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CASH FLOW MANAGEMENT UTILIZATION AND PERFORMANCE OF SMALL  
MEDIUM ENTERPRISES (SMES) IN UGANDA: A CASE STUDY OF SELECTED  
BUSINESS ENTERPRISES IN KITUMBA SUBCOUNTY KABALE DISTRICT

BY

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iii)

**DECLARATION**

**TWONGYEIRWE MARION**, declare that this is my original work and it has never been submitted to any University for the award of any degree or diploma.

Signature ..... Date: 06/02/23

**TWONGYEIRWE MARION**

iv)

**APPROVAL**

This report entitled "Cash flow management utilization and performance of Small Medium Enterprises (SMES) in Uganda. A case study of selected business enterprises in Kitumba subcounty Kabale district" has been done under my supervision and is now ready for submission.

Signature ... ~..... Date: 09/12/23

Ms .lolly Nyesigyire Kakkayi

**SUPERVISOR:**

v)

### **DEDICATION**

I dedicate this research report to my beloved husband and family who helped me financially and have made me who I am. May God bless you so much.

### **ACKNOWLEDGEMENTS**

First and foremost I thank God to have guided me and gave me the wisdom to accomplish this research report. I am very happy with the blessings I get from him.

I want to extend my sincere gratitude to my beloved husband and families who did everything for me and have enabled me reach this level in as far as academics are concerned.

My sincere thanks also go to my supervisor Ms. Jolly Nyesigyire Kakkayi who guided and directed me while compiling this research report.

Finally, I also thank the work done by my friends and everyone who helped me to accomplish this research.

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## **LIST OF ABBREVIATIONS**

**SMEs:** Small Scale Enterprises

**U.S:** United States

**EAC:** East African Community

**GDP:** Gross Domestic Product

### **ABSTRACT**

This study was carried on cash flow management utilization and performance of Small Medium Enterprises (SMES) in Uganda. A case study of selected business enterprises in Kitumba Sub county Kabale District. it was guided by specific objectives which were; to establish the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district. to examine Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district and to propose the ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district. The research was a cross sectional study which was both qualitative and quantitative in nature and it used a sample of 30 respondents selected from different SMEs such as Bakeries, Internet Services, Shops, Restaurants, Welding and carpentry and Drug Shops that operate in Kitumba Sub county. Both interview and questionnaire methods were used to collect data from primary and secondary sources and the study findings indicated that The importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district and on the point that cash flow management utilization increases Market for inputs and out puts, Also on the Self-employment. and increase Food production, Cash flow management utilization challenges where discussed and On Limited Business skills. Also Hazards such as bad debt. fraud and risks and limited working capital. The ways in which cash flow management in SMEs can be improved, monitoring the performance of the business, Minimizing costs and ensure business growth. Acting with great degree of integrity in execution of their role to ensure growth of our business, Upholding ethical issues in all management decisions, Following Debtors to ensure payment within an agreed time and finally the study recommended that Business Enterprises should employ qualified staff so that financial management is handled with care in order to improve on the profitability and the government should support business enterprises institutions by providing loans on low Intrest, giving tax holidays among others so that businesses do not overstrain the budget.

## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

In this chapter, the researcher will look at the definition of key words and concepts, the background of the study, the statement of the problem, the purpose of the study, concepts, and conceptual framework.

#### 1.1 Background to the study

The importance of SMEs has attracted a lot of attention internationally in past few years due to their significant contributions to the economies of both the developed and developing countries (Asiedu, 2006). In Europe, SMEs are the backbone and engine of the European economy. In the European Union, almost 85% of net new jobs from 2002-2010 were created by SMEs (European Union, 2012 European Commission, 2011; Abouzeedan, 2011; and Muhammad et al, 2010).

In the United States, the effect of globalization on SMEs has received a lot of attention in international circles in the past few years. In 2004, SMEs in the U.S. employed about 25 million people and their gross product was about 20 percent of the gross domestic product of private industries in the U.S. (Kozlow, 2006; BEA, 2006).

