FINANCIAL MANAGEMENT PRACTICES AND GROWTH OF SMALL AND MEDIUM ENTERPRISES: A case study Mukono town, upper Kawuga

ELIZABETH KONGAI

S20B33/203

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

October, 2023

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

DECLARATION

I declare that this research Proposal is my original work and has not been submitted for examination in this or any other university.

Kongai Elizabeth

S20B33/203

Signature: ....

Date....21 October / 2023............

APPROVAL

This research proposal entitled financial management practices and growth of small and medium enterprises, a case study of Mukono town, Upper Kaguwa has been approved by me and is therefore ready for submission to the School of Business, Uganda Christian University Mukono.

Signature: ……………………………………

MR. KATISME NICSON

(Academic Supervisor)

Date: 27/9/2023

ACKNOWLEDGEMENT

I acknowledge the almighty God who has given me the strength and wisdom to pursue this study. My appreciation to my supervisor Mr. Katisme Nicson and other Lecturers in the School of Business who took effort to guide and advise me during the entire period of my study.

I am also indebted to my parents for all their invaluable support and encouragement financially towards my education.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION/ACRONYMS

SMEs	Small and Medium Enterprises
KNBS	Kenya National Bureau of Statistics
EU	European Union
UK	United Kingdom
USA	United States of America
US	United States
GDP	Gross Domestic Product
FY	Financial Year
NPV	Net Present Value
IRR	Internal rate of Return
NSE	Nairobi Securities Exchange
ROA	Return on Equity
ROE	return on Equity
OLS	Ordinary Least Squares
I.CT	Information Communication Technology
SPSS	Statistical Package of Social Sciences

ABSTRACT

The study will examine the aspect of the financial management practices and growth of small and medium enterprises in Mukono Town, Upper Kawuga. The objective of the study is to determine the effects of capital budgeting techniques on the financial performance of small and medium enterprises, to determine the effects of budgetary controls on the financial performance of small and medium enterprises and to determine the effects of record keeping on the financial performance of small and medium enterprises. The study used a descriptive research design with a population of 120 SMEs and a sample of 100 was drawn from retail shops, wholesale Trading Super Markets, Cottage Industry and a questionnaire was employed in the collection of data. However, the study aims at finding out whether financial management practices has impact on the Growth of small and medium enterprises a case study Mukono town, Upper Kawuga . The findings will show whether there is a positive effect of capital budgeting techniques on the growth.

CHAPTER ONE:

1.0 Introduction

Chapter one of the study presents the background of the study, statement of the problem, general objective of the study, research objectives, research questions, scope of the study, significance of the study, assumptions, limitations, definition of terms, conceptual frame work and explanation of the variables.

1.1 Background of the study

Financial management was one of management functional areas which were core to the success of business enterprises. Inefficient financial management, combined with the uncertainty of the business environment often led business enterprises to serious problems (Deresse and Prabhakara, 2012).The economic development of many countries has been established to depend primarily upon the establishment of small and medium enterprises thus making them a catalyst for economic development (Levy, 2015). However, improper financial management practices have proven to be a main cause of failures in SMEs in terms of financial difficulty, mismanagements of funds and shortage of long term funds to meet the operating cost and capital expenditure (Brigham and Ehrhardt, 2010).

In the global perspective, studies show that SMEs contribute over 55% of Gross Domestic Product (GDP) and over 65% of total employment in high-income countries such as Britain, USA, Canada and China (Asta and Zaneta, 2010). In middle-income countries, formal SMEs contribute about 20% more to employment and GDP than the informal enterprises. SMEs are an important source of export revenues in some developing economies. For example, SMEs contribute a larger share of manufactured exports in more industrialized East Asian economies (56% in Chinese Taipei, more than 40% in China) and in India (31.5%) compared to 1% in Tanzania and Malawi.

Furthermore, SMEs are a major source of employment, generate significant domestic and export earnings, contribute to the general health and welfare of economies, and are a key instrument in poverty reduction (Mephokee, 2010). For instance, SMEs constitute 99.7 % and 99 % of all employers in the United States (US) and European Union (EU), respectively.

In Sub-Sahara Africa, due to the role played by SMEs, African governments have put in place programmes to encourage growth of the sector through such interventions as creation of an enabling legal framework, access to markets, finance, training, capacity building and financial incentives among others (Eden, 2016). For example, in Nigeria, the overall regulatory framework for the SMEs was driven by specific SMEs acts which specify the key institutional linkages for effective coordination. In addition South Africa SMEs constitutes about 91 percent of formal business entities, provides 61 percent employment and accounts for between 52 to 57 percent of South Africa's GDP (Abor and Quartey, 2010).

In Kenya, the SMEs have been of great benefit not only to the economy but also to the society at large. The sector employs over 4.6 million people which was over 30% of all employment and accounts for approximately 75% of all businesses. The sector also contributes 18.4% of the GDP and accounts for 87% of the new job creation (Kiveu, 2013). In Kenya, there are 1.56 million licensed SMEs and 5.85 million SMEs which are unlicensed. The manufacturing sector is yet to fully develop with the segment accounting for only 12% of all SMEs despite its potential in employment creation and absorbing enormous number of people (KNBS, 2016).

In Uganda, micro, small, and medium sized enterprises are the engine of growth for the economic development, innovation, and wealth creation of Uganda; they spread across all sectors with 49% in service sector, 33% in the commerce and trade, 10% in manufacturing and 8% in other fields. Over 2.5 million people are employed in this sector, where they account for approximately 90% of the entire private sector, generating over 80% of manufactured output that contributes 20% of the gross domestic product (GDP).

Furthermore in Uganda, small and medium enterprises include food processing, drinks and tobacco, textiles, clothing and foot wear, sawmilling, paper and printing, chemicals, paint, soap & foam products, bricks &cement, metal products, plastic products manufacturing and furniture making among others (Uganda Bureau of Statistics, 2010). These play a significant role as they employ 90percent of the active non farming population. They employ approximately 2,704,127 people, representing 56% of employment size. They are responsible for human resource and entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability (Tushabomwe-Kazooba, 2010).

The context of the study is of small scale business in Mukono Town like elsewhere in Uganda often face a lot of constraints and challenges in their operations. According to UJA (2008), these small entrepreneurs operate against heavy odds and slight changes in the external environment hit them strongly. They are often confronted with fierce local and international competition, lack general skills in management, marketing and financial planning, limited access to information on market opportunities and sources of competitive technology. These constraints limit substantially the productive capacity and efficiency of small scale businesses in Uganda to be competitive within the context of globalization.

1.2 Problem Statement

Financial management practices have been recognized both in developing and developed countries on its importance in coordinating organization's functions enabling managers to understand the current financial position of the firm and capability in meeting future financial obligations (World Bank, 2014). This ensures that all the business transactions are undertaken in an orderly and well managed manner (Gormoma, 2014). Particularly, this was important to the SME sector where any mismatch in the financial practices is a negatively impact on the growth to a high extent.

However, the SMEs still continue to underperform despite their huge role in economic development due to a negative trend that was portrayed by poor growth and development associated with low profitability and low sales of the firm (Longenecker, 2010).This was evidenced by the annual budget report for performance of SMEs in the FY (2020/21) which put the rate of performance at 58% against the acceptable national standard of 80%.Although various factors have been established to determine how the SMEs performed, the influence that the financial management practices have not been well established. It was against this backdrop that this study was necessitated to find out the effect of financial management practices on the growth of small and medium enterprises a case study of Mukono Town, Upper Kawuga.

1.3 Main objective of the study

The purpose of the study is to examine financial management practices and the growth of small and medium enterprises a case study of Mukono Town, Upper Kawuga.

1.4 Specific objectives of the study

This study is guided by the following specific research objectives:

1.4.1 To determine the effects of capital budgeting techniques on the growth of small and medium enterprise in the study context.

