

**THE IMPACT OF FINANCIAL MANAGEMENT ON THE GROWTH OF
SMALL-SCALE BUSINESSES : A CASE STUDY OF MUKONO MUNICIPALITY
MUKONO CENTRAL DIVISION**

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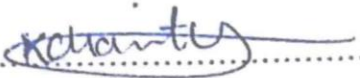


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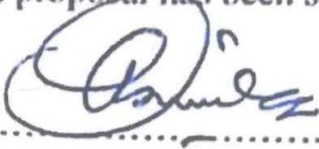
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APPROVAL

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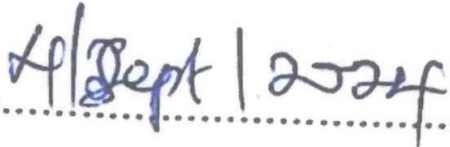
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ABSTRACT

This study is an examination of the impact of financial management on the growth and development of small-scale businesses in Mukono Municipality. Specifically, the study examined the financial management strategies, the limitations of financial management strategies and solutions and the financial. The study used a cross-sectional study design on a sample of 80 respondents. Data was collected by use of questionnaires analysed qualitatively and quantitatively. With the help of SPSS 17.0, quantitative data was analysed basing on mean and standard deviations. For qualitative data, it was interpreted by composing explanations and conclusions on how different variables were related. The study established that, Small-scale businesses in Mukono Municipality Central Division demonstrate a strong emphasis on budget creation, liquidity tracking, offering customer discounts, and managing payables and receivables efficiently, SME is performing well in terms of sales growth, market share, customer satisfaction, and customer acquisition and retention. However, there are areas for improvement, particularly in cash flow management and reducing variability in labor turnover perceptions. The study recommends that; businessmen and women in small businesses should establish different financing options for the growth and development of their businesses. Businessmen and women need to carry out record keeping for the growth of small businesses

CHAPTER ONE

1.0 Introduction

This chapter covers the background to the study, the research problem, statement of the study's objectives, the research questions, scope of the study, and the conceptual framework upon which the basis of the study is hinged.

1.1 Background to the Study

Financial management is a very important function in every organization, entailing planning, organizing, controlling, and monitoring of financial resources required to accomplish its objectives. It involves making informed decisions on how the money is to be apportioned, managed in terms of flow, opportunities for investment, and keeping costs in check. It shall include budgeting and forecasting, cash flow management, securing finances, adhering to legislation that may affect it, and financial analysis. All these activities ensure that the organization maintains good health to suit its operations and expansion plans for the future .

Budgeting and forecasting are two important aspects of finance management. Budgeting helps an organization to utilize its scarce resources to meet all the operational expenses and reinvest for future opportunities. Forecasting allows the organization to predict its financial situation at the end of a year and thus make conscious decisions that would allow the organization to prepare against adverse outcomes and develop strategies to reduce risks. This helps the business firm to remain liquid enough to avoid potential financial crises that could even lead to the loss of a business due to the inability to run the business effectively. It monitors, analyzes, and optimizes the inflow and outflow of funds so that enough cash is available to meet short-run obligations, such as paying suppliers and employees, with a minimum of liquidity problems. Cash flow management facilitates the grabbing of investment opportunities without overextending the resources of an organization. Often, cash flow forecasting, optimization of inventory levels, and negotiation for better credit terms with suppliers are used.

Securing financing is a key component of growth and innovation. Organizations consider several financing options, which range from bank loans to venture capital, crowdfunding, and government grants. Each option has its own set of prerequisites, costs, and advantages, and organizations weigh these against one another to decide which alternative best suits their needs. By maintaining good financial management, solid financial statements and a business plan will be presented to potential investors or lenders, heightening the potential to secure required funds. The organization must comply with the regulatory requirements also. Compliance with other financial legislations and tax laws as well as accounting standards will save the organization from its respective legal implications and/or loss of business reputation. It requires the books of account to be presented accurately and transparently and the internal controls in the entity to be sound. Regular audits are also required. The updates regarding the changes in regulation will keep it assured about the applicability of financial practices presently and in the future to the legal requirements or standards.

Financial analysis and performance monitoring are some of the means that help explain or portray financial health and operational efficiency. Routine examination of financial statements and KPIs enables organizations to pinpoint trends, strengths, weaknesses, and spots for improvement. This then allows the organization to make strategic decisions to enhance their financial performance. These businesses are usually constrained by limited resources and a relatively small workforce. Facing so many challenges may impede their growth and sustainability. In the case of Uganda, the small businesses include those operating in food processing, drinks and tobacco, textiles, clothing and footwear, sawmilling, paper and printing, chemicals, paint, soap and foam products. These businesses employed about 2,704,127 people, accounting for about 56 percent of the employment size. These enterprises are responsible for the development of human resources and entrepreneurs, the reduction of poverty, improvement in the quality of life, mobilization of resources, business adaptability, as well as business sustainability. In addition, Tushabomwe-Kazooba 2010

The success of financial management and the growth of small-scale businesses are closely related. Good financial management enables these firms to overcome the challenges that come along with maintaining the financial health while growing the business. Through good financial management practice, an SSB will be able to reinforce its financial stability and be viable over the long term. Proper financial management allows an SSB to know the costs and incomes so that operational problems are not magnified by financial mismanagement. This may even form a basis for making informed decisions regarding resource allocation, investment opportunities, and cost control that are important in the sustainability of business operations and the maintenance of competitiveness in the marketplace. In Mukono Municipality, the contribution of SMEs is also into the larger firm ecosystem. The net job creation usually by start-ups and younger firms, which are customarily small or micro enterprises. However, most of the new enterprises either fail during the first years of activity or remain extremely small. The high-growth firms, irrespective of age and industry, have a disproportionate contribution to employment creation (OECD, 2010b). The SMEs in this sector face challenges represented by sharp competition, shortage of general skills related to management, marketing, and financial planning, as well as a lack of access to market opportunities and competitive technology. These constraints substantially limit the productive capacity and efficiency of SMEs in Uganda, influencing their competitiveness within the context of globalization (UJA, 2008). This indicates that it is crucial for small-scale business sustainability and growth. Good financial management practices enable the SMEs to be healthy, operational, and competitive, while allowing plans for growth. If an SME can clear these particular challenges of budgeting and cash flow management, securing financing, compliance, and financial analysis, long-term success can be pursued with meaningful influence on economic growth and social inclusion.

1.2 Problem statement

As much as these small-scale businesses play a significant role in the economic development of Mukono Municipality, they have always remained at a low level of growth and sustainability because of poor financial management practices. Most of these enterprises have poor cash management practices that make them face liquidity problems, hence threatening to go out of operation. Besides, a general inability to manage debtors and balance payments with creditors exacerbates cash flow challenges and heightens the risk of insolvency. (Tushabomwe-Kazooba and Kemeza 2006). The overdependence on expensive credit exacerbates this situation as many operators of small-scale enterprises borrow without calculation or proper planning, thus indulging into an unsustainable debt burden. Continued mismanagement of financial resources is always an obstacle in fostering a rapid growth potentiality of these small-scale businesses in Mukono Municipality in terms of expansion, innovation, and competitiveness. This study will thus seek to establish the extent to which financial management practices impinge on growth in small-scale business enterprises in the municipality of Mukono, besides highlighting main areas that their improvement may in fact help contribute to increased economic resilience and growth within this sector.

