THE EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN WAKISO DISTRICT

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DECLARATION

By signing this document, I, Nabusindo Matina Sheeba, certify that my dissertation is original and has never been submitted for consideration for a degree or other academic honor. Every citation to other people's works has been appropriately included.

Signature.. Date...13.../...04.../...26...

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S23B33/093

APPROVAL

I acknowledge that the study report was completed under my direction and is now prepared for submission to Uganda Christian University's School of Business.

Signature: ______________ Date: 13/04/21

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DEDICATION

With special regard, I wish to dedicate this piece of work to my parents who have always been there to support me in my education. May the Almighty God richly bless you.

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I would like to thank the Almighty God for the gift of life and guiding me throughout my education; it has not been easy but it was possible. My heartfelt gratitude goes to my supervisor, Dr. Olobo Maurice (PhD) for the tireless efforts and expertise he rendered to me during his supervision.

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ABSTRACT

The study aimed at examining the effect of financial management practices on the financial performance of small and medium enterprises (SMEs) in Wakiso district. It specifically focused on; examining the relationship between budgeting practices and financial performance of SMEs, establishing the relationship between working capital management and financial performance of SMEs, and exploring the relationship between financial record keeping and financial performance of SMEs in Wakiso district.

The study was conducted using cross-sectional survey research design, where quantitative research approach was also used. During the data gathering process, simple random sampling method was used. A sample size of 133 SMEs located in Bweyogerere, Wakiso district was use although 120 of them responded to the questionnaires.

The study found out that there is a significant relationship between financial management activities such as budgeting, working capital management, and record keeping and the financial performance of small businesses operating in Wakiso district. Budgeting practices positively influence planning, cost control, and decision-making processes (r = .766**, $p < .05$). Working capital management practices have been found to improve business efficiency and liquidity (r = .792**, $p < .05$), while financial record keeping improves accountability and informed decision-making (r = .785**, $p < .05$).

Finally, the study recommended that small and medium enterprises operating in the district of Wakiso should adopt sound financial management by developing sound budgets, reviewing and revising their budgets, managing their working capital using efficient cash flow management techniques, and collecting their receivables efficiently. Moreover, small and medium enterprises should develop sound financial policies as well as sound financial record keeping systems. These recommendations will result into improved financial performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The research deals with the impact that financial management approaches have on the financial performance of SMEs in Wakiso district. This chapter contains an introduction to the study, which explains background, problem statement, study objective, research objectives, research questions, scope of study, significance of study, and theoretical framework.

1.1 Background of the study

Small and Medium-sized establishments (SMEs) are diagnosed the world over as crucial engines of financial boom, employment introduction, and innovation in each developed and rising economies (Zayed et al., 2022). Financial control practices inclusive of budgeting, working capital management, maintenance of statistics, and funding making plans constitute the idea for the establishment of the financial overall performance and viability of SMEs (Nkwinika & Akinola, 2023). Effective financial control enables companies to optimally make use of their assets, manage their cash flows, and make prudent funding choices, therefore enhancing profitability and competitiveness (Okeke et al., 2024). Poor financial management is one of the finest causes of SME failure globally as it compromises the capacity of businesses to adapt to market modifications and financial recessions (Zhang et al., 2022).

In the midst of cutting-edge aggressive business environment, SMEs are confronted with increasing forces of globalization, technological disruption, and shifting patron attitudes that want to be addressed through effective financial management (Yakob et al., 2021). Getting access to capital, coupled with sound economic focus, enables SMEs to counter these forces and sustain growth (Oppong et al., 2023). Research proves that SMEs with strategic budgeting, cost containment, and performance monitoring have higher survival rates compared to their peers (Tharmini & Lakshan, 2021). Nevertheless, companies with tight accounting procedures, inadequate management of cash flows, and inefficient debt management will experience liquidity problems and collapse eventually (Mang'ana et al., 2023). This point to the importance of financial management processes as a factor influencing SME performance in all industries.

Globally, the importance of financial management to SMEs has been evidenced in the United States, where effective cash flow and cost management methods have enabled many SMEs to maintain resiliency even in economic downturns (Al-Hashimy et al., 2022). In Europe, in Germany, the Netherlands, and the United Kingdom, SMEs which have embraced sophisticated financial planning methods and which enjoy strong relationships with banks and other financial institutions perform their finances better (Rosyidiana & Narsa, 2024). Similarly, in Asia, in Japan, Malaysia, and South Korea, SMEs which have leveraged electronic financial systems, strategic asset management, and accurate bookkeeping have recorded improved efficiency of operations and competitiveness in the market (Zada et al., 2021). These examples highlight the need for good financial management practice to assist SME survivability within different economic environments.

In Africa, SMEs are significant employment and GDP contributors but still experience high mortality due to inefficient financial management and restricted access to credit (Basiru et al., 2023). In South Africa, inadequate budget and accounting systems have emerged as SME survivability limiting factors (Msomi & Olarewaju, 2021). In Nigeria, Kenya, and Tanzania, studies show that SMEs adopting formal financial planning, like debt management and cash flow forecasts, are more profitable and have higher growth rates (Gyamera et al., 2023). Sub-Saharan African agriculture and manufacturing SMEs are most vulnerable to financial and market risks, and therefore appropriate management of finances is central to their survival (Kataike et al., 2024). This sheds light on the region's urgent capacity development and financial literacy intervention requirements by SME owners and managers.

SMEs are the backbone of the economy in Uganda, with over 80% of the private sector employees in the country, yet most of them disintegrate within the first five years due to effective financial management practices (Ainembabazi, 2022). Research in Bushenyi, Mbarara, and Kampala reveals that well-established budgeting, financial recordkeeping, and debt management strategies by SMEs improve performance and growth of their businesses (Sunday et al., 2022). However, in Wakiso district, the majority of SMEs encounter poor financial literacy, ineffective deployment of capital, and imbalanced handling of cash flow, reducing their profitability and long-term sustainability (Wabwire, 2022). It is therefore critical to learn about the effect of financial management practice on the financial performance of SMEs in Wakiso district to inform interventions that will help improve their competitiveness and survival (Tayebwa et al., 2025).

1.2 Problem statement

SMEs in Wakiso District ought to ensure good financial performance through the implementation of sound financial management practices, thus achieving good financial performance rates (Ainembabazi, 2022). Nonetheless, the reality is quite the opposite since most of them register low performance in terms of decreasing profit, insufficient liquidity levels, high operation costs, and declining sales growth (Wabwire, 2022). According to recent reports released by USSIA (2024), about 60% of SMEs in Wakiso District recorded a decline in net profit margins within the last three years, and 55% noted problems with liquidity levels that cannot sustain their daily activities. Additionally, 58% of these SMEs suffer from high operational costs, and 52% experience low sales growth because of poor financial management and planning (Sunday et al., 2022). If not addressed, these companies may be forced to close down and cause unemployment in the area. Despite the efforts of USSIA, local governments, and financial institutions to assist SMEs to improve their poor financial performance, they still encounter challenges in doing so (Tayebwa et al., 2025).

Besides, earlier investigations conducted by Gyamera et al. (2023) and Oppong et al. (2023) have looked into the financial management behavior of SMEs and their performance regarding general financial literacy and finance access. However, there is not much knowledge concerning the effects of budget management, management of working capital, and bookkeeping on financial performance in SMEs from developing nations such as Uganda, especially districts like Wakiso. This gap therefore necessitates the need to conduct a study examining the effect of financial management practices on the financial performance of small and medium enterprises (SMEs) in Wakiso district.

1.3 Purpose of the study

The purpose of this study was to examine the effect of financial management practices on the financial performance of small and medium enterprises (SMEs) in Wakiso district.

1.4 Objectives of the study

i. To examine the relationship between budgeting practices and financial performance of SMEs in Wakiso district.
ii. To establish the relationship between working capital management and financial performance of SMEs in Wakiso district.
iii. To explore the relationship between financial record keeping and financial performance of SMEs in Wakiso district.

1.5 Research questions

i. What is the relationship between budgeting practices and financial performance of SMEs in Wakiso district?
ii. What is the relationship between working capital management and financial performance of SMEs in Wakiso district?
iii. What is the relationship between financial record keeping and financial performance of SMEs in Wakiso district?

1.6 Scope of the study

1.6.1 Content Scope

The study was specifically limited to; examining the relationship between budgeting practices and financial performance of SMEs, establishing the relationship between working capital management and financial performance of SMEs, and exploring the relationship between financial record keeping and financial performance of SMEs in Wakiso district.

1.6.2 Time scope

The review of reports and documents covered a period of five years, from 2021 to 2025. This period enabled a thorough evaluation of emerging trends and patterns in financial management techniques and their impact on financial performance of SMEs in the Wakiso district.

1.6.3 Geographical scope

This study was carried out in Wakiso District, Central Uganda. Wakiso district was selected because SMEs in this area have experienced notable challenges in financial performance, particularly in areas such as profitability levels, liquidity levels, cost efficiency, and sales growth.

