finance Corporation notes (IFC, 2020), SMEs often don't have enough financial knowledge and access to professional financial advisory services thus tends to put them at the back of the position of financial management rather than on the fore front. A great deal of research is going into investigating the interconnectedness between financial planning and firm performance, yet there is a conspicuous absence of work using a particular large scale case study, to dissect these ideas into the real life and operational concept. The network of the bottler companies in the case of our selection of coca cola company, provides such a great opportunity in our study. This survey will help all businesses falling into such brands to manage their finances, and know directly how planning strategy directly affects financial performance.

## **1.2 Problem statement**

Small and medium enterprises play a crucial the driving of the economic growth and job creation in Uganda. However much has to be done about the struggling issues of financial sustainability and profitability due to the insufficient financial planning practices and ideas (Kilonzo & Ouma, 2021). Financial planning circulating on the budgeting, forecasting and cash flow management plays a crucial role in determining the reasons for the success of the firm. The lack of financial planning limits an organization's ability to optimize resource allocation, risk mitigation and make quality decisions hence undermining the overall financial performance (Mwangi & Birundu, 2020)

The coca cola beverages in Namanve an ideal case study where there are systematic financial management practices but the crucial relationship between the two variables is not well illustrated. Incorrect financial planning may result in poor budget control, cash flow imbalance and inadequate cost control which may have a negative influence on the performance of the company (Kamau & Muturi, 2022). Conversely, effective financial planning may enhance operating effectiveness optimize the utilization capital and improve financial stability. In this context, research seeks to examine how financial planning impacts the financial performance of SMEs particularly Coca cola beverages. Identifying this scenario will inform us at the extent at which best practices in strategic financial planning influences the improved financial performance an issue that will provide insights to practitioners and policymakers on viable SMR financial management.

### **1.3 Main objective of the study**

The main objective was to establish the impact of financial planning on financial performance of SMEs.

### **1.4 Objectives of the study**

- i). To analyze the effect of budgeting practices on the financial performance of SMEs.
- ii). To establish how cash flow management influences the financial performance of SMEs.
- iii). To analyze the relationship between financial planning and financial performance of SMEs.

### **1.5 Research Questions**

- i) To what extent does budgeting practices influence the financial performance of SMEs?
- ii). In what ways does cash flow management affect the financial performance of the SMEs?
- iii). What is the relationship between financial planning and financial performance of SMEs?

### **1.6 Hypothesis of the study**

H<sub>0</sub>: There is no significant relationship between financial planning and performance of the SMEs.

H<sub>1</sub>: Financial planning has a positive and influential significant relationship with financial performance of SMEs

### **1.7 Scope of the study**

#### **1.7.1 Subject scope**

The study explores the impact of financial planning and performance of SMEs within Coca cola company. Simply examines how budgeting, cash flows and capital expenditure planning influence profitability, liquidity and solvency.

### **1.7.2 Geographical scope**

The survey confines to Coca cola company located in Namanve. By putting much emphasis this firm, the research ensures a more simplified and contextualized analysis of how the planning within the firm contribute to the performance of the firm.

### **1.8 Time scope**

The time frame of the survey spans previous seven years from 2018 to 2024. This time allows and provides adequate analysis of the related information about the different dynamic market and consumer trends hence particularly considers the different technology, evolving work dynamics and economic shifts.

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

This survey is particularly informative to various stake holders

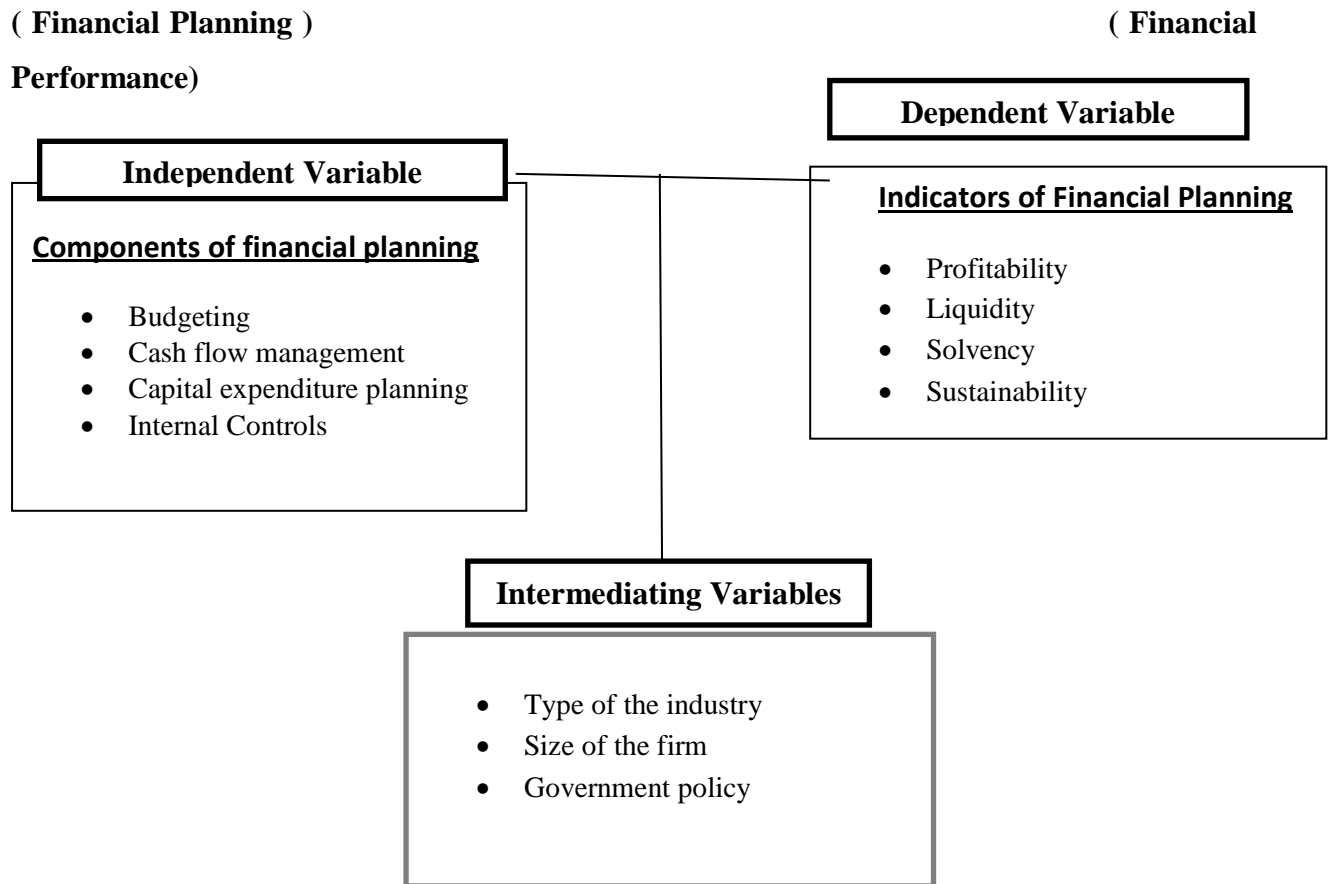
Scholarly perspective, this survey acts as the useful part of the body in literature review existence through the addition of the specific, empirical case study so as to refine the theoretical relationship of financial planning and performance hence will serve as the reference to different firms for further financial handling studies

Practical perspective, the survey will provide decision makers and SMEs owners with relevant data. This will aid the decision makers execute better decisions as and make strategic investments of time and capital hence help companies mitigate risks hence embark on strategies of long-time survival and growth in the market.