1.4.2 To determine the effects of budgetary control on the growth of small and medium enterprise in the study context.

1.4.3 To find out the influence of record keeping on the growth of small and medium enterprise in the study context.

1.5 Research Questions

The study aims at answering the following questions:

1.5.1 What is the impact of capital budgeting techniques on the growth of small and medium enterprise in the study context?

1.5.2 What is the impact of budgetary control on the growth of small and medium enterprise in the study context?

1.5.3 What is the influence of record keeping on growth of small and medium enterprise in the study context?

1.6 Scope of the study

The scope of the study will cover three dimensions that are; content, geographical and time and these are discussed in detail below.

1.6.1 Content Scope

The study will concentrate on financial management practices and the growth of small and medium enterprises a case study of Mukono Town**.** The variables to be studied include: capital budgeting techniques, budgetary control, record keeping and financial sustainability on the growth of small and medium enterprise.

1.6.2 Geographical scope

The research will be carried out on small and medium enterprises in Mukono Town, Upper Kauga. It is a municipality in Mukono District, Central Uganda. The town is bordered by Kalagi to the north, Kira Town to the west, Lake Victoria to the south and Lugazi to the east .It lies 27 kilometers (17 miles) east of the central business district of Kampala, Uganda's capital and largest city.

1.6.3 Time scope

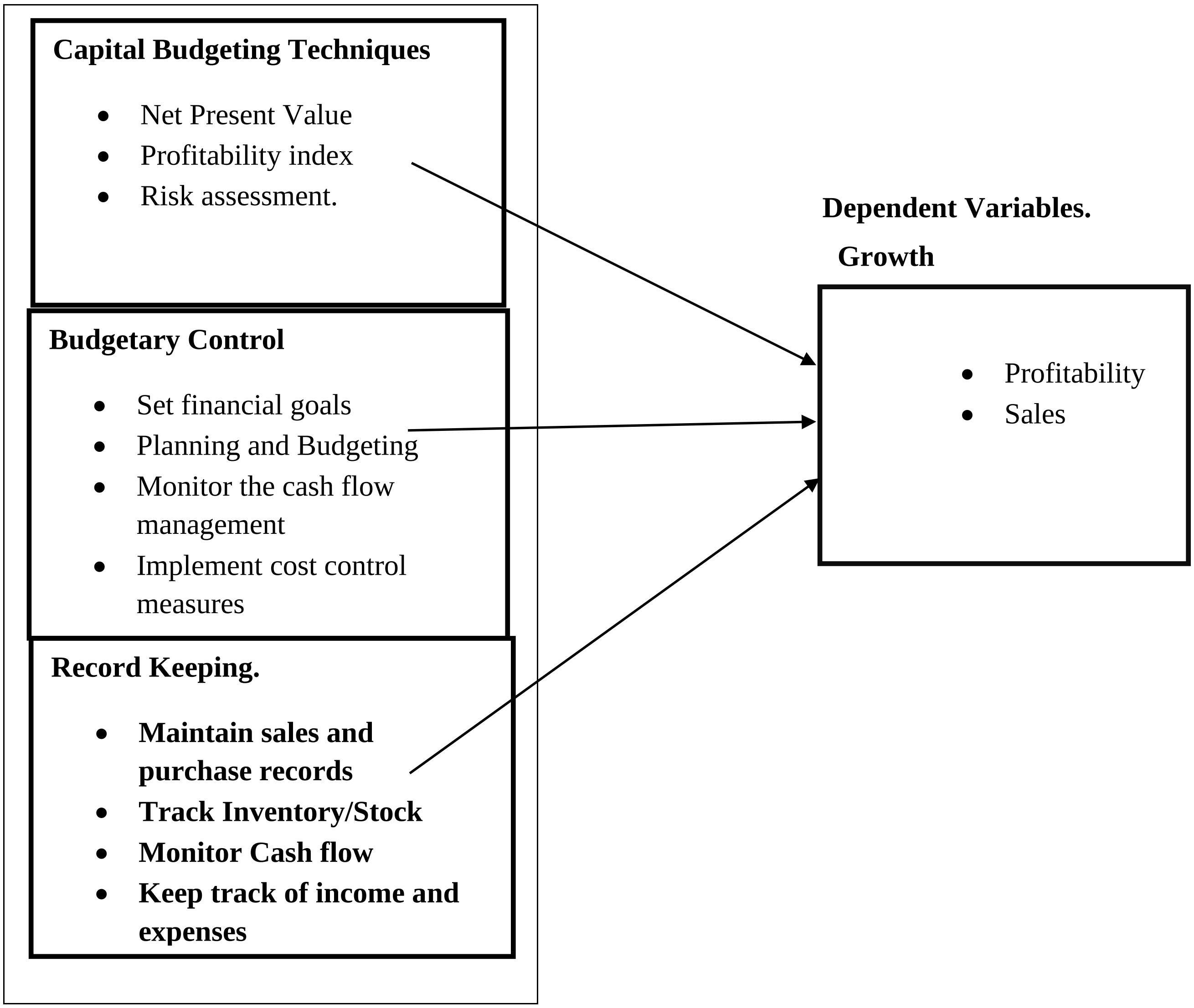
The study will focus on the period from 2018 to 2022. This will help in the comparison of the financial management practices carried out and the growth of SMEs for the past five years. The study will be carried out for the period of three months from June to August 2023.

1.7 Conceptual framework

Mugenda (2008) defines conceptual framework as a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. According to Young (2009) conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. In the study, the conceptual framework will look at the relationship between financial management practices employed by the Small and medium enterprises on their growth. The dependent variable is growth of SMEs while independent variables are Capital budgeting techniques, budgetary control and record keeping.

Figure 1: Shows the conceptual framework

Independent Variables. (Financial Management Practices)



Source: ***Adapted from Niemela (2015) and Dickson (2011)***

From the figure above growth is dependent on financial management practices of a firm. It shows that financial management practices have the ability to influence growth directly. Financial management practices contain three dimensions that was; capital budgeting technique, budgetary control and financial leverage. The indicators for growth include; profitability and sales (George, 2010).

Capital budgeting technique: This refers to the process of evaluating and selecting investment opportunities to allocate financial resources effectively. By using appropriate capital budgeting techniques, such as discounted cash flow analysis or payback period calculations, a firm can make informed decisions about which projects or investments to pursue. This helps in maximizing returns and contributing to the growth of the company.

Budgetary control: Budgetary control involves establishing financial targets and monitoring performance against those targets. It helps in managing expenses, controlling costs, and ensuring that financial resources are utilized efficiently. Through effective budgetary control, a firm can align its spending with its strategic objectives, optimize financial performance, and support growth initiatives.

Record keeping: Record keeping refers to the systematic recording, organizing, and maintaining of financial transactions and information. Accurate and comprehensive record keeping enables a firm to track its financial activities, monitor cash flows, and evaluate its financial health. It also facilitates financial reporting, analysis, and decision-making processes. By maintaining proper records, a company can make informed financial management decisions that contribute to growth.

The indicators for growth mentioned in the statement are profitability and sales. Profitability measures the company's ability to generate profits from its operations, indicating efficiency and effectiveness in resource utilization. Increasing profitability is often associated with sustainable growth. Sales represent the revenue generated by selling products or services, reflecting the company's market demand and customer base. Higher sales volumes contribute to business growth and expansion.

1.8 Justification of the study

The study focused on the financial management on the growth of small and medium enterprises is of great value to different people in different sectors.

1.8.1. The government will find this research significant because it will analyze one of the factors that lead to the failure level among SMEs in Uganda.

1.8.2. Future Researchers: It will help in providing new knowledge to researchers and academicians to extend and develop new knowledge on the effect of financial management practices on the growth of SMEs in Uganda and the results of the study will be useful to future researchers.

1.8.3. Owners of SMEs: This will help business men and women in instituting proper financial management that will enable the growth and development of their businesses by acting on the managerial challenges experienced in their businesses with regard to financial management practices.

1.8.4. Finance Providers: The parties like finance providers will be able to come up with programs to advice and train SMEs in financial management practices.