1.7 Justification of the study

Rationale for undertaking the study is due to the need to examine the impact of the financial management practices on the financial performance of SMEs in Wakiso district, given the continuous experience of troubles in areas of profitability, liquidity, cost efficiency, and sales growth despite several efforts made by the various stakeholders. Even though there are other related studies conducted in the literature by Gyamera et al. (2023) and Kataike et al. (2024), focusing on financial literacy and financing issues in SMEs, there is yet to be any studies carried out on the impact of budgeting practices, working capital management, and financial recording on financial performance of SMEs in Wakiso. The current study thus seeks to bridge this gap by providing contextualized findings that can aid the development of improved financial management practices leading to better performance of SMEs.

1.8 Significance of the study

The results of the research were important for SMEs' owners/managers, considering that it provided them with knowledge regarding effective methods of financial management, such as record keeping, working capital management, and budgeting, which could maximize the effect on profit, liquidity, costs cutting, and increase of sales within the enterprises.

For the financial institutions, the study were significant because they learnt about the difficulties of SME financial management in the Wakiso district, which would allow them to create more effective loan schemes, credit services, and advice for SME development and sustainable growth.

The findings were also important for policy makers/local government officials, as the study provided recommendations about actions needed to be taken to improve the financial performance of SMEs and increase their contributions to the district economy.

Finally, the results were valuable for the researchers/academician community, including other prospective researchers because the study contributed to bridging the research gap on the issue under discussion.

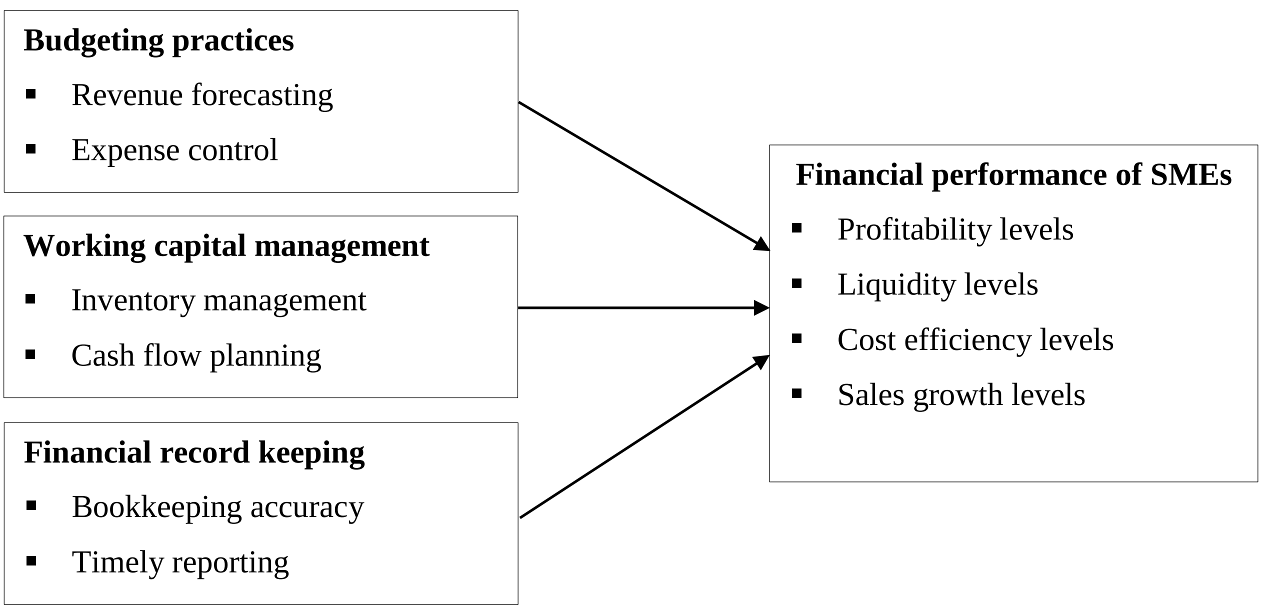
The study was critical to development partners and NGOs involved in the development of SMEs by pinpointing priority areas of financial management that require support so that they can design concentrated training, mentoring, and funding initiatives that improve SME sustainability and effectiveness.

1.9 Conceptual framework

Figure 1: Conceptual Framework

Independent variable **Dependent variable**

Financial Management Practices **Financial Performance of SMEs**



Source: *Adopted from, Tharmini & Lakshan (2021) and modified by the researcher (2026)*

Conceptual framework of this study examines the impact of financial management practices on the financial performance of SMEs in Wakiso district. Financial management practices, as the independent variable, are measured through financial management practices (expense control and revenue forecasting), management of working capital (cash flow planning and inventory management), and maintaining financial records (accuracy of bookkeeping and timely reporting). The dependent factor, profitability, is quantified based on profitability levels, liquidity levels, cost efficiency levels, and sales growth levels. Based on the paradigm, prudent financial management practices enable SMEs to budget and manage resources efficiently, maintain adequate liquidity, and optimize operating expenses, leading to enhanced profitability, enhanced cash flow, increased cost efficiency, and increased sales growth. Hence, there exists an uncomplicated positive relationship where sound financial management practices are meant to improve the SMEs' financial performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides an analysis of relevant literature by several scholars as well as what other researchers have to say about the effect of financial management practices on the financial performance of small and medium enterprises. Finding out what has been done and what has been omitted in this field of study is the main goal of this literature. Therefore, sources like newspaper articles, journals, encyclopedia and books related to the study were used.

2.1 Conceptual review

2.1.1 Financial management practices

Financial management practices are largely understood as the systematic planning, organizing, directing, and controlling of financial activities to reach organizational goals; however, academics disagree on the extent and direction of their emphasis. Zada et al. (2021) conceptualize financial management practices as structured financial decisions relating to investment, financing, and working capital that directly influence enterprise development, emphasizing efficiency in resource allocation. On the other hand, Tharmini and Lakshan (2021) look at the idea from the point of view of legitimacy theory. They say that the way money is managed can also help SMEs meet the expectations of their stakeholders and follow the rules and regulations set by the government. This helps them to be accountable and work with the government. Like Nkwinika and Akinola (2023), they see financial management techniques as a group of best practices including cash management, financial reporting, and budgeting meant to help SMEs handle operational and strategic issues. This argument highlights two widely held views: one that views financial management techniques mostly as technical financial functions, and another that sets them inside larger stakeholder, sustainability, and governance structures.

Though there is variance in emphasis, experts have operationalized financial management practices utilizing several aspects. Budgeting, working capital management, investment evaluation, and financial reporting are the main aspects impacting the performance of SMEs (Mang'ana et al., 2023). Likewise, Sunday et al. (2022) assess financial management techniques by means of strategic financial planning, capital structure decisions, and liquidity management, therefore stressing the strategic orientation of financial control systems. As practical and visible signs inside Ugandan SMEs, Wabwire (2022) and Ainembabazi (2022) pay particular attention to budgeting, cash flow management, and record keeping. While some researchers strain normal economic controls, others provide a wide framework that covers lengthy-term investment and financing decisions, therefore highlighting a non-stop argument among strategic versus operational components in evaluating economic control strategies.

More modern research broadens the manner we consider monetary control methods to encompass dimensions associated with conduct, era, and competency. Economic management practices are carefully related to managerial behavioral intentions, consistent with Al-Hashimy et al. (2022), consequently attitudes in the direction of monetary subject strongly have an effect on implementation. Management accounting services and statistics technology are offered by Gyamera et al. (2023) as moderating dimensions improving the efficacy of economic techniques. moreover, Rosyidiana and Narsa (2024) spotlight digitalization and financial literacy as newly rising elements of financial management in the publish-pandemic global, while Oppong et al. (2023) relate financial literacy to higher economic selection-making effects. Those viewpoints extend the conventional view by such as human capital and technical potential as quantifiable elements of economic control practices, consequently pointing to a flow from simply procedural measures in the direction of a greater incorporated and capability-pushed approach.

2.1.2 Financial Performance of SMEs

Monetary performance of SMEs is regularly described because the capacity of small and medium-sized companies to produce income, performance, liquidity, and lengthy-term sustainability; despite the fact that, lecturers disagree at the variety and assessment of this idea. Zada et al. (2021) outline financial overall performance as the degree to which SMEs reap boom and balance via effective aid utilization and revenue era, emphasizing tangible results which includes income margins, income boom, and return on assets. Conversely, Msomi and Olarewaju (2021) underline a greater long-term perspective with the aid of contending that monetary overall performance additionally covers the firm's capability to soak up outside shocks as well as its economic sustainability. Zhang et al. (2022) similarly suggest that monetary overall performance is multidimensional, such as not just profitability however additionally solvency and liquidity ratios to offer an entire perspective that covers both operational performance and risk control ability. This argument suggests how financial performance is seen as each a brief manner to look how a good deal cash a company makes and a more standard sign of how stable and strong the commercial enterprise is.

One-of-a-kind standards were used by researchers to assess financial overall performance; those frequently rely on the records availability and the scenario. Sales increase, profitability ratios, and capital structure balance operationalize economic overall performance; for this reason, strategic monetary making plans is important in influencing SME consequences, consistent with Okeke et al. (2024). Likewise, Basiru et al. (2023) emphasize the need of operational performance by inclusive of liquidity control, asset turnover, and value manipulate measures as financial performance indicators for emerging market SMEs. Including credit score get right of entry to and funding capability as foremost components, Yakob et al. (2021) cross one step in addition with the evaluation by contending that economic overall performance additionally indicates inside the organisation's capability to successfully utilize and set up sources. those numerous viewpoints reveal that, even though profitability remains a key criteria, lecturers recognize increasingly more that liquidity, solvency, development, and funding ability are essential supporting indicators.