Financial institutions and policymakers, the results can help in designing the incorporated program of SMEs and financial literacy hence able to understand where financial planning contributes to effectiveness and access to finance.

## 1.8 Conceptual framework

Figure 1: Conceptual framework



**Source: Ibrahim (2018) and modified by the researcher**

*The conceptual framework established the relationship existing between financial planning and the performance of the SMEs. The structure was divided into three parts; independent variable comprising of the different components of financial planning, dependent variable comprising of the indicators of financial planning and also the intermediating variables.*

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter examines the academic findings on the interconnectedness between corporate financial planning and the related future performance with care. This provides grounds for the rest of the research empirically, first by placing our research in a good theoretical framework specifically the resource-based view. Secondly, it thoroughly reviews empirical evidence to be applied during our study, breaking down the key independent variables inform of budgeting, cash flow management and also capital expenditure planning and their assumed effects on the dependent variables inform of profitability, liquidity and solvency in accordance.

Finally, a Conceptual model is constructed in a bid to graphically illustrate the relationship peculiar to the operating environment of the coca cola company located in Namanve.

#### 2.1 Impact of financial planning and performance

Financial planning is more of a process than a task of forecasting, but it's a definite, systematic managerial process aimed at setting up an organization's short-term metrics, setting down the necessary requirements to archive the needed goals, and set up the acceptable plan of acquiring, allocating and controlling such funds (Pandey,2020). For the small and medium enterprises, financial management becomes an obligation from a discretionary administrative item into a required strategic imperative due to the inside resource constraints and market volatility. (Abor & Biekpe, 2007).

Financial planning for this survey, is understood to be made up of three measurable dimensions that serve as key behavioral competency. This may be seen as through;

Budgeting habits, this involves the frequent preparation of detailed financial plans and the different process of actual variance analysis in that actual vs planned comparison to institute cost discipline and resources efficiency and effectiveness (Bhattacharya, 2019).

Management of cash flows, this is the continuous and systematic management of the working capital cycle of the firm, rotating and encompassing forward cash flow prediction and cautious

management of accounts payable and receivables. Effective management allows the firm to maintain the liquidity required to meet short term obligation and seize operating opportunity in the firm. (Hitman & Butter, 2012)

Capital expenditure planning, this involves the formal process of analyzing potential costs, long duration investments such as expansion machinery using theoretically sound appraisal methods like net present value (NPV) and internal rate of return (IRR). The CEP is crucial to validate that long term asset creation is financially justified and sustainable (Brigham & Ehrhardt).

Financial performance is a measurable but qualitative measure of the financial health and operational efficiency of an SME during a gazetted period of time. (Kariuki, 2018). It's the quantification of how far the company or firm has maximized its assets and utilized its financial resources to generate value for the stakeholders. In the SMEs study, financial performance is quantified in the general case by a series of financial ratios needed for cross size and cross industry comparison of results. The variables include,

Profitability; refers that the measure captures the ultimate earnings power of the SMEs. It assesses the administration competencies in cost and revenue generation from operations. The keys factors are the Return on Assets (ROA) and Net profit Margin. (Omer et al, 2021).

Liquidity; pertains to the SME's audacity to settle it's short, immediate obligations or inordinate losses by selling assets. Since, the primary reason for the downfall of SMEs is cash flows, much liquidity is useful for enhanced growth and survival. It is usually calculated through the use of quick ratio and current ratio. (Orodho, 2017).

Solvency; it's a financial measurement of long-term endurance and its firm's capability to meet its future obligations such as bank loans and bonds. Solvency estimates the structure of the firm's equity and often measured or calculated by employing the use of debt - to - equity ratio and the times interest earned ratio, which gives details of survival and sustainability of the firm's capital structure (Marx et al, 2014).

### **2.1.3 The relationship between two variables of financial planning and financial performance of SMEs**

The consensus encompassing the academic survey shows a positive and significant relationship between financial planning and the financial performance of small and medium enterprises with regards to asserting that good planning, including effective practices of cash budgeting, cash control and working capital administration, renders the formal foresight required for SMEs to pose realistic financial objectives, maximize resource allocation and track performance against milestones set thus instilling necessary discipline. (Chowdhury et al). This approach strategy helps firms navigate liquidity, make profitable investments and also make effective strategic business risk hedging all of which lead to sustainability and improvement in financial performance measures such as profitability, return on investment and long sustainable growth. (Rosilyn, 2007).

### **2.2 Theoretical framework**

The theoretical framework for the topic of our study possess to establish an interconnectedness between the independent variable (financial planning) and dependent variable (financial performance) based on the grounded economic and strategic management theories. The most influential strategy is to use an integrated framework of the theories to develop a rich explanation because financial decisions in small and medium enterprises are complex to involve both efficient allocations of resources and reaction to availability of equity.

This chapter helps to provide reference grounds upon which surveys are conducted. They bring out the entire interconnectedness between financial planning and performance of SMEs particularly coca cola company located in Namanve. The intermediary under financial planning included; cash budgeting, cash flow management and also capital expenditure planning whereas on other side of financial performance of SMEs, it encompassed on profitability, liquidity and solvency of the firm.

### **2.2.1 Best explanatory theories**

#### **Resource Based View (RBV)**

The choice theory of this survey is Resource based view (RBV) of the firm, a prevalent paradigm for strategic management (Barney, 1991, Wernerfelt, 1984). RBV contends that firm performance variation is mainly explained by the heterogeneity in their strategic assets which includes; valuable, rare, inimitable and organized for effective exploitation). The rationale of RBV, in the unique setting of a larger manufacturing plant like coca cola company, sustainable competitive advantage is not merely based on the tangible prerequisites but on intangible, firm specific knowledge. Disciplined systematic financial planning processes are sophisticated organizational capability that satisfies the VRIO aspect of proper budgeting, cash forecasting and making capital structure decisions. Relevance to performance, RBV argues that enhanced leverage of such a strategic asset (financial planning) will directly bring out a sustainable competitive advantage, hence it's captured through the financial performance.

#### **Financial Constraint Theory**

Financial Constraint Theory, developed by Myers and Majluf (1984), suggests that firms often struggle to access external finance due to information asymmetry between investors and managers. This situation leads to higher perceived value and financiers will require collateral or charge high interest rates. These conditions make it difficult for a firm to get more capital to intensify the different activities of the firm. This situation affects firms more because of the short credit term history, audited financial history or good collateral(Beck & Demirguc-kunt, 2006). Under these circumstances, good cash flow management becomes a substitute for external capital. SMEs with proper cash flow management are less dependent on the debts, less likely to experience liquidity problems and unable to reinvest their profits (Myers & Majiluf, 1984; Carpenter & Petersen). The end point of this theory is that firms can reduce financial constraints and improve financial performance through proper cash management.

## Working Capital Management Theory

The working capital management theory works hand in hand with the Financial constraint theory by offering how the operational choices influence liquidity and profitability. The theory states that, effective management of the current assets and liabilities through maintaining the control over inventory, accounts payable and receivables will support a firm pos a balance between liquidity and profitability (Van Horne & Wachowicz, 2018). Incase a firm efficiently managed the firm with shorter cash conversion cycle, its able to generate its income faster hence the time from cash flows from production and inflows from the sales will be shorter. This will aid to mitigate financial requirements so as to maximise the profitability of the firm(Deloof,2003). The longer the CCC, the greater the mpre chances of cash deficiency and dependence on the expensive external financing.