1.9 Limitations of the study

The limitations that are likely to be faced when carrying out the study include;

1.9.1 Some respondents will want compensation for the kind of information they are willing to provide during visits of some institutions.

1.9.2 Some respondents might not be willing to provide the necessary information to the questions being asked.

1.9.3 The management of the enterprises might always be busy or not available to respond to my questionnaires thus increasing my costs since I have to go back to the enterprises over and over again so as to interact with management.

1.9.4 Some of the respondents might not be willing to take part in answering the questionnaires of this study.

CHAPTER TWO:

LITERATURE REVIEW

2.0 Introduction

This study is set out to assess financial management practices and growth of small and medium enterprise a case study of Mukono Town, Upper Kawuga. This chapter covers the related literature to the topic of the study. The literature was in line with the study objectives.

2.1 Definitions of key terms used in the study

2.1.1Financial management practices: Refers to the strategies, processes, and actions undertaken by an organization to effectively manage its financial resources, including budgeting, investment decisions, financial planning, and control mechanisms (World Bank, 2014).

2.1.2 Small and medium enterprises (SMEs): Refers to businesses that have a limited number of employees, relatively low turnover, and a small market share. (Asta and Zaneta, 2010).

2.1.3Growth: Refers to the increase or expansion in the size, profitability, market share, or other relevant indicators of a business or organization over a period of time. (George, 2010).

2.1.4 Capital budgeting techniques: Refers to the methods and tools used by organizations to evaluate and select investment projects or opportunities. It involves assessing the financial feasibility of potential investments, considering factors such as cash flows, risk, and return on investment, to make informed decisions about allocating financial resources (Brigham and Ehrhardt, 2010).

2.1.5Budgetary control: Refers to the process of setting financial targets, monitoring performance against those targets, and taking corrective actions to ensure that financial resources are effectively and efficiently utilized. It involves the preparation and implementation of budgets, variance analysis, and performance evaluation to support financial planning and control within an organization (Mugenda, 2008).

2.1.6 Record keeping: Refers to the systematic recording, organizing, and maintenance of financial transactions and information within an organization. It involves maintaining accurate and comprehensive records of financial activities, such as receipts, invoices, bank statements, and ledgers, to facilitate financial reporting, analysis, and decision-making (Gormoma, 2014)

2.1.7 Profitability: Refers to the ability of a business or organization to generate profits or financial gains from its operations and indicates the efficiency and effectiveness of a company in utilizing its resources to generate financial returns (Longenecker, 2010).

2.2 The effect of capital budgeting techniques on growth of small and medium enterprises

Capital budgeting decisions are critical to the success of any firm. (Brigham and Ehrhardt, 2013) argued that capital budgeting decision was vital to a firm's financial well-being and are among the most important decisions that owners or managers of a firm must make. Their rationale for that belief was that capital budgeting decision often involves significant capital outlay to acquire fixed assets.

According to Itivi (2011), his study adopted a descriptive research design and a census survey was used where statistical data was collected quantitatively and qualitatively. A finding of this study was that capital budgeting process positively affects the growth of listed manufacturing firms.

In a similar study conducted in South Africa, Olawale, etal (2010) found out that the use of sophisticated investment appraisal techniques such as NPV and IRR methods have a positive impact on the profitability of firms.

Munyao, etal (2013) sought to establish the relationship between capital budgeting techniques and growth of companies listed at the Nairobi securities Exchange. The objective was to find out the relationship between capital budgeting techniques and growth of companies listed in the NSE. The study used multiple regression analysis to find the association between capital budgeting techniques and the growth of companies listed at the Nairobi Stock Exchange. The finding of the study indicated that there was a positive significant relationship between capital budgeting techniques and the growth of the companies registered in the Nairobi Stock Exchange method.

This was in line with Nguyen (2014), who established that most SMEs evaluate and review their capital projects prior to making any investment decisions. The study further found that though the SMEs highly regarded their fixed asset management, they still had insufficient knowledge. The study however focused entirely on the asset management practices without considering other practices that may be present and found out that capital budgeting has a positive impact on the growth of SMEs.

Atieno, (2013) found out that most SMEs practiced financial planning practices by such as periodical budget estimations, activity-based budgeting and financial analysis. Hence implying that financial planning practices had positive impacts on the growth of the SMEs good maintenance of capital, managing risks, increased the efficiency of operations. The current study also confirmed the similar positive relationship on the SMEs in Kericho County.

This was in line with the similar study conducted by Munyao, (2010) who developed a forecasting model and tested for accuracy in obtaining predictions. The finding of the study indicated that model was significant. The study found out that all the four capital budgeting techniques; payback method, accounting rate of return internal rate of return and net present value were being used by the companies listed in the Nairobi stock exchange and had a positive impact on the growth of the firm.

According to Nyambura, (2014), found out that all of the four capital budgeting techniques researched on; payback period, net present value, accounting rate of return and internal rate of return were being used by companies listed in the Nairobi Securities Exchange and results depicted that there was a correlation between the financial performance of banks and the capital budgeting techniques employed.

This was in line with Chai, (2011), who evaluated the capital budgeting techniques for their relationship with the firm's financial performance that was to say Return on assets and findings showed that Profitability index was highly related to the measure compared to other techniques. Therefore because of the inconclusive results got from the different scholars and researchers, the researcher tends to find out the relationship between capital budgeting techniques and growth of small and medium enterprises.

In a study conducted by Odhiambo (2016) in Kenya, it was found that SMEs that utilized sophisticated capital budgeting techniques had higher growth rates compared to those that did not. The study emphasized the importance of incorporating tools such as NPV, IRR, and discounted cash flow (DCF) analysis in the capital budgeting process to improve investment decisions and promote growth.

A study by Ogachi (2018) in Nigeria examined the relationship between capital budgeting techniques and SME growth. The findings revealed that SMEs that employed techniques such as NPV, IRR, and payback period experienced higher growth rates and profitability. The study recommended the adoption of these techniques to enhance investment decision-making and overall business performance.

2.3 The effect of capital budgeting techniques on the growth of small and medium enterprises

Budgetary control was a system of management control in which actual income and spending are compared with planned income and spending, so that one can see if plans are being followed and if those plans need to be changed in order to make a profit.

According to Maritim, (2013), adopted a descriptive research design and data was collected by use of a questionnaire. A regression was also carried out to establish the relationship between the Return on Equity and the budgeting independent variables. The research findings were that the budgeting practices that are common among the firms are; budget planning, budget participation, and budgetary sophistication. Therefore the study found out a positive effect of budgeting on the growth of the firms.

Player (2010) investigated on how budgeting affects the performance of SMEs in China. He reviewed the budgeting process in business firms and performance measurement in SMEs and found out that more formal budgeting planning stimulates greater growth of sales returns in SMEs, clear and well spelt budget goals improve budgetary performance of institutions, a higher level of budgetary complexity results in a lower profit growth of SMEs, more formal budgetary control leads to a higher growth of profit in the organizations and a greater budgetary involvement leads to better managerial performance. Medium-sized firms achieve higher profit and growth than small firms and state-owned enterprises achieve better non-financial performance than small firms. Therefore in the study, it was found out that budgeting has a positive effect on the growth of SMEs in China.

This was furthermore in line with Onduso, (2013) who conducted a study using the statistical package for social sciences as an analyzing tool and also regression model which was adopted to determine the association between dependent and independent variables. His findings revealed that, financial performance as measured by ROA is influenced by the use of budgets and influences of management. The research also revealed that the use of budgets positively affects the growth of the businesses

Mbugua, (2013) studying a sample of 60 companies using a cross-sectional research design concluded that aspects of budgeting practices such as budget planning and budgetary participation have a positively significant effect on the revenue collection efficiency of water service providers while budget control practices and budgeting approach have no significant effect on revenue collection in the studied industry.