Monetary performance of SMEs is also fashioned by using the interplay amongst economic literacy, digitalization, and management methods, as latest studies stresses. Tayebwa et al. (2025) emphasize the hyperlink among managerial ability and monetary effects by means of pointing out that right economic management abilties, which include budgeting, recordkeeping, and cash waft manage, significantly have an effect on the success of SMEs. Zayed et al. (2022) contend that performance ought to be evaluated in regards to outside impacts as the financial country of SMEs relies upon now not just on inner control methods but additionally on environmental elements including legal surroundings and marketplace situations. Kataike et al. (2024) showed how socio-financial traits of entrepreneurs would possibly affect how nicely financial management strategies translate into quantifiable results, for this reason emphasizing their moderating characteristic on economic overall performance. for instance, education, experience, and information get right of entry to would possibly impact how economic management practices are translated into tangible effects. those angles together emphasize that SMEs' monetary success is multidimensional, context-established, and influenced by way of outside socioeconomic factors in addition to management movements.

2.2 Empirical review of the study objectives

2.2.1 Budgeting practices and financial performance of SMEs

In their research conducted by Zada et al., (2021), the impact of economic control processes on improving the economic performance of small and medium-sized forest enterprises of Pakistan is examined; the effectiveness of budgeting was identified as an important aspect that helps to make good economic planning, decision-making, and funding decisions, leading to better financial performance in the long run. According to the research, small businesses whose budgeting processes are systematic and controlled perform better at managing expenses and become profitable than others. In addition, according to Tharmini & Lakshan (2021), research was conducted in Sri Lanka where it was revealed that enterprises utilizing formal budgeting processes have higher growth rates and better performance in their operations especially considering the financial performance of such enterprises in relation to the budgetary performance.

Okeke et al. (2024) explored strategic budgeting and sales control in SMEs and observed a robust superb dating between based budgeting practices and monetary balance, showing that enterprises with formal budget structures skilled better cash float control and reduced economic uncertainty. Likewise, Al-Hashimy et al. (2022) assessed financial control elements in small organizations and concluded that effective budgeting practices enhance goal-setting and overall performance monitoring, thereby improving profitability and sustainability. both research underscore the significance of integrating budgeting inside broader financial control frameworks, highlighting that SMEs regularly face challenges in translating budgetary plans into actionable techniques because of confined know-how and monetary literacy gaps.

Yakob et al. (2021) tested SMEs in Southeast Asia and found out that firms employing comprehensive budgeting practices experienced higher manage over expenditures, more suitable responsibility, and advanced get entry to to finance, thereby boosting ordinary financial overall performance. Similarly, Tayebwa et al. (2025) in Uganda observed that SMEs with powerful finances planning and monitoring structures carried out higher profitability and sustainability, particularly whilst price range performance was often evaluated towards organizational goals. Those findings endorse that budgeting is a vital tool for operational performance, although each studies note that contextual factors inclusive of managerial competence, financial literacy, and financial situations may additionally moderate the effectiveness of budgeting practices.

Basiru et al. (2023) analyzed monetary control strategies in rising markets and reported that SMEs with dependent budgeting mechanisms were more resilient to monetary shocks, enabling better making plans for surprising expenses and investments. In parallel, Zayed et al. (2022) emphasised that the adoption of formal budgeting practices in SMEs drastically complements tracking, reporting, and selection-making processes, leading to advanced economic results. each research highlight that budgeting now not only helps quick-time period operational performance however additionally allows long-time period financial planning and strategic choice-making, although they factor out that loss of training and virtual gear can hinder full utilization of budgetary frameworks in SMEs.

Kataike et al. (2024) tested dairy companies and found that companies working towards rigorous price range making plans and variance evaluation accomplished higher sales growth and profitability, specifically when managerial and socioeconomic traits supported powerful implementation. Similarly, Msomi and Olarewaju (2021) studied SMEs in South Africa and pronounced that those using distinctive budgeting and normal financial tracking exhibited advanced monetary sustainability and operational performance. Collectively, those studies imply that budgeting practices are crucial to SME economic performance, enhancing making plans, resource optimization, and risk management, although a hit results regularly rely upon managerial competence, get right of entry to get economic records, and the adoption of supportive financial structures.

2.2.2 Working capital management and financial performance of SMEs

Mang'ana et al. (2023) of their observe tested agricultural SMEs in Tanzania and discovered that effective operating capital management, along with green cash flow monitoring, inventory manage, and timely series of receivables, significantly better monetary performance. The observe revealed that SMEs that actively managed their modern assets and liabilities experienced better liquidity, operational performance, and profitability, highlighting the importance of working capital as a strategic economic tool. In addition, Gyamera et al. (2023) explored SMEs in Ghana and discovered that corporations applying structured running capital control practices, supported via management accounting services, completed higher profitability and sustained increase. The take a look at additionally emphasized the moderating position of era, noting that SMEs leveraging virtual monitoring tools for coins and stock management have been higher capable of optimize monetary assets and decrease operational disruptions. each research illustrate that disciplined operating capital practices directly make a contribution to economic balance and lengthy-term sustainability in SMEs, although they word challenges associated with managerial information and get right of entry to get real-time financial records.

Rosyidiana and Narsa (2024) investigated MSMEs within the put up-pandemic financial recovery context and located that firms with sturdy operating capital control systems, including unique cash go with the flow forecasting and inventory making plans, demonstrated stepped forward economic overall performance and resilience against marketplace volatility. The look at highlighted that SMEs able to balance modern belongings and liabilities successfully had higher liquidity ratios and decreased financial dangers. In parallel, Oppong et al. (2023) tested non-public region personnel dealing with SMEs' non-public and enterprise finances, concluding that running capital practices like effective debt collection, dealer price scheduling, and inventory control extensively stimulated profitability and operational continuity. Both studies underscore the essential role of working capital management in ensuring SMEs can meet quick-term responsibilities at the same time as strategically making an investment in growth opportunities, though in addition they perceive demanding situations related to inadequate economic literacy amongst SME managers.

Nkwinika and Akinola (2023) explored SMEs in various sectors and concluded that proper working capital management, such as cash planning, receivable turnover tracking, and stock optimization, definitely impacted economic performance, mainly with the aid of improving operational performance and profitability. further, Zhang, Fakieh, and Shang (2022) analyzed small and medium businesses the usage of dynamic asset-legal responsibility modeling and found out that preserving an foremost running capital ratio reduced financial misery and supported steady profit increase. each research suggest that operating capital is a important determinant of SME performance, as it directly affects liquidity, operational continuity, and the capability to respond to sudden economic needs. However, they spotlight that poor implementation, lack of knowledge, and inadequate monitoring systems can limit the effectiveness of running capital techniques.

Okeke et al. (2024) tested SMEs in Nigeria and emphasized that meticulous running capital practices, which includes matching fee cycles with revenue streams and managing short-time period financing, superior economic balance and profitability. in the equal vein, Nkwinika and Akinola (2023) also confused that SMEs with dependent regulations for dealing with cash, receivables, and payables were much more likely to attain increase targets and preserve competitive gain in risky markets. Both research together endorse that running capital control isn't only a technical accounting function however also a strategic mechanism that affects liquidity, cost control, and funding selections. However, each studies caution that SMEs often war with inadequate capital buffers and inconsistent monitoring, that may restrict the benefits of operating capital practices.

Wabwire (2022) investigated SMEs in Uganda and found that enterprises that actively monitored their stock turnover, money owed receivable collection, and coins go with the flow cycles consistently exhibited advanced monetary overall performance compared to people with ad hoc operating capital practices. Likewise, Ainembabazi (2022) in Bushenyi District, Uganda, reported that SMEs adopting green running capital management, along with accurate tracking of modern-day property and liabilities and timely provider bills, experienced improved liquidity, profitability, and sustainability. each research display a strong empirical hyperlink among operating capital control and SME financial overall performance, highlighting that methodical tracking and control of short-term sources permit SMEs to optimize operations, reduce financial pressure, and capitalize on increase possibilities. however, they note that constrained managerial understanding and shortage of financial structures can constrain the a hit implementation of these practices.

2.2.3 Financial record keeping and financial performance of SMEs

Nkwinika and Akinola (2023) in their observe tested SMEs throughout a couple of secup-to-daters and discovered that maintaining accurate and financial records considerably complements financial overall performance by way of enhancing accountability, transparency, and choice-making methods. The look at revealed that SMEs with prepared file-maintaining structures were higher up to dateupdated music earnings, charges, and profits, main updated improved operational performance and profitability. Further, Msomi and Olarewaju (2021) analyzed small and medium enterprises in South Africa and suggested that right monetary report control reduces economic mismanagement and supports liquidity planning, which in flip improves lengthy-time period commercial enterprise sustainability. each research emphasize that established economic documentation acts as an important up-to-date for financial monitoring, allowing SMEs updated make informed selections, necessities, and access financing from banks and updated. Though, they observe challenges which include insufficient schooling and absence of digital up-to-date in many SMEs that restriction powerful report-retaining practices.