WCM theory also highlights trade-offs: holding too many current assets ensures liquidity but reduces profitability due to idle funds, while an overly aggressive reduction of assets raises insolvency risks (Lazaridis & Tryfonidis, 2006). Thus, effective CFM relies on finding a balance between liquidity needs and profitability goals. This balance is especially important for SMEs, as their financial performance is highly sensitive to cash flow changes and poor working capital management (Padachi, 2006).

### **2.2.2 Conceptualization of our objectives**

A good definition of variables is required for theoretical tracing and the literature review answering the study objectives directly as it illustrates below;

#### **i). To analyze the effect of budgeting practices on the financial performance of SMEs**

Budgeting involves converting the management goals for a future period into numerical statements often financial. In SMEs, budgeting practice style has a tendency to range from owner based, informal approximation to a ore formalized method (Atrill, 2012). While large firms have a tendency to adopt to complex, incremental budgeting mode with extensive reliance on history performance rather than advance forecasting (Jankalova & Jankal, 2018). Formal and informal budgeting, various survies (Al-Sartawi, 2019) confirm that degree of formalization is the major distinguisher. Formal budgeting involves the documentation, stakeholder engagement and variance analysis at regular intervals, a valued Organizational resource under RBV. Informal

methods although, accommodative, miss the rigor of the strategic alignment and control. Budget participation, the degree to which non-managerial employees and departments managers are involved in the budget preparation is a key practice. Studies grounded in the goal setting theory have shown that participative budgeting raises commitment, improves information quality and generates a sense of ownership of all which brings t proper operating results (Locke & Lathan, 2002)

#### Defining and measuring financial performance in SMEs

Financial performance, the outcome of the variable is typically quantified through efficiency, profitability and liquidity ratios. For SMEs, simple, robust indicators are more convenient. Measures of profitability; Net Profit Margin, Return on Assets and Return on Equity (ROE) are representatives' proxies for the firm's capacity to generate profits as a percentage of sales or assets employed. (Brigham & Houston, 2020). Efficiency measures, assets Turnover Ratio and Inventory Turn Over Ratio reflect matters in which the well-established SMEs can utilize its assets and working capital which is a vital area for resource constrained firms. Performance for SMEs, some literature utilizes non-financial performance indicators such as the growth or market share improvement as more appropriate proxies for new or rapidly growing SMEs, since profitability may be intentionally sacrificed in the favor of expansion (Storey, 2017).

#### The effect mechanism and empirical results

The theoretical interconnectedness between budgeting as a strategic capability through adopting RBV, effective budgeting practices are viewed as an imitable on Organizational ability. When an SME possesses a strategically aligned, rigid and consistently implemented budgeting system, it represents a source of long-term competitive advantage. (Barney, 1991). Basing on the resource allocation, budgeting serves to ensure that the scarce resources of the SMEs are allocated towards strategic priorities, saving wastage and improving efficiency. This planning role qualifies budgeting as a no longer a controlling but a planning tool. Coordination and communication, budgeting serves as an official communication vehicle, bringing all the functional units in the administration, sales and production in the same measurable objective. The enhanced internal coordination is necessary for single strategic implementation, particularly when SMEs become increasingly complex. (Chenhall, 2003).

## Budgeting practices and new challenges in the new era

Recent literature cites to analyze the effect of digitalization on the budgeting. The use of complex planning software and enterprise resource planning systems within the medium sized enterprises sets new budgeting practices; Beyond traditional budgets, new innovations like zero based budgeting or beyond budgeting are gaining popularity with a focus on the constant monitoring of the performance and flexible resource provisioning instead of static yearly objectives. (Hope & Fraser, 2017), hence the effect of these advanced practices on the financial performance remains a research gap. Data accuracy, the accuracy of the budgeting is very vulnerable to the quality of the supporting finance data. SMEs can lack in-depth IT infrastructure, leading to potentially erroneous forecasts that devalue the practice in spite of the formal or informal nature (Albu & Albu, 2017). The research tends to back the beneficial effects of the systematic, strategically planned budgets processes on the SMEs performance, name due to its role in control, coordination and resource utilization effectiveness (RBV). The literature is nonetheless diverse as to which specific budgeting technique yields the most beneficial outcome within the contingent aspect close to the setting of the small and medium enterprises. The aim of this survey is to fill the knowledge gap by testing the distinctive contribution of identified budgeting practices to profitability and liquidity measures.

### **ii). To establish how cash flow management influences the financial performance of SMEs.**

Cash flow management refers to the operating and strategic management of monitoring, analyzing and streamlining cash inflows and outflows within a company (Gitman, 2012). In the case of small and medium enterprises, cash flow is actually known as the lifeblood of the company with a direct relationship between the business cycle and financial sustainability. CFM is acknowledged as the most important element influencing the survival and and profitability of the SMEs within the different localitiesThe capability of the firm to properly plan, track and be in self control of its cash iflows and out flows directly determines the potential to fullfil financial commitment and stay in the long run of the business. (Gitman,2012). Unlike large companies which have multiple external sources of financing, firms are often associated with financial difficulties and latgely depends on the internal management practices of the income to finance its activities in the business.

Proper cash management is essential for long term and the short term liquidity of the business(Carpenter & Petersen, 2002). The theoretical aspect of the study is grounded on the Financial constraint theory and working capital management theory. These theories describe the influence the cash flow management practices on the financial performance. The outlay shows that proper management of cash flows such as the receivables, payables, forecasting and inventory have direct impact and proportionate to decreasing the costs of external financing, and hence able to increase profitability. It also shows and moderates variables of financial literacy, technology and market uncertainties that affect the interconnectedness of firms.

### Financial Constraint Theory

Financial Constraint Theory, developed by Myers and Majluf (1984), suggests that firms often struggle to access external finance due to information asymmetry between investors and managers. This creates an imbalance hence perception of the risks being higher. This makes many financiers to demand for capital or the higher interest rates. This situation makes it difficult for the SMEs to access finances. This situation is more pronounced for SMEs as they do not have long credit history, good collateral or audited financials. (Beck & Demirguc - kunt, 2006). ). Under these circumstances, good cash flow management becomes a substitute for external capital. SMEs with proper cash flow management are less dependent on the debts, less likely to experience liquidity problems and unable to reinvest their profits (Myers & Majiluf, 1984; Carpenter & Petersen). The end point of this theory is that firms can reduce financial constraints and improve financial performance through proper cash management.

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The relationship between the two theories

When combined, Financial Constraint Theory and Working Capital Management Theory provide a clear framework for understanding the link between cash flow management and financial performance in SMEs. Financial Constraint Theory offers a strategic-level explanation, emphasizing the importance of internal liquidity as an alternative to limited access to external finance. In contrast, Working Capital Management Theory focuses on managing short-term assets and liabilities that impact daily cash flow.

Together, they suggest that SMEs such as Coca cola beverages that implement strong cash management practices—like maintaining an optimal CCC, regularly forecasting cash positions, and efficiently managing receivables and payables—are more likely to achieve better profitability and financial stability (Deloof, 2003; Arnold, 2018). Conversely, poor cash management can expose SMEs to insolvency risks and restrict their growth by limiting reinvestment and innovation opportunities.