In Asia, SMEs are very important for employment creation and are sources of economic growth and foreign currencies. In Indonesia, SMEs are valued for their potential to create employment, to generate foreign currencies through export, and their potential to grow into larger enterprises (Tumbunan, 2012). In India SMEs, constitute over 90% of total enterprise in most of the economy, generating the highest rate of employment growth and account for a major share of industrial production and exports (Kumar, and Sardar, 2011). In Africa SMEs are efficient and prolific job creators, the seeds of big businesses, and the fuel of national economic engines. From an economic perspective, however, SMEs are not just suppliers, but also consumers (Abor and Quartey, 2010). SMEs make up approximately 50% of the gross domestic product; have a higher production output than large companies, greater capacity to innovate, a more direct impact on cultural and social issues, and a greater role to play in the future growth of an economy (Belinda, 2011).

In the East African Community, SMEs play a much bigger role in developing national economy by alleviating poverty and participating in the global economy. For example, in Kenya SMEs, make up well over 90% of the country's private sector. For the government, SMEs are a source of employment opportunities particularly for the low skilled workers, as well as women and young people, wealth creation, contribute to stability and generate tax revenues. They also contribute to local supply and service provision to larger corporations (EAC,2009).

In Uganda, SMEs are viewed as the engine for growth as they contribute to reduction of poverty through job creation, paying taxes for national progress and a basis for developing new ideas, contribute to economic growth and sustainable development (Ssendaula, 2002). Uganda SMEs are vital drivers of growth, innovation and a source of government revenues that target poverty reduction (COMSEC, 2011). More so, they account for over 70 percent of the country's dominant economic force, employing more than 2.5 million people, constitute 70 to 90 percent of the private sectors.

Amuzu, (2010) linked business success/failure to the volume of the net cash inflows and outflows from a firm's activities. He argued that inability to generate cash from its operations may force a business to borrow more money or to dispose of its capital investments to meet its obligations and this may lead to involuntary bankruptcy if this situation persists over a period it may lead to collapse of these enterprises.

According to Percat, (2012), around 90% of SMEs failures are due to inadequate management of their cash flow. SMEs are especially vulnerable to cash flow problems since they operate with inadequate cash reserves or none at all, worse, tends to miss the implications of a negative cash flow until it is too late (Peng and Jiahai, 2005).

The above issues in SMEs are largely linked to inappropriate cash flow management Reddy and Kameswari. (2004) noted that SMEs are facing growing pressure on costs and funding requirements and as such, are looking for ways that make them more efficient in achieving profits, by trying to (manage their cash flow) increase income or reduce expenses

### **1.2 Statement of the Problem**

Studies by Kazooba, (2006) and Keough, (2002) revealed that a common scenario is that most of the Uganda businesses never celebrate their first anniversary; over 50% of the newly established SMEs fight an uphill battle from the start but fail in five years and that less than 4% of small businesses grow to medium or large firms. 70% to total GDP (Kakista and Baguma, 2011; Ssempijja, 2011). Reports by UI A, (2011) revealed about 24,505 SMEs, employing over 90% of the private sector workers and contribute substantially to the provision of basic goods and services. In 2011, the small-medium size enterprises contribute 14% to 18% of the total revenue to the government respectively (Mugabe, 2012). However, the rate at which Uganda's SMEs are running out of business, especially due to poor performance stands at 50% annually leaving a lot to be desired (Kampumure, 2009; and Kiningi, 2007). While Uganda ranks high in the rate of SMEs establishment and its being among the most entrepreneurial population in Africa, it is among countries where business failure is most common (Naduda, 2011, Badagawa. 2011).

In Kabale district, there are various small scale and medium enterprises in operation but their performance is relatively low and this could be due to cash flow management utilization or other factors. Thus the researcher assessed the effect of cash flow management on the performance of small and medium enterprises in Kitumba Sub county Kabale district.

### **1.3 Purpose of the study**

The study assessed the effect of Cash flow management utilization and performance of Small Medium Enterprises (SMEs) in Kitumba Sub county Kabale district.