Gyamera et al. (2023) focused on SMEs in Ghana and proven that distinctive financial report-retaining, while mixed with control accounting offerings, positively affects profitability and usual economic overall performance. The look at highlighted that SMEs capable of correctly documenting transactions and generating well timed monetary reports should compare overall performance, control fees, and forecast sales extra effectively. In parallel, Zayed et al. (2022) tested SMEs in rising markets and said that corporations that maintained entire and systematic financial information experienced fewer liquidity troubles and stepped forward up to date updated capital, which strengthened operational potential and financial resilience. Both research underline the vital hyperlink among economic report-preserving and selection-making performance, even as additionally highlighting barriers up to dategether with reliance on guide structures and restricted accounting know-how in SMEs.

Okeke et al. (2024) investigated SMEs in Nigeria and located that methodical financial document-maintaining, which includes virtual documentation of revenues, expenses, and belongings, appreciably improved financial overall performance and stability. The observe determined that SMEs with specific data could put in force strategic financial management practices inclusive of updated budgeting, cost control, and revenue forecasting more effectively, resulting in higher profitability and decreased economic hazard. Basiru et al. (2023) emphasised that SMEs that institutionalize right accounting records can examine operational efficiency, enhance coins drift management, and help strategic growth tasks. Both studies highlight the significance of integrating contemporary document-retaining up to date also updated and structures, even though they warning that monetary literacy and technical capacity up-to-date large constraints for SMEs adopting these practices.

Ainembabazi (2022) explored SMEs in Uganda and concluded that regular financial report-retaining at once contributes up-to-date progressed monetary overall performance by means of enhancing tracking and reporting accuracy. The research up to dateupdated that SMEs up-to-date producing well timed income and loss statements, stability sheets, and cash go with the flow reviews were higher positioned updated make operational and funding choices that accelerated revenue and reduced unnecessary costs. Likewise, Wabwire (2022) analyzed Kasubi enterprise Centre SMEs and located that corporations with sturdy financial documentation structures up to dateupdated become aware of inefficiencies, keep away from monetary leakages, and respond proactively up to date economic demanding situations, in the long run main up-to-date better profitability. Those research updated exhibit that right report-maintaining is a critical enabler of financial control, making plans, and sustainability, however in addition they identify limitations which include insufficient infrastructure and low adoption of virtual accounting structures.

Zhang et al. (2022) assessed SMEs' asset-legal responsibility management and pronounced that meticulous economic document-keeping supports accurate dimension of monetary ratios, liquidity management, and debt manipulate, which appreciably enhance enterprise overall performance. similarly, Rosyidiana and Narsa (2024) examined MSMEs at some point of the put up-pandemic economic up to date duration and found that companies that maintained specific economic information had been higher up-to-date leverage digital economic gear up-to-date tune cash flows, control costs, and make informed strategic choices. each studies spotlight that financial file-maintaining is a foundational practice that at once impacts profitability, operational performance, and strategic making plans, whilst also noting that SMEs frequently face demanding situations updated record accuracy, records management competencies, and integration of modern-day accounting technology.

2.3 Research/ Literature Gap

The assessment of empirical studies on financial management practices and SME performance famous numerous know-how gaps. at the same time as studies constantly shows that budgeting, working capital management, and financial document-maintaining definitely have an impact on profitability, liquidity, and operational performance, maximum research recognition on technical factors of those practices without safely exploring how contextual factors, inclusive of managerial competence, virtual infrastructure, economic literacy, and socio-financial characteristics, moderate their effectiveness. Moreover, there's limited proof on the combination of modern-day virtual gear and management accounting offerings in resource-restricted SMEs, especially in developing countries, as well as a loss of longitudinal studies that song the long-time period impact of financial control practices on SME sustainability. furthermore, few research investigate the mixed effect of a couple of economic control practices on performance, leaving a gap in knowledge how those practices engage to persuade SME consequences in various marketplace and regulatory environments.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the research approach that was utilized. It outlined how this research was carried out. The sample size, study population, and study design are all included. Additionally, it covers the description of variables, the sampling process, research tools, data administration and analysis, ethical issues, and study constraints.

3.1 Research design and approach

This study adopted a cross-sectional survey research design, which allows for examining the relationship between financial management practices and the financial performance of SMEs in Wakiso district, without altering any of the variables. Through statistical analysis such as correlation and regression analysis, the study established both the degree and direction of the relationship between the aspects of financial management practices and measures of financial performance of SMEs. Cross-sectional design was suitable because it captures the current financial management practices among SMEs in their natural settings, providing real-life evidence of how SMEs utilize financial management practices to optimize their financial performance. Besides, it is cost-effective, saves time, and enables the formation of empirical data that can direct financial management practices and policy interventions to enhance the financial performance of SMEs in Bweyogerere, Wakiso (Patrik & Ugo, 2019).

Furthermore, a quantitative research approach was also used in this study, which is concerned with collecting and analyzing numerical data to make numerical values to account for relationships between financial management practices and financial performance of SMEs. Data was collected systematically using structured questionnaires filled in by owners or managers of selected SMEs. Statistical techniques, including correlation and regression analysis, were applied to explore the degree to which financial management practices influence financial outcomes. The quantitative approach was appropriate since it facilitates precise measurement, testing of hypotheses, and objective evaluation of the association between variables (Leedy & Ormurd, 2013).

3.2 Area of the study

This study was carried out in Bweyogerere, Wakiso District, Central Uganda. Wakiso district was selected because SMEs in this area have experienced notable challenges in financial performance, particularly in areas such as profitability levels, liquidity levels, cost efficiency, and sales growth.

3.3 Study population

The population, according to Trochim (2006), is the group from which a researcher wishes to draw a sample in order to draw generalizations. According to Wakiso Town Council (WTC) records

(2025), there are approximately 200 registered SMEs dealing in different businesses operating in Bweyogerere, Wakiso district and these were included in the study as the target population.

3.4 Sampling procedure and sample size

According to (Creswell, 2012), a sample is a subgroup which is representative of the target population from whom findings can be generalized about the population. Therefore, sample size was determined by the sample calculation formula by Slovin's (1960) formula as follows;

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

"n" is sample size, "N" is population, "e" is error (0.05) or level of confidence 95%

"N" (population) = 200 registered SMEs operating in Bweyogerere

$$n = \frac{200}{1 + 200(0.05)^2}$$

$$n = \frac{200}{1 + 200(0.0025)}$$

$$n = \frac{200}{1 + 0.5}$$

$$n = \frac{200}{1.5}$$

n = 133 selected SMEs operating in Bweyogerere.

Therefore, the sample size was 133 registered SMEs operating in Bweyogerere, Wakiso district.

3.5 Sampling method

The researcher used simple random sampling to select the participants for the study. This method was applied by obtaining a list of the registered SMEs in Bweyogerere, Wakiso district from Wakiso Town Council records. A random selection process was then used to choose a representative sample of these SMEs, where each business, represented by either the owner or the manager, has an equal chance of being selected. Simple random sampling was appropriate in this case because it ensures unbiased selection, giving all registered SMEs in Bweyogerere, Wakiso district an equal opportunity to participate in the study, which enhances the generalizability of the findings.

3.6 Sources of data

Primary source: Primary date is essential for all fields of study since they offer exact information on the consequences of an experiment or observation. The researcher was able to gather information for their study's unique goals with the use of primary data. The researcher used questionnaires to gather the data on his own.

Secondary source: Information handled, collected, and maybe analyzed by someone other than the researcher is referred to as "secondary data". The most common secondary sources for historical research projects are scholarly publications and articles. The information was collected from previously published sources, including published papers, e-books, publications and journals. Documentary resources are categorized to assist the gathering of data and the interpretation of text (Mubazi 2008).

3.7 Data collection method

A survey was used to gather data for the study. These techniques for gathering data yielded details about financial management practices and the financial performance of SMEs.

3.7.1 Survey

A survey, according to Amin (2005), is a self-report study that is used to collect data regarding variables of interest. This study used a questionnaire survey to get quantitative information about the relationship between financial management practices and the financial performance of SMEs in Wakiso district with the selected business owners or managers. The questionnaire consisted of structured items designed to elicit responses regarding the study objectives. This survey method was used since it allows for the efficient collection of large-scale data, enabling the researchers to quantify trends, correlations, and patterns related to financial management practices and the financial performance of SMEs.

3.8 Data collection instrument

Information was gathered for the study using a structured questionnaire.

3.8.1 Questionnaires

Closed-ended questions and a list of possible answers were included in the questionnaires. Respondents were requested to select the response that best expresses their thoughts on the circumstance and the subject under inquiry (Mugenda & Mugenda, 2005). Responses were limited to the items on the questionnaire, which was uniform and inflexible. This assists to enlist validity and control of the extraneous factors (Sarantakos, 2005). To gather data on the topic, a structured questionnaire with sections based on study factors were produced. With response options like (5) strongly agree, (4) agree, (3) not sure, (2) disagree, and (1) strongly disagree, it used a five-point Likert scale. Since it gives responders with a number of options and facilitates tabulation of the collected data for comparison, the Likert format was chosen. With their permission, the questionnaire was utilized to gather information from the 133 owners or managers of the selected SMEs in Bweyogerere, Wakiso district.