A similar study was conducted by Mwangi, (2014) in assessing the effects of budgetary planning tools on the growth of registered public service vehicle companies in Kenya brought to light that, vehicle companies that adopted budgetary planning techniques had favorable growth ratios in terms of performance and those that did not practice those techniques had unfavorable growth ratios. The paper also revealed that most people in the industry were not aware of such techniques and even those who were aware did not use them effectively. Therefore, the study concluded that budgetary planning tools has a positive impact on the growth of the registered public service companies in Kenya. However, the studies consist of inconclusive findings.

According to Koech, (2015),the sample size was 50 respondents and were the head of the finance department. He used both primary and secondary data and used a descriptive analysis to mainly summarize the data collected. His results showed that there was a positive significant relationship between growth in manufacturing companies and the three variables (planning, monitoring and control and participative budgeting).

This was in line with the same study conducted by Pimpong, and Laryea, (2016) that wrote a paper in the International Journal of Academic Research and Reflections about budgeting and its impact on financial performance of non-bank financial institutions in Ghana. Their findings revealed that, there was a positive relationship between budgeting and firm performance. The further portrayed that, the firms made use of established budget processes to a greater extent and that budgeting coordination has a positive relationship on firm performance. Therefore because of these inconclusive results got from the different scholars and researchers, the researcher tends to find out the gap between budgetary control and growth of small scale enterprises.

Yartey and Amankwah-Amoah (2020) conducted research in Ghana and examined the relationship between budgetary control and SME growth. Their findings revealed that SMEs that implemented budgetary control practices, such as budget preparation, and corrective actions, experienced higher growth rates and profitability.

2.4 The influence of record keeping and growth of small and medium enterprises

Record keeping was the recording of business transactions in a systematic manner so that the financial position of an organization can be ascertained at any point in time (Olukotun et al, 2012). Financial records, for example the sales day book (sales journal), purchases day book (purchases journal), cash receipt book, cheque payments book, petty cash book, general journal, nominal ledger, debtors' ledger and creditors' ledger must be kept and maintained in a sound accounting system (Maseko & Manyani, 2011). Records' keeping in the financial management of enterprises was very crucial. Accounting records furnish substantial information about the volume of business, such as how present and prior volumes compare, the amount of cash versus credit sales and the level and status of accounts receivable. In addition, good accounting records help to accomplish controlling expenses. Accounting records detail the amounts owed to suppliers and other creditors so that the businessman or woman can plan the availability of cash to meet your obligations. Such records also provide information regarding expenditures and allow him or her to establish controls over them. It is important to be aware of expense requirements and how they relate to the overall picture (Gordano, 1991).

Keeping accurate and up-to-date records was vital to the success of any business. The business must realize that records kept will be one of the most important management tools it possesses and, therefore, it should be allocated due importance. The business owner is looking for the maximum return from their investment and the maintaining of good records is part of that equation. Good records keep the business individual on toes and enable him or her to monitor every situation (Queensland government, 2011). Two common recordkeeping systems used by businesses and other organizations are the single entry bookkeeping system and the double-entry bookkeeping system. Single-entry bookkeeping uses only income and expense accounts, recorded primarily in a revenue and expense journal. Single-entry bookkeeping was adequate for many small enterprises. The primary bookkeeping record in single-entry bookkeeping is the cash book, that allocates the income and expenses to various income and expense accounts. Separate account records are maintained for petty cash, accounts payable and receivable, and other relevant transactions such as inventory and travel expenses (Olukotun et al, 2012).

Double-entry bookkeeping requires posting (recording) each transaction twice, using debits and credits. The double-entry bookkeeping is more advanced and requires accountancy skills to maintain. Expenses are recorded in a 'General Ledger' as they are incurred, rather than when the bill is actually paid; and when income is earned rather than when received. By recognizing financial obligations when they occur, not when they are paid or received, this overcomes the problem of time lags, giving a truer picture of the financial position. The system can deal with all types of transactions and adjustments (Terry, 2009). Further, there are daybooks. A daybook was a descriptive and chronological (diary-like) record of day-to-day financial transactions also called a book of original entry. The daybook's details must be entered formally into journals to enable posting to ledgers. Daybooks include: sales daybook, for recording all the sales invoices and sales credits daybook for recording all the sales credit notes. It also includes purchases daybook, for recording all the purchase invoices, purchases credits daybook, for recording all the purchase credit notes and cash daybook, usually known as the cash book, for recording all money received as well as money paid out. It may be split into two daybooks: receipts daybook for money received in, and payments daybook for money paid out (Olukotun et al, 2012).

In a study conducted by Ayuk-Etang et al. (2016) in Nigeria, it was found that SMEs that maintained accurate and up-to-date records experienced higher growth rates and financial performance compared to those with poor record-keeping practices. The study emphasized the importance of record keeping in providing reliable financial information, facilitating decision-making, and ensuring effective financial management.

In a study conducted by Mwangi et al. (2020) in Kenya, it was observed that SMEs that practiced effective record keeping had better financial performance and growth compared to those with inadequate record-keeping practices. The study emphasized the importance of maintaining organized financial records, such as sales records, purchase records, and cash flow statements, to support financial analysis, planning, and decision-making.

Nwabueze (2018) conducted research in Nigeria and found that SMEs that utilized double-entry bookkeeping systems, which require recording transactions twice using debits and credits, experienced improved financial control and growth. The study emphasized the benefits of the double-entry bookkeeping system in providing a more accurate and comprehensive view of the financial position of the business.

2.5 Summary of the literature

The literature on the effects of financial management practices, including capital budgeting techniques, budgetary control, and record keeping, on the growth of small and medium enterprises (SMEs) reveals important insights. Regarding capital budgeting techniques, studies consistently show a positive relationship between the use of sophisticated techniques such as net present value (NPV) and internal rate of return (IRR) and the profitability and growth of SMEs. These techniques enable SMEs to make informed investment decisions, allocate resources effectively, and maximize returns. Similarly, budgetary control practices have been found to positively influence the growth and financial performance of SMEs. Effective budget planning, participation, and control mechanisms enhance resource allocation, cost control, and decision-making, contributing to overall business growth.

Furthermore, record keeping has been identified as a crucial factor in the success of SMEs. Accurate and up-to-date financial records enable SMEs to assess their financial position, track transactions, and make informed decisions. Proper record-keeping practices, such as using accounting software and maintaining detailed records, have been associated with higher growth rates and financial performance.

Overall, the literature emphasizes the importance of financial management practices, including capital budgeting techniques, budgetary control, and record keeping, in driving the growth and success of SMEs. Implementing these practices enables SMEs to optimize resource allocation, control costs, and make informed decisions, ultimately contributing to their long-term sustainability and profitability.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains the methodology that was used to conduct the research, procedures of data collection. Inclusive are the research design, the study area and the population, sampling procedures, sampling size and composition, data collection methods, data processing data analysis methods, data quality control, reliability and ethical consideration.

3.1 Research design

The research design refers to the plan or scheme adopted by the study in conducting the study and addressing the various research questions. This study employed the descriptive research design in obtaining information about the financial management practices and growth of small and medium enterprises in Mukono Town, upper Kawuga. The descriptive research design enable done to obtain information concerning the current situation and other phenomena and wherever possible to draw a valid conclusion from the facts discussed (Creswell, 2008). Moreover, the research design enabled the description of the research variables while minimizing interference by the researcher hence the most appropriate for the study.

3.2 Population to be studied

The study population entails the group of items or elements that conform to certain specification and are of interest to the researcher (Mugenda and Mugenda, 2003). A population of 120 SMEs will be studied and it will consist of cottage industries, whole sales and retail shops, and Super markets from the population using stratified random sampling as shown below;

3.3 Sample Techniques

The researcher used random sampling while collecting data from a given sample. This is because it will enable me collect samples of data from various locations where the SMEs are stated below.