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

- i) To establish the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district.
- ii) To examine Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district.
- iii) To propose the ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district.

### **1.5 Research Questions**

- i) What is the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district?
- ii) What are Cash flow management utilization challenges in SMEs in Kitumba Sucounty Kabale district?
- iii) What are the ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district?

### **1.6 The scope of the study**

#### **Content scope**

The study was done on Cash flow management utilization by Small Medium Enterprises (SMEs) in Kitumba Sub county Kabale district. It further looked at the importance of cash flow management Utilization in SMEs, examining Cash flow management utilization challenges in SMEs and the ways in which cash flow management in SMEs can be improved.

#### **Geographical Scope**

The study was carried out in Kitumba Sub County in Kabale district located in South Western Uganda along Kampala Kigali High way in Ndorwa West Constituency.

#### **Time Scope**

The study considered a period of 10 years that is from 2018 to 2023 because it is the time which was enough for the researcher to make meaningful conclusions and recommendations of the study.

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

The study will lead to the award of Bachelor's degree in Business Administration of Kabale University.

The study may act as a source of literature to other scholars who would wish to carry out a study on the related topic.

The study may help SMEs to understand the importance of Cash flow management towards their development.

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It will may stakeholders such as Municipal Council administration and Government Ministries to know challenges that face cash flow management utilization thereby suggesting suitable solutions.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This study was done using specific objectives which were to establish the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district, to examine Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district and to propose the ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district

#### 2.1 Cash flow management in SMEs

Cash flow management is the nucleus of a business entity for short and long-term survival (Munusamy, 2010): concerned with both the short term and long- term financial objectives Evans. 2012): and determined by examining the cash flow statement (Statt and Truman.200). According to Amin., (2012) cash flow management brings together actions concerned with cash payment, collection management and liquidity management, which involves acquisition and disposal of treasury assets and their subsequent monitoring, a strategy for investing surpluses of cash for maximum profitability and financing deficits at minimum costs.

According to Percat, (2012) around 90% of SMEs failures in Saudi Arabia are due to inadequate management cash flow). Muller (2008) noted that in order for SMEs to manage their cash flow, they must understand cash flow and be able to project how and when cash would be received and spent. take steps to optimize revenue and expenditure timing and amounts. Yaqub and Husain (2010). Surrige and Gillespie (2008) argue that for SMEs to grow, they must address failure factors by identifying potential cash problems and deciding on how to adjust it to improve the organizations cash position

#### Objectives of cash flow management

Amin (2012) and Evans (2012) outlined the objectives of managing cash flow as accelerating cash inflows wherever possible, delaying cash outflows until they come due, investing surplus cash to earn a rate of return, borrowing cash at the best possible terms, maintaining an optimal level of cash that is neither excessive nor deficient. They noted that cash flow management makes a business hold the right amount of cash since holding too much cash, makes the business

loses the opportunity to earn a return on idle cash and holding too little cash, makes it run the risk of not making timely payments to suppliers, banks, and other parties. According to Horner (2001), cash flow management ensures that a firm identifies in time what needs to be done to avoid a liquid crisis and improves its cash flow. The performance objectives of cash flow adequacy are that an enterprise must generate sufficient cash through operating, investing, and financing activities, (Needle et al, 2007).

## **2.2 Importance of cash flow management in SMEs**

According to Evans (2012), cash flow management helps SMEs maintain an optimal cash balance that is neither excessive nor deficient. It would minimize the positive items and maximize the negative items affecting the cash cycle, leading to a minimum number of days in a cash cycle. Menon. (2011) added that cash flow management helps SMEs in spotting potential cash flow gaps, serves as a reference tool for seeking funds from bankers, and enhances confidence of the bankers on the SMEs effectiveness. Amuzu (2010) agreed that cash flow is an important measurement used by investors for evaluating a company because it focuses on actual operation and eliminates one-time expenses and non-cash charges and gives a clear picture of what the company is truly doing. Correia C et al, (2007) also observed that cash flow is an area looked upon with great interest by financial and economic analysts as a credible indicator on the strength, or riskiness, of an enterprise as it gives an enterprise the possibility of either cutting or stripping off some operations, or ceasing altogether. Lange (2010) asserts that SME can still have an image of profitability and still be in danger of running into bankruptcy because many people think of the profits that the business will generate rather than planning on managing cash flows. Lange further explained that many profitable SMEs face serious operational challenges as their liquid assets and cash are all tied to assets, thus lacking the needed cash to settle financial obligations.