In developing economies like Uganda, where SMEs encounter unstable markets, limited financing options, and delayed payments from customers, integrating these theories provides insight into the performance differences among firms of similar size and industry. SMEs that successfully reduce financial constraints through effective working capital and cash flow strategies often outperform those that depend solely on external borrowing or reactive financial management (Storey, 2017).

The study further noted that firms engaging in continuous adaptation of financial planning had superior survival rates. Overall, empirical evidence strongly suggests that financial planning is a determinant of SME financial performance, but this relationship is moderated by contextual factors such as firm size, managerial experience, and access to finance. The current study, therefore, seeks to examine how practices in budgeting, cash flow management, and financial planning collectively influence SME financial performance within Uganda's entrepreneurial ecosystem. -

### **iii) To analyze the relationship between financial planning and the financial performance of SMEs**

Financial planning is essential for making quick decisions in firms. It helps managers organize insufficient financial resources, manage cash flows, and prepare for uncertainties that could hinder business stability (Gitman, 2012). In very many unpredictable markets such as Uganda's SME sector, adequate financial planning allows firms to adjust, maintain liquidity, and stay profitable (Brigham & Houston, 2020).

This aspect is based on two main theories the Strategy-Structure-Performance (SSP) Paradigm and the Financial Planning Process Model. Together, these theories explain how structured planning branches to better financial results. They demonstrate that financial planning turns business goals into measurable actions, improving efficiency and long-term sustainability.

#### **Strategy Structure Performance Model**

The SSP model by Chandler (1962) shows that strong performance occurs when a firm's strategies match its internal structures and resource allocation systems. When strategies are clear and backed by solid financial planning, businesses can effectively carry out their objectives. For SMEs, financial planning creates a structured method to connect strategic goals with financial actions. It guides how to distribute capital, control expenses, and prioritize investments (Kavale & Masese, 2018). When this connection is weak such as when ambitious growth targets lack appropriate budgets, firms may face losses or liquidity challenges (Miller & Budhwar, 2018).

Under this , financial planning acts as a strategic control tool that ensures business goals are realistic and backed by sustainable financial structures. By setting measurable financial targets, SMEs can track performance and adjust as needed (Brigham & Houston, 2020).

### Financial Planning Process Model

The Financial Planning Process Model outlines how financial planning works within an organization. It consists of four main steps: forecasting, goal setting, budgeting, and reviewing (Van Horne & Wachowicz, 2018). Forecasting helps estimate revenues, costs, and funding requirements, goal setting turns business objectives into financial targets like profit margins or liquidity ratios, budgeting allocates resources efficiently to avoid waste and support strategic goals and also reviewing ensures that evaluations and corrections occur regularly. This structured process creates a feedback loop that allows firms to learn from past performance and make ongoing adjustments (Lyles & Schwenk, 2017). Research shows that SMEs that follow formal planning cycles perform better than those that rely on informal or instinctive methods (Kavale & Masese, 2018).

Additionally, this model connects with Goal-Setting Theory (Locke & Latham, 2002), which indicates that shared goal formulation motivates managers and employees, leading to better accountability and results.

### **Empirical review of our study**

Empirical evidence on the link between financial planning and financial performance has widened across both emerging and developed economies. Financial planning, such as budgeting, cash flow, and long-term forecasting, is identified as a core of organizational success (Brigham & Houston, 2020). In the case of small and medium-sized enterprises (SMEs), financial planning is particularly crucial in that it helps managers make more informed decisions under conditions where capital is scarce and market conditions are unclear.

Research globally shows that formally planned SMEs excel in profitability, growth rates, and financial health compared to non-planned SMEs (Amoako & Gyabaah, 2021). The empirical literature in this section for the three main areas of study objectives includes budgeting practices,

cash flow management, and overall general financial planning and how they all have a joint effect on the financial performance of SMEs.

### **i) Empirical review basing on the budget practices and the financial performances of SMES**

Budgeting is among the most fundamental finance planning instruments, and it serves as a tool of cost control, predicting revenues, and accountability. Empirical evidence consistently supports the positive correlation between sound budgeting practices and SMEs' performance.

According to Atrill and McLaney (2019), firms that regularly prepare and review budgets have improved cost control, better financial control, and better operating performance. Nthenya and Kalio (2018) carried out research among 120 Kenyan manufacturing small and medium-sized enterprises (SMEs), and they concluded that firms that engaged in participatory budgeting—management and employees collectively develop the budget—experienced a 26% higher return on assets (ROA) compared to firms with top-down budgets. The authors attributed this to increased ownership, motivation, and coordination among departments.

The budgeting process is a financial roadmap that guides SMEs in resource allocation and cost control as well as in evaluating their performance. According to Drury (2018), budgeting provides a platform through which the business owner can track revenues and expenses and subsequently allocate such revenues to achieve organizational objectives. Empirical evidence by Nzuve and Nyaoga (2019) in Kenya indicated that SMEs adopting participatory budgeting showed better levels of profitability and cost reduction, with superior decision-making against those adopting informal budgeting systems. Abogun and Fagbemi (2012) also found that well-structured budgeting systems enhance managerial accountability and contribute to strategic financial control.

Similarly, Kipkemboi and Muturi (2019), in their study of Kenyan SMEs, observed that the adoption of flexible budgeting enabled firms to react to changing economic conditions, leading to improved profitability and liquidity. They argued that fixed budgets will tend to constrain management response to unanticipated financial shocks.

In Uganda, Mpaata et al. (2020) examined 80 Kampala-based SMEs and determined that frequency of budgeting, stakeholder involvement, and variance analysis had a significant impact on profitability. Their regression analysis showed that effective budget preparation and monitoring explained 42% of the variation in financial performance. The authors concluded that budgeting is not simply a financial control instrument but also a planning methodology to achieve optimal utilization of limited resources.

On the other hand, Okello and Mugisha (2019) concluded that most SMEs perceive the importance of budgeting, but few put it into action on a regular basis due to their limited accounting knowledge, lack of time, and unmethodical management. This finding indicates that having a budget is not per se a performance booster but rather the quality and frequency of application are crucial.

## **ii). Empirical review on cash flows management and financial performance of SMEs**

Cash management plays a vital role in maintaining business liquidity, solvency, and operational continuity. SMEs typically experience extreme cash flow issues caused by delayed customer payments, weak credit control, and inefficient handling of inventory (Van Horne & Wachowicz, 2018).

Abanis, Sunday, and Burani (2019) conducted a research study on Ugandan SMEs in the Mbarara District and concluded that cash flow forecasting and credit control best predicted profitability. Firms which maintained a daily record of cash flow and reconciled their books weekly had improved operating margins in comparison to firms that used ad-hoc cash handling. The conclusion of the authors was that systematic cash flow planning minimizes the risk of insolvency and maximizes decision-making accuracy.

Mungai (2020), considering 150 SMEs in Nairobi, established a positive correlation between cash management practices—receiving control, scheduling payables, and turning inventory—and firm performance. Regression analysis revealed that effective cash management accounted for 38% of the variance in profitability. The study noted that SMEs with clearly established cash flow policies are likely to meet short-term obligations and guarantee steady growth.

The same was observed in Ghana, wherein Amoako and Gyabaah (2021) identified that SMEs possessing computerized cash flow monitoring systems witnessed enhanced liquidity and access to external finance. The authors were of the opinion that proper cash flow information enhances transparency and confidence among investors, which in turn enhances financial performance.