Table 1: Sampling frame

Business	Frequency	Sample Size
Retail shops	47	35
Wholesale Trading	20	20
Super Markets	03	5
Cottage Industry	50	30
Total	120	100

3.4 Sampling size

The study population was120 respondents from SMEs as per the list obtained from Mukono Town, Upper Kawugawith a sample size of 100 as a unit of analysis. The Krejcie and Morgan (1970) table will be used for determining the sample size from the target population.

3.5 Sources of data

The researcher used both primary and secondary data. Primary data was important for all areas of research because it gave accurate information about the results of an experiment or observation. Primary data from the field will be obtained through researcher-administered questionnaires to selected respondents in order to get their opinions. Primary data helped the researcher in collecting information for the specific purposes of their study (Mugenda&Mugenda, 2003).

Secondary data refers to the gathering and handling of information by another person rather than the researcher. The data obtained from published journal articles, e-books, journals and thesis. This helps the researcher to know the historical perspective of the problem under investigation.

3.6 Data collection method and instrument

Data collection used a methodical process of gathering and analyzing specific information to proffer solutions to relevant questions and evaluate the results. The study formulates a self-completion data collection method where all the respondents identified were given a questionnaire to fill in the questions presented by the researcher.

The instruments werestructured with close-ended questionnaires which were be measured on the 5point Likert scale, where 5 = Strongly Agree, 4 = Agree, 3 = Not Sure, 2 = Disagree and 1 = Strongly Disagree. This was because they were easy and time saving to answer in that the respondent was given chance to tick the appropriate answer of his choice hence improving on the consistence of the responses (Polit& Beck, 2012). Follow-up wasmade to ensure that there is an adequate completion rate.The questionnaires were self-administered to the respondents after getting official permission from the respective authorities.

3.7 Data collection procedure

The researcher obtained an introductory letter from the School of Business of Uganda Christian University, Mukono after which she sought for permission from the different respondents in Mukono Town, upper Kawuga to use as a case study. The researcherthen approached various respondents to distribute the questionnaire guides.

3.8. Pilot Study

To enhance reliability and validity, the questionnaires were pre-tested on (10% of the sample) respondents. The sample was chosen using stratified sampling from SMEs of Mukono Town, upper Kawuga area was selected due to it being on close proximity to the researcher hence more convenient. The selected respondents do not constitute the actual population of the study. The piloted sample then helped to reveal any short comings in the research instrument such as vague questions, clarity of questions and relevance.

3.8.1 Reliability of the Questionnaire

The data pre-test was used in testing the questionnaire so as to determine its reliability. This enabled gauging the reliability and improving it based on the summated scales of the study variables.

3.8.2 Validity of the Instrument

Data validity entails the accuracy of the research data collection instrument. The validity of the study was accessed using construct validity method. This was achieved using a panel of experts who are more familiar in the construct validity methods. Amendments of the questionnaires will then be done as accordingly. Also to ensure validity, information from previous studies was put in place so as to cover all the areas of the study. The theoretical framework was used to arrive at the right answers for the research questions.

3.9 Data Analysis

The data was first cleaned so as to avoid any discrepancies before being analyzed. The data was then coded and input into the computer. The data was categorized and thereafter summarized using descriptive measures such as standard deviation, means and inferential statistics. Correlation Analysis was used to determine the relationship between the variables. To achieve this, data was coded and analyzed by Statistical Package for Social Science (SPSS Version 20.0) program.

3.10 Ethical considerations

Ethical standards in the study was maintained by ensuring that all information obtained from all sources was fully acknowledged.

Permission was sought from the participants before the conduct of the study. This was done through sending of introductory letters to the management of the selected SMEs and their approval received before the commencement of the data collection.

Formal request to the respondents was done in writing. All information obtained by the study will be used only for academic purposes and will betreated with confidentiality.

The researcher also ensured that no one or any organization or any party was harmed by this study.

For the sake of anonymity, no names or any identifiable information from respondents was taken so as to prevent possible victimization.

The respondents were informed that their participation will bevoluntary and as such they can opt out at any stage of the research process.

CHAPTER FOUR

PRESENTATIONS, ANALYSIS AND INTERPRETATION OF THE FINDING

4.1 Findings of the field study

The chapter presents findings on “financial management practices and growth of SMEs” a case study of Mukono Town, Upper Kawuga. The chapter starts by showing the response rate, followed by the findings of the respondents’ background information and finally the descriptive presentation and analysis of the study findings in relation to the specific objectives.

4.1.1 Survey response rate

According to the survey, the response rate was 88% which represents a significantly high response rate adequate for the presentation. According to Dvir, *et al* (2018) a high response rate implies the survey was entirely complete and presumed to give a more accurate survey result.

Table 1: Response Rate

Respondents	Questionnaires issued	Questionnaires returned	Response rate (%)
Retail shops	40	35	35
Wholesale trading	20	17	17
Super markets	5	3	3
Cottage Industry	35	33	33
Total	**100**	**88**	**88**

Source: Primary data

Survey findings in the table above show that out of the 100 questionnaires issued to the respondents, only 88 were returned representing an 88% response rate. This shows that the response to the study of the targeted population was high. The table also shows the composition of the demographic characteristics of the respondents in relation to their gender, age group, level of education, years spent in business and the type of business engaged in.

4.2 Demographic findings of the study were as follows

The demographic findings are represented by gender, age group, level of education, years spent in business and the type of SME engaged in Mukono town, upper Kawuga. Frequencies and percentages were used to show the variations in the respondent's characteristics.

Table 2: Demographic Information about the Respondents

Item	**Description**	**Frequency**	**Percentage (%)**
Gender	Male	44	50
	Female	44	50
	Total	**88**	**100.0**
Age	20-30years	28	32
	31-39years	33	38
	40-49years	15	17
	50-59years	5	5
	Above 50 years	7	8
	Total	**88**	**100.0**
Level of education	Non-formal	14	16
	Primarylevel	16	18
	Secondary level	36	41
	Post-secondary level	22	25
	Total	**88**	**100.0**

Findings in the table above show that there was an equal representation of both genders in the surveyed businesses. Both male and female comprised 44(50%) respectively. The demographics imply that there is an equal participation ratio in terms of gender when it comes to being involved in small and medium enterprises within the study area.

Findings in the table above show that majority of the respondents were in the age group of 31-39years 33(38%), followed by age group 20-30years with 28(32%), age group 40-49years had a score of 15(17%), age group above 51years had a score of 7(8%) and least were those in the age group of 40-50years with 5(5%). The age group composition shows that the SMEs in the study area mostly involved in by youth entrepreneurs. These have obtained capital to start their own small businesses in order to earn a living within Mukono town.

Findings in the table above show that majority of the respondents were in the secondary education level with a score of 36(41%), followed by post-secondary level with a score of 22(25%) and then those with primary level with a response of 16(18%) and those with non-informal education level with a score of 14(16%). The findings indicate that at least majority of the respondents involved in SMEs had either considerable level of education or experience that was adequate to enable them run their business or even provide answer the survey questionnaires.

Findings in the table above show that majority of the respondents had spent between 7-10years with a score of 31(35%), followed by those who have spent 4-6years with 25(28%), 1-3years with a score of 19(22%) and those who have spent 11years and above with a score of 13(15%). The findings indicate that there is a progressive growth of these businesses as majority had stayed for more than 7years an indication of steady progress and capitalization of these businesses from small business to medium range. The extended time also shows that it takes quite some considerable years to gain enough profit returns after putting in capital in these small and medium businesses.

4.3 Findings on effects of capital budgeting techniques on the growth of SMEs in the study context

The findings were rated basing on a Likert scale of 1: Strongly Disagree (SD), 2: Disagree, 3 = Not sure (NS), 4 = Agree (A) and 5 = Strongly Agree (SA).