1.3 The main objective of the study

The main objective of the study was to establish the impact of financial management on the growth of small-scale businesses in Mukono municipality

1.4 Specific objectives of the Study

- i. To find out the financial management practices used by small scale businesses in Mukono municipality central division**
- ii. To establish the limitation of the financial management practices used by small scale businesses in Mukono municipality central division**

iii. To find out the solutions to the limitations of the financial management practices used by small scale businesses in Mukono municipality central division

1.5 Research Questions

- i. What are the financial management practices used by small scale businesses in Mukono municipality?
- ii. What are the limitations of financial management practices used by small scale businesses in Mukono municipality?
- iii. What are the solutions to the limitations of financial management practices used by small scale businesses in Mukono municipality?

1.6 Significance of the Study

The study focused on the financial management in small-scale businesses in terms of financing options, record keeping, and cash flow management. This will help businessmen and women in instituting proper financial management that will enable help bring about the growth and development of their businesses. This will also provide new knowledge to researchers and academicians in extending and developing new knowledge on proper financial management. Thus, the results of the present study would be useful for the future researchers who would be interested in this area and also for other relevant areas. The findings may also help assess the effectiveness of financial management on growth and performance of businesses.

CHAPTER TWO

LITERATURE REVIEW.

2.0 Introduction

This chapter presents the literature review on the financial management and growth of businesses. It also deals with the actual review of literature that was done by previous scholars objective by objective and the gap available in the literature of previous studies. The rationale of the literature review is to discuss the existing literature with the objective of revealing contribution made by earlier scholars, weaknesses and gaps in existing knowledge and lessons learnt.

2. 1 Financial Management

Financial management means that area of function in an organization which is concerned with profitability, expenses and cash and credit so that the organization may have the means to carry out its objectives as satisfactorily . It also involves accounting, information management and planning. Sound financial management requires careful tracking and prudent management of financial resources and cash flows (Terry,2009).

Alisdair, 2008, expounds that financial Management, FM, is an on-going process and not something organisations do on ad hoc basis. This is one field of Finance that handles financial planning, financial risks management, financial analysis and control, financial accounting, and financial reporting. Financial planning is about identifying possible resources, planning organization's budget based on anticipated resources, and allocating this budget to appropriate, necessary, efficient, and timely expenditure. On the contrary, financial control deals with observing how the actual cash inflow and outflow compares with the budgeted cash flow. A control mechanism comes in when income and expenditures do not go as planned. This plays a vital role in financial reporting in financial management. In financial management, transparency is of utmost consideration.

2.2 Business Growth

Growth is an increase in some quantity over time. The quantity can be physical-for instance, growth in an amount of money-or it can be abstract-for example, a system becoming more complex,. It can also refer to the mode of growth, that is numeric models that describe how much a particular quantity grows over time . Generally, it is expected that a business that began on a smaller scale might experience higher rates of growth. It normally takes a very small firm less time to double in size compared to a larger one. A higher proportion of firms reporting low or negative growth rates increases with the increase in size of firm. On the other extreme end, high rates of growth are found to be highly frequent among those firms which started business with small capital.

According to Scott & Bruce, 2017, there are five stages of growth in small business. Accordingly, all businesses pass through distinctive stages each with its characteristics as they grow. This growth process can be likened to the product life cycle. Like products, businesses do not move through the cycle at the same speed but unlike most products businesses can stay in the same stage for a considerable period of time. In this cycle, the inception stage is the first. In this stage, the main efforts will hinge around developing a commercially acceptable product and establishing a place for it in the market-place. The survival stage is the second stage. With the survival stage, as the business expands the financing emphasis will swing to working capital and the need to finance increased inventories and receivables. Although more use may be made of creditor financing if the firm has established credibility with its suppliers, the owner and his personal sources of financing continue to bear the brunt. The third stage in the growth cycle according to Bruce is growth. With this stage, more time will have to be spent on coordinating the efforts of the functional managers. This will mean a more formal organization structure based on functional lines. Normal accounting systems will now be in place. The fourth stage is expansion. Here, budgetary control, regular management reports and decentralized authority accompanied by formalized accounting systems are the order of the day. The need to systemize most administrative functions will

be a fundamental to survival through this stage. Lastly, the fifth stage is maturity. At this stage, most companies in this stage are on the verge of moving out of being small businesses. The key issues facing management are expense control, productivity and finding growth opportunities.

2.3 Financial management practices used by small scale businesses
Financial management is the basis for viability and multi-facet growth in small-scale business activities. Good financial management practices are those that allow small businesses to be efficient in resource allocation, as well as ensure cash flow management and carry out decision-making processes through which long-term goals can be achieved. This literature review discusses some of the financial management practices adopted by small-scale businesses, borrowing from studies and insights.

One of the core financial management practices in the small-scale business is budgeting. It involves the projection of revenue and expenses in order to strategize future financial performances. According to a study by Amoako (2017), small businesses which carry out regular budgeting are more likely to be financially stable and, therefore, likely to grow. Budgeting allows an owner to set financial goals and utilize resources effectively. It further enables such business people to monitor performance against pre-set targets. This practice helps in ascertaining shortfalls that could occur later on, thus providing room for proactive measures to reduce risks.

Moreover, budgeting allows the taking up of financial disciplines. Through this, the small businesses are able to steer clear of non-vital expenses while ensuring that the available funds are utilized for strategic purposes. According to Alattar et al. (2019), companies with good budgeting processes have tended to result in higher performances related to profitability and growth compared to those that do not apply structured budgeting practices.

Effective cash flow management is important in the survival of small-scale businesses. Cash flow management refers to the tracking of receipts and payments of cash with the aim of determining whether a business has sufficient liquidity for the satisfaction of its various obligations. According to a study conducted by Das (2016) most small businesses fail without necessarily being unprofitable but due to the fact that they simply run out of cash. A positive cash flow in regard to the day-to-day operations of the business is thus important.

Cash flow management could involve cash flow forecasting, cash reserves, and optimization of the timing of the receivables and payables. A study by Nguyen et al. (2018) revealed that small-scale firms which engage in predicting cash flows more frequently are better positioned to keep tabs on different forms of financial uncertainties.

Good record keeping of finance, therefore, is an important ingredient in sound financial management. Small-scale businesses should keep clear records of all transactions to satisfy regulatory requirements and also to get an appropriate picture of the financial health of the enterprise. A study by Muchira, 2019, noted that proper financial record keeping enhances transparency and accountability within a small business.

Modern accounting software at present makes it easier for small businesses to keep their books of account accurate. These tools help track not only the income and expenses but generate financial reports that can be used in making strategic decisions. Olatunji, 2017 adds that with this in the arsenal, a small business can reduce the amount of errors; saves time when executing any transaction, improves financial analysis.