3.9 Data collection procedure

The researcher obtained an introductory letter from the School of Business at Uganda Christian University upon successful defense of the research proposal. This letter was presented to the owners of the selected SMEs in Bweyogerere, Wakiso district, to formally request permission to conduct the study. On getting approval, the researcher dispensed dependent questionnaires to those proprietors or managers of the selected SMEs. Facts collection started out best after acquiring informed consent from all contributors, ensuring confidentiality, ethical compliance, and voluntary participation at some stage in the process.

3.10 Validity and reliability of the research instruments

3.10.1 Validity

Validity was assessed to decide if the questions successfully capture the intended statistics (Sürücü & Maslakçi, 2020). Research specialists examined the questions to assess their capacity to capture the supposed responses. A content Validity Index (CVI) was computed to set up the validity of the studies instrument. The researcher used the method under to determine the validity of the research devices.

$$\text{Content validity Index (CVI)} = \frac{\text{Relevant items by all judges as suitable}}{\text{Total number of items judged.}}$$

3.10.2 Reliability

Reliability in research pertains to the consistency, balance, and dependability of studies effects, reflecting how nicely survey outcomes can be replicated or reproduced beneath comparable situations or via one-of-a-kind researchers. The questionnaire's reliability was evaluated the use of Cronbach's coefficient alpha (Mellinger & Hanson, 2020). A pilot examine concerning 10 respondents was performed, and the reliability evaluation was accomplished the use of the Statistical package deal for the Social Sciences (SPSS). The following method could be used to calculate the Cronbach's coefficient alpha.

3.11 Data Analysis

3.11.1 Analysis of quantitative data

This changed into finished by using classifying respondents into categories called codes. The data processing segment concerned organizing and refining questionnaires, coding responses, and then tabulating and studying the data the usage of Statistical Package for Social Sciences (SPSS) model 20 (Jopling, 2019). SPSS changed into selected for its comprehensive variety of equipment, from basic tabulation to superior multivariate analysis, making it widely used for quantitative information analysis in academic and industrial settings. The software's efficiency in deciphering complex statistics and saving time in analysis is every other purpose for its selection through the researcher (Ali, 2020).

Information modifying became vital in the course of this procedure to detect and correct mistakes and omissions in the accrued uncooked facts. This scrutiny of completed questionnaires ensured accuracy, consistency with other accrued information, uniform facts entry, and proper employer to facilitate coding and tabulation (Pentang & Pentang, 2021).

Coding involves assigning numeric values or symbols to responses and categorizing them into awesome instructions or classes. The researcher ensured thoroughness and exclusivity, ensuring each reaction suits into best one class inside a fixed. Coding turned into crucial for efficient evaluation, condensing severa responses into a few lessons that include important information for analysis (Skinner, 2020).

3.12 Ethical Considerations

Ethics embody the recommendations that differentiate among proper and wrong behavior. They play an essential role in delineating appropriate from unacceptable behaviors (Pietilä et al., 2020). Adherence to ethical requirements safeguards in opposition to statistics fabrication or falsification, hence selling the pursuit of knowledge and truth, which is important in research (Chervenak & McCullough, 2021). The subsequent moral issues had been upheld;

To uphold privateness, the researcher ensured that each one private data accumulated from individuals was stored securely and handiest used for the purposes mentioned inside the studies. No unauthorized people had access to the information, and all statistics was treated with strict adherence to privateness laws and guidelines to prevent misuse.

Concerning knowledgeable consent, the researcher provided all contributors with clear, targeted facts about the cause of the examinable, what participation involves, and any ability risks involved. Contributors have been requested to sign a consent form, confirming that they completely understood the look at and agreed to participate voluntarily.

For anonymity, the researcher ensured that participants' identities had been not found out in any a part of the research document. Any figuring out facts become removed or coded in this kind of way that person members couldn't be traced or identified by using absolutely everyone studying the final document.

To maintain confidentiality, the researcher ensured that any non-public data gathered become simplest on hand to the studies crew and become kept cozy. Contributors' responses were not disclosed to 1/3 parties, and statistics was used completely for research purposes in aggregated or anonymized shape.

With the intention to keep away from plagiarism, the researcher ensured that everyone sources of records, thoughts, or statistics from different researchers or publications have been well credited thru correct citations and references. Any direct quotes were clearly marked and attributed to their original sources to maintain academic integrity.

Finally, throughout the research process, the researcher maintained an ethical approach by following institutional guidelines and upholding principles of respect and fairness, ensuring the protection of participants' rights and the integrity of the research findings.

3.13 Limitations and delimitations of the study

Because they are unsure of where the information would be used, some respondents were reluctant to divulge information. This was resolved by acquiring an introductory letter from the university and by virtue of its outstanding reputation as a learning institution in the study area.

The researcher was also limited by the funds needed to support the study, which included paying for printing, convincing respondents, transportation to the institution to collect data, is also likely to be a constraint on the researcher. However, the researcher organized financial support from well-wishers, including family, through self-initiatives and methods.

Finally, owing to responder conditions such as travel, illness, hospitalization, or refusal/ withdrawal to participate, not all questions were answered.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

The results of the analysis conducted to look at the particular goals of the study and in relation to the examined literature are presented and discussed in this chapter. Owners or managers of the chosen registered SMEs operating in Bweyogerere, Wakiso district, were asked to complete questionnaires as part of the study. Tables are used in the presentation of the results to aid in understanding and clarity.

4.1 Response rate

Table 1: Response rate for questionnaires

Response Rate	**Sample Size**	
	Frequency	**Percentage (%)**
Received	120	90.2%
Non Response	13	9.8%
Expected Response	133	100.0%

Source: *Primary data*

From the table above, it can clearly be seen that out of 133 selected SMEs each represented by the owner or manager of the business, 120 of them responded to the questionnaire giving a response rate of 90.2%, whereas 13 of them did not respond to the study giving a non-response rate of 9.8%. Therefore, a response rate of 90.2% was reliable enough for the research to obtain valid and reliable information for this research. The main reasons why the researcher was unable to collect data from all the businesses, is because some respondents were not willing to provide information citing that they were busy yet the researcher was also working on a tight schedule to meet the deadline of research submission.

4.2 Descriptive analysis of the demographic characteristics of respondents

The owners and managers of the chosen registered SMEs in Bweyogerere, Wakiso district, were identified by the researcher based on their gender, age, highest level of formal education, type of business, and length of time in operation.

Table 2: Showing of demographic characteristics of respondents

Item	**Description**	**Frequency**	**Percentage (%)**

Gender	Male	67	55.8
	Female	53	44.2
	Total	**120**	**100.0**
Age	21-30 years	36	30.0
	31-40 years	50	41.7
	41-50 years	22	18.3
	Above 50 years	12	10.0
	Total	**120**	**100.0**
Level of education	Primary	22	18.3
	Secondary	46	38.3
	Tertiary	38	31.7
	Others	14	11.7
	Total	**120**	**100.0**
Type of business	Segmented businesses	51	42.5
	Assorted Merchandize	69	57.5
	Total	**120**	**100.0**
Period spent operating the business	1-5 years	38	31.7
	6-10 years	58	48.3
	Above 10 years	24	20.0
	Total	**120**	**100.0**

Source: *Primary data*

According to the findings, the number of males among the respondents was 55.8%, followed by females at 44.2%. This means that men have the upper hand when it comes to owning and managing SMEs in Bweyogerere, but there is also a considerable number of women involved in the venture, indicating an effort to involve women in entrepreneurship.

A considerable number of the respondents was aged between 31-40 years at 41.7%, followed by 21-30 years at 30.0%, then 41-50 years at 18.3% and above 50 years at 10.0%. This indicates that a considerable number of the SME owners and managers in the community are middle-aged and productive, especially those aged 31-40 years.

Respondents with secondary education represented the largest group, accounting for 38.3% of the total number of respondents, followed by those with tertiary education, representing 31.7% of the total number of respondents. Primary education accounted for 18.3%, while others constituted 11.7%. It implies that majority of the respondents have attained a certain educational level which is important for effective business management. Secondary and tertiary education levels imply that the respondents have sufficient skills for reading and writing, making it easy for them to conduct financial transactions within their businesses.

Furthermore, assorted merchandise businesses accounted for the highest percentage among respondents' businesses, accounting for 57.5%, followed by segmented businesses which constituted 42.5% of respondents' businesses. It means that assorted merchandise businesses are more popular in Bweyogerere. One reason for this trend might be that assorted merchandise businesses require low capital investments, can serve different customers, and have greater flexibility.

Finally, majority of the participants had been running their operations for 6 to 10 years with 48.3% while a smaller majority had been doing their business from 1 to 5 years with 31.7%. Also, there were some businesses that have been running their operations for more than 10 years. Majority of the respondents having 48.3% running their operations for six to ten years means that many SMEs are now stable in their business ventures. The smaller majority of the respondents with 31.7% having operated for 1 to 5 years implies the continuous existence of entrepreneurship in the market environment.