Table 3: Table showing findings on capital budgeting techniques on the growth of SMEs in the study context

Capital budgeting techniques on the growth of small and medium enterprises	**Mean**	**Std. Deviation**
1. Zero based budgeting techniques contribute to the growth and expansion of SMEs.	2.56	1.221
2. Activity –based budgeting facilitates allocation of resources based on anticipated activities and operations.	4.09	0.672
3. Organizations develop rolling budgets and allocate budget preparation responsibilities to allow flexibility in response to changing conditions.	4.01	0.686
4. There is consistent revising of the original budget to meet the arising issues using traditional budgeting to view the growth status of SMEs	4.01	0.686
5. Capital budgeting techniques influence decision making in SMEs with regard to growth initiatives.	4.06	0.554
Total	**18.73**	**3.819**

Source: Primary data

Findings on the views on nature of capital budgeting techniques applied on the growth of SMEs in the study context showed that majority disagree that zero based budgeting techniques contributes to the growth and expansion of SMEs, followed by those who were not sure, strongly disagree, strongly agree and agreed with the least score. The average mean value was 2.56 and the standard deviation was 1.221.

In the same way, finding as to whether activity – based budgeting facilitates allocation of resources based on anticipated activities and operations in the study context showed that majority agree, followed by those who strongly agree, not sure, disagree and strongly disagree respectively. The average mean value was 4.09 and the standard deviation was 0.672.

Findings as to whether these organizations develop rolling budgets and allocate budget preparation responsibilities to allow flexibility in response to changing conditions showed that majority agree, followed by those who strongly agree, not sure, disagree and strongly disagree respectively. The average mean value was 4.01 and the standard deviation was 0.686.

Similarly findings as to whether there is consistent revising of the original budget to meet the arising issues using traditional budgeting to view the growth status of SMEs in the study context showed that majority agree, followed by those who strongly agree, not sure, disagree and strongly disagree. The average mean value was 4.01 and the standard deviation was 0.686.

Also findings as to whether capital budgeting techniques influence decision making in SMEs with regard to growth initiatives in the study context showed that majority agree, followed by those who strongly agree, not sure, disagree and least were those who strongly disagree. The average mean value was 4.06 and the standard deviation was 0.554.

In summary, the findings show that most of the respondents agree having applied one or more of the techniques in the table above, in so doing provide a conformation that SMEs in the study context most often have the techniques at their disposal and usually apply them to run their Small and Medium Enterprises.

4.4 Findings on the impact of budgetary control on the growth of SMEs in the study context

The findings were rated basing on a Likert scale of 1: Strongly Disagree (SD), 2: Disagree, 3 = Not sure (NS), 4 = Agree (A) and 5 = Strongly Agree (SA).

Table 4: Table showing findings on the influence of budgetary control on the growth of SMEs in the study context

Capital budgeting techniques on the growth of small and medium enterprises	**Mean**	**Std. Deviation**
6. Variance analysis is primarily crucial for the growth of SMEs as it involves comparing actual financial performance against budgeted figures.	3.32	0.578
7. Budget monitoring is one of the most important factors that lead to the growth of SMEs.	4.07	0.740
8. Performance evaluation facilitates the growth of SMEs by enabling SMEs to monitor their success.	4.06	0.793
9. SMEs that practice budgetary control have a higher growth rate than SMEs that do not practice budgetary control techniques.	4.02	0.643
Total	**15.47**	**2.754**

Source: Primary data

Findings on the impact of budgetary control on the growth of SMEs in the study context showed that majority were not sure that variance analysis is primarily crucial for the growth of SMEs as it involves comparing actual financial performance against budgeted figures, followed by those who agree, disagree, strongly agree and least were those who strongly disagree respectively. The average mean value was 3.32 and the standard deviation was 0.578.

Relatedly, findings as to whether budget monitoring is one of the most important factors that lead to growth of SMEs in the study context showed that majority agree, followed by those who strongly agree, not sure, disagree and strongly disagree. The average mean value was 4.07 and the standard deviation was 0.740.

Findings as to whether performance evaluation facilitates the growth of SMEs by enabling SMEs to monitor their success showed that majority agree, followed by those who strongly agree, not sure, strongly disagree and disagree respectively. The average mean value was 4.06 and the standard deviation was 0.793.

In the same line, findings as to whether SMEs that practice budgetary control have a higher growth rate than SMEs that do not practice budgetary control techniques showed that majority agree, followed by those who strongly agree, not sure, disagree and strongly disagree. The average mean value was 4.02 and the standard deviation was 0.643.

In summary, most of the respondents agree that budgetary control has a substantial impact on the growth of SMEs in the study context. Given that most SMEs owners are found of making estimated budgetary predictions in purchase and trends in business progress. For that matter they are engaged in monitoring, performance evaluation, putting in place budgetary controls and least carrying out analysis of variations in sales, prices, cost of purchasing equipment and raw material costs with the aim of promoting and pushing for greater growth of their businesses.

4.5 Findings on the influence of record keeping and growth and development of SMEs in the study context.

The findings were rated basing on a Likert scale of 1: Strongly Disagree (SD), 2: Disagree, 3 = Not sure (NS), 4 = Agree (A) and 5 = Strongly Agree (SA).

Table 5: Table showing findings on the influence of record keeping and growth and development of SMEs in the study context

C Record keeping and growth and development of small businesses.	**Mean**	**Std. Deviation**
10. Recording business transactions daily in the books of account leads to growth of SMEs.	4.08	0.675
11. Recording the amount owned to suppliers and other creditors on a daily basis helps to keep track of income.	4.04	0.824
12. Records that are accurate and up to date record lead to growth of SMEs.	4.02	0.467
13. Use of single entry in the books of account helps the accountant to be able to track the expenses and income in the businesses.	4.0	0.857
14. Use of double entry in the books of account facilitates the growth of SMEs since both the transactions are recorded.	3.99	0.702
Total	**20.13**	**3.525**

Source: Primary data

Findings on the influence of record keeping, growth and development of SMEs in the study context showed that majority agree that recording business transactions daily in the books of account leads to growth of SMEs, followed by those who were not sure, strongly agree, disagree and least were those who strongly disagree. The average mean value was 4.08 and the standard deviation was 0.675.

Relatedly, findings as to whether recording the amount owned to suppliers and other creditors on a daily basis helps to keep track of income showed that majority agree, followed by respondents who were not sure, strongly agree, disagree and least were those who strongly disagree. The average mean value was 4.04 and the standard deviation was 0.824.

Findings as to whether records that are accurate and up to date record lead to growth of SMEs showed that majority agree, followed by those who strongly agree, not sure, disagree and none was for strongly disagree. The average mean value was 4.02 and the standard deviation was 0.467.

Findings as to whether the use of single entry in the books of account helps SMEs accountant to be able to track the expenses and income in their businesses showed that majority agree, followed by those who were not sure, disagree, strongly agree and least were those who strongly disagree. The average mean value was 4.00 and the standard deviation was 0.857.

Finally, findings as to whether the use of double entry in the books of account facilitates the growth of SMEs given that both the transactions are recorded showed that majority agree, followed by respondents who were not sure, strongly agree, disagree and least were those who strongly disagree. The average mean value was 3.99 and the standard deviation was 0.702.

In conclusion, the survey shows that to a large extent record keeping plays a fundamental influencing part in supporting growth and development of SMEs in the study context, because these SMEs need records on daily transactions of sales, procurement to the store, payment to the creditors and received money from the debtors, for that case it is necessary to keep good recording of all transactions so that by the end of year the owner can evaluate which sales made the highest gains or which items they may need to replace because they are out of stock.

4.6 Correlation between financial management practices and the level of growth of SMEs in the study context.

The table below presents the correlation between financial management practices and the level of growth of SMEs.

Table 6: Correlation between the application of financial management practices and identifying the level of growth attained by SMEs in the study context

	Activity-based budgeting facilitates allocation of resources based on anticipated activities and operations.	Budget monitoring is one of the most important factors that led to the growth of SMES.	Records that are accurate and up-to-date record led to growth of SMES.
Activity-based budgeting facilitates allocation of resources based on anticipated activities and operations.	1	.175	.077
Budget monitoring is one of the most important factors that led to the growth of SMES.	.175	1	.002
Records that are accurate and up-to-date record led to growth of SMES.	.077	.002	1

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

The correlation analysis table above shows the correlation between the application of financial management practices and growth of SMEs in the study context is largely very weak with a 0.077 significant value estimate regarded as being a weak positive relationship. Given that correlation coefficient is deemed significant when the value of ($\alpha = 0.05$). The results of the correlation clearly show that majority of SMEs do not necessary follow all the financial management practices when conducting business transaction and for that case other factors like political environment or general macro-economic trend by be other factors relied upon as influencers to the growth and development of their businesses.