Access to finance is another major obstacle faced by many small-scale businesses. The extent at which the firm is able to access finance often determines the level at which the firm can expand its activities. Fatoki and Asah conducted research indicating that this is caused by the lack of collateral, high-interest rates, and very strict requirements of financial institutions.

Alternative financing options, such as crowdfunding, microfinance, and venture capital, are being increasingly employed by the SMBs as strategies that enable them to look through these critical challenges. As documented by findings from Xu et al. (2020), there is a spring of fintech solutions affording the small business more flexible and accessible financing options. These platforms use technology to assess creditworthiness and can thus disburse this credit faster than traditional banks can. It encompasses analysis and projection of a company's financial performance. FP&A does not just play an important role but has become indispensable in strategic decision-making. According to Kinyua's work of 2021, small businesses that engage in regular financial planning are better equipped to set realistic goals, measure progress, and make informed strategic decisions.

Examples of FP&A activities include financial statement analysis, variance analysis, and preparation of financial forecasts. Such activities provide management or owners with an insight into their decisions in terms of their financial implications and where improvements, if any, need to be effected. In fact, a study done by Kariuki and Kamau (2019) established that small businesses operating with substantial FP&A practices had a likeliness of meeting their financial goals and maintained long-term growth.

All these accredited practices of financial management include effective budgeting, cash flow management, keeping financial records, accessing finance, and financial planning and analysis. Accordingly, a small-scale business that adopts such practices has a better chance of success. The distinction between them in such regard pertains to the fact that it ensures efficiency in resources management, mitigates risks, and ensures informed decisions that drive growth and profitability.

2.4 Limitations of financial management practices used by small-scale businesses

One of the most major constraints on financial management practices among small-scale businesses is a lack or low level of financial literacy and expertise. Financial literacy can be defined as the knowledge about major financial concepts, theories,

and principles that serve as a building block to base one's informed decisions regarding finance. Generally, small businesspeople have excellent technical skills about their products or services. However most of them do not possess the financial expertise necessary for efficient bookkeeping. Enqvist et al. (2016) noted that most small-scale business owners are not trained or educated in the art and science of financial management. Hence they make wrong financial decisions and do not perceive financial plans necessary. Another major limitation faced by small-scale businesses is access to finances. Most banks and other financial institutions view small businesses as high-risk borrowers, simply because they lack credit history and collateral. This view leads them to limited access to funds, which they may need for expansion, innovation, or day-to-day operations. As Fatoki(2017) observed, this problem of limited access to finance affects most small businesses and hence has become informal sources of finance, usually unreliable and expensive.

Cash flow management is very essential for the survival of the small-scale business. These businesses face, however, the problem of irregular incomes against which operating expenses are usually high. Inadequate cash flow management results in problems of liquidity whereby the meeting of the short-run obligations such as payroll and payment to suppliers might present some difficult problems. Afolabi et al. (2017) indicated that one of the general problems which has confronted small businesses and thus often plunged them into financial distress and bankruptcy is due to poor cash flow management.

Financial planning and budgeting come in as a prerequisite for setting financial goals and monitoring business performance. Small enterprises do not usually initiate formal budgeting, hence leading to unnecessary spending and misallocation of resources. Alattar et al. (2019) found that many small businesses do not work by a definite financial plan or even a budget; hence, most of them suffer from inefficiencies and financial instability. Without proper financial planning, these businesses cannot forecast future financial needs or plan for contingencies, which is extremely harmful to their growth and sustainability.

Accurate record-keeping and financial reporting are one of the primary building blocks of good financial management. However, small-scale businesses are usually susceptible to poor record-keeping practices; as such, their financial records would not be complete and inhomogeneous. This impacts their ability to assess their financial performance, gain access to loan facilities, and meet numerous tax obligations. Al-Maskari et al. (2018) emphasize that most small-scale enterprises use a manual approach to maintaining the records of business operations and that is hardly devoid of errors and inconsistencies. It also greatly hampers strategic decision-making and long-term planning because it lacks dependable financial information.

The essence of this is that, while there are advantages brought forth by the development of new technologies in financial management systems, such as increased accuracy, efficiency, and security of data, there are still many reasons why small-scale businesses cannot adjust to new technologies due to costs in purchasing, expertise, and disregard for change. Nguyen and Nguyen (2020) mentioned that most small-scale business entities do not invest in sophisticated financial management software; hence, they will fall short in terms of smoothing the processes of financial management and glean insights into data analytics.

Another important area of financial management involves areas of compliance with regulatory requirements and tax obligations. Most small businesses fail to operate in respect to shifting regulations and complex tax codes, hence creating them legal problems and eventually financial penalties. According to a study by Hasseldine et al. (2021), for small businesses, it is rather burdensome to be in absolute regulatory compliance. In doing so, precious time and resources are used up when they could be transferred into core business activities.

These exogenous economic factors impinge on market fluctuations, inflation, and economic recession in today's financial management of small businesses. Obviously, factors of these types are beyond the control of a small business proprietor and thus

consequently contribute much to financial uncertainty. One study by Williams and Schaefer (2022) suggested that small businesses show more structural vulnerability to economic shock, which could lead to disruptions in their financial sustainability and operational viability.

These microenterprises have to contend with quite a number of limitations in their financial management practices, ranging from internal factors such as a lack of financial literacy and poor record keeping to external ones that include, among others, limited access to finance and volatility in the economy. The improvement of such limitations involves enhancing financial literacy, access to finance, technology adoption, and regulatory requirements. If these challenges are improved, financial management practices will be enhanced and the small businesses will be more viable and grow accordingly.

2.5 Solutions to address the limitations in the financial management practices of small-scale businesses

They are the leading businesses in economic development, innovation, and job creation. However, in their various financial management practices, these businesses are greatly impeded from achieving growth and sustainability. The literature review covers solutions to the limitations, drawing on research works published between 2015 and 2023. The focus is on enhancing financial literacy, the adoption of technological tools, access to finance, professional advice on finance, and support in regulation.

There is a recurring argument that is related to the crucial role that financial literacy plays in relaxing the constraints facing small-scale businesses. Literacy in finance refers to knowledge of basic and advanced principles and concepts of finance that anchor the formulation of relevant business decisions. For example, Wise (2017) reports findings showing that "increased financial literacy among small business owners is associated with increased financial decision-making capacity, which, in turn, improves the performance of these businesses.". Additionally, Atkinson and Messy (2019) emphasized that tailored financial management

programs could increase the financial competencies of entrepreneurs, hence contributing to improved cash flow, budgeting, and financial planning. Financial literacy enhancement programs very often involve in-person workshops, online training courses, and even one-on-one mentorship. For example, the International Finance Corporation's Small Business Financial Education Initiative has realized positive impacts on the development of the financial capabilities of small business owners in developing countries. These programs provide not only knowledge but also a mindset that builds on financial prudence and strategic planning.

