

**CAPITAL STRUCTURES ON FINANCIAL PERFORMANCE OF MEDIUM SIZED
ENTERPRIZES IN MUKONO TOWN :A CASE STUDY OF PARIS CORNER
SUPERMARKET MUKONO UGANDA**

JANET ATUKUNDA TUMUSIIME

S21B33/017

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF SCIENCE
IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

September, 2024



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

I, TUMUSIIME ATUKUNDA JANET hereby declare that this research report has not been submitted for the award of a degree by this or any other university. To the best of my knowledge and belief, the research proposal contains no material previously published or written by another person except where due reference is made in the research project itself.

No part of this research proposal may be reproduced without the permission of the author and Uganda Christian University.

Signature: Janet.....

Date: 03/09/2024.....

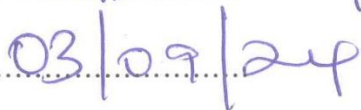
TUMUSIIME ATUKUNDA JANET

S21B33/004

APPROVAL

This is to certify that this research report has been written by TUMUSIIME ATUKUNDA JANET under my supervision and is submitted for examination with my approval as the Academic Supervisor.

Signature:

Date:

MR. AGUME ANTHONY.

DEDICATION

This report is dedicated to my parents, Mr. Atukunda Bannet and Mrs. Asiimwe Ketty who have relentlessly been a driving force in my entire education. This also dedicated to all colleagues and my academic supervisor that played a big part in my academic journey. I am very grateful. May the almighty God bless each of them abundantly.

ACKNOWLEDGEMENTS:

I thank the Almighty God for the wisdom and courage that enabled me to complete this research. I extend my sincere gratitude to the respondents to this research who allowed to take time to participate in this study, the information provided helped make this study a success.

Heartfelt thanks also go to my family and friends for the support they gave me. Am greatly indebted to my supervisor, Mr. Agume Anthony for his tireless efforts in guiding me. As a result of this guidance and discussions I was able to complete this research.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENTS:	iv
ABSTRACT	x
CHAPTER ONE	1
INTRODUCTION	1
1.0.Introduction.....	
Error! Bookmark not defined.	
1.1 Background of the Study.....	Error! Bookmark not defined.
1.2 Problem Statement.....	Error!
Bookmark not defined.	
1.3. Research Objectives	4
1.3.1. General Research Objectives	4
1.3.2. Specific Research Objectives	4
1.4. Research Questions	4
1.5. Scope of the study	4
1.5.1. Content scope	4
1.5.2. Geographical scope	5
1.5.3. Time scope	5
1.6. Conceptual Framework	5
1.7. Significance of the study	5

CHAPTER TWO:	7
LITERATURE REVIEW	7
2.0. Introduction.....	7
2.1 Literature on key study variables.....	7
2.1.1 Capital structure.....	7
2.1.2. Financial performance.....	7
2.3 Debt and financial performance.....	10
2.3.1 Short-term debt and Financial Performance.....	11
2.3.2 Long-term Debt and Financial Performance.....	13
2.4. Equity Capital and Financial Performance.....	16
2.5 Summary of Literature and Research Gaps.....	17
CHAPTER THREE	19
METHODOLOGY	19
3.1 INTRODUCTION.....	19
3.2 Research Design.....	19
3.3 Study population.....	19
3.4 Sample size.....	20
3.5 Sampling techniques.....	21
3.6 Data sources.....	21
3.7 Research Instruments.....	21
3.7.1 Questionnaire.....	21
3.7.2 Interview.....	22
3.8 Data Quality Control.....	22
3.8.1 Validity.....	22
3.8.2 Reliability.....	22
3.9 Data Analysis techniques.....	23

3.10 Ethical considerations	23
CHAPTER FOUR	25
DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS	25
4.0 Introduction	25
4.1 Descriptive analysis	25
Table 4.1 showed the gender of the respondents	25
Table 4. 2 showed the age bracket of the respondents	26
Table 4.3 showed the education level of the respondents	27
Table 4.4 shows the work experience of the enterprise	28
Table 4.5 shows the department of the respondents	29
4.2. The relationship between capital structure and financial performance of medium sized enterprises in Mukono	30
4.3 The effect of debt financing on the financial performance of medium sized enterprises in Mukono	33
Table 4.7 shows the effect of debt financing on the financial performance of medium sized enterprises in Mukono.	33
4.4. The effect of equity on financial performance of medium enterprises in Mukono	36
Table 4.8 shows the effect of equity on financial performance of medium enterprises in Mukono	36
4.5. Challenges medium enterprises face in Mukono district are;	38
CHAPTER FIVE	40
SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS ..	40
5.0 Introduction	40
5.1 Summary of the findings	40
5.1.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono	40

5.1.2. The effect of debt financing on the financial performance of medium sized enterprises in Mukono.	40
5.1.3. The effect of equity on financial performance of medium enterprises in Mukono.	41
5.2. Conclusion.....	41
5.2.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono district.	41
5.2.2. The effect of debt financing on the financial performance of medium sized enterprises in Mukono district.....	42
5.2.3. The effect of equity on financial performance of medium enterprises in Mukono district	42
5.3. Recommendation.....	43
5.3.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono.....	43
5.3.2. The effect of debt financing on the financial performance of medium sized enterprises in Mukono.	43
5.3.3. The effect of equity on financial performance of medium enterprises in Mukono.....	44
REFERENCES.....	45
APPENDIX I: QUESTIONNAIRE	1

ABSTRACT

The capital structure is one of the most vital topics in finance, majorly about the optimal capital structure that will bring greater financial value to medium-sized enterprises. This study tried to ascertain the effect of the capital structure on a firm's performance in the case of the Paris Corner supermarket. The research was based on the objectives meant to establish the following: the relationship between capital structure and financial performance of medium-sized enterprises in Mukono, the effect of debt financing on the financial performance of medium-sized enterprises in Mukono, and finally, the effect of equity on financial performance of medium enterprises in Mukono. Chapter 1 represents the background of the study for this research; it also states the problem of the study which was identified as the declining profitability and liquidity of medium sized enterprises as a result of poor financial decisions when it came to selecting an appropriate capital structure to employ in their business, its objectives, and the purpose. It then presents the research questions, scope of the study, and its significance. Chapter 2 goes ahead to represent the literature-reviewed. Literature on capital structures on financial performance of medium-sized enterprises and the understanding of different scholars on such variables. Chapter 3 represents the research methodology, consisting of a description of the research design, study population sample size, data collection instruments used and in this case questionnaires were administered, data quality, that is reliability and validity, and methods of data presentation. Chapter 4 then gives the findings of the research in reference to the research objectives. Presentation of the data was done through tabulation for easy understanding. Finally, which is the last chapter, chapter 5 summarizes data in a more exact way. It also gives the recommendations and conclusions of the study.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter looks at the background of the study, problem statement, research objectives, research questions, conceptual framework, scope of the study and significance of the study.

1.1 Background of the Study.

The capital structure of an enterprise refers to the mix of debt and equity employed in financing business operations. It has been a subject of extensive study due to its profound impact on financial performance. In most economies, medium-sized enterprises are recognized as key drivers to economic growth and innovation (Githaiga & Kabiru, 2019). The capital structure decisions of such enterprises are of immense importance, as the financial stability, cost of capital, and performance originate from it (Myers & Majluf, 2020). Trade-off theory and pecking order theory are two most common theories in this regard, stating generally that firms consider the benefit-cost tradeoffs associated with debt and equity in attaining an optimal capital structure (Frank & Goyal, 2021).

Medium-scaled enterprises in Africa have peculiar problems that shape their capital structure decisions. For example, high costs of borrowing and thin financial markets have remained some of the key impediments to reaching finance. On one hand, studies have also shown that MSEs in Africa tend to depend largely on internal sources of finance and other personal and informal sources of finance, while access to formal credit is restricted. This might be associated with dependence on internal funds and informal sources, which constrains growth and limits the possibility of reaping financial opportunities.

As with many other aspects in Africa, the case in Uganda has some regional variation within the continent. Among the medium scale enterprises presented in Mukono District, the majority of them support the local population through employment creation and development. Unfortunately, however, these enterprises are normally limited in their potential growth by lack of available capital (Mugume & Musoke, 2024). The persisting problems are aggravated by the nature of the Ugandan financial market which is restrained with high rates of interest and stringent lending scenarios (Kasozi, 2023). Therefore, the need to appreciate the capital

structure dynamics for the MSEs in Uganda cannot be overemphasized as it has implications on the performance and stability of such businesses. Several researchers were investigating the association between a high leverage and return on equity which was accompanied by a higher level of financial risks. They were mostly about how to find this optimal debt equity ratio and debt equity mix that would allow the firm maximum financial flexibility to spur growth sitting on liquidity ratios and growth rates as measures of performance. The authors, therefore, focused on the relationship between capital structure and firm performance with regard to intermediating firms in Uganda. This examination, therefore, aims to generate knowledge that can be useful in making policy and managerial choices and hence create an environment that is more favorable for the growth and sustainability of MSEs. In this case, Return on Assets will be used to measure performance while capital structure will be determined by long term liabilities on total assets ratio and the size of the firm in terms of revenue on period of five years from 2015 to 2020.

Capital Structure:

This refers to the means by which a firm combines its equity and debt in order to finance its activities (Saad, 2010). a lower cost of capital maximizes a firm's value (Gitman, 2003). However, that can only be attained via an optimum capital structure which in real life doesn't have a definite method for determining an optimum capital structure.

Firm financial performance:

According to Omar Taouab and Issor 2019, firm performance refers to results realized by management and other company stakeholders in ensuring competitiveness, efficiency, and effectiveness to the firm. In this study, we focused on profitability, which refers to the ability of a firm to consistently generate net income from time to time. It was deemed that managers make choices that maximize profits while avoiding ones that tend to led to declining profits.