Minnery (2006) maintains that an efficient cash flow management system plays a key role and helps to demonstrate that the SME is profitable. Minnery explained that an enterprise would need to generate a profit over a long-term period but if it does not generate sufficient cash reserves for its daily operations and for the generation of a profit for the owners, then such enterprise is a failure. Minnery observed further that while the overriding logic in the creation and

establishment of any business concern is the generation of a profit for the business it is still the amount of cash that is recognized as the crucial resource in the short, medium, and longterm life of any business.

#### **Planning of cash flow**

Menon (2011) observed that the need for funds and the cash generation capability of the business model emerges from cash flow planning. Osgood (2011) maintains that cash flow planning is the starting point of cash flow management with cash flow projections as generally the most crucial aspect of it. According to Girald (2011). cash flow planning is the first thing that should be done prior to starting an investment exercise, because only then will the business be in a position to know how its finances look like, and what is it that the business can invest without causing a strain on itself. This is useful when making difficult financial decisions as it alerts the management of more foreseeable hazards.

#### **Monitoring cash flow**

Monitoring Cash Flow detects in advance when cash surplus and deficiencies are likely to arise so that to take action to invest or to borrow funds (Surrige and Gillespie, 2008; and Kaplan, 2006). Budget will help SMEs to determine whether the business is on track and is realizing its financial goals (Ssempijja, 2012). Creating several smaller budgets can help managers of SMEs determine which operations use more cash and struggle to stay on the projected budget amounts. This discovery gives managers of SMEs an idea of where to make improvements when needed to correct the company's cash flow problems (Vitez, 2012). Cash flow forecast will allow companies to plan their route to where they hope to be over the next year (Holland, 1999). A well-made cash flow plan. if used by the SME as a tool for cash flow monitoring, increases the confidence of the bankers on the systems and controls in the SMEs and as a result enhances 'bankability' and fits the criteria for banks to evaluate and consider funding support (Menon, 2011).

#### **Cash flow controls**

Dowson et al (2009); McCallion and Warner (2008) all agree that by speeding up inflows and delaying out flows as possible, cash flow controls could improve on the credit policies of SMEs

while still meeting its obligations. They add that cash flow Controls help an enterprise maintain adequate monies at hand to meet the daily cash requirements of the business while maximizing the amount available for investment and obtain the maximum earnings on invested funds while ensuring their safety. Gustafson (2012) also agreed that cash flow controls in SMEs could improve the business's cash flow for example, by gaining more business from current clients or by acquiring new business

### **2.3 Cash flow management challenges in SMEs**

According to CIMA (2005), managing cash flow is an ongoing challenge for SME's managers as they pay little attention to it and therefore do not identify the impact of cash shortage on the turnover of capital and the operation of enterprises. Amuzu, (2010) linked business success/failure to the volume of the net cash inflows and outflows from a firm's activities as inability to generate cash from its operations may force it to borrow more money or to dispose of its capital investments to meet its obligations, but may lead to involuntary bankruptcy if this situation persists over periods of time.

Mbonyane (2006) observed that most businesses experience cash flow problems due to slow improving or excessive stock which gives rise to poor stock or inventory management; too generous credit terms; cash watered on unprofitable products or services and unnecessary expenditure (money spent on buildings, houses, luxury cars) as well as drawings

Research by Bay City Financial Solutions (2012) showed that for most SMEs, resources management and skills available are limited or fully utilized, with many concentrating so strongly on generating sales and fulfillment, but often neglecting the core back office financial and operational processes. Peng and Jiahai, (2005) earlier noted that SMEs are especially vulnerable to cash flow problems due to operating with inadequate cash reserves or none at all and only realizes the implications of a negative cash flow when it is too late

Kakuru (2008), observed that cash flow management in Uganda business enterprises has been limited due to fall in the market shares; poor market information gathering concerning the firm, increase in competition and inappropriate response to competition and natural factors like floods.