Other important solutions identified in the literature consist of integrating technologies in financial management. Whatever the case, technological tools such as accounting software, applications for financial management, and digital online systems for electronic payment have revolutionized how small businesses run their financial activities. For instance, Pizzi et al. (2020) reported that cloud-based accounting software can be implemented to ensure smoothness of financial practices, reducing errors and enhancing real-time financial data to make better decisions. Similarly, in support, Hasan et al. (2021) add that one of the facilitations afforded by digital payment solutions is speedier transaction rates, thus enabling small businesses to handle their cash flow much better. The other way of technological adoption is the use of mobile banking and fintech, which increases the usage and access to financial services. For example, it has meant that owners of small businesses access information about their finances easily, transact, and even perform some bookkeeping tasks while on the move. This convenience also brings options for accessibility to any person, especially in areas where the presence of typical banking infrastructure is rare or lacks proper reach altogether (Klapper et al., 2016).

Access to adequate finance is one of the principal constraints faced by small-scale enterprises. The literature indicates that innovative channels of finance, such as microfinance, peer-to-peer lending, and crowdfunding, can alleviate some of the other challenges to a certain extent. For instance, Bruton et al. (2015) report that

microfinance institutions contribute significantly to supplying credit to those small enterprises which do not have access to traditional banking facilities. In many instances, these institutions have better terms and lesser collateral requirements compared to conventional banks.

Crowdfunding has also emerged as a potential substitute; crowdfunding permits small businesses to raise funds directly from a vast number of investors, usually through online platforms. According to the view of Mollick, 2019, crowdfunding only provides access to capital but becomes an avenue for idea validation and building customer bases. Another alternative source of credit that is many times more personal and less bureaucratic than the rest would be small business loans provided through peer-to-peer lending platforms. Here, small firm borrowers are matched up with individual lenders. Zhang et al., 2016.

Overcoming such a limitation in financial management requires professional advice. Most small businesses lack the relevant experience and skills to explore certain complex areas of finance; thus, expert advice is needed to make up for these shortcomings. In fact, Robb and Robinson (2018) say that small businesses using financial advisors tend to outperform others because of better financial plans and strategic decisions. These advisors advice on tax planning, investment strategies, risk management, and financial compliance-all areas in which small business owners do not have much proficiency.

Programs like SBDCs and SCORE provide mentorship programs in the United States which are highly advisory to the small business owners. These programs match entrepreneurs with experienced mentors who provide individualized advice and support, enabling them to improve their financial management capabilities accordingly.

Regulatory mechanisms and government policies are quite important in helping small-scale business enterprises manage their finances. Simpler tax codes, financial incentives, and support programs can ease some of the financial burdens on small businesses. As pointed out by the Organisation for Economic Co-operation and

Development, 2021, governmental initiatives in adopting policies friendly to the operation of small businesses, like reduced tax rates, grants, and subsidies, raise the level of sustainability and development in such enterprises. Credit guarantee schemes ease the way in which small businesses are able to gain loans due to the reduced risk on the part of the lenders. For instance, the SBA in the United States has loan guarantees that make access to finance easier by small businesses from banks and other financial institutions. These facilities are most welcome in periods of economic uncertainty since they provide a safety net for both the businesses and the lender(s) concerned.

Such limitations in the financial management practices among small-scale businesses can best be tamed through enhanced financial literacy, increased usage of technological tools, better access to financing, professional expert advice on finances, and enabling regulatory regimes. These alternatives, as discussed in the literature, provide a wide range of avenues by which to overcome the challenges that these businesses have faced. Once genuinely applied, it will result in the emergence of more resilient and sustainable small enterprises-a situation that would guarantee broader economic growth and stability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlines the methodology to be used in conducting this study through research design, study population and sample size, sampling techniques, sources of data, methods of data collection, data collection instruments, data analysis, and presentation.

3.1 Research Design

This study adopted a cross-sectional research design. A cross-sectional study involves an examination of information drawn from a population at one point in time.

3.2 Study Population

The study targeted a population of 100 registered small scale enterprises which comprises of 50 retail shops, 15 hardware shops, 20 groceries and 15 dealers in general merchandise (URSB 2022/2023 FY report)

3.3 Sample Size

The small-scale business environment is too wide so there is a need to choose a few manageable respondents to participate in the study. The sample size was 80. Krejcie and Morgan, 1970

Table 3.3 Sample size

TYPE OF BUSINESS	POPULATION	SAMPLE SIZE
Retail shops	50	40
Hardware shops	15	13
Groceries	20	14
General merchandise	15	13
TOTAL	100	80

3.4. Sampling

The adopted sampling technique included both stratified and random-sampling techniques. Strata refer to the subgroup within a population sharing certain characteristics. They were assigned according to regions, i.e., North, South, West, and East. Random-sampling techniques are methods applied in choosing a sample from a population in a manner that each entity stands an equal chance of being selected. This minimizes selection bias and helps ensure that the sample is representative of the population-a fact that is essential in generalizing the research findings.

3.5 Sources of Data.

The data collection involved both primary and secondary data. Primary data was obtained through personal interviews and questionnaires. The reason for the use of primary data is to get data that cannot be available at any other source. The secondary data were extracted by reviewing various documents like textbooks, journals, periodicals, and other published information that were available.

3.5.1 Primary data.

Primary data consists of that data which has been collected for the very first time, it has never been reported anywhere. Primary data refers to that data which is collected by the researcher from its original sources itself such as through surveys, interviews or experimentation.

3.5.2 Secondary data.

Secondary data includes that data which is available and already published by other researchers. Secondary data could be defined as information gathered from studies, surveys, or experiments by others or for other research.

3.6 Research instrument.

The research instrument employed in the study includes questionnaires.

3.6.1 Questionnaire

A questionnaire is a reformulated written set of questions to which the respondents record their answers, usually within rather closely defined alternatives. The questionnaire were equally used because the information has to be collected from a large sample in a short period. Questionnaires were used as an instrument in the collection of data from respondents, that is, the owners of small-scale businesses.

3.7 Data presentation and analysis.

The data was checked for completeness, categorized, coded and entered into a computer where it was summarized in frequency tables edited and tabulated by using SPSS software.

3.8. Ethical considerations.

Ethics, within this context, refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work or are affected by its findings (Saunders, Lewis, & Thornhill, 2009). In other words, the researcher has ensured that research design is methodologically sound and morally defensible to all those concerned. The researcher ensured that no respondents would be compelled into research, in addition the respondents should be well informed on procedure and risks involved in research and must give consent, the researcher should not place participants in a position where they could potentially be harmed as a result of their participation.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study on how financial management affects the growth of small-scale businesses. The response rate comes first, followed by background information about the respondents, and finally the descriptive and inferential presentation and analysis of the study findings concerning the objectives of the study.

4.2 _RESPONSE RATE_

The response rate for this research was 100%, which is a very high response rate. According to Amin (2005), a high response rate also reflects more valid results.

Table 1: Response rate

Number of questionnaires distributed to respondents	80
Number of questionnaires received back from respondents	80
Number of questionnaires not received back from respondents	0

Source: Primary data

$$\text{Response rate} = \frac{\text{received questionnaires}}{\text{Total questionnaires distributed}} = \frac{80}{80} * 100 = 100\%$$

The rate of response for this survey was 100%, which is described as high. Amin (2005) adds that a high rate of response implies more accurate results in the survey. This section gives the number of respondents who responded to the study against those which the researcher had targeted and also characteristics of the respondents in relation to gender, age, level of education, current occupation, and term of service.