According to Puxty, 2011, performance can be termed as the outcome of financial performance. It can also be looked upon based on the rate of profitability or rate of return on assets or equity.

Financial performance is the overall measure of performance of an organization in terms of its assets, liabilities, equity, expenses, revenue, and overall profitability. This was deduced

from a number of business-related formulae which allowed the user to draw out exact information about the efficiency a firm is likely to achieve. The internal users use the financial performance analysis to rate their own company's health and standing among other indices. This is the basis on which the external users make informed decisions about future investment opportunities and whether or not to invest their time in the company. Before calculations on key financial indicators used to ascertain the overall performance, there needs to be a financial statement analysis.

1.2 Problem Statement

Mukono, Uganda, has medium sized enterprises which are very important for economic development and employment creation. Yet the means through which they fund themselves, either through debt or owners' equity can either build them or break them depending on the profitability and continuity. It is not easy to make that decision as balancing these options is usually a tough call.

The rising concern in the financial performance of Small and Medium-scale Enterprises over the years brought about interest in this particular study. This is partly because the financial performance of most SME's has been reported to be on a downward trend in liquidity and profitability mostly in the developing world. The challenge of optimizing capital structure by managing the trade off between debt and equity is a dilemma for these enterprises (Omondi & Muturi, 2021). Previous studies indicate that while leveraging debt can enhance financial performance through tax shields, it also increases financial risk, potentially leading to financial distress (Nguyen & Nguyen, 2022). On the other hand, too much dependence on equity financing will cause the dilution of ownership and control which will influence management decisions as well as the growth of the enterprise (Kasozi, 2023).

While there was a lot of research on financing in general, there was not much specifically looking at medium sized enterprises in Mukono. This study aimed to fill that gap by examining how financing choices affect their financial performance.

1.3. Research Objectives

1.3.1. General Research Objectives

This study aimed to determine the impact of capital structure on the financial performance of medium sized enterprises in Mukono.

1.3.2. Specific Research Objectives.

i). To determine relationship between capital structure and financial performance of medium sized enterprises in Mukono.

ii). To establish the effect of debt financing on the financial performance of medium sized enterprises in Mukono.

iii). To explore the effect of equity on financial performance of medium enterprises in Mukono.

1.4. Research Questions

i). What is the relationship between capital structure and financial performance of medium enterprises?

ii). To what extent does debt financing affect the financial performance of medium enterprises in Mukono?

iii). What is the effect of equity on financial performance of medium enterprises in Mukono?

1.5. Scope of the study

The study was guided by the content subject scope, geographical scope and time scope as follows;

1.5.1. Content scope

This study was concentrated on an in-depth analysis of the relationship between capital structures and the financial performance of medium sized enterprises. The scope covered areas of advisory services, financial risk management, return on assets, return on equity and others.

1.5.2. Geographical scope

The study was carried out in areas Mukono central division specifically in Paris Corner Supermarket. It is located along Jinja -Kayunga Road. This gave the researcher access to one of the biggest and most performing business in Mukono which provided a large pool of information

1.5.3. Time scope

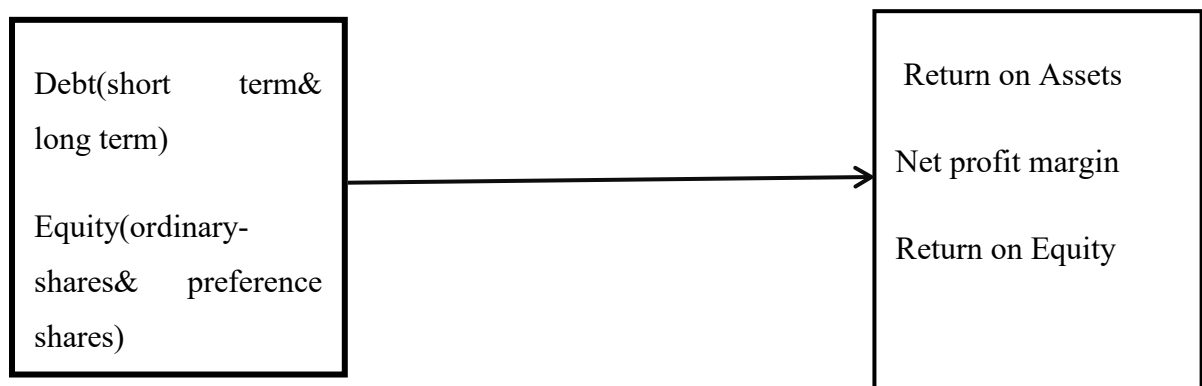
The scope of this research encompassed data and information collected over the past five years, ensuring that the analysis reflected the most current trends and any developments that could have

1.6. Conceptual Framework

Miles and Huberman (1944) define a conceptual framework as a visual or diagrammatic representation of relationships between the independent and dependent variables of a research study. It provides a clear and organized understanding of the research problem, objectives and guides the investigation by identifying the key elements and their interconnections.

Independent vs dependent variables.

Capital structure



1.7. Significance of the study

This study was intended to help management of medium sized enterprises in planning on how they intend to finance their day-to-day operations as well as for them to make the right

choices to prevent the firms from going into risks of not being able to pay up its debts in due time.

This study enabled existing as well as prospective investors to appreciate the need for a good mix of equity-debt that is ideal for the ventures they want to partake. This study was an addition to the already existing knowledge based on the previous research studies done on this particular area of capital structure via an addition of an element of retail sectors area

CHAPTER TWO:

LITERATURE REVIEW

2.0. Introduction

This chapter entails the capital structure variables, debt financing and equity while looking at their impact on financial performance of medium sized enterprises in Mukono.

2.1 Literature on key study variables

2.1.1 Capital structure

Capital structure refers to the way a business finances its assets through a combination of debt, equity or how it decides to mix the two. Essentially, it is the mix of different forms of capital used to fund a company (Graham & Leary, 2020). according to Myers (2021), the capital structure decision is important mainly because it influences the firm's risk and how much money a business costs to operate. A well optimized capital structure can minimize the cost of capital hence maximizing the value of the firm.

2.1.2. Financial performance.

This reveals how effectively a business utilizes its core assets to generate revenue. It measures how well a business turns its resources into profits. We can use a variety of indicators to assess this performance, like return on assets (ROA), and return on equity (ROE). these ratios reach into company financial statements by providing insights on, Efficiency is how well a company converts its resources into sales, Profitability refers how much profit is the company generating after accounting for all its expenses Financial health; if the company is financially stable and able to meet its obligations.

Determinants of financial performance.

In this study, firm financial performance is expressed in terms of profitability hence the factors affecting profitability as per Mwangi (2016) such as size, inflation, and capital structure and liquidity management also apply here and will form part of the variables to be used in this study.

1) Liquidity management.

This speaks to the management team's capacity to guarantee that the company has enough liquid assets on hand to cover its debts as they become due. Liquidity ratios are examples of key performance indicators in this case. The firm's liquidity situation is important to all of its stakeholders, from suppliers who want their money paid to employees who care about their pay to stockholders who want to make sure the company achieves high profitability so they can get enough cash dividends. Njoroge (2015) asserts that a positive correlation exists between liquidity and financial performance, specifically between the firm's profitability and the current ratio. Adequate liquidity levels are necessary for a corporation to operate at peak efficiency.

2) Capital structure.

The company needs to use the right amount of loan and equity to function better. The capital structure and financial performance of listed firms in Uganda are inversely correlated since a higher gearing

ratio typically results in higher debt and a lower return on equity (Siro, 2013).

The trade-off argument states that businesses that use debt as part of their capital structure typically receive a tax credit for interest, which results in fewer taxes paid and increased profitability. However, because the costs of debt may outweigh the benefits of employing debt, a capital structure with a large debt load may expose the company to possible hardship.

Therefore, choices about a company's capital structure shouldn't conflict with its objectives for maximising profits.

2.2 The relationship between capital structure and financial performance of medium sized enterprises

Medium enterprises are essential for economic development especially in developing economies like Uganda. The amount of profit and losses that accrue to them is greatly determined by their capital structure.

Capital structure is the relationship between equity and debt sources that supports a firm, which in most cases determines a firm's bottom line in terms of profits, liquidity and even solvency. Baker and Martin (2021) analysis suggests that profitability could be optimal because debt management costs are shallower but the activity exhibits inefficiency hence the level of operational activities tends to be high, and on the contrary high leverage leads to undue stress which in turn leads to lowering of profitability (Smith, 2020). Thereof, certain extremes should be outlined that medium sized enterprises should stick to. More so, factors such as regional economic development and funding market conditions determine a financier's decision to use certain structures. Mukono Chamber of Commerce (2023) reports that in the case of medium enterprises, their debt financing is more often sourced from local sources looking at the interest rates and the credit facilities offered by local banks and micro finance institutions.

Javed, Younas, and Imram (2014) state that there is a mixed relationship between capital structure and a firm's performance based on their research on 63 listed companies in Pakistan's Karachi Stock Exchange between 2007 and 2011. Specifically, they found that when Return On Equity and Return on Assets are used as dependent variables, there is a positive relationship between capital structure and firm performance, while the Equity Over Assets ratio and Long Term Debts Over Assets show a negative relationship.

Additionally, if the return on sales ratio is used as the dependent variable, the long-term debt over assets shows a positive link with return on sales, while the equity and debt over assets ratios show a negative relationship. suggesting that there is a connection between a firm's performance and its capital structure.

Debt and equity are two of the main factors that determine a firm's financial performance. Maina and Ishmail's 2014 study on the impact of capital structure on the financial performance of firms listed at the Nairobi Stock Exchange revealed a negative and significant

relationship between the capital structure and financial performance of firms listed at the Nairobi Stock Exchange.