## **2.4 Improving cash flow management in SMEs**

Cash flow management relates strongly to financial performance of SMEs because the success or failure of SMEs has to some extent, been fundamentally associated with the net outflow and inflow cash elements from a number of business activities (Bernstein & Wild, 1999). Effective cash flow management is so critical to business survival providing services or products. No matter how effective a business negotiates with customers and suppliers, poor business practices can put its cash flow at risk (CIMA, 2005). If SMEs owners' do not consider cash flow, their businesses will not flourish (all Business: Champions of Small Business, 2004). Failure by SMEs to improve their forecasting, budgeting, and early warning of cash flow and failure to measure correctly, the extent of the financial crisis, financial crisis of SMEs will be worsening (Sengendo, 2012). One important element in cash flow management is the full understanding of the warning signs of cash flow distress such as; cash balances are lower than historical balances; inventory is not moving; vendors making late payment and banks requesting financial statements (Evans, 2012).

To understand effective Cash flow management, SMEs needs to differentiate between profits and cash from operations. Net profit is a simple function of revenue and expenses. Credit period, inventory, advances, and prepayments are the most important ones and common in most businesses (Menon, 2011). Peng and Jiahai, (2005) on their studies of SMEs in China, referred to this as the warning signs of recessive financial crisis. For SMEs to spot potential problems, they need to fine-tune cash flow planning process based on the nature of business and the industry conditions (Menon, 2011).

## **2.5 Research Gap**

Many scholars conducted studies cash flow management and performance of Small Medium Enterprises (SMES) in Uganda. a case study of selected business enterprises but they did not tackle the utilization of cash flow thus the researcher intends to fill this gap

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter described the research design, study population, sampling and sample size, data sources, data collection methods, data quality control, data analysis, limitations and delimitations of the study.

#### 3.1 Research design

The research was a cross sectional study which was also both qualitative and quantitative in nature. This involved selection of the study samples from an array of SMEs in the service sectors at the same point in time. This study was conducted in the Kitumba Sub county Kabale district

#### 3.3 The study population

The study population consisted of directors of selected SMEs operating in the Kitumba Kabale district.

**Table 1: Showing Study Population**

Service Sector of SMEs	Total Population	Sample	Sampling Procedure
Bakeries	7	5	Simple Random Sampling
Internet Services	8	5	Simple Random Sampling
Shops	10	5	Simple Random Sampling
Restaurants	10	5	Simple Random Sampling
Welding and carpentry	7	5	Simple Random Sampling
pro@ shop»	8	5	Simple Random Sampling
Total	50	30	

#### 3.4 Sample size

Using Yamane, (1967) formula for sample size determination and a 95% confidence level the sample for each stratum was drawn. The sample was selected from each parish of Kitumba Sub county using simple random sampling.

### **3.5 Sampling design**

To ensure that SMEs offering different services are represented, and selection of participating respondents based on their basic knowledge and experiences about SMEs, the study adopted stratified sampling scheme. The service sectors of SMEs under study were grouped according to the nature of business and a simple random sample drawn from each group

### **3.6 Data sources**

During the process of data collection, both primary and secondary data were the main sources of data. Concerning the primary data, the study used a questionnaire tool to supplement secondary data and another data such as literature review and background was collected from different sources like books, magazines, journals and Internet.

### **3.7 Data collection**

#### **3.7.1 Data collection methods**

##### **Questionnaire**

Questionnaire method is one of the best and reliable data collection that involve administering written questions either online or on a written paper to respondents. This study used only questionnaire method because she used one category of respondents which are owners/directors/managers of selected SMEs in Kitumba Sub County.