This is based on the information provided in the questionnaire and interviews by the respondents.

4.3 Biographic characteristics

This section profiled the respondents' characteristics by gender, age, level of education, current occupation, and term of service. This is based on the information provided through the questionnaire and interviews administered to the respondents.

4.3.1 Gender of the respondent

Table 2: Gender of the respondents

Sex	Frequency	Percentage %
Male	56	70
Female	24	30
Total	80	100

Source: Primary data

The table 2 above shows that 70% of the respondents were males compared to 30% counterparts who were females. The males were many compared to females.

4.3.2 Age bracket of the respondents.

Table 3: The age composition of respondents

Age bracket	Frequency	Percentage
21-30years	10	12.5
31-40years	50	62.5
41-50years	12	15.0
Above 50years	8	10.0
Total	80	100

Source: primary data

Results in table 3 above indicate that 15% of the respondents were between the age of 41-50 years. And 12.5 % of the respondents were between the age of 21-30 years of age while 62.5% and 10 % of the respondents were between the age of 31-40 years and above 50 years respectively.

4.3.3 Education level

Table 4: Level of education attained by the different respondents.

Education level	Frequency	Percentage %
Certificates	5	6
Diploma	25	31
Bachelors	38	48
Masters	12	15
Total	80	100

Source: primary data

The result in table 4 above, show that 31% of respondents had a diploma, 48% of the respondents had bachelors 6% of the residents had certificates and 15% had masters which means that even highly educated people be doing business

Table 4.3.4 Business type

Business type	Frequency	Percent %
RETAIL SHOP	30	40.0
GROSERY	20	21.6
HARDWARE	16	19.7
GENERAL MERCHANDISE	14	18.7
Total	80	100.0

Source: Primary data

Results show that 40% of the respondents had retail shops, followed by 18.7% who had general merchandise shops, 19.7% had hardware shops, and 21.6% had grocery shops. This shows that the selected respondents fell within the right scope hence suitable for the study.

Table 4.3.5 The period spent by the respondents doing this business

	Frequency	Percent
0-5 YEARS	44	55.0
6-10 YEARS	26	32.5
11-15 YEARS	5	6.3
ABOVE 15 YEARS	5	6.3
Total	80	100.0

Source: Primary data

From the table 4.7 above, 32.5 % of the respondents had been in the business for a period between 6 to 10 years, while 55% had been in business for a period between 0 to 5 years and only 6.3% had been in the business for a period between 11 to 15 years and above. This means that the selected respondents were suitable for the study since most of them had been running small-scale businesses for quite a long time, hence well-informed and able to give reliable information to the study.

4.4 The financial management practices used by small scale businesses in Mukono municipality central division

Table 4.4

Financial management practices	Mean	Standard deviation
Businesses create detailed budgets to plan their income and expenses. This helps in setting financial goals and monitoring progress.	4.19	.730
I keep tracking the inflows and outflows of cash to ensure that the business has sufficient liquidity to meet short term obligations.	3.93	.828
We keep detailed records of all financial transactions to ensure compliance with regulatory requirements and to provide a clear picture of the financial health of the business	1.88	.966
I don't heavily rely on debt financing while carrying out business activities	1.86	.955
We give a short grace period to our customers who take goods on credit	2.56	1.27
We offer discounts to our customers who pay promptly and those who buy in large quantities	4.67	0.795
I ensure timely payment to suppliers and efficient collection of receivables to maintain good cash flow.	4.20	.738

Source: Primary data

Table 4.4: Financial management practices adopted by small-scale businesses in the Central Division of Mukono Municipality. The items are all measured on a mean and standard deviation to give the level at which the practice is carried out by the respondents.

The high mean score of 4.19 with a low standard deviation of 0.730 suggests that budgeting is indeed one of the well-practiced business procedures of planning income versus expenses and, thus, ought to be a keen tool in goal setting and progress monitoring in financial matters. This congruence among businesses strengthens the assertion that budgeting lies at the heart of proper financial management. These findings agree with the theories of financial planning, which indicate that business sustainability and growth are determined by proper budgeting. Such findings have been fronted by other researchers, for instance Drury (2018), who indicates that one of the main things which determines proper financial management is budgeting. The assertions, therefore, agree with what is already existent in literature.

The monitoring of cash inflows and cash outflows has a mean score of 3.93 with a standard deviation of 0.828, which suggests that companies are aware of their liquidity position to ensure that obligations that fall due in the short term are met. A higher variability in this compared to budgeting practices indicates some differences in the stringency at which firms manage liquidity. This result is, however, consistent with dictates of principles of working capital management and thereby render efficiency in operations. An earlier study by Eljelly (2004) came forth to nail the essence of liquidity management as an essential complementary output and postulated that such firms are adhering to generally accepted practice in financial management.

By contrast, full and complete books of accounts for all financial activities, the average score is 1.88, but with a higher standard deviation of 0.966. Such a large variation in maintaining book-keeping records might render the same difficult to quote for regulatory compliance or even an accurate assessment of the financial health of this industry. These findings here show deviation from the best practices,

which are advocated by researchers such as Chittenden and Bragg (2009), who insist on full records for the accuracy of financial reporting and decision-making. High variability further denotes inconsistent adoption of this practice, pointing to an area of concern for financial management in those businesses. The reliability on the debt financing means is very minimal, at a score of 1.86 and a standard deviation of 0.955. This means that small-scale enterprises in Mukono Municipality Central Division are generally extremely very conservative and less dependent on heavy debts to avoid financial risk due to unavailability for credit facility options. Therefore, these findings support the pecking order theory, which puts forth that businesses prefer internal financing over external debt. Also, the study's results affirm the conclusions reached by previous scholars such as Myers and Majluf, 1984 of a comparable level of aversion by small firms to relying on borrowed money, more so at times of economic turmoil. Giving a very short credit period to customers taking goods on credit has an average score of 2.56 with a fairly high standard deviation of 1.27 indicating moderate practice but with a wide distribution. This implies that there is dispersion in credit policies across businesses on credit leniency. The dispersion, therefore, would imply that while some businesses liberally grant credit, others are indeed very restrictive, perhaps due to concerns for cash flow. This is not inconsistent with previous literature from the work of Pike and Cheng (2001), which espouses that a business must be judiciously calculating a fine balance between its credit policies and cash flow management.

The offering of discount facilities to customers on condition that they pay quickly or make large quantities of purchases is very common, with a high mean of 4.67 and a standard deviation of 0.795. The strategy appears to be highly applied to ensure prompt payments and increase volumes of sale hence showing a strong association with sales promotion strategies as recorded in marketing literature. The fact that this practice has been consistent across businesses bolsters the view that discounting is an effective tool in managing receivables and, for that matter, increasing sales. Again, this underlines a similar point highlighted by Kotler and

Keller (2016) as they emphasize the role of discounts in boosting customer loyalty and financial performance.