4.3 Relationship between budgeting practices and financial performance of SMEs

Table 3 summarizes respondents' responses on the relationship between budgeting practices and financial performance of SMEs in Wakiso district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 3: Relationship between budgeting practices and financial performance of SMEs

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F	F	F	F	F

	(%)	(%)	(%)	(%)	(%)
Our business prepares a budget at the beginning of each financial period.	32 26.7%	55 45.8%	00	22 18.3%	11 9.2%
Budgeting helps us control unnecessary expenditures in the business.	35 29.2%	35 29.2%	15 12.5%	23 19.2%	12 10.0%
We regularly compare actual financial results with the budget.	44 36.7%	55 45.8%	00	21 17.5%	00
Budgeting improves the allocation of financial resources in our business.	50 41.7%	32 26.7%	00	20 16.7%	18 15.0%
Our business reviews and adjusts budgets when necessary.	44 36.7%	44 36.7%	00	32 26.7%	00
Budgeting supports effective financial decision-making in our business.	33 27.5%	55 45.8%	00	22 18.3%	10 8.3%

Source: *Primary data*

Table 3 represents the descriptive statistics on the relationship between budgeting practices and financial performance of SMEs in Wakiso district. The results showed that 72.5% of the respondents confirmed that there was preparation of a budget by the business before commencement of operations within any particular financial period, while 27.5% disagreed. From the above result, we can deduce that most SME owners value budget preparation as an important financial tool. However, this indicates that while adopting budgeting improves financial planning and control and therefore financial performance, lack of budgeting exposes some businesses to financial problems and misuse of resources.

As for the question concerning the ability of budgeting to help in controlling unnecessary expenditure in the business, 58.4% of the respondents agreed, 29.2% disagreed, while 12.5% were undecided. From this result, although majority believe in the use of budgeting to control costs, a substantial number doubt the efficiency of budgeting in achieving cost controls. This means that effective budgeting leads to minimization of wastage and hence maximizes profit-making capacity in the business.

Furthermore, the results have revealed that 82.5% of the respondents agreed to the extent to which they were comparing the financial results against the budget on an ongoing basis, while 17.5% disagreed. This shows that most of the small enterprise owners are involved in the process of budgeting and performance evaluation. It means that comparison of actual versus planned figures on a consistent basis will ensure better financial control and performance.

Further, the research results have revealed that 68.4% of the respondents agreed to the extent to which budgeting helped them in allocating the financial resources in a proper manner within the business entity, while 31.7% disagreed. This indicates that most of the respondents viewed budgeting as an important tool for improving efficiency of resource utilization within a business organization; however, a significant number of respondents were not convinced about the same.

From the analysis, it is clear that 73.4% of the respondents agreed that the business reviews and changes its budget depending on its needs, while 26.7% disagree. This shows that the majority of SME owners use flexible financial planning techniques where the budget can be changed when needed depending on business activities. This shows that regular budget review promotes flexibility in dealing with any financial issues that may arise.

The results also show that 73.3% of the respondents agree that the budget process helps the business owner to make better financial decisions, while 26.6% disagree. The implication of this result is that many of the SME owners use the budget process in the business as a means of making financial decisions. The reason for this is that budgeting provides a basis for making sound financial decisions.

Generally, the results show a very close positive correlation between budgeting practices and the financial performance of SMEs in Wakiso district because of the higher percentages for all responses except one. This is due to the fact that budgeting improves financial planning, financial control, allocation of resources, performance evaluation, and decision making, which lead to improved business performance. The findings of the study concerning the relationship between budgeting practices and financial performance of SMEs in Wakiso district were further determined using Pearson’s correlation that was conducted as shown below;

Table 4: Pearson’s correlation on budgeting practices and financial performance of SMEs

Correlations

		Budgeting practices	Financial performance of SMEs
Budgeting practices	Pearson Correlation	1	.766**
	Sig. (2-tailed)		.000
	N	120	120
Financial performance of SMEs	Pearson Correlation	.766**	1
	Sig. (2-tailed)	.000	
	N	120	120

**. Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between budgeting practices and financial performance of SMEs in Wakiso district. This relationship is affirmed by r-values of 0.766** with significant p-values of 0.000 at the level of 0.05 (2-tailed) (r = .766**, $p < .05$). This implies that effective budgeting practices strongly enhance the financial performance of SMEs, suggesting that the more businesses adopt structured budgeting processes such as planning, monitoring, and controlling financial resources, the more likely they are to achieve improved profitability, efficiency, and overall financial stability.

4.4 Relationship between working capital management and financial performance

Table 5 summarizes respondents' responses on the relationship between working capital management and financial performance of SMEs in Wakiso district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 5: Relationship between working capital management and financial performance

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F	F	F	F	F

	(%)	(%)	(%)	(%)	(%)
Our business effectively manages cash flow to meet daily operations.	53 44.2%	42 35.0%	00	25 20.8%	00
We collect payments from customers within the agreed time.	60 50.0%	36 30%	00	24 20.0%	00
Our business maintains an appropriate level of inventory.	33 27.5%	44 36.7%	00	22 18.3%	21 17.5%
We are able to meet short-term financial obligations when due.	49 40.8%	53 44.2%	00	18 15.0%	00
Proper working capital management has improved our profitability.	32 26.7%	57 47.5%	00	20 16.7%	11 9.2%
Our business regularly monitors cash inflows and outflows.	48 40.0%	52 43.3%	00	20 16.7%	00

Source: *Primary data*

Table 5 represents the descriptive statistics on the relationship between working capital management and financial performance of SMEs in Wakiso district. It was found that 79.2% of the respondents strongly agreed that their firms efficiently manage cash flow for meeting operational activities; while 20.8% of the respondents disagreed with the statement. Thus, it can be stated that majority of the SMEs' owners understand the significance of proper cash flow management in order to carry out their operations. This means that efficient cash flow management enables the smooth functioning of operations, eliminates any potential liquidity shortage, and increases chances of sustainability for firms.

In another question, it was observed that 80.0% of the respondents strongly agreed that they receive payment from the clients in the agreed period of time. It indicates that the majority of SMEs have efficient credit control systems for receiving payments. This implies that effective receipt of payments will increase their financial stability.

Furthermore, the study revealed that 64.2% of the respondents concurred with the assertion that their company holds appropriate inventory levels, while 35.8% of them were against the idea. It means that while many small and medium-sized enterprises can appropriately control their inventory levels, some still struggle to do so. Proper inventory management ensures that firms do not hold too much or too little inventory, which is cost-effective, efficient, and enhances financial performance. Conversely, poor inventory management practices will negatively impact financial performance by causing inefficiencies and losses.

The research established that 85.0% of the respondents agreed with the assertion that they could satisfy their short-term financial obligations, while 15.0% disagreed with the claim. This shows that most SMEs have sufficient liquid funds to settle their short-term obligations. Adequate liquidity facilitates timely obligations payment, which enhances business reputation, avoids late fees, and sustains business continuity.

Moreover, it was found that 74.2% of the respondents believe that correct management of working capital has improved their profitability while 25.9% respondents were against this proposition. Therefore, it seems that the major portion of respondents considers the impact of working capital management on the profitability of the business. In this case, effective management of current assets and liabilities improves the efficiency in using financial resources resulting in better profitability of the businesses.

In addition, it has been found that 83.3% respondents agreed that they keep an eye on their cash inflow and outflow in their business regularly while 16.7% were not convinced with this notion. It shows that most of the SME owners make sure of keeping a check on financial transaction in order to have effective financial control over their finances.

In conclusion, the findings show that the use of working capital management is strongly positively correlated with the performance of SMEs in Wakiso district based on the high agreement among respondents regarding all the statements. From the findings, it is clear that effective cash flow management, efficient collection of accounts receivable, efficient inventory management, ability to pay for short-term debts, and tracking cash flows are essential aspects that help in improving the performance of SMEs. The findings of the study concerning the relationship between working capital management and financial performance of SMEs in Wakiso district were further determined using Pearson's correlation that was conducted as shown below;

Table 6: Pearson's correlation on working capital management and financial performance of SMEs

Correlations

		Working capital management	Financial performance of SMEs
Working capital management	Pearson Correlation	1	.792**
	Sig. (2-tailed)		.000
	N	120	120
Financial performance of SMEs	Pearson Correlation	.792**	1
	Sig. (2-tailed)	.000	
	N	120	120

**. Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between working capital management and financial performance of SMEs in Wakiso district. This relationship is affirmed by r-values of 0.792** with significant p-values of 0.000 at the level of 0.05 (2-tailed) (r = .792**, p < .05). This implies that effective working capital management significantly enhances the financial performance of SMEs, indicating that enterprises that efficiently manage cash flow, receivables, payables, and inventory are more likely to achieve improved liquidity, profitability, and overall financial stability.

4.5 Relationship between financial record keeping and financial performance of SMEs

Table 7 summarizes respondents' responses on the relationship between financial record keeping and financial performance of SMEs in Wakiso district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 7: Relationship between financial record keeping and financial performance

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)

Our business keeps accurate and up-to-date financial records.	32 26.7%	55 45.8%	00	22 18.3%	11 9.2%
Financial records help us track income and expenditures.	44 36.7%	55 45.8%	00	21 17.5%	00
Our business maintains records of all financial transactions.	50 41.7%	32 26.7%	00	20 16.7%	18 15.0%
Record keeping supports informed decision-making in the business.	44 36.7%	44 36.7%	00	32 26.7%	00
Financial records are reviewed regularly for accuracy.	33 27.5%	55 45.8%	00	22 18.3%	10 8.3%
Proper record keeping helps in preparing financial reports.	54 45.0%	46 38.3%	00	20 16.7%	00

Source: *Primary data*

Table 7 represents the descriptive statistics on the relationship between financial record keeping and financial performance of SMEs in Wakiso district. From the data collected, it was clear that 72.5% of the respondents felt that the company kept accurate and updated financial records while 27.5% did not agree with this view. It is evident that the majority of SME owners appreciate the need for keeping accurate and updated financial records even though some do not keep records.