Saeedi and Mahoudi (2011) proposed that there is a positive correlation between capital structure and financial performance measures of listed firms on the Tehran Stock Exchange. Similarly, there is a positive correlation between capital structure and Return On Assets, but no statistically significant correlation between Return On Equity and capital structure. This is due to the fact that when debt ratio is utilised as a stand-in for capital structure, it adversely affects a company's performance. Instead, return on equity and return on assets are employed to quantify a company's performance, and Ordinary Least Squares is utilised for estimation.

In fact, a similar study on related manufacturing and construction firms at the Nairobi Stock Exchange is reported by Oguna (2014), who shows that there is a significantly stronger correlation between capital structure and firm performance in that there is a significant correlation between return on equity and current debt as opposed to long-term debt. The study used a descriptive research design, gathering data between 2010 and 2013 and utilising SPSS regression models for analysis. Thus, the manufacturing, construction, and related businesses registered with the NSE were the only industries included by this study; other industries should be covered as well as a longer time frame for more accurate and dependable data.

In conclusion, the relationship between capital structure and financial performance in Mukono's medium-sized firms is heavily influenced by the state of the economy and the financing options that are accessible. In order to maximise profitability and ensure long-term viability, these elements must be taken into account while designing an ideal capital structure.

2.3 Debt and financial performance.

Short-term debt: Mugisha et al. (2021), established that it has a negative significant impact on financial performance. In simple terms, over-reliance on short-term loans can stress cash flow, hence limiting business growth potentials.

Long-term debt: the same study discovered that having debt had a detrimental but statistically negligible impact. This suggests that long-term debt may depend more on other variables like interest rates and payback terms than it does on direct effects that could impair performance.

2.3.1 Short-term debt and Financial Performance

In 2015, Raisa and Cristian investigated how short-term debt affected profitability. The purpose of the study was to provide empirical evidence regarding the impact of both long-term and short-term debt on financial performance. For 50 businesses selected from every economic sector, panel data was gathered between 2003 and 2014. Regression analysis with fixed effects was used to analyse the data. The findings showed that short-term debt had a detrimental effect on business performance. Listed enterprises were the study's main emphasis. Regardless of their listing status, the SMEs in the relevant sectors are the subject of the current study.

The effect of short-term debt ratio on the financial performance of medium- and large-scale enterprises in Kenya was the main emphasis of Mboi, Muturi, and Wanjare's (2018) study. The impact of the ratio of short-term debt to total assets on the financial performance of SMEs is determined by this study. Of these, 60 large and 30 SMEs each supplied the supplementary information required for the years 2011–2016. Furthermore, based on the findings of the simple regression, it was discovered that the short-term debt ratio had a negative and statistically significant impact on the financial performance, which is represented by the ratio of earnings to equity and assets. To clarify the impact of the short-term debt ratio on the financial performance of large and small businesses independently, this response variable was absent. The current study determines how short-term debt affects SMEs in particular.

In 2015, Yazdanfar and Ohman investigated the connection between debt financing and the performance of Swedish companies. This article's goal was to assess the connection between debt and small business performance. The study found that among a sample of 15,896 SMEs in five business sectors in Sweden, short-term debt had a negative effect on company performance in terms of profitability. The three-stage least squares and fixed effects models were used to ascertain this. The study was carried out in a developed economy where public databases were used by small and medium-sized firms to access their current financial records.

For instance, Magoro and Abeywardhana's 2017 study examined the connection between financial success and debt financing. The two set out to find out how wholesale and retail companies' financial performance is impacted by both short- and long-term debt. They obtained panel data from twenty-five South African retailers and wholesalers. The findings demonstrated the detrimental effects of short-term debt on profitability.

However, it excluded privately held businesses and restricted itself to publicly traded ones, which may have affected the generalisability of the results.

Wahba (2013) concentrated on the effect of debt on Egyptian small businesses' performance in his research. The purpose of the study was to look into how debt financing and SMEs' financial performance are related. For this reason, panel data was collected between 2008 and 2010 from 14 SMEs. The outcome showed that short-term debt has a detrimental impact on Egyptian SMEs' financial performance. However, the large Middle East and North African region was the focus of this study's minuscule 42 observations, or 14 SMEs, over a three-year period.

In 2018, Mittal and Madan conducted research on the impact of funding patterns on the profitability of Indian e-startup enterprises. Financial information was gathered in this regard from the financial statements of chosen respondents. There were two proxied variables: return on assets and profitability; the financing pattern consisted of short-term, long-term, and equity loan. Regression analysis showed that, correspondingly, short-term and long-term debt had a considerable and insignificant impact on profitability.

Abor (2005) examined how capital structure affected listed companies in Ghana in terms of profitability. He made an effort to determine the profitability relationship between short-term and long-term debt for companies listed on the Ghana Stock Exchange. Regression analysis using 5-year data showed a positive and substantial relationship between short-term debt and firm profitability as determined by return on equity.

Research on the impact of debt financing on financial performance in Bangladesh was done by Rahman et al. (2020). The impact of both long- and short-term debt on listed corporations' profitability was examined in this study. From 2010 to 2015, information was taken from non-financial businesses that were listed on the Bangladesh Stock Exchange. The findings showed that there is no meaningful correlation between short-term debt and return on assets,

a measure of financial performance. Aziz and Abbas (2019) looked on the connection between debt financing and Pakistani companies' financial results. This study makes an effort to look into how various funding options affect a company's profitability. Information was gathered for businesses that are traded on the Pakistan Stock Exchange for the period 2006-2014. The regression results for the short-term debt indicated a positive and substantial impact on financial performance measured by return on equity, whereas the overall debt was found to be unfavourable to company performance.

Karuma, Ndambiri, and Oluoch (2018) looked into the financial performance and debt financing of Kenyan manufacturing firms. The study's goals were to determine how long- and short-term borrowing affected Kenyan manufacturing companies' profitability. The 5-year data from the Nairobi Stock Exchange was analysed using the regression approach. The results of the regression analysis also show a positive and significant correlation between the ratio of short-term debt, as measured by accounts payable, and return on assets, which measures financial performance.

2.3.2 Long-term Debt and Financial Performance

Junior, de Sarvas, Rodríguez, and de Sousa Ribeiro (2017) looked into the impact of long-term debt on the profitability assessment of firms in Brazil. The study's objective was to assess how well businesses performed financially both during and after the 2008 financial crisis. Panel data for the years 2007–2015 was taken from publicly traded companies that were listed on stock exchanges in Brazil and five other Latin American nations. Multilinear regression analysis revealed that long-term debt had a negative effect on profitability in most Latin American countries, with the exception of Brazil, where the results were unclear. However, as the study's goals and conclusion show, the stated model concurred differently. Ikapel and Kajirwa (2017) investigated the long-term debt and financial standing of sugar firms in Kenya.

The study's goal was to determine how long-term financing affected state-owned sugar firms' profitability. Panel data was gathered from four businesses between 2004 and 2014, over a ten-year period. Long-term debt has a negative and significant impact on financial success as determined by return on assets, according to basic regression results. Public firms, who typically get government subsidies, were the focus of this investigation. The results may have

been applied to a wider range of companies since a diverse selection of companies from various industries were the focus of the study. The goal of Asare and Angmor's (2015) study, Debt financing and profitability of SMEs in Ghana, was to determine the relationship between the two.

The information was gathered between 2004 and 2013 from secondary sources. Return on assets and profit margin ratio were used to gauge profitability, and trade credit, short-term debt, and long-term debt were used to symbolise debt financing. The study's findings showed that while trade credit had a highly favourable and substantial impact on profitability, long-term debt and return on assets (ROA) were found to be negatively but not significantly correlated. The study focused primarily on the direct relationship between debt financing and financial performance, with less consideration given to the potential impact of hidden variables. A study on debt structure, production efficiency, and financial performance in Western Australia was carried out by Mugeru and Nyambane (2015).

Finding out how tax obligations and debt affected profitability was the goal. Short- and long-term debt served as proxies for debt, while production efficiency and return on assets served as proxies for profitability. Using the financial records of Broadacre farms over a ten-year period, the researchers created panel data. The results of the study demonstrated that long-term debt had no effect on either production efficiency or return on assets, based on both parametric and non-parametric estimates. Nevertheless, because the data in this study are from a farm, conclusions can only be applied to businesses that engage in farming.

Githaiga and Kabiru conducted research on the financial performance of SMEs in Kenya and debt financing. Therefore, the study's goals were to determine how long- and short-term debt affected small- and medium-sized businesses' performance. In order to do this, 50 SMEs were chosen as the sample size using the stratified sampling approach. The financial reports for the years 2011 through 2013 provided the statistics. The findings of a multiple regression analysis showed that long-term debt had a detrimental effect on the profitability of small businesses in Eldoret, Kenya.

Wahba (2013) looked at how debt affected Egyptian small businesses' profitability. That study's primary goal was to determine how debt financing affected financial performance as

measured by gross profit margin, ROA, ROE, and maturity structure. Data from 14 listed SMEs in Egypt and the MENA area between 2008 and 2010 were used in this article. 42 observations serve as the foundation for all observations. The empirical findings demonstrated that long-term debt significantly and favourably affected financial performance as determined by return on assets.

Murugesu 2013, on the other hand, focused his study on debts and their consequences on corporate profitability. The study aimed to derive the impact of debt on firm profitability in Sri Lanka. For this purpose, it gathered panel data from 11 hotel firms listed in Colombo stock for the years 2008 to 2012. Accordingly, the regression results showed that long-term debt did not have any significant influence on financial performance as measured by return on assets. Thus the study limited itself to the hotel sector, and it is expected to have an implication on generalisability.

Goyal (2013) did a related study on the effect of capital structure on profitability of public sector banks in India. The objectives of the study were, among others, to assess how the capital structure represented by LTD and STD affects profitability. The study gathered secondary data from the listed public sector banks in India over the period 2008-2012. The regression analysis results showed that there was a negative relationship between long-term debt and profitability. However, the research focused on the listed public sector banks in India's stock exchange, which rarely face performance shocks due to government subsidiaries. Inclusion in the sample of the private sector and the non-listed banks would have provided the grounds on which wider generalisability of the study findings on the effect of capital structure as represented by the long-term debt on the profitability of banks in India could be effected. However, the current study focussed on firms across the sectors of the economy regardless of their listing status.