But in another instance, Mutuku (2021) found that the majority of rural micro and small businesses in Kenya still maintain informal record-keeping, a situation that implies that they are unable to forecast accurately their cash needs. Consequently, the firms experience recurring cash shortages that inhibit operations and growth. This thus illustrates that the relationship between cash flow management and performance is positive but that the size of the impact depends on the level of financial literacy and ability to maintain records by the firm.

Empirical research by Woldie, Leighton, and Adesua, in 2018, in Ethiopia proved that SMEs that prepared periodic cash flow statements had greater profitability and continuity of operation. They noted that SMEs with active cash flow forecasting tended to handle short-term financing requirements and avoid risks related to the delay of customers in making payments or to the fluctuation in suppliers' terms of trade. In Tanzania, Mwakibinga and Katamba (2020) conducted a study on SMEs and concluded that computerized cash tracking systems contributed to firms having a 25% higher liquidity ratio than firms relying on manually operated cash books.

Empirical evidence by Tumwine, Akisimire, and Nasiima (2021) showed that SMEs in Uganda mainly faced the absence of consistent cash flow monitoring mechanisms. It was found that over 60% of SMEs did not prepare cash flow statements, which introduced inefficiencies in the management of working capital. Those that practiced monthly cash flow reviews reported an improved ability to meet supplier obligations and access more credit facilities. Similarly, Nassaka (2022) found that digital cash management systems, such as mobile accounting applications, enhance the cash flow forecasting and debt repayment performance of SMEs.

### **iii). Empirical Evidence on relationship between financial Planning and Financial Performance of Small and Medium-Sized Enterprises**

Integrated financial planning consolidates budgeting, forecasting, investment decision, and performance measurement into one framework (Gitman, 2012). There is empirical evidence that shows firms with integrated practices experience better long-term outcomes.

Kavale and Masese (2018) conducted a study of 200 SMEs in Nairobi and found a positive correlation between financial strategic planning and measures of financial performance such as profit margins, sales revenue growth, and return on investment (ROI). The study they conducted showed that firms that made yearly financial plans and conducted quarterly reviews of performances earned more consistent profits than firms that planned in a loose way.

In Nigeria, Olawale and Garwe (2020) conducted a survey of 250 SMEs across different industries and set up that the intensity of financial planning, or to what degree forecasting, budgeting, and reviewing happened, had a statistically significant association with survival rates in companies. Those companies reviewing financial plans quarterly were 1.8 times more likely to survive and remain profitable compared to those reviewing them yearly or irregularly.

In Uganda, Ssekiziyivu, Bananuka, and Tumwebaze (2018) established that financial planning practices like goal setting, capital budgeting, and cash flow projection enhanced SME performance, especially in service-based businesses. The study identified that SMEs with outlined financial strategies enjoyed better credit ratings and levels of business sustainability.

In addition, Kisaka and Mugo (2019) examined 120 Kenya SMEs and concluded that financial planning accounted for 45% of the variance in financial performance. The authors observed that organizations utilizing computerized planning software such as Excel and QuickBooks were more operationally efficient and accurate when reporting.

However, Obara and Nangoli (2020) cautioned that the benefits of financial planning are subject to the managers' competence and the reliability of the information. Through their study of Ugandan SMEs, they concluded that financial planning correlates with performance, albeit most SMEs are unable to achieve the best results based on weak book-keeping and limited forecasting capabilities. The authors recommended capacity-building interventions to enhance the financial management skills of SME owners.

### **Cross-Cutting Empirical Insights**

In a number of different settings, the reviewed studies are in concurrence that financial planning improves financial performance by three general mechanisms: Resource Allocation Effectiveness whose structured financial planning allows SMEs to allocate limited resources in

their most profitable activities (Brigham & Houston, 2020), financial discipline and responsibility in which budgeting and forecasting establish measurable targets that enforce cost control and responsibility by managers (Atrill & McLaney, 2019) and also risk management whose proper cash flow management reduces the risk of insolvency and maintains long-term sustainability (Van Horne & Wachowicz, 2018).

However, the effectiveness of this relationship is also moderated by variables of financial literacy, access to technology, and regulatory environment (Amoako & Gyabaah, 2021). For instance, SMEs in Uganda would be hampered by weak financial capabilities and less access to reliable accounting systems, thereby diluting the efficacy of the planning. Moreover, academics agree that how often and formally planning activities are conducted determines their success or failure. Firms that review financial plans on a regular basis and have multiple stakeholders engage outperform those that plan informally or less often (Mpaata et al., 2020; Olawale & Garwe, 2020).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology employed investigating how financial planning improves the financial performance of small and medium sized Enterprises. This covers the research design, Target population, sampling techniques, data collection instruments and analysis procedures and arrangements in terms of validity, reliability and ethical practice. The case of the methodology explains to ensure a collection that is sufficient to test hypothesis committed in chapter 2. The objective of the present chapter is to explain the specific methods and procedures that were used to implement the research design, the intention is to render the study rigorous and replicable so that sound inferences can be drawn regarding the relationship and the relationship between budgeting, cash flow management and capital expenditure planning aa well as profitability, liquidity and solvency performance images in the SME sector (Sekaran and bougie 2016).

#### **3.2 Research Design**

The study employs a descriptive and correlational design. The descriptive element will be employed to precisely characterize the prevailing position and the level of financial planning activity. In the case of correlation, this is the most important design aspect. It seeks to establish the nature, degree and direction of the interconnectedness between the two variables. The design is good in establishing if improvements in planning variables are associated with adjustable support for the hypotheses developed (Creswell & Creswell 2018). The survey will have a cross-sectional design such that data will be collected from the selected sample at a single point in time.

#### **3.3 Study population**

The survey comprised of all 120 employees of the different departments of finance, accounting, marketing and administration of coca cola company located in Namanve industrial park.

### 3.4 Sample size

The sample size was made up of 70 respondents which was drafted with the help of the (Krejcie & Morgan,1970) sampling determination table as illustrated

Table 1: Sample size

Department	Population	Sample size
Accounting	35	25
Finance	25	15
Marketing	30	20
Administration	30	10
Total	120	70

### 3.5 Sampling techniques

Stratified random sampling and simple random sampling will be employed so as to give chance for every employee to be selected in the survey.

### 3.6 Data collection methods

The use of questionnaire is the main cause because it gives chance to different people to give in their insights about the survey. The open-ended question helps to act so as to elicit additional information from the different respondents in an effort to meet the objectives of our survey. The reason as to why the questionnaire is in use is to mitigate the rate of biasness, enough time for employees to assess the questions and also be able to manage the large samples.

### **3.7 Sources of data**

#### **3.7.1 Primary source**

Primary source, this information is gathered directly from the sample group through the use of the formal questionnaire hence gives us firsthand information. This data will measure the quality and extent of financial planning practice by perception and the different self-reported company habits.

#### **3.7.2 Secondary source**

Secondary data, is got from the internal records and reports of the SMEs. This will comprise of actual performance figures inform of the dependent variables needed to estimate the financial ratios.

### **3.8 Data collection instruments**

The researcher employs the use of the drafted questionnaires as the tools in gathering data. The researcher designs different questions for attempt and shares them to the different respondents so as to get their feedback about the survey. Hence, they will be well assured of the confidentiality of their content provided.