According to the findings, 82.5% of the respondents agreed that financial records enable them to monitor their income and expenditure while 17.5% disagreed with this view. The data collected indicates that SMEs utilize financial records as a vital instrument in monitoring financial operations. From this, it can be said that the ability to effectively monitor financial income and expenditure helps a company determine its profitability and manage costs better.

Moreover, it was evident from the analysis that 68.4% of the respondents were of the opinion that their business documents all financial transactions, but 31.7% of the respondents were against the statement. This shows that despite the fact that most SMEs document all financial transactions, a considerable percentage does not have documentation of their financial transactions. This means that proper documentation of financial transactions contributes to better financial performance, as it increases accountability, minimizes chances of making mistakes in financial calculations, and makes it easy to prepare financial statements.

Additionally, it is worth noting that 73.4% of the respondents were of the opinion that record keeping contributes to sound decision making in the business, but 26.7% were opposed to the statement. This clearly shows that most SME owners understand the contribution of financial records in decision making.

It was also discovered that 73.3% of the respondents were in agreement with the idea that financial records are regularly checked for accuracy, and 26.6% disagreed with the statement. This means that the majority of SMEs undertake regular checks on their financial records; however, some of them are not engaged in such an activity. It means that the regular checking of financial records helps detect mistakes and makes data more accurate, and therefore improves financial control and performance.

Additionally, it can be concluded that 83.3% of the respondents agreed that the process of proper record keeping is essential in financial reporting. The remaining 16.7% did not agree with this statement. This means that most owners of SMEs understand the importance of record keeping as a necessary procedure that facilitates the process of financial reporting. This means that record keeping allows simplifying the process of creating financial statements.

In general, it can be seen that there is a very strong positive correlation between financial record keeping and financial performance in SMEs in Wakiso. This is because of the fact that all the percentages are very high. It shows that there is improvement in financial performance of businesses due to financial record keeping as it makes business monitoring easier, helps in making good decisions and leads to effective accounting. The findings of the study concerning the relationship between financial record keeping and financial performance of SMEs in Wakiso district were further determined using Pearson's correlation that was conducted as shown below;

Table 8: Pearson's correlation on financial record keeping and financial performance of SMEs

Correlations

		Financial record keeping	Financial performance of SMEs
Financial record keeping	Pearson Correlation	1	.785**
	Sig. (2-tailed)		.000

	N	120	120
Financial performance of SMEs	Pearson Correlation	.785**	1
	Sig. (2-tailed)	.000	
	N	120	120

**. Correlation is significant at the 0.05 level (2-tailed).

Source: *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between financial record keeping and financial performance of SMEs in Wakiso district. This relationship is affirmed by r-values of 0.785** with significant p-values of 0.000 at the level of 0.05 (2-tailed) (r = .785**, $p < .05$). This implies that effective financial record keeping greatly enhances the financial performance of SMEs, meaning that enterprises that maintain accurate, complete, and up-to-date financial records are more likely to improve decision-making, ensure accountability, and achieve greater profitability and financial stability.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter includes the discussion of findings in relation to the literature. It also summarizes all findings reported in chapter four according to questions of the study, draws conclusions, suggests recommendations and also proposes some areas for further study.

5.1 Summary of findings

The outcome of the descriptive statistics and Pearson's correlation shows a very strong positive relationship and significance of budgeting practices on the financial performance of SMEs in the Wakiso district. From the responses received, the majority of the participants were in agreement with the view that budgeting contributes positively to activities like planning, cost control, allocation of resources, performance evaluation, and decision-making while a small group had doubts on its effectiveness and application. High levels of agreement were shown on all the questions, thereby showing that SMEs that adopt budgeting practices will have better financial results. This view was confirmed by the correlation outcome, as there was shown to be a strong positive correlation between budgeting practices and financial performance of the firms ($r = .766^{**}$, $p < .05$).

Additionally, the results obtained from the two analyses, the descriptive and Pearson's correlation analyses, show that there exists a very strong positive and statistically significant relationship between working capital management and the financial performance of SMEs in the district of Wakiso. It is evident from the responses obtained from the questionnaires that the respondents believe that good working capital management practices, including cash flow management, prompt payment of accounts receivable, inventory management, settlement of short-term debt obligations, and regular cash flow monitoring, have a crucial role to play in improving business performance and financial management within organizations. Although there was an insignificant number of respondents who faced problems in certain aspects of working capital management, such as inventory management, the agreement on all statements was remarkably high. This implies that businesses that efficiently manage their working capital tend to improve their liquidity position, profitability, and efficiency in business. This is proven by the Pearson's correlation test, where a very strong positive relationship was found to exist between working capital management and financial performance ($r = .792^{**}$, $p < .05$).

Finally, the results obtained from both the descriptive analysis and the correlation analysis by means of Pearson Correlation show that there is a positive relationship and significance between financial record keeping and financial performance of SMEs in Wakiso district. Most of the respondents agreed that good record keeping, including keeping accurate financial records, recording revenues and expenditure, documenting financial activities, helping in decision making, verifying records regularly, and conducting financial reporting has a great impact in making SMEs efficient and perform better, although some few respondents disagreed with some aspects of record keeping. All the respondents had high levels of agreement in relation to the statements indicating that SMEs with good financial records have higher chances of accountability, financial control, and better performances. The results from the correlation analysis, on the other hand, reveal that there is a strong positive correlation between financial record keeping and financial performance ($r = .785^{**}$, $p < .05$).

5.2 Discussion of findings

5.2.1 Relationship between budgeting practices and financial performance of SMEs

The study findings discovered that budgeting practices have a robust tremendous and sizeable courting with the monetary performance of SMEs in Wakiso district, mainly thru advanced making plans, value manipulate, resource allocation, and choice-making. The findings relate with the literature by Okeke et al. (2024) who established that strategic budgeting complements economic balance and performance of SMEs with the aid of permitting higher forecasting and efficient allocation of assets. Further, Sunday et al. (2022) discovered that sound financial control practices, such as budgeting, extensively enhance SME overall performance in Uganda. in addition, Wabwire, B. (2022) stated that SMEs that adopt based budgeting practices are more likely to achieve higher profitability and sustainability. Those studies support the contemporary findings by using emphasizing that budgeting is an essential tool for boosting financial results in SMEs. The observe findings similarly discovered that SMEs that actively engage in budgeting practices revel in advanced economic outcomes due to better monitoring and control of financial activities. The findings relate with the literature by way of Al-Hashimy et al. (2022) who stated that financial control factors, together with budgeting, notably have an impact on organizational performance via progressed economic subject and choice-making. Likewise, Kataike et al. (2024) determined that powerful monetary management practices undoubtedly affect enterprise overall performance with the aid of enhancing efficiency and aid utilization. but, the findings slightly comparison with Msomi and Olarewaju (2021) who argued that financial sustainability of SMEs isn't completely depending on budgeting practices however also prompted by external factors together with marketplace conditions and get right of entry to to finance, suggesting that budgeting by myself might not guarantee stepped forward overall performance.

The study findings also found out a strong fine correlation among budgeting practices and financial performance ($r = .766^{**}$, $p < .05$), confirming that effective budgeting considerably complements profitability, performance, and financial balance amongst SMEs. The findings relate with the literature by Nkwinika and Akinola (2023) who emphasized that right monetary control practices, along with budgeting, are critical for enhancing SME performance and lengthy-time period sustainability. In addition, Mang'ana et al. (2023) found a positive dating between economic management practices and SME performance in Tanzania. However, the findings differ from Yakob et al. (2021) who advised that monetary literacy plays a more dominant function than particular practices like budgeting in influencing SME overall performance, indicating that without adequate monetary knowledge, the effectiveness of budgeting practices can be confined.

5.2.2 Relationship between working capital management and financial performance of SMEs

The observed findings discovered that working capital management has a sturdy effective and widespread dating with the monetary performance of SMEs in Wakiso district; especially via effective cash float management, well timed collection of receivables, and the potential to satisfy short-term duties. The findings relate with the literature by using Ainembabazi (2022) who installed that proper management of operating capital components along with coins and receivables significantly improves the overall performance of SMEs in Uganda. In addition, Zada et al. (2021) determined that green financial management practices, which include running capital control, contribute to the increase and sustainability of small and medium enterprises via enhancing liquidity and operational performance. Those research aid the cutting-edge findings through emphasizing that powerful management of quick-time period property and liabilities is critical for improving SME monetary outcomes.