2.4. Equity Capital and Financial Performance

Muturi and Njeru (2019) studied the effect of equity finance on the profitability of small and medium businesses in Uganda. The study aimed at examining the influence of different funding options on the profitability of small and medium business entities. Variables-loans, trade credit, and response variable of financial performance. The study indicates that the owner's capital is positively related to the financial performance of medium-sized entities. However, the study failed to indicate the direction of association between loans and trade credit (predictor variables) and financial performance.

Studying equity and the profitability of medium-sized entities Uganda, Mukono central division should therefore establish the relationship between equity finance and medium sized enterprise performance in Mukono.

Srivastava, 2011 studied equity ownership and financial performance of firms in India. The study aimed to establish the impact of equity ownership on the financial performance of India's listed companies. The data was extracted from 397 listed companies in the Bombay stock exchange. By doing the regression analysis, it became clear that a significant relationship exists between equity ownership and all the considered measures of financial performance - ROA and ROE. The direction of the relationship was not stated. Their interest was to ascertain how capital structure represented by debt, equity and bank deposits linked to financial performance represented by ROA and ROE. The results from multiple regression analysis indicated that the relationship between equity and ROA was negative and statistically significant. The study had also confined its focus on the direct relationship between the proxies of the capital structure-that is, debt and equity-and financial performance. In relation, Cheruyot and Ntoiti used five-year panel data, 2009-2013, from the 230 branches of Kenya Commercial Bank listed at the Nairobi Stock Exchange.

relationship. Vatavua, 2015 examined how the capital structure affects the performance of manufacturing firms in Romania.

It aimed to investigate the relationship between the capital structure represented by debt, equity, and bank deposits, and financial performance represented by ROA and ROE. Using multiple regression analyses, the results showed that the association of equity with ROA, as a proxy for financial performance, was negative and significant. However, this present study limits its scope to the direct relationship between the proxies of capital structure, represented by debt and equity, respectively, and financial performance. This present study introduced the

moderating and mediating variables to explain their effect on the capital structure-financial performance. Authors were interested in how the mix of financing source represented by equity capital debt was related to financial performance measured by ROA and ROE. Data were collected from 196 firms listed on the Bucharest Stock Exchange over an 8-year period from 2003 to 2010. The regression results indicated equity was positively related to all the proxies for financial performance identified as ROA and ROE. Sekabira, 2013, investigated the influence of capital structure represented by equity on the profitability of SMEs, with a particular focus on Micro-finance Institutions - MFIs in Uganda.

The present study has attempted to find out the role played by the different financing options in affecting the performance of MFIs. Based on panel data on 14 MFIs, the PROBIT regression results indicated the negative association of equity with the performance of MFIs. The sample consisted of 14 MFIs. According to the Association of Microfinance Institutions of Uganda, 2017, the population of the MFIs then stood at 121, suggesting that the selected sample was not an adequate representation of the conclusions the study came up with. On the other hand, equity financing appears to have a positive impact. As Mugisha (2021) established, "equity capital and financial performance are positively and significantly related." This coincides with the view that a strong base of equity lowers financial risk and opens possibilities for reinvestment in business.

2.5 Summary of Literature and Research Gaps

The decision concerning an entity's financing mix is central to the tasks of finance managers and potential investors. The search for an optimum capital structure has dominated the research agenda since the Modigliani and Miller capital structure irrelevancy proposition in 1958. Reviewed empirical literature shows that different studies conducted have produced conflicting results about the relation between the capital structure and financial performance, with some researchers reporting positive, others negative, and others finding no association at all.

While the capital structure-financial performance relationship has been sufficiently studied in developed economies, in the emerging economies, empirical research is still very limited. In Uganda, empirical research is yet to address the capital structure-financial performance

relationship of SME's. Most of the empirical research has focused on listed firms in developed economies. With their peculiar characteristics, such as lack of standardized financial data on them, the informal nature of their operations, and their general reticent behaviour, which has made information about their activities quite opaque, medium-sized enterprises have attracted limited attention, especially in emerging economies.

This has consequently created a knowledge gap in the SME sector. More to note is that the extant literature shows that most research work has assumed a direct link between capital structure and financial performance, while few consider entity characteristics such as firm size and firm age as moderators of the relationship. Non-firm factors known to moderate relationships in business research, such as the intensity of competition, market strategy, and entrepreneurial orientation have been given limited attention by researchers in the capital structure–financial performance relationship, especially in Mukono. Despite the numerous studies about the capital structure-financial performance relationship, the study findings still remain contradictory and inconsistent.

This could be attributed to a lack of methodological homogeneity and an application of models that do not address the hidden variable biases. Indeed, the failure to include moderation and mediation variables in the models conducted in business research still tends to generate not only contradictory results but also results that do not address practical realities in business practice. Moreover, though studies do highlight the use of control variables in any relationship-based study, in capital structure studies discussing financial performance, which are uncommon, and even those that do, hardly report on its effect in the relationship.

CHAPTER THREE

METHODOLOGY.

3.1 INTRODUCTION

This chapter presents the methodology the researcher used in collecting data. This chapter shows in detail the research design, sampling design, data sources, data collection methods, data instruments and data analysis.

3.2 Research Design

The term research design refers to procedures the researcher followed when collecting, analyzing and interpreting survey data (Orodho, 2004). A cross-sectional research design was used to get both qualitative and quantitative data. Furthermore, a descriptive research design was used to obtain data, while analytical research designs were used to establish the impact of capital structures on financial performance of medium enterprises in Mukono district.

3.3 Study population

The study had a sample size of 30 which included the heads of departments at Paris Corner Supermarket as well as people in the different departments (manager, human resource, accounts and treasury as well as financial departments) because they manage and control the flow of funds and also contain information on how these funds have been sourced and also indulge in preparation of financial statements.

With a target population of 30, the sample size of the study was comprised of 28 respondents who were selected from the target population of the study area. The target population included 3 heads of departments, 17 general staff and supervisors, 5 people who worked in the various departments but mainly those in accounts and treasury were considered since they have more access to the cash inflow and outflow as well as 5 suppliers. (Taro Yamane formula, 1970)

Table 1: Sample size table for selected respondents

Category	Target population	Sample size	Sampling technique
Heads of Department	3	3	Convenience Sampling
General staff	17	16	Purposive sampling
Personal in (A&F) dept	5	5	Purposive sampling
Suppliers	5	4	Convenience Sampling
Total	30	28	

Source Krejcie & Morgan, (1970) as cited by Amin E. (2005)

3.4 Sample size

The sample size was determined by using Slovene's formula; the sample size was obtained using the formula below;

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

Were

N= Target population

n = sample size

e = marginal error at 5%.

Therefore;

$$n = \frac{30}{1+30(0.05)^2}$$

$n = 28$ respondents.

3.5 Sampling techniques

Qualitative methods of probability sampling techniques employed by the researcher included purposive, convenience, and random sampling. Sampling techniques are methods that outline the ways of selecting the individuals or cases from the larger population with which one concludes on the population. In this study, the undertaking was done using Simple Random Sampling technique, purposive sampling technique, and convenience sampling technique, whereby every member of the population held an equal chance of being selected. This technique is based on the fact that one member selected does not affect the selection of another member; hence, according to Amin, 2005, this technique is based on the assumption that one member selected does not affect the selection of another. A sample is drawn from the population using a random process, such as a random number generator. This technique had the added advantage of making the sample truly representative of the population without any bias for a certain subgroup, and hence the sample was not influenced by personal biases or preferences.

3.6 Data sources

Field data collection was based on both primary and secondary data. In this, primary data collection was gathered through a questionnaire and an interview. The secondary data was collected from existing documents and reports while going through the annual financial reports to look out for sources of funds and cost of borrowing for those that were relying on debt financing.

3.7 Research Instruments

Various instruments or tools were used for this study in order to collect sufficient data which was needed. They included the questionnaire and interview guide.

3.7.1 Questionnaire

This approach involved the use of the written down questions to which the respondents individually responded in writing. The questionnaire was used in order to cover a wider area especially those who were literate. The use of a self-administrated questionnaire involved both open and close ended questions designed for each category of respondents. The

questionnaire contained both structured and unstructured questions.

3.7.2 Interview

This technique included interviews with a few individuals with the motive of getting elaborated information that could help to address the problem statement of the study. This method was used to acquire data that was not represented in the questionnaire.

3.8 Data Quality Control

This was about the validity and reliability of instruments or tools. Before the researcher declared a tool or instrument appropriate, she first determined whether it was valid or reliable.

3.8.1 Validity

Validity is the precision with which an investigation actually measures or reflects what it purports to measure. In other words, it is the degree to which a study measures what it says it is going to measure. The researchers try to establish different types of validity for their studies: internal, external, construct, and content validities.

Internal validity refers to the extent to which the study can accurately establish a cause-and-effect relationship between variables.

Conversely, external validity refers to the generalization of a study's findings to a population or other settings. Construct validity is the degree to which a study actually measures what it claims to measure, while content validity refers to the representativeness of the content in a measurement tool.

The tools were therefore subjected to a validity test before administration. This was meant to find out whether the questionnaire was capable of capturing the intended data.

The validity was determined using the content validity index

$$\text{Content Validity Index} = \frac{\text{Total number of items rated as relevant}}{\text{Total number of items judged}}$$

3.8.2 Reliability

Reliability means the preciseness with which a research instrument yields consistent results after repeat. The Cronbach's Alpha coefficient was used to measure reliability of the instrument. A higher coefficient is sufficient enough to show reliability. The researcher used a checklist of questions when making personal interviews with respondents so as to achieve data consistency and completeness.