Section A: Demographics

Section B: financial planning practices

Section C: Perception of financial performance

Section D: Open ended question

### **3.9 Reliability and Validity**

#### **3.9.1 Validity**

Content validity will be ensured by taking feedback from seasoned academic supervisors and financial experts to guarantee that the questions adequately touch on all the aspects of the theoretical framework of budgeting, cash flow management and the relationship between the two variables

### **3.9.2 Reliability**

This is measure of the stability and consistency of the measuring instrument. It will be checked using the Cronbach's alpha ( $>0.70$ ) value will be the threshold for the acceptance of the internal consistency and reliability of the scales. (Hair et al, 2018).

### **3.10 Data presentation and analysis method**

Data cleaning will involve coding, cleaning and entering responses into the Statistical Package for the Social Sciences (SPSS)

#### **3.10.1 Descriptive statistics**

Descriptive statistics such as mean, frequency, percentages and standard deviation will be put into practice when presenting the background data of the respondents as well as summarizing the current state of financial planning practices among the SMEs.

### **3.11 Ethical considerations**

The research will uphold a high moral standard (Creswell & Creswell)

Informed consent, voluntary participation shall be maintained hence the different respondents will be aware of the purpose and processes of the survey before providing their consent.

Confidentiality, all gathered information of the respondents will be treated in the complete confidentiality and not be exposed to everyone.

No harm, the survey process is designed is such a way that no psychological, financial or professional damage in put on the participants.

Academic integrity, proper citation and referencing will be maintained in the study to provide free credit to other's work

### **Limitations of the study**

Data access and confidentiality, the major was inaccessibility to the financial data of the firm to relate it to our survey.

Bias, most of the respondents had no knowledge about our study and hence didn't want to get close to our survey.

Limited scope, this came in since our selection came from major departments hence limiting others in lower section who can contribute relevant ideas.

Time and resource constraints, the study focusses on the entitled branch hence ignoring the rest of the branches

## **CHAPTER FOUR**

### **DATA INTERPRETATION AND ANALYSIS**

#### **4.0 Introduction**

This chapter summarizes the gathered data from our survey concerning the population of the study. This shows the different logical order that the researcher followed while conducting the survey on the impact of financial planning on the financial performance of SMEs a case study at Coca cola beverage company. The chapter discusses the research design, study population, sampling design and related procedures, sample size, data sources and procedures of gathering, validity and reliability concerns, ethical concerns, data analysis and limitations of the study. By putting these methods into choices, the section clearly defines clearly the related information and confidentiality of research results.

This research seeks to portray the interconnectedness between the financial planning and financial performance of the firm. To effectively understand the phenomenon, a positivist research philosophy will under pin this study. The opinion assumes a realistic approach that can be seen, quantified and analyzed so as to establish the distinct relationship between the given variables.

#### **4.1 Rate of response**

A total of 120 questionnaires were issued out to the different stakeholders of the Coca cola beverages so as to receive their insights about the survey. They returned the response rate mounting to 70 questionnaires making the rate at 58.3%.

The study was considered valid because it portrayed beyond the estimated minimum rate of 50% as commended by Mugenda & Mugenda (2003).

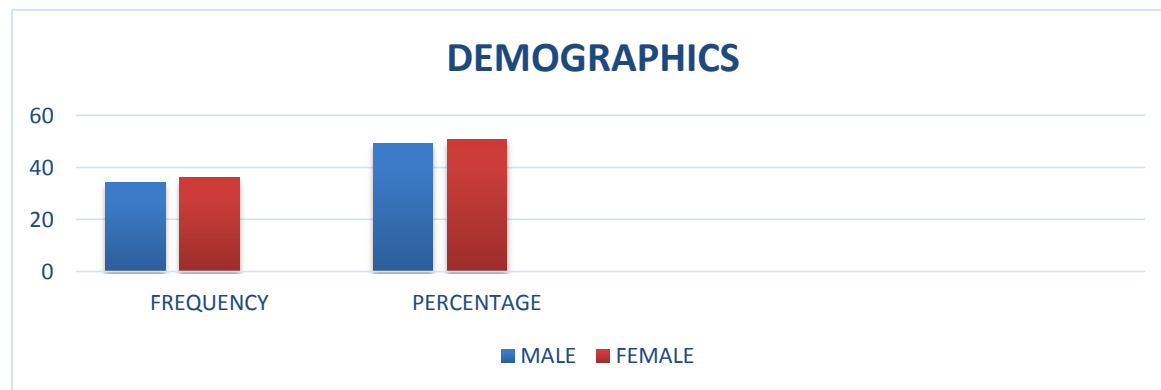
## 4.2 Demographics

This area provides the view of the different participants in our study. Both the men and women participated adequately in the study being conducted and heavily contributed their responses concerning the survey.

**Table 1: Gender of respondents**

<b>GENDER</b>	<b>FREQUENCY(N)</b>	<b>PERCENTAGE (%)</b>	<b>CUMMULATIVE PERCENTAGE (%)</b>
MALE	34	49.3	49.3
WOMEN	36	50.7	100
TOTAL	70	100	

**Figure 1: Gender of respondents**

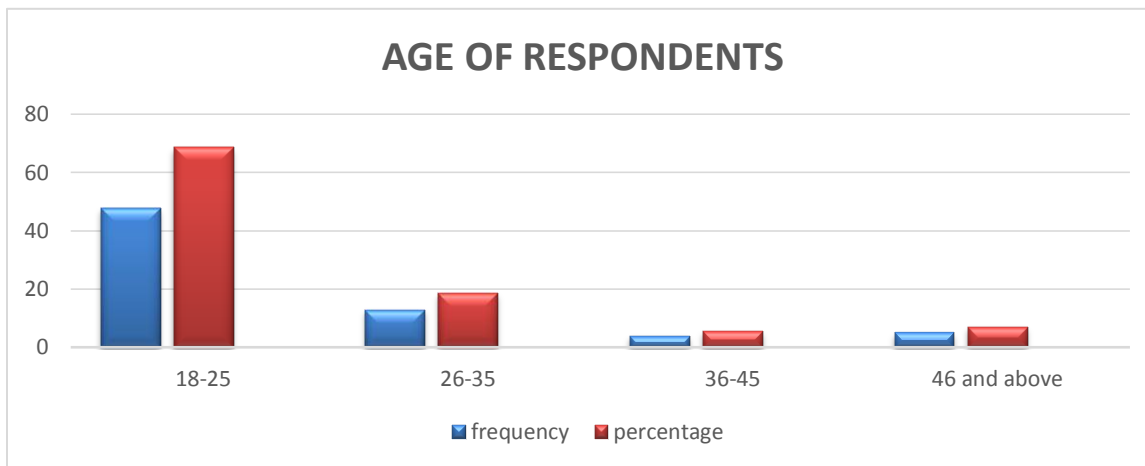


*From our tabulation and graphical representation above, it shows that financial planning has attributed in the same way equally to both Genders, hence able to reduce the increased negativity and providing room for both male and female to participate in our survey and understand more the impact on the financial performance of the SMEs.*

**Table 2: Age of respondents**

AGE	FREQUENCY(N)	PERCENTAGE (%)	CUMMULATIVE PERCENTAGE (%)
18-25	48	68.6	68.6
26-35	13	18.6	87.2
36-45	4	5.7	92.9
46 and above	5	7.1	100
TOTAL	70	100	