CHAPTER FIVE

DISCUSSIONS OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussions of the findings, conclusions derived from the findings and the recommendations on the financial management and the growth and development of small and medium enterprises basing on the findings of the study.

5.1 Discussions of the Findings

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

5.1.1 Capital budgeting techniques on the growth of small and medium enterprises

The study established that different capital budgeting techniques in financial management impact the growth and development of small and medium enterprises. Accordingly, capital budgeting techniques helps small scale businessmen and women to allocate their limited resources efficiently. By comparing the potential returns of various projects, businesses can prioritize those that align with their growth objectives, ensuring that funds and efforts are focused on the most promising opportunities. This was in line with Chai, (2011), who evaluated the capital budgeting techniques for their relationship with the firm’s financial performance that was to say Return on assets and findings showed that was highly related to the measure compared to other techniques. Therefore because of the inconclusive results got from the different scholars and researchers, it shows that capital budgeting encourages SMEs owners to think strategically and consider the long-term impact of their investment choices. It ensures that investments are in line with the company's overarching growth strategy, helping SMEs stay committed to their long-term goals. Capital budgeting techniques aim to maximize profits by identifying investments with the highest potential returns.

5.1.2 To determine the impact of budgetary control on the growth of small and medium enterprise in the study context

The study established that there is a relationship between budgetary control and the growth and development of small businesses. Budgetary control helps SMEs avoid overextending their financial resources. This financial prudence contributes to stability and resilience, vital for sustainable growth. This is because if there is monitoring money coming into and going out of the business, the businessmen and women are able to plan for the businesses, they are able to know the profitability of the businesses and are be able to cater for contingencies. When they monitor, they are able to know what to add or what not to stock especially if its purchase is low and keeps on holding cash. When they carry out budgeting, they are able to monitor cash flow. This was in line with the same study conducted by Pimpong, and Laryea, (2016) that wrote a paper in the International Journal of Academic Research and Reflections about budgeting and its impact on financial performance of non-bank financial institutions in Ghana. Their findings revealed that, there was a positive relationship between budgeting and firm performance. The further portrayed that, the firms made use of established budget processes to a greater extent and that budgeting coordination has a positive relationship on firm performance. The budget tells when certain amounts of money to carry out activities will be needed, enables monitoring of income and expenditure and identifies any problems. Budgetary control techniques assist SMEs in making funding decisions. Whether it involves seeking external financing, reinvesting profits, or utilizing internal funds, these techniques guide businesses in determining the most cost-effective and growth-oriented funding sources.

5.1.3 To find out the influence of record keeping on the growth on small and medium enterprises

The study found out that record keeping influences the growth and development of small and medium enterprises. This includes recording business transactions and it enables the businessmen and women to be able to track the income and expenditures of the business. By recording the amount owed to suppliers and other creditors is also record keeping system, the businesswoman or man is able to establish the amount of cash against credit sales and the level and status of accounts receivable. When there are accurate and up-to-date records one is able to track of the finances in the business and preventing loss of money. This was in line witha study conducted by Ayuk-Etang etal. (2016) in Nigeria, it was found that SMEs that maintained accurate and up-to-date records experienced higher growth rates and financial performance compared to those with poor record-keeping practices. The study emphasized the importance of record keeping in providing reliable financial information, facilitating decision-making, and ensuring effective financial management. Record keeping has to be done in the proper way either using the single entry and double entry.

5.2 Recommendations of the study

The study makes the following important recommendations in relation to the observations made during the study;

5.2.1. Businessmen and women should maintain clear records of all financial transactions involving personal capital. This documentation not only aids in financial transparency but also facilitates accurate analysis of the effects of capital budgeting techniques on SME growth.

5.2.2. Businessmen and women need to carry out record keeping for the growth and development of small businesses. This is including recording business transactions to be able to track the income and expenditures of the business

5.2.3 SMES should implement a robust budgeting process. Budgets help SMEs systematically monitor and control their cash flow, enabling them to align financial resources with growth objectives.

5.3. Areas for further research

The study only investigated the impact of financial management and the growth of small and medium enterprises. However, there are many more areas which may be studied and these include: Entrepreneurship skills and the performance of small scale businesses owned by women, 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.

REFERENCES

Abor, J. &Quartey, P. (2010) Issues in SME Development in Ghana and South Africa

Asta, L. &Zaneta, S. (2010). Sustainable development decision-making model for small and medium enterprises, International Journal of Management, 2(52), 14-24.

Anthony, R. N. &Govindarajan, V. (2007).*Management control systems. Boston, Mass.: aaa McGraw-Hill.*

Ahmad, Z., Abdullah, N.M.H. and Roslan, S. (2012). *Capital Structure Effect on Firms Performance: Focusing on Consumers and Industrials Sectors on Malaysian Firms*. International Review of Business Research Papers, 8 (5), 137 – 155

Atieno, M., (2013). The Relationship Between Financial Planning And The Financial Performance Of Small And Medium Enterprises In Nairobi City Centre Kenya. Unpublished Thesis, Nairobi University.

Brigham, E. F., &Ehrhardt, M. C. (2010). Financial management: Theory & practice. Cengage Learning.

Brinkman etal. (2011) *cross country- determinants of capital structure choice: a survey of European firms. Financial Management 33 (*A).

Brigham, E. F., &Ehrhardt, M. C. (2013). Financial management: Theory & practice. Cengage Learning.

Chai, T. J. (2011). *The impact of capital budgeting techniques on the financial performance of courier companies in Keny*a. Research Project University of Nairobi

Creswell , J . W . (2014). Research Design : Qualitative , Quantitative and Mixed Methods Approaches (4th ed .). Thousand Oaks , CA : Sage. In SAGE (Vol. 12, Issue 4th edition). https://doi.org/10.5539/elt.v12n5p40

Davila, A. & Foster, G. (2007).*Management control systems in early-stage startup companies.* The Accounting Review, 82(4), p. 907, ABI/INFORM Global-database.

Deresse&Prabhakara, M. L &Prabhakara, D. R. (2012) Effect of financial management practices and characteristics on profitability: a study on business enterprises in jimma town, Ethiopia.

Dickson, (2011).Financial management practices and financial performance of Non-financial firms listed at the Nairobi securities exchange Kenya. MBA research paper, University of Kenyatta

Levy (2015).A Multivariate Study of Firm Performance and the Use of Modern Analytical Tools and Financial Techniques. Interfaces; Vol. 19, No.3.

Longenecker (2010), Small and Medium Enterprises across the Globe: A New Database USA-New York publishers

Eden. (2016). Fiscal Decentralization, Macro stability and Growth, International Studies Program Working Paper 0506, Andrew Young School of Policy Studies: Georgia State University.

Gormoma (2014).The effects of financial management practices on the financial performance of small and medium enterprises in Kenya.MBA research paper, University of Nairobi, Kenya.

George, (2010). Cost Management, Strategies for Business Decisions, 2nd Edition.

Itivi, N. M (2011).effects of capital budgeting on the growth of manufacturing firms listed at Nairobi Securities Exchange

KNBS (2016).Micro, Small and Medium Establishment (MSME) Survey.Kenya National Bureau of Statistics Nairobi, Kenya

Kaumbuthu, A. J. (2011). The relationship between capital structure and financial performance: a study of firms listed under industrial and allied sector at the NSE. (MBA Dissertation, University of Nairobi).Retrieved from http://erepository.uonbi.ac.ke.