Finally, a mean score of 4.20 with a standard deviation of 0.738 was used to represent timely payment to suppliers and efficiency in the collection of receivables, an indication that responses are well spread out, which shows that a large number of businesses appreciate that good supplier relationships and efficient receivables management go hand in hand with ensuring a continuous cash flow within sustainable limits. This falls in line with cash flow principles that emphasize timely payments to suppliers and collection of receivables as ways of ensuring business liquidity. Van Horne and Wachowicz's (2008) previous study supported this statement by confirming that the viability of a business relies on having appropriate cash flows to sustain operational stability. This would suggest that the individuals managing these businesses are indeed aware of and apply established rules governing the operation of a business.

4.5 Limitations of financial management practices used by small scale businesses

Table 4.5

Limitations of financial management practices used by small scale businesses	Mean	Standard deviation
Lack of financial literacy since most small-scale business owners have no qualifications	2.51	1.251
Uncertainty about the future	2.41	1.191
Inaccuracy in the data on which decisions are based	4.29	1.911
Small businesses tend to focus on immediate financial needs rather than long-term planning and forecasting, which can hinder growth and sustainability.	4.25	1.902

Many small businesses face irregular cash flows, making it difficult to manage working capital effectively.	2.31	1.235
Poor credit management practices, such as extending too much credit to customers or not collecting receivables on time, can exacerbate cash flow problems	2.46	1.250

Source: Primary data

The data presented indicates that there are indeed gross deficiencies in the financial management practices of small-scale businesses. Key concerns were assessed using both mean scores and standard deviation. These serve to pinpoint both the prevalence of these issues and how the impact varies among the owners of small-scale businesses. I shall deal with each of these limitations in depth, followed by personal comment and contribution as a researcher. This huge standard deviation with a mean score of 2.51 and a standard deviation of 1.251 means that lack of financial literacy can be said to be considered a problem among owners of small-scale businesses. Even though not all owners lack financial qualifications, this huge standard deviation indicates high disparity in the levels of financial literacy. Some owners understand the aspects of finance, while others have huge gaps in knowledge of finance. This inconsistent financial literacy leads to inconsistency in financial management, thus influencing the general outlook of the financial health of a business.

Personal opinion of the researcher: Owners' inability to comprehend financial management is failure to attend to a fundamental obstacle to effective and appropriate financial management. Evidence of this is reflected in the studies undertaken to date on the subject, which have constantly shown that financial literacy is one of the leading drivers of business outcomes. For instance, Lusardi and Mitchell (2014) note that financial literacy is imperative in making informed financial decisions, and failure to do so may be costly due to bad financial outcomes.

Indeed, as a researcher, I vouch for these findings and believe that focused financial education may close the gap and, therefore, result in more regular and proper financial management practices.

Uncertainty about the future has an average score of 2.41 and a standard deviation of 1.191. This shows that although uncertainty about the future is a concern for small-scale business owners, it is not overwhelming. The relatively low standard deviation reflects that most owners have a consistent level of concern about future uncertainties. This shared concern may create obstacles to long-term planning and decision-making because businesses, under uncertain expectations of the future, will be slow to invest or enlarge their businesses.

This preoccupation with uncertainty regarding the future agrees with other studies identifying economic and market instability as one of the most serious problems facing small firms. According to Knight, uncertainty is inherently conjoined with any entrepreneurial act, and the way a firm perceives and deals with this aspect of uncertainty is quite critical to its success. I also share the same view as a researcher: this could mean that small-scale business ventures have considerable needs in scenario planning and risk management strategies in order to handle uncertainties and make more informed decisions.

Inaccurate data for decision-making, with a mean score of 4.29 and a standard deviation of 1.911, indicates that inaccuracies in data at the point of making decisions are a wide and serious issue to the small-scale businesses. The high mean score shows the gravity of the challenge, while the large standard deviation shows that the extent of data inaccuracy largely differs from one business to another. Poor data quality leads to poor decision-making, which negatively impacts profitability and growth.

Research comments: One of the major hindrances to the success of a business comes through reliance on data that has been proved to be wrong for decision-making. In this vein, McAfee and Brynjolfsson (2012) declare that the performance of a business company is partly trailed by decisions based on the facts derived from data.

The variations in the accuracy of data coming from small-scale businesses point to an uptight need for better handling practices of the data with combined ways of more reliable data collection. As a researcher, I support such findings, and recommend data quality improvement initiatives as helpful in fostering better decision-making.

Concentrate on immediate rather than long-run financial needs: This behavior is reflected by the mean score of 4.25 and a standard deviation of 1.902. This mean score indicates that this problem of short-term financial issues is prevalent; however such a huge standard deviation indicates the businesses are affected to varying extents. The stress of immediate financial needs versus planning for future success and longevity of the business stifle its growth and long-term viability by not allowing reinvestments for future opportunities.

Opinion of the researcher. This focus on fielding immediate financial needs has continued to appear among the top concerns facing small-scale businesses time and again. According to Atkinson et al. (1997), companies that pursue short-run benefits always sacrifice their long-run growth opportunities. This statement tallies with my observation, and I, therefore, find that a tradeoff between short-run financial management and long-run strategic planning should be advocated in accomplishing business growth sustainability. As a researcher, I support the idea of the integration of long-term planning into the financial management practices of small-scale businesses.

Irregular cash flow: The mean score is 2.31 with a standard deviation of 1.235; thus, small-scale business is moderately concerned about the issue. The deviation in the standard deviation indicates that even though some businesses have good cash flow management, others experience irregularities. Cash flow is one of those problems that complicate working capital management because cash flow can reduce the ability of a business to pay bills and address operational requirements consistently. What the researcher thinks: The irregular cash flows tend to create a big challenge that is facing the small-scale businesses. This is supported through such work as Van Horne and Wachowicz 2008, who attribute business stability to proper cash flow management. This perhaps shows the need for better techniques

in cash flow forecasting and cash flow management for the small-scale businesses. These findings are, therefore, in agreement and recommended to be adopted in cash flow management tools and practices that will aid in the improvement of financial stability.

The mean of 2.46 and the standard deviation of 1.250 indicate that normally poor credit management practices are common among the small-scale businesses. However, the large standard deviation when the mean is small reflects that while some manage credit well, others extend too much credit or fail to collect their receivables on time. Poor credit management increases cash flow problems and hence makes it difficult to maintain financial stability.

4.6 Solutions to the limitations of financial management practices used by small scale businesses

Table 4.6

Solutions to the limitations of financial management practices used by small scale businesses	Mean	standard deviation
Partnering with experienced mentors or joining business incubators can provide guidance and practical advice on financial management.	4.25	1.154
Utilizing budgeting software and tools like QuickBooks, Xero, or Wave can help businesses create and maintain accurate budgets.	3.32	1.224
Conducting regular financial reviews and audits can help in identifying issues early and adjusting plans accordingly.	2.41	1.261

Exploring alternative financing options such as microloans, crowdfunding, and peer-to-peer lending can provide additional funding sources.	2.24	1.165
Using accounting software that automates record-keeping and compliance tasks can reduce errors and save time.	2.22	1.190
Ensuring adequate insurance coverage can protect against unforeseen financial losses.	3.45	1.97
Adopting modern financial technologies (FinTech) like mobile banking, digital payments, and financial analytics tools can enhance efficiency and accuracy.	3.45	1.57

Source: Primary data

Table 4.6: Various solutions to overcome the limitations of financial management practices followed by small-scale business enterprises of the study area along with their mean scores and standard deviations. These solutions are going to overcome some very common financial problems of the businesses and improve the financial management practices.