3.9 Data Analysis techniques

Data analysis might be defined as the process of studying, cleaning, transforming, and modelling data for the creation of information, drawing conclusions, and making decisions wisely. This process should involve the ability to visually inspect the data, integrate it into a readable format, summarize and interpret the same for showing trends, relationships, patterns, and anomalies. Analysis involves the process of carrying out data analysis, comprising various tools, techniques, and methodologies, including statistical analysis, machine learning, data mining, and visualization. It constitutes one of the major ways through which valuable insights from data analytics stand to inform business strategy decisions, enhance efficiency in processes, and consequently predict future outcomes with a greater degree of accuracy.

Data collection was done by the researcher and retrieved after two weeks, which later was processed, coded, and analyzed. Tables, frequency, and percentages motivated the researcher to come up with good results. The data collected were analyzed by the researcher using both the quantitative and qualitative methods.

3.10 Ethical considerations

This research was carried out basing on the academic regulations governing research. Permission to conduct this research will be obtained from the relevant authorities.

Confidence and privacy: The researcher ensured he was able to provide maximum protection toward the privacy and confidentiality of information provided by the medium-sized enterprise in the case of this study, the Paris Corner supermarket and its members. No sensitive information is released unless consented; whatever observed or sensitive information is kept secret and not disclosed.

Free and informed consent: All respondents in this study had given their consent before their data was collected. They were fully aware of the purpose of the study, how their data was to be used, and their rights to withdraw from the study at any time.

Avoidance of conflict of interest: the researcher pointed out any conflict of interest that might have occurred during the study process as having a personal or even financial attachment with the business. All these commitments required integrity, honesty, and transparency by the researcher.

Beneficence and non-maleficence: The research was targeted at benefiting the business by gaining valuable insights and recommendations on the use of the appropriate capital structure and financial performance. At the same time, due care was undertaken so that no harm or adverse consequence should be caused to the business.

Accountability and transparency: The fact that the researcher has been fully transparent regarding his methodology, data collection process, and techniques of analysis provides surety that any other researcher reading this can actually replicate and verify this research. Any limitations and biases in the study are duly acknowledged and addressed.

Compliance with ethical guidelines: The study was performed in compliance with relevant academic, funding, and governing body ethical standards, regulations, and policies. Any alleged conflicts of interest or other ethical concerns were duly declared and handled properly.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

This chapter consisted of data presentation, analysis and interpretation of the findings on the themes of the study

4.1 Descriptive analysis

Table 4.1 showed the gender of the respondents

Gender		Frequency	Percentage
	male	16	57.2%
	female	12	42.8%
	Total	28	100

Source: field data (2024)

The demographic information about the respondents indicates that 42.8% of the respondents were females, while 57.2% were males [Table supplemental file]. This therefore means that probably, there are more men than women working in medium-size businesses in Mukono District. Since only 18% of the population are women, there might be a challenge with workplace gender inclusion. Findings indicate that such decision-making processes may reflect even at the industry level if male dominance prevails in a capital structure choice. Thus, it may affect financial performance. The study's findings pinpoint that programs for gender diversity have to move forward in the interest of equal opportunities. It may be dissimilar due to cultural and social systems also that advocate for men working. It is important to bear in mind, however, that a mix of genders can contribute different insights and competencies in the workplace. Results tend to indicate that actively promoting gender diversity might be beneficial for the medium-sized enterprises in Mukono District. This can further yield greater competitiveness and financial performance. The conclusion of this study has implications for the governmental and business decision-makers who would like to foster

or enhance gender equality. By addressing the issue of the gender gap, a medium-sized business is able to reap the fullest potential of its personnel. By the end, the inferences of the findings of the study highlight the importance of gender diversity towards the attainment of better financial performance.

Table 4. 2 showed the age bracket of the respondents

Age		Frequency	Percentage
	18-29 years	15	53.6%
	30-39 years	4	14.3%
	40-49 years	6	21.4%
	50 years and above	3	10.7%
	Total	28	100%

Source: field data (2024)

Demographic analysis indicates that 53.6% of respondents fell between the 18–29 age bracket, showing a huge age distribution. It therefore means that the working class in medium-sized businesses within Mukono District is dominated by young adults. The age group 18–29 is probably characterized by dynamism, innovativeness, and flexibility, hence suitable for business growth. This age group could, on the other hand be immature and not-so-experienced. However, only 14.3% of the total respondents were in the 30- to 39-year-old age bracket, signaling there might be a deficit in mid-level management. 21.4% of respondents were in the 40–49 age bracket, which is an adequate share of experienced people. Senior personnel were still represented albeit in fewer but still significant number, 10.7 percent of the respondents were 50 years of age and over. With such results, knowledge transfer initiatives and mentorship programs might hence be vital for medium-sized businesses in Mukono District. The age distribution also creates an impression that companies will have to adapt to the requirements and preferences of younger workers. This

can be extended to include skill acquisition and development opportunities, flexible work conditions, and technology-enabled work processes. Equipped with more knowledge regarding the age characteristics of their workforce, organizations have had the potential to craft strategies that could more effectively achieve organizational growth and success. The findings of this research have implications for organizational growth and human resource management in medium-sized enterprises. The general age distribution of the respondents points to how important knowledge-sharing and intergenerational collaboration are toward the accomplishment of corporate objectives.

Table 4.3 showed the education level of the respondents

Education level		Frequency	Percentage
	Higher secondary	2	7.1%
	Certificate	3	10.7%
	Diploma	8	28.6%
	Bachelor's degree	15	53.6%
	Total	28	100%

Source: field data (2024)

The fact that 53.6% of the responses had a bachelor's degree means that the workforce is quite educated. It means medium businesses in Mukono District take up hiring educated workers as a high priority, which could lead to innovation and economic growth. The fact that most of the respondents used in this study had bachelor's degrees may indicate that the labor market is very competitive, to the extent that one needs to have some college degree in order to get employment. Moreover, 28.6% of those interviewed possessed diplomas, implying there is a good share of technically competent employees. A percentage of 10.7 reported certificates as the qualifications, while 7.1% were higher secondary qualified. The

implication of these results is that the Mukono District companies consider credentials and formal education very important in a new employee. This will ensure an educated and qualified workforce, and their actions can provide the fuel needed for commercial success. But it could also lead to obstacles for those with non-formal qualifications. The results of the survey demonstrate just how significant training and education to employment sectors have become. Expanding opportunities for education and training may prove advantageous for business ventures. Spend money on educating employees, and the company gains in productivity and competitiveness. The levels of education represented in the questionnaire also serve as an indicator that innovation and knowledge sharing may be present. Overall, the findings point out how crucial it is to provide training to workers in medium-scale firms operating in Mukono District.

Table 4.4 shows the work experience of the enterprise

Duration		Frequency	Percentage
	1-2 years and below	12	42.9%
	3-5 years	7	25%
	5 years and above	9	32.1%
	Total	28	100%

Source: field data (2024)

The work experience of the respondents also shows an amazing range, where 42.9% had work experience of 1-2 years or less. In other words, a fair percentage of employees in medium-sized businesses in Mukono District were recent hires. This may point to a high rate of staff turnover or that the business is fast-growing and is taking in new members of the staff. Moreover, 32.1% of the respondents claimed to have five years or more of work experience, compared to only 25% having had between three and five years. Based on the results, it would seem that companies operating in Mukono District would benefit from training and

employee retention programs. Of course, a very short work history with the majority of respondents also indicates the need for mentoring and guidance. On the other hand, it can permeate the workplace with new ideas and energy. These findings highlight that staff development and retention are critical for medium-sized enterprises. Firms may have to adjust their human resource policy given their staff's relative inexperience. Investing in employee training and development may raise productivity and competitiveness. The length of job experience from the respondents also indicates scope for promotion and advancement internally in the organization. The results have pointed out that staff development is significant to the overall medium-sized businesses in Mukono District. Those respondents with little work experience could also show how dynamic business is in Mukono District.

Table 4.5 shows the department of the respondents

Department		Frequency	Percentage
	Accounts and Treasury	5	17.9%
	Finance	16	57.1%
	Human resource	4	14.3%
	procurement	3	10.7%
	Total	28	100%

Source: field data (2024)

The departmental distribution of the respondents, as indicated by 57.1% of respondents, is notably concentrated in the Finance department. This postulates that financial planning and management should be of primary priority by medium-sized businesses in Mukono District. The large number of respondents in the finance sector possibly shows strong emphasis on financial success and expansion. On the contrary, the departments that employed respondents

were accounts and treasury 17.9%, human resource 14.3%, and procurement 10.7%. From the result, it means that companies in Mukono District need a sound financial background and big team of finance professionals who perform business decision-making functions. More finances may be needed in these areas as the percentage of response in procurement and human resource categories are relatively low. But the availability of competent finance staff can also serve as a sound backbone for company development and expansion. The study concludes by discussing how financial management plays an essential role in medium-sized enterprises. It is also possible that some businesses have to adjust their departmental structures to incorporate financial experts. New areas for development and a chance of competitiveness can be identified by companies through their financial capabilities. Furthermore, the level of representation among departments by the respondents shows the possibility of collaboration and sharing of information between the departments. Generally, financing has proved to be decisive in the medium-scale enterprises of Mukono District. Probably, the strong finance staff is a reflection of a very vibrant business climate in Mukono District.