Kiveu, (2013). Financial Management and Profitability of Small and Medium Enterprises, DBA

King R., Clarkson, P. & Wallace, S. (2010).Budgeting practices and performance in small healthcare businesses. Management Accounting Research 21(1), 40-55.

Koech, (2015) Challenges and constraints faced by small and medium enterprises (SMEs) in Al Batinah governorate of Oman. World Journal of Entrepreneurship, Management, and Sustainable Development, 11, 120-130. doi: 10.1108/WJEMSD-05-2014-0012

Maritim, F. C. (2013). The effects of budgeting process on financial performance of commercial and manufacturing parastatals in Kenya.

Mephokee C. (2010): The Thai SMEs Development Policies: Country Report, Faculty of Economics, Thammasat University, Bangkok

Management study Guide, (2011) Financial Management- meaning, objectives and functions from *http://www.management guide.com/financialmanagement.htm*

McMahon, R. G. P., Holmes, S., Hutchinson, P. J., Forsaith, D. M, (2013), Small Enterprise Financial Management: Theory and Practice, Harcourt Brace, Sydney

Mbugua. (2013). Constraints to growth: *A cross-country analysis of Chinese, Indian, and Pakistani SMEs. Chinese Management Studies,* 10, 365-386, doi: 10.1108/CMS-06-2015-0127

Mugenda, O.M., &Mugenda, A. G. (2003).Research methods: Quantitative and qualitative approaches. Nairobi: Acts Press.

Mugenda, O. and Mugenda, A. (2008).Research Methods: Quantitative and Qualitative approaches.

Myers S.C. &Majluf N. (1984).*Corporate financing and investment decisions when firms have information that investors do not have, Journal of Financial Economics, 13, 187-221*.

Munyao, A. (2010). The Relationship between Capital Budgeting Techniques and Financial Performance of Companies listed at the NSE. MBA Project, University of Nairobi.

Munyao, A., Kalui, F.M., &Ngeta, J. (2013).*The relationship between capital budgeting techniques and financial performance of companies listed at the Nairobi Securities Exchange.*

Mwangi (2014).Bank financing for SMEs-lessons from the literature. National Institute of Economic and Social Research, 225, 23-38. doi: 10.1177/002795011322500105

Mwangi, L. W., Makau, M.S. and Kosimbei, G. (2014).*Relationship between Capital Structure and Performance of Non-Financial Companies Listed In the Nairobi Securities Exchange, Kenya*. Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA) Vol: 1 Issue 2

Nyambura, I. E. (2014). The Relationship between Capital Budgeting Techniques and Financial Performance of Companies Listed at the Nairobi Securities Exchange

Nguyen, K.M. (2014). *Financial Management Practices and Profitability of Small and Medium Enterprises. Australia*

Oscar, a. (2010, 5 27)..*Financial literacy key for SMEs growth*. Kampala, Uganda, East Africa: daily monitor.

Onduso. (2013). Capital structure and financing of SMEs: The Tunisian case. *International Journal of Economics and Finance, 6, 96-111.doi:10.5539/ijef.v6n5p96*

Olawale, F., Olumuyiwa, O., & Morgan, H., (2010).An investigation into the impact of investment appraisal techniques on the profitability of small manufacturing firms in Nelson Mandela Bay metropolitan Area, South Africa.

Player (2011). Testing the pecking order and signaling theories for financial Institutions in

Ghana. Research Journal of Finance and Accounting, 5, 77-83. Retrieved from http://www.iiste.org/Journals/index.php/RJFA

Pimpong and Larvea, (2016).*Challenges faced by small to medium scale enterprises: A case study of Chitungwiza, Zimbabwe. Green Journal of Business and Management Studies*, 4,

103-107. doi:10.15580/GJBMS.2014.4.102113910

Puxty, A., &Lyall, D. (1989). Cost Control into the 1990s: A Survey of Standard Costing and Budgeting Practices in the UK. London: CIMA. Receivership.

Raza M.W (2013). Effect of financial leverage on firm performance.Empirical evidence from Karachi stock exchange.

Shaheen.W. (2014).Impact of Leverage on Financial Performance of the Organization.

Soumadi, M. M. and Hayajneh, O. S. (2011). Capital structure and corporate performance: Empirical study on the public Jordanian shareholdings firms listed in the Amman stock market. European Scientific Journal, 8(26), 173-189.

Turyahebwa, A. (2015). Financial management practices in small and medium enterprises in western Uganda. Research Journal of finance and accounting, 29

World Bank (2014) f*acilitating SME financing through improved credit Reporting*.Report of the International committee on credit Reporting, chaired by the World Bank.

Yuan, K. and Kazuyuki, H. (2011).*Impact of the Debt Ratio on Firm Investment:* A case study of listed companies in China. RIETI Discussion Paper Series 08-E-011.

APPENDIX 1: QUESTIONNAIRE FOR THE RESPONDENTS

QUESTIONNAIRE FOR THE RESPONDENTS.

Introduction

Dear Respondent

My names is Kongai Elizabeth, a student of Uganda Christian University pursuing a Bachelor's degree in science of Accounting and finance. It is a requirement that I undertake a research project. My research topic is "Financial Management Practices and growth of small and medium enterprises. Case study of Mukono town council, Upper Kawuga: The purpose of this study and its findings is purely academic. I kindly request you to spare some of your precious time to answer the following questions. The activity will take about 10 minutes and I would appreciate your honest opinions. Be assured that your responses will be completely anonymous and therefore any information you provide will be treated with strict confidentiality. This questionnaire has sections A, B, C, D and E. I kindly request you to respond to all questions.

Thank you.

Sincerely

....

KONGAI ELIZABETH.

SECTION A: BACKGROUND INFORMATION

l. Your Gender

Male	Female

2. Your age group:

20-30 years	31-39 years	40-49 years	40-50 years	above 51 years

3. Your level of education:

Non - Informal	Primary	Secondary Level	Post-secondary Level

4. Number of years in the business

1 — 3 years	4 — 6 years	7 — 10 years	1 1 years and above

5. Type of business

Retail shop	Whole sale shop	Cottage Industry	Super Markets

SECTION B: Response on the Research Variables

Indicate the extent to which you agree with the following observations on a scale of 1- Strongly disagree; 2- Disagree; 3- Not sure; 4- Agree; 5- Strongly agree.

Question Items	SD 1	2	3	A 4	SA 5
capital budgeting techniques on the growth of small and medium enterprises					
1 .zero based budgeting techniques contribute to the growth and expansion of SMES.					

2. Activity-based budgeting facilitates allocation of resources based on anticipated activities and operations.					
3. Organizations develop rolling budgets and allocate budget preparation responsibilities toallow flexibility in response to changing conditions.					
4. There is consistent revising of the original budget to meet the arising issues using traditional budgeting to view the growth status of SMES					
5.Capital budgeting techniques influence decision making in SMES with regard to growth initiatives					
Budgetary control on the growth of small and medium enterprise					
6.Variance analysis are primarily crucial for the growth of SMES as it involves comparing actual financial performance against budgeted figures					
7. Budget monitoring is one of the most important factors that led to the growth of SMES.					
8.Performance evaluation facilitates the growth of SMES by enabling SMES to monitor their success					
9. SMES that practice budgetary control have a higher growth rate than SMES that don't practice budgetary control techniques.					

Record Keeping and Growth and Development of Small Businesses					
10.Recording business transactions daily in the books of account leads to growth of SMES					
11. Recording the amount owned to suppliers and other creditors on a daily basis helps to keep track of income					
12. Records that are accurate and up-to-date record led to growth of SMES.					
13.Use of single entry in the books of account helps the accountant to be able to track the expenses and income in the businesses					
14.Use of double entry in the books of account facilitates the growth of SMES since both the transactions are recorded					

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: Reg. No.

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

"Financial Management Practices and growth of SMEs, Mukono town."

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

The Uganda Christian University School of Business thanks you in advance

....

Mukisa Simon Peter
Research coordinator