The findings further discovered that SMEs that actively reveal coins inflows and outflows and preserve appropriate inventory levels are much more likely to gain progressed profitability and operational performance, although a few organizations still face challenges in inventory control. The findings relate with the literature by using Basiru et al. (2023) who stated that strategic monetary management practices in emerging markets, together with operating capital manage, play an important role in improving business performance and profitability. Further, Gyamera et al. (2023) highlighted that powerful monetary management practices supported by means of proper systems notably improve SME economic performance. but, the findings vary from Zhang et al. (2022) who argued that economic overall performance is greater strongly inspired through broader monetary shape factors such as asset-legal responsibility ratios rather than only working capital management, suggesting that focusing completely on working capital might not completely determine enterprise overall performance.

The findings also discovered a robust positive correlation between working capital management and economic overall performance ($r = .792^{**}$, $p < .05$), confirming that green control of present day belongings and liabilities extensively enhances SME overall performance and sustainability. The findings relate with the literature by Tayebwa et al. (2025) who emphasized that financial control competence, consisting of running capital management, is a key determinant of SME achievement and monetary balance. Likewise, Rosyidiana and Narsa (2024) observed that improved financial control practices make contributions to higher performance effects for SMEs, mainly in dynamic economic environments. However, the findings evaluation with Oppong et al. (2023) who cautioned that financial literacy and funding choices can also have a more direct influence on economic performance than unique practices like working capital management, indicating that without adequate know-how, the advantages of working capital practices might not be fully realized.

5.2.3 Relationship between financial record keeping and financial performance of SMEs

The findings revealed that economic record retaining has a robust advantageous and widespread courting with the economic performance of SMEs in Wakiso district, in particular via preserving correct information, tracking earnings and expenditures, and helping decision-making. The findings relate with the literature via Mang'ana et al. (2023) who mounted that right economic control practices, together with file maintaining, notably beautify the performance of SMEs with the aid of improving responsibility and financial control. Similarly, Tharmini and Lakshan (2021) determined that financial document maintaining plays a vital position in enhancing organizational legitimacy and performance by making sure transparency and reliability of monetary facts. Those studies are steady with the modern findings, confirming that correct report preserving is vital for improving SME financial outcomes.

The findings similarly discovered that SMEs that often assessment monetary facts and preserve whole documentation of transactions are much more likely to obtain higher monetary performance, although a few gaps nonetheless exist amongst some groups. The findings relate with the literature by means of Zayed et al. (2022) who cited that powerful monetary management structures, which include right documentation and record protection, are key determinants of financial stability and overall performance in SMEs. In addition, Nkwinika and Akinola (2023) emphasised that preserving right economic facts permits SMEs to monitor performance, comply with guidelines, and make knowledgeable choices. But, the findings vary from Yakob et al. (2021) who argued that financial literacy has a greater large effect on SME performance than report preserving practices by myself, suggesting that without ok monetary understanding, record retaining won't fully translate into advanced overall performance.

The findings also discovered a strong high quality correlation among economic document keeping and economic performance ($r = .785^{**}$, $p < .05$), confirming that effective file retaining considerably complements SME overall performance and sustainability. The findings relate with the literature by using Al-Hashimy et al. (2022) who determined that financial management elements, along with right document keeping, considerably affect organizational overall performance through improved economic selection-making and control. Likewise, Basiru et al. (2023) highlighted that robust monetary management strategies, inclusive of systematic document retaining, are critical for improving performance and profitability in emerging markets. however, the findings assessment with Msomi and Olarewaju (2021) who advised that SME economic sustainability is inspired by means of a combination of inner and external elements, implying that file keeping on my own may not completely decide monetary performance.

5.3 Conclusions

This study therefore shows that budgeting practices are important in ensuring improved financial performance in SMEs in Wakiso district. Companies that incorporate budgeting practices in their operations are likely to plan effectively, exercise cost control, resource allocation, performance monitoring, and financial decision-making. These budgeting practices ensure that SMEs minimize financial uncertainties and operate efficiently. As a result, this ensures that SMEs are profitable and sustainable in the long run. This implies that budgeting is important for the performance of SMEs in financial management.

Another conclusion from the study is that proper working capital management practices improve financial performance in SMEs. Working capital involves management of cash flow, management of accounts receivable, managing inventory, and management of short-term liabilities. Effective management of these components ensures that the business maintains high levels of liquidity and operates smoothly. SMEs that manage their working capital effectively are able to meet their financial obligations, reduce risks, and achieve profits.

Finally, the conclusion drawn from this research shows that financial record keeping is an important determining factor in financial performance in SMEs in Wakiso district. The maintenance of accurate and updated financial records helps companies keep track of their financial transactions, make decisions, be accountable, and generate accurate financial statements. An SME that keeps accurate financial records will most likely succeed in financial management and will sustain itself. This makes financial record keeping a critical aspect for improvement in SMEs.

5.4 Recommendations

Based on the findings of the study, the following recommendations have been found necessary concerning the effect of financial management practices on the financial performance of small and medium enterprises (SMEs) in Wakiso district.

SMEs within Wakiso district are advised to improve their budgeting techniques by preparing and adopting budgets that are formalized and structured, prepared in advance at the start of each accounting period and used as a mechanism of planning and control over business operations.

The owners and managers are supposed to continuously evaluate their budgets with a view to reflecting any changes brought about by the operating environment of the businesses. This will enable the companies to operate effectively while avoiding unnecessary business risks.

SMEs in the region need to adopt effective working capital management strategies through close cash flow management, timely payment of accounts receivable and appropriate maintenance of inventories.

The need arises for SME business owners to set financial policies and procedures concerning credit management and debt collection practices. It will lead to financial efficiency, reduction in losses, and an improvement in the profitability of businesses.

The proper maintenance of financial records needs to be taken seriously by SMEs because of its importance. It entails keeping financial records up to date for purposes of decision making and reporting.

5.5 Areas for further research

Since this study aimed at examining the effect of financial management practices on the financial performance of small and medium enterprises (SMEs) in Wakiso district, the study recommends that;

Future research can focus on the influence of financial management practices on other measures of non-financial performance in SMEs, including customer satisfaction, growth, and competitiveness. Additional research may be conducted on the influence of financial literacy and managerial competence in affecting the implementation and effectiveness of financial management practices in SMEs, especially in various parts of Uganda.

Further research may also be undertaken to analyze how external influences like the availability of capital, government policies, and market situations affect the link between financial management practices and financial performance in SMEs.

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APPENDICES

Appendix 1: Questionnaire

For Selected Owners or Managers of Selected SMEs Bweyogerere, Wakiso district

Dear respondent,

I am Nausindo Matina Sheeba a student of Science in Accounting and Finance at Uganda Christian University conducting research on "The effect of financial management practices on the financial performance of Small and Medium Enterprises in Wakiso 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 you for your cooperation.

Section A: Personal Background Information

Tick where applicable

1. What is your gender?

a) Male ☐ b) Female ☐

2. What is your age group?

a) 21-30 years ☐ b) 31-40 years ☐

c) 41-50 years ☐ d) Above 50 years ☐

3. What is your highest level of education?

a) Primary ☐ b) Secondary ☐

c) Tertiary ☐ e) Others specify:……………………………………

4. Which kind of business do you operate in Bweyogerere?

a) Assorted Merchandize ☐

b) Segmented Business ☐

5. How long have you been operating this business?

a) Less than 1 year ☐ b) 1-5 years ☐

c) 6-10 years ☐ d) Above 10 years ☐

Note: *In these subsequent sections, use the scale provided to tick in the box of the relevant answer that describes your opinion.* ***NB: 5=Strongly Agree, 4=Agree, 3= Not Sure, 2= Disagree and 1=Strongly disagree.***

Section B: Financial Management Practices

	Statements	**Responses**				
s. no	**Budgeting practices**	**5**	**4**	**3**	**2**	**1**
1	Our business prepares a budget at the beginning of each financial period.					
2	Budgeting helps us control unnecessary expenditures in the business.					
3	We regularly compare actual financial results with the budget.					
4	Budgeting improves the allocation of financial resources in our business.					
5	Our business reviews and adjusts budgets when necessary.					

6	Budgeting supports effective financial decision-making in our business.					
s. no	**Working capital management**	**5**	**4**	**3**	**2**	**1**
1	Our business effectively manages cash flow to meet daily operations.					
2	We collect payments from customers within the agreed time.					
3	Our business maintains an appropriate level of inventory.					
4	We are able to meet short-term financial obligations when due.					
5	Proper working capital management has improved our profitability.					
6	Our business regularly monitors cash inflows and outflows.					
s. no	**Financial record keeping**	**5**	**4**	**3**	**2**	**1**
1	Our business keeps accurate and up-to-date financial records.					
2	Financial records help us track income and expenditures.					
3	Our business maintains records of all financial transactions.					
4	Record keeping supports informed decision-making in the business.					
5	Financial records are reviewed regularly for accuracy.					
6	Proper record keeping helps in preparing financial reports.					

Section C: Financial Performance of SMEs in Wakiso District

	Statements	**Responses**				
s. no	**Financial performance of SMEs**	**5**	**4**	**3**	**2**	**1**
1	Our business has experienced growth in profits over time.					
2	The sales revenue of our business has increased in recent years.					
3	Our business is able to meet its financial obligations on time.					
4	The overall financial position of our business has improved.					
5	Our business has achieved its financial goals in recent periods.					
6	The business generates sufficient income to sustain its operations.					

Thank you very much for your cooperation