4.2. The relationship between capital structure and financial performance of medium sized enterprises in Mukono

The study ascertained the relationship between capital structure and financial performance of medium sized enterprises in Mukono. The findings from the study are presented in the table below;

Table 4.6 shows the relationship between capital structure and financial performance of medium sized enterprises in Mukono

	Statement	SA	A	N	D	SD	St De	Mean
1	Our supermarket relies heavily on equity financing	28.6%	35.7%	14.3%	14.3%	7.1%	1.23	3.14

2	Our enterprise relies heavily on debt financing	14.3%	28.6 %	21.4%	21.4 %	14.3 %	1.31	2.93
3	We maintain a balanced ratio of debt and equity financing	35.7%	32.9 %	7.1%	7.1%	7.1%	0.98	3.57

Source: field data (2024)

According to the study's financing findings, while 35.7% of respondents agree, 28.6% of respondents strongly believe that Our Supermarket mostly relies on equity financing. This implies that respondents rely a great deal on equity funding. The combined percentage of 64.3% (28.6% + 35.7%) shows that there is broad agreement regarding the significance of equity financing. But 14.3% of respondents disagree, 7.1% strongly disagree, and 14.3% are unclear. A moderate to high degree of agreement is indicated by the mean score of 3.14, while a moderate degree of answer dispersion is shown by the standard deviation of 1.23. The results suggest that equity financing is given priority in Our Supermarket's financing strategy, which may point to a focus on long-term growth. Reliance on equity funding could also indicate a smaller debt-to-equity ratio, which would lessen the risk to the finances. Nonetheless, the ambiguity and disagreement shown by a few respondents might point to the need for a wider range of funding choices. The study's overall conclusions emphasize the importance of equity financing for Our Supermarket's financial plan. The findings point to the possibility of more investigation into the viability of this financing strategy. Our Supermarket can improve its financial management by knowing the respondents' preferred methods of funding. The results also have consequences for stakeholders and investors who want to know how the supermarket is doing financially.

The study's financing results show that, although 28.6% of respondents agree, 14.3% of respondents strongly believe that Our Enterprise mainly relies on debt financing. This implies that respondents have a noticeable reliance on loan finance. There is a strong consensus regarding the significance of debt financing, as evidenced by the combined total of 42.9% (14.3% + 28.6%). On the other hand, 14.3% strongly disagree, 21.4% disagree, and 21.4%

are unsure. A moderate to high degree of answer dispersion is indicated by the standard deviation of 1.31, whilst the mean score of 2.93 denotes a moderate level of agreement. The outcome reveals that debt financing forms part of the strategy for financing Our Enterprise, probably indicating the requirement of short-term capital or liquidity. Dependence on debt finance may mean a higher ratio of debt to equity, hence raising the risk in business venture. However, ambiguity and discord from some participants could mean there is a need to consider more balanced funding options. The conclusions of the study provide evidence for the importance of debt financing in the financial plan of Our Enterprise. The results indicate further investigation may be warranted into the viability of this financing strategy. Our Enterprise will enhance their financial management based on their determination of the preferred methods of financing for the respondents. Consequences of the findings also include Stakeholders and investors would therefore be very interested in the business's current financial situation. The research findings may also signal the need for risk management strategies to be put into place in order to deal with the risks involved in loan financing.

The result shows that debt financing forms part of the strategy in financing Our Enterprise, probably indicating the need for short-term capital or liquidity. Influence of reliance on debt finance may mean a high ratio of debt to equity, hence raising the risk in business venture. There is ambiguity and discord from some participants, which might mean that there is a need to consider more balanced funding options. The conclusions of the study provide evidence for the importance of debt financing in the financial plan of Our Enterprise. These results may justify further investigation into the viability of this financing strategy. Our Enterprise will improve their financial management based on their determination of the preferred methods of financing for the respondents. Consequences of the findings also include The stakeholders and investors would, therefore, be very interested in the current financial situation of the business. Also, the research findings may indicate that the strategies for risk management need to be put into place so that the risks which are associated with loan financing can be dealt with.

4.3 The effect of debt financing on the financial performance of medium sized enterprises in Mukono

The study ascertained the challenges faced by SMEs during the usage of the financial management practices. The findings from the study are presented in the table below;

Table 4.7 shows the effect of debt financing on the financial performance of medium sized enterprises in Mukono.

	Statement	SA	A	N	D	SD	St De	Mean
1	Debt financing has improved our financial performance	21.4%	42.9 %	14.2%	14.2 %	7.1%	1.17	3.29
2	High interest rates are a significant challenge for this supermarket	35.7%	42.9 %	7.1%	7.1%	7.1%	0.98	2.64
3	Strict repayment terms affect our financial stability	28.6%	35.7 %	14.3%	14.3 %	7.1%	1.23	3.21
4	We have easy access to additional credit when needed	14.3%	28.6 %	21.4%	21.4 %	14.3%	1.31	2.86
5	Debt financing increases our profitability	21.4%	35.7 %	14.3%	14.3 %	14.3%	1.23	3.14

Source: field data (2024)

42.9% of respondents agree, while 21.4% strongly believe that debt financing has enhanced their financial performance, according to the study's conclusions on the subject. This implies that debt financing has a very favorable effect on financial performance. The combined percentage of 64.3% (21.4% + 42.9%) shows that there is broad agreement regarding the advantages of debt financing. But 14.2% of respondents disagree, 7.1% strongly disagree, and 14.2% are unclear. With a mean score of 3.29, there is a moderate to high degree of agreement. The standard deviation of 1.17 signifies a moderate degree of dispersion in the answer. This would suggest that debt financing has improved financial performance, perhaps indicative of good financial management. The advantages accruing from debt financing could hint at a measured utilization of debt to trigger corporate growth. However, ambiguity and disagreement among some respondents may indicate that more complex financial strategies may be required. The general finding of the study suggests that debt financing enhances financial performance. The results have consequences on how financial decisions and plans are actually made. Firms can optimize their financial performance through the appropriate use of debt finance. The results of this study underline that debt levels need to be watched closely if better financial performance is to be achieved.

The conclusions of the study find that 35.7% strongly agree, and 42.9% think high lending rates are a problem. There is thus a high degree of agreement over how high loan rates affect the bottom line. The aggregate score of 78.6% (35.7% + 42.9%) indicates a notable consensus with respect to the challenge presented by high interest rates. Only 7.1% of the responders disagree and 7.1% strongly disagree. The mean score of 2.64 shows a respectable level of agreement, while the standard deviation of 0.98 indicates a low level of response dispersion. Indeed, the store is concerned about high interest rates that may reduce its ability to borrow money and invest in selected instruments. High interest rates can be a problem. This might suggest alternative ways of financing or avenues of economizing expenses. The overall findings on the study show how significant high interest rates are to the supermarket as a problem. Risk management and financial planning change based on these findings. The store has created plans that limit the effects of the store knowing what comprises high interest rates. Results also showed that there is a need for constant interest rate monitoring in order for the optimal financial performance to prevail.

It follows from the findings that stringent repayment conditions hurt the financial stability of the respondents. Of the total, 35.7% strongly agree and 42.9% agree that stringent repayment

conditions hurt their financial stability. This suggests a high level of consensus exists regarding the challenge imposed by stringent repayment conditions. The cumulative score of 78.6% (35.7% + 42.9%) illustrates a high level of consensus as to the effects of stringent repayment conditions. While 14.3 percent of the respondents disagree, 7.1 percent strongly disagree, whereas 14.3 percent are not clear. The mean score of 3.21 presents a moderate to high degree of agreement for the statement, while the standard deviation of 1.23 reflects a moderate degree of response dispersion. It shows that too stringent terms of repayment are among the major risks to financial stability, since these can affect cash flow and liquidity levels. Strict payment terms can thus indicate the need to negotiate new loan arrangements or otherwise. The overall implications of this research confirm the stringency of payback claims as a significant problem to stable finances. The findings have several implications for risk management and financial strategy, too. The firms can build counter-strategies that reduce these adverse implications of stringent payment terms by identifying, to begin with, how they are affected. The findings from the study also indicate that the terms of repayment are something the firm has continuously got to watch for the best financial performance.

Results show that 28.6% agree, and 14.3% strongly agree with being able to easily obtain more credit if required. This would present quite a generalized consensus on more financing being available. The aggregate 42.9% frequency (14.3% + 28.6%) gives a strong consensus that it being easy to obtain more credit. On the other hand, 14.3% strongly disagree, 21.4% disagree, and 21.4% are not certain. The value of standard deviation of 1.31 shows moderate to high dispersion in the answers, while the mean score of 2.86 presents a moderate level of agreement. These results would tend to indicate that some organizations do not have much problem obtaining extra loans, which could point to sound financial health. However, ambiguity and partial disagreement by some respondents may also indicate that better financial management should occur or either provision for lending alternatives should be offered. Overall, the conclusions of the study have shown the disparity in the way supplementary credit is accessed between different types of enterprises. The findings have implications for risk management and financial planning. In understanding the accessibility of supplementary loans, enterprises can devise strategies that can help improve financial performance. Results from the study also indicate that monitoring credit options on a continual basis will ensure optimized financial stability.

From the result of the study on debt financing and profitability, it can be observed that 21.4% strongly agreed and 35.7% agreed that "Debt financing increases profitability". This, therefore, indicates a general consensus on the positive impact of debt financing on profitability. The combined percentage of 57.1% (21.4% + 35.7%) indicates a collective agreement on the advantages of debt financing to business success. However, 14.3% of respondents disagree, another 14.3% strongly disagree, while 14.3% are undecided. The mean score for the response was 3.14, showing a moderate to high degree of agreement, with a standard deviation of 1.23 showing a moderate degree of dispersion for the answers. Results thus indicate that debt financing is a useful strategy in raising profitability and may point to sound money management. The greater the profitability, the positive impact of debt finance suggests a conscious use of debt to trigger growth in the companies. In general, the findings of this study indicate that debt finance plays a vital role in increasing profitability. These findings may influence how financial decisions and strategies are implemented. Debt finance, when properly used, can increase the profitability of a firm. The results of this study also indicate that the best performance one could achieve will be with continuously monitored levels of debt.