Partnering with experienced mentors or joining business incubators yielded the highest average of 4.25 across the responses with a standard deviation of 1.154. This means that the respondents strongly agree that mentorship and incubation have been a source of valuable guidance and practical advice on how to manage finances. The relatively low standard deviation shows considerable consensus among the respondents regarding the effectiveness of this solution. Utilizing budgeting software and tools, such as QuickBooks, Xero, or Wave, had an average of 3.32 with a standard deviation of 1.224. This means that most of the respondents agreed to a fair level that the business can be assisted by such tools in the development and maintenance of appropriate budgets. The standard deviation being slightly higher shows that there is more variation within the responses, possibly because different people are familiar and comfortable with different tools. The fact that the

company performs regular financial reviews and audits had a relatively lower score with a mean of 2.41 and a standard deviation of 1.261. This portrays that the more regular financial reviews and audits are performed, the less the respondents perceive their effectiveness in the early detection of problems and the adjustment of plans. The higher standard deviation here indicates larger variability across the opinions, probably because these statements are subjected to experiences relating to financial reviews and audits themselves.

Assessing other alternative financing sources: the weight of microloans, crowdfunding, and peer-to-peer lending was 2.24, with a standard deviation of 1.165. This means responses generally fell low on the usefulness of these alternative financing sources. There is variance in the response, so it may be a result of less exposure or success with these options among the respondents.

Similarly, the automation of the record-keeping and compliance tasks by using accounting software averaged 2.22 with a standard deviation of 1.190. In this solution, just like in alternative financing options, there is lesser agreement between the respondents on how effective it could be in reducing errors and saving time. The standard deviation indicates a deviation in some opinions; this probably relates to different experiences with accounting software.

Insurance coverage was rated as ensuring adequate insurance coverage received an average rating of 3.45 and standard deviation of 1.97, showing a moderate consensus that insurance coverage protects against unexpected losses. The greater the standard deviation, it would appear to imply that opinions among the responded do vary, which may be due to the difference in the levels of understanding or experiences in insurance. The adoption of modern FinTechs, such as mobile banking, digital payment modes, and financial analytics tools, also had a mean score of 3.45, with a standard deviation of 1.57. This reflects fair agreement in beliefs that FinTech could ensure efficiency and accuracy. The standard deviation indicates that there is considerable dispersion in the response and, therefore, variation in the level of exposure or experience with such technology among respondents..

4.7 Evaluating the performance and growth of a Small and Medium-sized Enterprise (SME)

Table 4.7

Evaluating the performance and growth of a Small and Medium-sized Enterprise (SME)	Mean	Std Deviation
There is an increase of sales and revenue over time which indicates market demand and successful business operations.	4.29	1.30
There has been an increase on the number of customers for the past five months	3.57	1.43
The business has achieved growth market share which reflects competitive strength and expanding influence in the industry.	4.29	1.19
There is positive customer feedback and high satisfaction scores	4.53	0.93
Labor turnover is low	3.60	1.26
There is positive cash flow, where inflows consistently exceed outflows	3.28	1.30
High rates of customer acquisition and retention	4.29	1.30

Source: Primary data

Based on the table below, several significant facts can be established about the performance and growth of the SME. First, the mean for an increase in sales and revenue over time is 4.29 with a standard deviation of 1.30. The fact that the mean is high implies that there is a strong agreement among the respondents that the business indeed has recorded growth in terms of sales and therefore revenue, which indicates successful business operations with some degree of market demand. With this relatively moderate standard deviation, there is suggestion of some variability in responses but otherwise an overall positive perception. Likewise, market share growth realized by the business showed an average of 4.29 with a relatively smaller standard deviation of 1.19, which signaled that the SME has competed effectively and was gaining more and more power in its respective

industry. The high-mean score indicates intensive consensus on the competitive situation of the business and on the ability to procure larger portions of the market. The highest rating of 4.53 with a standard deviation of 0.93 was recorded for positive customer feedback and high satisfaction scores. This suggests that, generally speaking, the customers are quite satisfied with the products or services of the SME, while a small dispersion indicates a great degree of agreement among the respondents. Such feedback means so much to the goodwill of the SME and might just translate to increasing the loyalty and retention rate among customers. Labor turnover is the next important aspect and has a mean score of 3.60 and a standard deviation of 1.26. Though the mean is high, it indicates that labor turnover is perceived to be low, and higher standard deviation points to variability in response. It means though many of the respondents feel turnover is low, there are differences in opinion about this aspect.

It has a mean score of 3.28 with a standard deviation of 1.30 in assessing positive cash flow. This comparatively lower mean score than other metrics implies that there is concern over the issue of consistency with regard to cash inflow exceeding cash outflow. The moderate standard deviation shows that there are mixed perceptions over the cash flow management of the business. Lastly, the high customer acquisition and retention rates had an average of 4.29 with a standard deviation of 1.30. This high mean score is an indication of strong agreement that the SME is always successful in attracting and retaining customers—a very vital factor in sustainable growth. The standard deviation, while indicating some variability, still pointed to the fact that the performance perception about this area is generally positive.

The researcher, therefore, feels that the SME under study is doing well and is actually growing in the key metrics such as sales increase and revenue growth, market share increase, customer satisfaction, and customer acquisition and retention with high mean scores reflecting a general agreement among the participants over the success of the business. In fact, the small dispersion of the responses represented by the standard deviations suggests that overall perceptions

are good but not homogeneous, reflecting opinion differences with regard to labor turnover and cash flow management. Nevertheless, high levels of customer satisfaction and competitive positioning testify to the SME's good market standing and growth that is sustainable yet sprinkled with some apprehensions about cash flow consistency.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5. 0 Introduction

This chapter presents the summary of findings, conclusions derived from findings and recommendations on the impact of financial management on the growth and development of small-scale business basing on the findings of the study.

5.1 Summary of the Findings

The study established a number of findings and the summary of the findings is outlined here under;

Small businesses in Mukono Municipality Central Division tend to focus on budgets, maintain liquidity, use customer discounting, and manage payables and receivables well but maintain very poor detailed financial records and tend to avoid debt financing. These businesses have shown variability in practice regarding financial management, which has reflected varied approaches. The targeting of training and support would be required to enhance the level of financial literacy, planning, accuracy of data, cash flow management, and credit practices. While these businesses also recognize the importance of mentoring, business incubator facilities, insurance, and FinTech, adding strategic supportive resources to the entrepreneur or firm, there is less agreement on regular financial reviews, alternate sources of finance, and accounting software. This suggests targeted education and support in financial management may be enhanced. Performance and growth issues indicate that the main strengths are concentrated around sales growth, market share, customer satisfaction, and customer acquisition and retention. However, the cash-flow management and variability in Labour turnover still have scope for improvement on which specific strategies must be implemented.