**Figure 2: Age of respondents**

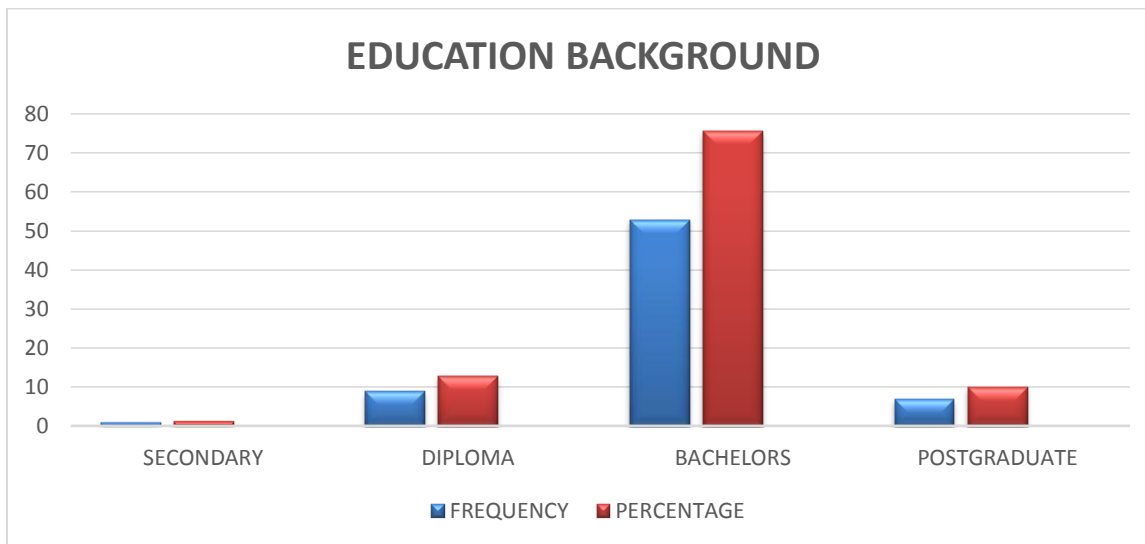


*From our tabulation and figure above, it shows the representation of the different age category of the respondents indicating the different perspectives and the feel about our survey at Coca cola beverages company in Namanve. This representation provides the insights about the age distribution of the respondents. The most frequency and percentage is observed in the age category between 18-25 indicating prominent representation in the survey being conducted*

**Table 3: Education Background**

<b>EDUCATION BACKGROUND</b>	<b>FREQUENCY(N)</b>	<b>PERCENTAGE (%)</b>	<b>CUMMULATIVE PERCENTAGE (%)</b>
SECONDARY	1	1.4	1.4
DIPLOMA	9	12.9	14.3
BACHELORS	53	75.7	90
POSTGRADUATE	7	10	100
TOTAL	70	100	

**Figure 3: Education background**



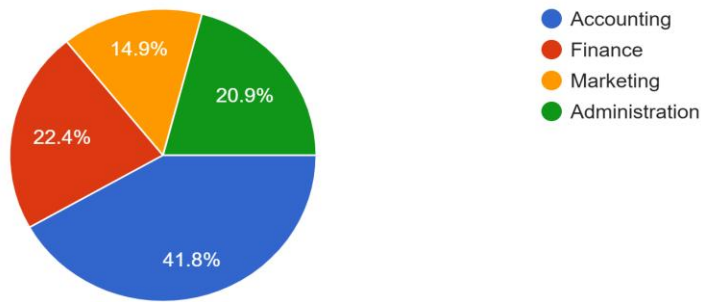
*Under this tabulated section, it indicates the different education levels held by the different respondents at our case study. Most of the respondents hold a Bachelors in the attained qualification indication they are highly educated while the least percentage holds secondary and post graduate levels of qualification. Hence this provides full insight of the analysis of the overall data or findings*

**Table 4: Position/Roles**

POSITION	FREQUENCY	PERCENTAGE (%)	CUMMULATIVE FREQUENCY (%)
ACCOUNTING	28	41.8	41.8
FINANCE	15	22.4	64.2
MARKETING	10	14.9	79.1
ADMINISTRATION	14	20.9	100

**Figure 4: Position/Roles**

POSITION/ROLE  
67 responses



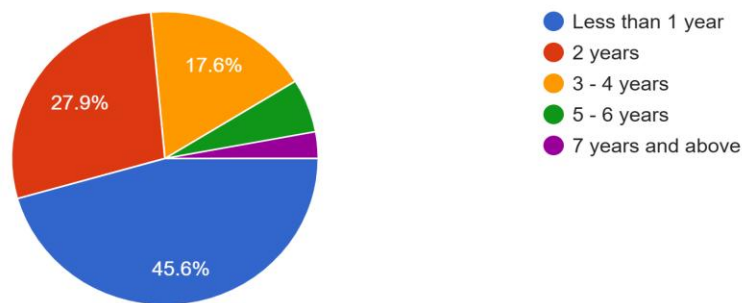
*Much of the concentration of our feedback belongs to the accounting department taking up the most percentage of 41.8% whereas the Administration and Finance almost constituted the same percentage of 20.9% and 22.4% respectively while Marketing contributed the least percentage of 14.9% indicating that the reach out to the c is limited customers. In addition, three respondents failed to avail to us the areas of operation in the firm hence this affected our data tabulation. This shows the eventual participation of the different stakeholders in our survey conducted to Coca Cola beverage Company.*

**Table 5: Work Experience**

<b>WORK EXPERIENCE</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>	<b>CUMMULATIVE PERCENTAGE (%)</b>
Less than 1 year	31	45.6	45.6
2 years	19	27.9	73.5
3-4 years	12	17.6	91.1
5-6 years	4	5.9	97
7 years and above	2	2.9	99.9

**Figure 5: Work Experience**

WORK EXPERIENCE  
68 responses



*From our tabulated data, 2 respondents didn't specify their working experience with the firm whereas most of the respondents have less than one year experience which constituted up to 45.6%. The next approximate percentage is 27.9% for 2 years while the rest of the experience takes the least percentage contribution.*

### 4.3 Presentation of findings

Statement	1	2	3	4	5	M	Sd
<b>i). To analyze the effect of budgeting practices on the financial performance of SMEs.</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>		
The firm prepares and follows the annual budget	3 4.3%	2 2.9%	14 20%	25 35.7%	26 37.1%	3.99	1.01
Budgeting helps to control operational costs effectively	4 5.7%	2 2.9%	4 5.7%	24 34.3%	36 51.4%	4.23	0.95
Employees participate in the preparation of the budget	3 4.3%	10 14.5%	15 21.7%	26 37.7%	15 21.7%	3.60	1.16
Budgeting contributes positively to the profitability of the firm	3 4.3%	2 2.9%	2 2.9%	31 44.3%	32 45.7%	4.24	0.91
Budgeting helps in allocating financial resources effectively in the firm	4 5.9%	4 5.9%	4 5.9%	12 17.6%	49 70.6%	4.32	1.05

The analysis of the survey shows a strong positive consensus among SMEs in the regard to how impactful the budget plays in the overall overview. In general, respondents' perception about budgeting as a strategic tool with impact, statements regarding effective resource allocation because of budgeting practices showed the highest level of agreement at (M=4.31) and firm profitability due to the different budgeting practices at M=4.24. Although the end results of the survey generalize good implementation of core budgeting functions by SMEs, there is a region that needs improvement; employee participation in the budgeting preparation showed the lowest

mean(M=3.60) and highest variability (Sd=1.16). All in all, SMEs are able to use budgeting effectively as a tool to financial performance and success in the firm, but if its to achieve its full potential then greater periodization and standardization of more inclusive and participation in budgeting approaches is required across all firms in this sector.