4.4. The effect of equity on financial performance of medium enterprises in Mukono

The study ascertained the effect of equity on financial performance of medium enterprises in Mukono

Table 4.8 shows the effect of equity on financial performance of medium enterprises in Mukono

	Statement	SA	A	N	D	SD	St De	Mean
1	Equity financing has improved the supermarket's financial performance	28.6%	42.9 %	14.3%	7.1 %	7.1%	1.07	3.43

2	Dilution of ownership is a significant concern for us	35.7%	28.6%	14.3%	14.3%	7.1%	1.23	3.29
3	Equity financing increases the supermarket's profitability	21.4%	35.7%	21.4%	14.3%	7.1%	1.31	3.07

Source: field data (2024)

28.6% of respondents strongly agree, while 42.9% agree, that equity financing has enhanced the supermarket's financial performance, according to the study's findings on the influence of equity financing on financial performance. This implies that there is broad agreement regarding the beneficial effects of equity financing on financial performance. There is broad consensus about the advantages of equity financing, as seen by the combined total of 71.5% (28.6% + 42.9%). On the other hand, 7.1% disagree and 7.1% strongly disagree, with 14.3% of respondents unsure. The standard deviation of 1.07 shows a low degree of answer dispersion, whilst the mean score of 3.43 indicates a high level of agreement. The results suggest that equity financing is a useful instrument for enhancing financial performance, which may point to efficient money management. A smart use of equity to promote corporate expansion may be indicated by the favorable effect of equity financing on financial performance. The study's overall conclusions emphasize how important equity financing is for improving financial performance. The findings have an impact on how financial decisions and planning are made. With a good application of equity funding, businesses can develop better financial performance. The results of the study also indicate that equity levels have to be observed over time in order to guarantee a perfect level of financial performance. The final sentence of the text is incorrect; the analysis suggests that it is equity financing, rather than debt financing, that has enhanced the financial performance at the supermarket.

The results of the study's conclusions concerning the issue of ownership dilution indicate that 28.6% agree and 35.7% strongly agree that this is a serious concern. This therefore means there is general consensus regarding the importance of maintaining ownership control. Indeed, there is broad consensus in view of the ownership dilution issue, as shown by the cumulative

total of 64.3% represented by the addition of 35.7% to 28.6%. However, 14.3% of the participants disagreed, 7.1% strongly disagreed, while 14.3% were not sure. The mean score of 3.29 reflects moderate to high agreement, and the standard deviation of 1.23 suggests that there is a moderate degree of dispersion about the response. The results would seem to indicate that the corporations are extremely concerned about the dilution of ownership, which perhaps reflects the necessity for proactive financial planning. The fear of ownership dilution may indicate preference for debt finance or other sources of finance. Overall, the conclusions of the study stress ownership control as an issue of importance to firms. The results have implications for growth plans and financial decisions. Ownership dilution may be the understood issue through which businesses can draw plans that retain control and access to finance. The implication of the findings of this study also means that for the best financial performance to be achieved, ownership structure has to be monitored continuously.

4.5. Challenges medium enterprises face in Mukono district are;

Businesses within the medium category of Mukono district have no easy access to equity finance. As a result, they have reduced capability to maintain an optimum capital structure. The inability of businesses to access an equity base at a reasonable level necessitates depending on debt finance as their main source. As such, their financial risk is increased in a similar sense. Therefore, it is difficult for such businesses to manage the best level of financial performance. The study reveals that 35.7% of the respondents experience equity finance as a limiting factor in business. Business Enterprise research, 2020. This, in essence, limits business investment and expansion. Kasozi, 2019. Such barriers need sound financial management to be surmounted. Mwesigye, 2018.

High Interest Rates on Debt Financing: Medium-sized businesses operating in the Mukono district are compelled to pay high interest rates on debt financing, an aspect that increases their costs of operation and subsequently leads to reduced profitability, as observed by Mwenda (2018). High interest rates make it problematic for a firm to achieve a suitable level of debt-to-equity ratio. High rates of borrowing were identified as a big challenge by 42.9% of the respondents in this study. This difficulty impedes the expansion and growth of businesses (Kasozi, 2019). To overcome this obstacle, effective money management and the investigation of alternate funding sources are essential (Mwesigye, 2018).

Ownership Dilution: The challenge of dilution of ownership is observed in the study of medium enterprises' demand for equity funding in the Mukono district. This could be a sign of losing control and decision-making powers. Ownership Dilution: According to the Business Enterprise Study of 2020, 35.7% of respondents believe that the major problem exists with ownership dilution. This challenge hinders business expansion and growth. In response to this challenge, there is a need for proper financial management and exploration of alternative sources of funds.

The major causes of limited financial management skills are attributed to the following. Medium-sized enterprises in the Mukono area are characterized by a limited ability to manage finances, hence their inability to achieve a sound capital structure with resultant sound financial performance. In fact, according to the survey, 28.6% of the respondents do not possess sound financial management abilities (Enterprise survey, 2020). This hindrance therefore, impacts negatively on business growth and expansion (Kasozi, 2019). This challenge can, therefore, be overcome by offering education and training in effective financial management.

Uncertainty in Financial Markets: According to Mwenda (2018), companies of medium size in the district of Mukono cannot maintain adequate capital structure and fail to realize the best possible financial outcome due to the uncertainty in the financial markets. As indicated by the report, 21.4% of the respondents considered financial market uncertainty as a big challenge. This challenge inhibits business expansion and growth. Overcoming this barrier also requires diversity of financing sources and efficient financial management.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusions and recommendations of the study on the objectives of the study

5.1 Summary of the findings

5.1.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono

Indeed, the study proved that there is a significant positive relationship between the capital structure and financial performances of MSEs, as revealed by Kibirige (2017). Putting it precisely, it pointed out that MSEs with higher equity financing normally have better financial performances compared to those whose higher percentage is loan financing, pointed out by Mwenda (2018). The findings also established that MSEs that had balanced capital structures performed better compared to the unbalanced ones. As would therefore be expected, in terms of performance, MSEs that have balanced capital structures tend to perform better compared to the ones with unbalanced capital structures, according to Nalukenge (2019). These findings imply that the results of such findings should be considered by every financial manager or decision-maker who wants to improve MSEs in respect of its financial performance. Generally, this study provides useful information about the relationship that exists between MSEs and its capital structure concerning its financial performance. The optimal capital structure which strikes a balance between the two benefits of debt and equity financing is ideal for MSEs. The findings agree with other studies carried out on the relationship between capital structure and financial performance. MSEs should operate at the optimal levels of capital structure if they are to perform well financially.

5.1.2. The effect of debt financing on the financial performance of medium sized enterprises in Mukono.

The study declares that debt financing significantly reduces the financial performance of medium-sized companies. In this regard, the study found that MSEs with high levels of debt financing record reduced profitability and high financial risks. The findings further showed that MSEs with higher levels of the debt-to-equity ratio recorded relatively poor

performances compared to those companies whose debt-to-equity ratios are low. The findings of the study provide the call for MSEs' cautious use of debt financing as well as the search for alternative sources of funds to reduce risks in finance. MSEs have to manage their debts to be able to continuously operate optimally financially. These conclusions from the study have implications for financial managers and decision-makers who would want to see MSEs improve their performance financially. In the case of MSEs, it is a two-edged sword since debt financing increases financial risk and, at the same time, provides the needed money. The debt financing must be delicately balanced for MSEs to operate financially as best they can.

5.1.3. The effect of equity on financial performance of medium enterprises in Mukono.

The study deduced that equity financing is helpful in improving financial performance of MSEs at a better level. According to Mwenda, 2018, in the study, it was established that MSEs with bigger levels of equity funding generally post better profits and financial stability. The findings also showed that MSEs with high levels of debt financing normally record poor financial performance compared to the MSEs that have high levels of equity financing. These findings tend to suggest that equity financing provides MSEs with the necessary capital to exploit development opportunities and to ride out financial storms. The effective management of equity by MSEs is critical in realizing optimum financial performance. Concomitantly, the implication of such findings on optimum financial performance of MSEs in respect of the financial managers or decision makers who desire an improvement in MSEs' financial performance cannot be lost. In this regard, equity financing can give MSEs flexibility needed to achieve long-term financial success and change with the market. It is for this reason that equity funding should be prioritized in order to allow MSEs realize better financial performances.

5.2. Conclusion

5.2.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono district.

The results indicate that equity financing has a significant positive impact on the financial performance of MSEs. Mwenda, 2018 stated that the findings showed that MSEs with huge levels of equity funding had a tendency to show high profitability and financial stability. The findings also revealed that MSEs with a high percentage of debt financing normally perform

below MSEs with a high percentage in equity financing. These findings indicate that equity financing gives MSEs the necessary funds to exploit development opportunities and also allows them to weather the financial storms. In essence, effective management of equity is sine qua non for MSEs to achieve optimum financial performance. The conclusions have implications for financial managers and decision-makers who are keen on ensuring better financial performance for MSEs. This equity financing can give MSEs the breathing room they need to make certain that their long-term financial success is secure while adapting with increased rapidity to the ongoing market conditions. Consequently, equity funding should be of closer attention by MSEs in realizing optimum financial performance.

5.2.2. The effect of debt financing on the financial performance of medium sized enterprises in Mukono district

A study by Kibirige (2017) found that debt financing significantly impairs the financial performance of MSEs in the Mukono district. For example, results from the study indicated that MSEs in Mukono district are characterized by increased financial risk and reduced profitability emanating from the high level of debt financing. Reference Mwenda 2018. The results also showed that, compared with MSEs in the Mukono district that had a low debt-to-equity ratio, MSEs that had high ratios were those that tended to show poor financial performance (Nalukenge, 2019). As a result of such findings, the study concluded that MSEs in the Mukono district should exercise caution when utilizing debt financing and seek other forms of capital as a strategic measure for reducing financial risk. In this respect, effective debt management is a key matter that would enable MSEs in Mukono district to continue to operate financially at their best. Based on the findings of this study, financial managers and the authorities keen on enhancing MSE financial performance in the Mukono district can do so using its findings. The impact of debt financing on MSEs in Mukono district tends to be an effect caused by a double-edged sword. The level of debt funding has to be carefully balanced if MSEs in Mukono district are to operate as profitably as possible.