5.2 Conclusion of the findings

Consequently, this study indicates that although small-scale businesses in the Central Division of Mukono Municipality portray a combination of good practices in financial management, such as budgeting, liquidity management, and management of payables and receivables, they also face considerable challenges in terms of financial record-keeping and debt financing. Financial illiteracy, lack of planning, and cash flow management detract from their overall financial health and sustainability. However, there is scope for much more improvement with adequate interventions through financial training, mentorship, and the usage of FinTech apps, for instance, to improve the performance of these ventures and ensure their long-term growth. Once the weaknesses are addressed and the strengths, such as sales growth and customer satisfaction, are capitalized upon, small-scale businesses will be able to achieve sustainability in both performance and growth and play a more relevant role within the local economy.

5.3 Recommendations of the study

Small businesses need to be sensitized to maintain adequate records of their financial transactions. Putting in place regular training programs on financial literacy, book-keeping, and the importance of maintaining records will make the business owners appreciate and realize such aspects within their business concerns. The exposure of small-scale businesses to affordable accounting software and FinTech solutions will go a long way in managing financial processes with more ease. Such tools can be used in budgeting, liquidity monitoring flows, payables, and receivables, or for regular financial reviews.

Sensitization through education should be done in order to overcome aversion to debt financing by demystifying debt and presenting it as an available option for the expansion and sustainability of the business.

The mentorship programs or business incubators will provide these small-scale businesses with support and guidance for overcoming some of the most important challenges in financial management. Established mentors can also provide personal advice, best practices, and even assistance in strategy implementation regarding finance. Business incubators may provide resources, networking opportunities, and a place to foster growth.

5.4 Future research directions

The study only looked into how financial management influenced the growth of small-scale business. There are lots more that could be studied and these include: Entrepreneurship skills and performance of small-scale business women-owned, business challenges affecting performance of small and medium entrepreneurial initiatives in Uganda and the contribution of entrepreneurial personality to the performance of small and medium business among others

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APPENDIX
QUESTIONNAIRE.

UGANDA CHRISTIAN UNIVERSITY

SCHOOL OF BUSINESS

A questionnaire for the owners of Small-Scale Businesses in Mukono Municipality Central division.

I am Kobusingye Charity a student of Uganda Christian University conducting a research study on the “Impact of financial management on growth of small-scale businesses” in Mukono Municipality Central division as a requirement for the award of Bachelor’s degree in Business Administration of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SECTION A: Demographic Data

Please tick (✓) in the appropriate box as the most agreed answer to the following statements.

1. Gender of the respondent.

Male

Female

2. Age group of the respondent.

21-30 years

31-40 years

41-50 years

above 50 years

3. Marital status of the respondent.

Single Married Widow Widower Divorced

4. Education level of the respondent.

Primary level Secondary level Certificate level

Diploma level Bachelor's level Master's level

Others specify.....

5. Business type:

Retail shop Grocery shop

Hardware shop General merchant

Others specify.....

6. For how long have you been doing this business?

0 - 5 years 6-10 years 11-15 years Above 15 years

SECTION B: The financial management practices used by small scale businesses in Mukono municipality central division

(Please tick most appropriate of: Strongly agree =5, Agree=4, Not sure=3 Disagree=2, and strongly disagree=1)

The financial management practices used by small scale businesses in Mukono municipality central division	1	2	3	4	5
Businesses create detailed budgets to plan their income and expenses. This helps in setting financial goals and monitoring progress.					
I keep tracking the inflows and outflows of cash to ensure that the business has sufficient liquidity to meet short term obligations.					
We keep detailed records of all financial transactions to ensure compliance with regulatory requirements and to provide a clear picture of the financial health of the business					
I don't heavily rely on debt financing while carrying out business activities					
We give a short grace period to our customers who take goods on credit					
We offer discounts to our customers who pay promptly and those who buy in large quantities					
I ensure timely payment to suppliers and efficient collection of receivables to maintain good cash flow.					

Limitations of financial management practices used by small scale businesses					
Lack of financial literacy since most small-scale business owners have no qualifications					
Uncertainty about the future					
Inaccuracy in the data on which decisions are based					
Small businesses tend to focus on immediate financial needs rather than long-term planning and forecasting, which can hinder growth and sustainability.					
Many small businesses face irregular cash flows, making it difficult to manage working capital effectively.					
Poor credit management practices, such as extending too much credit to customers or not collecting receivables on time, can exacerbate cash flow problems					
Solutions to the limitations of financial management practices used by small scale businesses					
Partnering with experienced mentors or joining business incubators can provide guidance and practical advice on financial management.					
Utilizing budgeting software and tools like QuickBooks, Xero, or Wave can help businesses create and maintain accurate budgets.					
Conducting regular financial reviews and audits can help in identifying issues early and adjusting plans accordingly.					

Exploring alternative financing options such as microloans, crowdfunding, and peer-to-peer lending can provide additional funding sources.					
Using accounting software that automates record-keeping and compliance tasks can reduce errors and save time.					
Ensuring adequate insurance coverage can protect against unforeseen financial losses.					
Adopting modern financial technologies (FinTech) like mobile banking, digital payments, and financial analytics tools can enhance efficiency and accuracy.					
Evaluating the performance and growth of a Small and Medium-sized Enterprise (SME) in					
There is an increase of sales and revenue over time which indicates market demand and successful business operations.					
There has been an increase on the number of customers for the past five months					
The business has achieved growth market share which reflects competitive strength and expanding influence in the industry.					
There is positive customer feedback and high satisfaction scores					
Labor turnover is low					
There is positive cash flow, where inflows consistently exceed outflows					
High rates of customer acquisition and retention					

Thank you so much.

Appendix 2 : Data collection letter



SCHOOL OF BUSINESS

18th June , 2024

TO WHOM IT MAY CONCERN

Name: KOBUSINGYE CHARITY

Reg. No S21B05/138

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

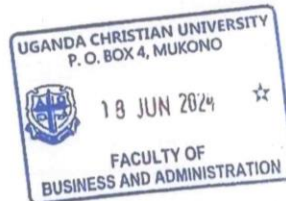
"THE IMPACT OF FINANCIAL MANAGEMENT ON GROWTH OF SMES"

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

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read "Mukisa Simon Peter".

Mukisa Simon Peter
Research coordinator



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UGANDA CHRISTIAN UNIVERSITY MUKONO

Transaction Receipt

Payment Code:	1003848474
Registration Number:	A95591
Student Name:	Charity Kobusingye
Student Class:	BBA
Amount:	50,000
Amount in words:	Fifty Thousand Shillings Only
Date:	13 Sep, 2024 11:49 am
Channel:	MTN MobileMoney
Description:	PAYMENT RECEIVED MTN_UG - 28160567066
Trans Type:	PAYMENT RECEIVED
Channel Depositor Name:	256787596676
Channel Depositor Branch:	
Channel Memo:	1003848474,Charity Kobusingye,UGANDA CHRISTIAN UNIVERSITY MUKONO