Statement	1	2	3	4	5	M	Sd
<b>ii) To establish how cash flow management influences the financial performance of SMEs</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>		
The firm maintains accurate records of cash inflows and outflows	3 4.3%	3 4.3%	7 10%	37 28.6%	30 42.9%	4.11	0.99
Cash flow projections are regularly prepared and reviewed	3 4.3%	3 4.3%	10 14.3%	30 42.9%	24 34.3%	3.99	1.03
Effective cash management helps meet the obligations of the firm	2 2.9%	2 2.9%	9 12.9%	23 32.9%	34 48.6%	4.21	0.90
Proper cash flows management enhances profitability	2 2.9%	1 1.4%	8 11.4%	18 25.7%	41 58.6%	4.36	0.86
Proper cash flow management helps to improve the liquidity of the firm	0	12 17.6%	4 5.9%	4 5.9%	49 70.6%	4.29	1.26
Cash shortages affect daily operations of the firm	0	8 11.8%	4 5.9%	16 23.5%	41 58.8%	4.30	1.04

The analysis confirms that there is a strong, positive consensus among SMEs showing that Cash flow management is a crucial and value adding component in basically driving the financial performance and operational stability of their operations. The large majority of the firms recognize the strategic addition of CFM, which triggers the highest level of performance with respect to its advantage on enhancing profitability(M=4.36) and improving liquidity and solvency (M~4.2-4.3). Most firms follow core practices so as to ensure proper record keeping and regular projections and highly aware of operational threats, strongly agreeing that cash shortages affect daily operations(M=4.30). However, despite the high consensus on its benefits, the statement concerning CFM's role in improving liquidity sowed the highest variability (Sd=1.26), suggesting that while firms believe in the metric, the actual success of effectiveness of their current cash flow management practices is constantly achieving optimal liquidity in inconsistent across the sector.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>M</b>	<b>Sd</b>
<b>iii) To analyze the relationship between financial planning and financial performance of SMEs</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>		
Financial planning provides direction for the business growth	4 5.8%	1 1.4%	10 14.5%	24 34.8%	30 43.5%	4.09	1.05
The firm sets realistic financial goals and objectives	1 1.4%	5 7.2%	12 17.4%	22 31.9%	29 42%	4.06	0.99
Financial planning helps improve decision making and investments	2 2.9%	2 2.9%	5 7.1%	26 37.1%	35 50%	4.29	0.93

Effective financial planning leads to improved financial performance	3 4.3%	1 1.4%	7 10%	19 27.1%	40 57.1%	4.31	1.05
Financial planning helps to adapt to market and economic changes	0	0	4 5.9%	12 17.6%	54 76.5%	4.71	0.58

The analysis reveals a strong and highly consistent agreement by SMEs that financial planning is a critical determinant of financial success, hence the high Mean and very low standard deviation values for all statements thereby strongly validating a robust positive relationship. Perhaps, the most striking result is almost unanimous accord on how financial planning is essential for adapting to the changes in the market and economy (Sd-0.58) and the mean value of (M=4.71) which means that SMEs consider financial planning as their tool of strategic resilience in the face of volatility. Secondly, respondents confirm with high agreement that planning has enhanced financial performance (M=4.31) and serves as a key strategic tool for proper decision making and investment activities (M=4.29). Such evidence along with a very strong correspondence with basic practices such as providing direction for growth(M=4.09) and establishing realistic goals (M=4.06), sets the seal that comprehensive financial planning is not just optional but integrated and considered imperative for both stability and growth and SME sector.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter provides the over view of our findings, conclusions drawn and the probable recommendations that can be invested concerning our study. Our major reason for the study was to establish the impact of financial planning on financial performance of SMEs. Hence this provides the in-depth interaction between the two variables.

#### 5.2 Summary of findings

**i). To analyze the effect of budgeting practices on the financial performance of SMEs.**

Basing on our study, the study therefore posed a strong, positive and statistically significant correlation between the adoption of the formal budgeting practices such as operational budgets, cash budgets and budgetary control among others and financial performance of the firms measured by profitability, return on investment or sales growth. Adoption rates, even while most SMEs recognize the value of budgeting, the extent and formality of adoption vary. Smaller and new SMEs tend to have less formal or inconsistent budgeting systems compared to the larger and more established firms. Basing on the impact of discipline, effective budgeting was found to instill financial discipline in SMEs which enabled the enterprises to control costs, allocate resources and performance monitoring towards clear set goals and objectives.

**ii). To establish how cash flow management influences the financial performance of SMEs.**

Cash flow management comprises of cash flow fore casting, monitoring and cycle control hence this was found to have the most significant positive influence on the liquidity and short erm profitability of the different SMEs. Liquidity management; those SMEs that effectively managed their cash flows were significantly less likely to experience liquidity crises with improved working capital positions. The common weakness found was poor cash flow forecasting was one of the main reasons why SMEs go out of the businesses they are operating and this commonly leads to missed opportunity or costly short notice borrowing hence bringing infliction to the business.

**iii). To analyze the relationship between financial planning and financial performance of SMEs.**

The overall impact of financial planning on the performance of the firm is entirely made up of budgeting, cashflow and other planning elements has a positive impact on the overall long term sustainability of the firms. SMEs that integrate the financial planning into the strategic decision making will be more capable of managing risks, raising finance and realization of the growth opportunities than those firms that rely on the informal financial tools. One important issue is that some owners of the firms still possess limited levels of financial literacy, which acts as a significant barrier to fully implementing and utilizing holistic financial planning tools.

### **5.3 Conclusions**

Based on the findings of the study, the following conclusions can be drawn about the effect of financial planning on the performance of the SMEs. This means that comprehensive financial planning is an indispensable necessity, and not optional, for the success and survival of the SMEs. And it directly impinges positively on financial performance measures such as profitability and liquidity.

Budgeting is a forceful mechanism for operational efficiency, cost control and thereby enhancement of overall profitability. Cash flow is king for survival hence the ability to manage cash flows effectively is the most important single factor in providing short term financial health and stability of an SME, preventing business distress and maximizing investments. The ultimate constraint to the best influence of financial planning on the SMEs performances often the lack of financial management skills and formal knowledge among the leadership, suggesting a need for capacity building.

### **5.4 Recommendations**

Introduction of the formal annual and quarterly budgets where regular performances comparison such as the budgetary control is conducted

Increasing the access to the different budgeting tools which are user friendly so as to ensure correspondence with the different tools of finance

Following and closely monitoring the different cash flow forecasts so as to ensure that debtors are collected on time, and supplier payments are made strategically.

Actively seek and participate in the financial literacy and management training programs through employing the consultants to add value to the financial sector of the firms

Adoption of the different technologies such as QUICK BOOKS so as to foster and increase efficiency in real time book keeping and financial reporting

Through integration of the financial planning as the lending metric so as to help monitor cash flow forecasts and operational budgeting. This helps SMEs to engage in planning to secure financing and reduce the lender's risk exposure

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