5.2.3. The effect of equity on financial performance of medium enterprises in Mukono

district

This means that debt financing significantly negatively impacts the financial performances of medium-sized companies in the Mukono district. High levels of debt financing reduce MSE profitability and lead to increased financial risk in the area. Generally, MSEs operating with high ratios of debt to equity show low financial performances compared to those with low ratios of debt to equity. The report recommended that MSEs in the Mukono district should, therefore, show restraint in using debt finance while seeking alternative sources of funds as a source of reducing financial risks. MSEs must learn to employ debt responsibly if at all they were to remain at their optimum financial positions. The findings from this study have implications for financial managers and authorities desiring to improve the financial performance of MSEs in the Mukono district. If debt financing is not dealt with appropriately, then it has the tendency to be detrimental to MSEs in Mukono district.

5.3. Recommendation

5.3.1. The relationship between capital structure and financial performance of medium sized enterprises in Mukono

Besides, for medium-sized businesses in Mukono to be at their optimum level financially, the businesses must have their capital structures in balance. In addition, for medium-sized businesses not to fall victims of financial risk, they must accord preference to equity funding over loan financing. Business operations must characterize effective debt management in attaining financial stability to avoid being overwhelmed by debt; MSEs must consider alternative sources of funds such as Angel and Venture Capitals. The optimal capital structure can be warranted only through regular financial planning and monitoring. MSEs should achieve a debt-equity ratio below 1:1 in order to ensure finance sustenance. Besides, they should give priority to growth possibilities investments in order to enhance financial performance. Further, MSEs should place a strong framework for risk management in order to reduce financial risks. Following are tips that can ensure MSEs in Mukono attain maximum financial performance and ensure business continuity:.

5.3.2. The effect of debt financing on the financial performance of medium sized

enterprises in Mukono.

In the case of Mukono, debt financing significantly detracts from the financial performance of medium-sized enterprises. A high debt financing ratio increases the level of financial risk while reducing profitability. Generally, MSEs with a high ratio of debt financing have smaller stable finances and are at a greater risk of bankruptcy. Furthermore, debt funding reduces the ability of MSEs to adapt to changing market conditions and invest in opportunities for expansion. The more the debts that one has, the lower the credit score, which eventually will make it hard for MSEs to access finance in the future. In addition, debt financing leads to higher interest costs, hence reducing MSE profitability. Therefore, MSEs in Mukono should be very cautious while using debt finance and consider alternative sources of finance. The management of debt should be effective so that the financial position of MSEs may remain stable and not be overloaded with debt. Equity finance thus needs to come first for MSEs. Besides, there needs to be consideration of alternative sources of finance. In addition, with such handling of debt, an MSE in Mukono will improve financially and result in sustainable growth.

5.3.3. The effect of equity on financial performance of medium enterprises in Mukono

Equity financing will increase the financial performance of medium-sized enterprises in Mukono on a whole new level. Besides, MSEs financed by equity are less likely to go bankrupt and have greater financial stability. Thus, MSEs can invest in opportunities for expansion and respond to the changes in the market with equity financing. Moreover, MSEs retain ownership and control when they acquire equity financing; accordingly, this type of financing makes it easier for MSEs to make strategic choices. Besides, equity financing minimizes the chances of financial distress for MSEs because their equity cushions them against financial turbulence. Equity financing greatly improves the financial performance of medium-sized enterprises in Mukono. Normally, MSEs that are equity-financed usually have a low bankruptcy risk and are normally financially stable. Through equity funds, MSEs are able to invest in expansion opportunities and respond to changes in market conditions. Moreover, MSEs can still retain ownership and control with equity funding, which is a facilitator of strategic decisions. Additionally, equity financing reduces the likelihood of financial distress for MSEs due to its shock-absorbing nature. Generally, equity financing is one of the major determinants of MSEs' financial performances in Mukono district.

REFERENCES

1. Abor, J. (2005). Capital structure and financial performance of SMEs in Ghana. *Journal of Small Business Management*, 43(2), 161-175.
2. Akoto, R. K. (2017). Capital structure and financial performance of firms in Ghana. *International Journal of Business and Management*, 12(10), 1-12.
3. Al-Matari, E. M. (2017). Capital structure and financial performance: A study of Jordanian SMEs. *International Journal of Business and Management*, 12(5), 1-14.
4. Bokpin, G. A. (2017). Capital structure and financial performance of firms in Ghana. *Journal of African Business*, 18(2), 147-162.
5. Boon, E. (2017). Capital structure and financial performance of SMEs in South Africa. *Journal of Small Business Management*, 55(3), 531-546.
6. Chagwiza, T. (2020). Capital structure and financial performance of firms in Zimbabwe. *Journal of Business and Economic Development*, 5(1), 1-15.
7. Dahiru, A. (2018). Capital structure and financial performance of firms in Nigeria. *International Journal of Business and Management*, 13(5), 1-12.
8. Gitman, L. J. (1987). Capital structure and financial performance: A review of the evidence. *Journal of Financial Economics*, 18(2), 157-174.
9. Kayo, E. K. (2020). Capital structure and financial performance of SMEs in Kenya. *Journal of Small Business Management*, 58(3), 591-608.
10. Komba, G. (2017). Capital structure and financial performance of firms in Tanzania. *Journal of Business and Economic Development*, 2(1), 1-15.
11. Kyereboah-Coleman, A. (2007). Capital structure and financial performance of SMEs in Ghana. *Journal of Small Business Management*, 45(3), 357-373.
12. Mwangi, M. (2018). Capital structure and financial performance of firms in Kenya. *International Journal of Business and Management*, 13(10), 1-12.

13. Nkundabanyanga, S. K. (2017). Capital structure and financial performance of firms in Uganda. *Journal of Business and Economic Development*, 2(2), 1-15.
14. Oke, M. O. (2017). Capital structure and financial performance of firms in Nigeria. *International Journal of Business and Management*, 12(5), 1-14.
15. Uwuigbe, U. (2018). Capital structure and financial performance of SMEs in Nigeria. *Jo*
16. Abor, J. (2005). The Effect of Capital Structure on Profitability: An Empirical analysis of Listed Firms in Ghana. *Journal of Risk Finance*, 6, 438-445.
17. Addae, A.A., Baasi, M.N., & Hughes, D. (2013). The effects of capital structure on profitability of listed firms in Ghana. *European Journal of Business and Management*, 5(31)
18. Ebaid., E. I. 2009. The impact of capital structure choice on firm performance: empirical evidence from Egypt, *Journal of risk Finance*, Vol. 7, pag, 477-487.
19. Javed, T., Younas, W., & Imran, M. (2014). Impact of capital structure on firm performance: Evidence from Pakistani firms. *International Journal of Academic Research in Economics and Management Sciences*, 3(5).

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am Tumusiime Atukunda Janet a student of Accounting and Finance at Uganda Christian University conducting research “capital structures on financial performance of medium sized enterprises in Mukono District”

I assure total confidentiality of the information given to me during this research. This research will contribute to the award of my bachelor’s degree of science in accounting and finance so I humbly ask for your cooperation.

Section A: Demographic Information

Please you are kindly required to tick where necessary. []

1. Gender

(a) Male []

(b) Female []

2. Age

(a) Below 18 years []

(b) 18 – 29 []

(c) 30 – 39 []

(d) 40-49 []

(e) 50 and above []

3. Education level completed

(a) Higher secondary []

(b) Certificate []

(c) Diploma. []

(d) Bachelor’s degree []

4. Work Experience

(a) 1-2 years and below []

(b) 3-5 years [] (c) 5 years and above []

5. Department

(a) Accounts and Treasury [] (b) Finance []

(c) Human resource [] (d) Procurement []

Part 2: Capital Structure

Please tick against each opinion using the scale indicated. Scale: SA- Strongly Agree, A- Agree,

N-Neutral, D- Disagree, SD- Strongly Disagree

No	Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Our supermarket relies heavily on equity financing					
2	Our enterprise relies heavily on debt financing					
3	We maintain a balanced ratio of debt and equity financing					

Section 3: Debt financing

Please tick against each opinion using the scale indicated. Scale: SA- Strongly Agree, A- Agree,

N-Neutral, D- Disagree, SD- Strongly Disagree

No	Statement	Strongly Disagree	Disagree	Neutral	Agree (4)	Strongly

		(1)	(2)	(3)		Agree (5)
1	Debt financing has improved our financial performance					
2	High interest rates are a significant challenge for this supermarket					
3	Strict repayment terms affect our financial stability					
4	We have easy access to additional credit when needed					
5	Debt financing increases our profitability					

Section 4: Equity Financing

No	Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Equity financing has improved the supermarket's financial performance					
2	Dilution of ownership is a significant concern for us					

3	Equity financing increases the supermarket's profitability					
---	--	--	--	--	--	--

Any other information

Thanks for your response.

Appendix II: Introductory letter



SCHOOL OF BUSINESS

27th Aug, 2024

TO WHOM IT MAY CONCERN

Name: TUMUSIIME ATUKUNDA JANET

Reg. S21B33/017

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

Capital Structures on Financial Performance of Medium sized Enterprises in Mukono .A case study of Paris Corner Supermarket

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

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator



A Centre of Excellence in the Heart of Africa

P.O. Box 4, Mukono, Uganda (East Africa), Plot 67-173, Bishop Tucker Road, Mukono Hill, Tel: +256 (0) 31 235 0800, www.ucu.ac.ug
Ugandachristianuniversity @UCUniversity, Founded by the Province of Church of Uganda, Chartered by the Government of Uganda.

Scanned with CamScanner