##### **3.7.2 Data collection tools**

The researcher used a questionnaire to collect data from respondents by distributing questionnaires to the respondents then collecting them after one week.

### **3.8 Data processing and analysis**

After data collection, sorting, and arranging, the summary of responses the information was first entered into summary sheets. The analysis employed the use of summaries of counts and percentages. Exploratory data analysis using custom tables was used to show the level of the utilization.

### **3.9 Research procedures**

The letter of introduction was got from Head of Department to seek permission to conduct the study after being directed by the supervisor to do so. This letter was presented to Kitumba Sub

County for permission to conduct the study in Kitumba Sub County. The researcher upon the permission collected data and the final stage was data analysis and presentation

### **3.10 Validity and reliability**

#### **3.10.1 Validity**

An instrument is valid if it measures what is intended to measure and accurately achieves the purpose for which it was designed. To provide additional content validity of the survey instrument, the researcher used two experts to scrutinize the questionnaire. **3.10.2 Reliability**

Reliability of a data collection instrument relates to the consistency with which it collects data if successively used to collect data (Mugenda & Mugenda, 2005). Cronbach's coefficient alpha was used to determine the internal reliability of the instrument.

#### **3.11.1 Ethical Consideration**

1. The researcher made sure that she correctly introduces herself for proper recognition, clarify the intention for this study to respondents and take note of all responses that were provided by respondents.
2. The researcher was humble and respectful to the respondents' values and beliefs such as dressing code, hair style.
3. The researcher tried to manage time by arriving at the place of data collection on time that is agreed upon with his respondents.
- iv. The researcher had to make sure that the data collected was treated with confidentiality in order not to reveal the secrets of respondents

### **3.11 Limitations and delimitations of the study**

Limited time to conduct a well comprehensive study was a problem during the period of the study that was carried out. However, the researcher followed the drafted timetable to finish her research successfully.

A fund to finance the research, such as transport costs, traveling costs was very high due to the current inflation in the country in addition to the long distance from home village to the area of



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the study for data collection. However with the assistance that was obtained from different group like friends, and relatives the study are finished successfully.

Uncooperative respondents to help in providing the necessary information. This was solved by availing them with a letter of introduction from Kabale University and also to assured them that the information provided were confidential.

Time constraint in data collection, capturing, coding, editing analyzing and the final presentation of the report. This was solved by ensuring that the time element is put into consideration and honoring each and every appointment as agreed upon with the respondents in the survey population

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.0 Introduction

This chapter is a presentation, interpretation and analysis of the findings of this study. The study aimed at cash flow management utilization and performance of small medium enterprises (SMES) in Uganda. a case study of selected business enterprises in Kitumba Sub county Kabale district . The findings were derived from responses obtained by use of questionnaires to all respondents and interviews. This chapter is presented in two sections, that is, section one that presents background information of the respondents and section two that presents the results of the study questions. Each research question is treated separately.

#### 4.1 Background Characteristic of the Respondents

The background information was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depend on their background. The background information solicited that is presented below was about the sex, age, education level, number of years in Business

##### 4.1.1 Sex composition

The researcher was interested in sex distribution of the respondents. The purpose of this was to balance the sex distribution of the respondents included in the study such that views of both females and males are captured

**Table 2: Showing Sex composition**

Sex of respondent	Frequency	Percentage (%)
Male	20	67
Female	10	33
<b>Total</b>	<b>30</b>	<b>100</b>

The male were the majority respondents at 67% of the total population of the respondents responding to the questionnaire while the women were 33% as indicated above. Though the males were more than the females, the views of the females were captured as they fully participated in the study.

**4.1.3 Age of the Respondents**

Data was also collected on the age of the respondents. The researcher considered the age level of the respondents as it represents the maturity of the respondents to be able to give accurate results due to experience and the results are in the Table 4.2 here under.

**Table 3: Showing Age of the Respondents**

	Frequency	Percentage (%)
Age	17	57
20-29	10	33
30-39	3	10
40 and above	0	0
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Researcher field data 2023

Data in Table 3 reveals that age group 20-29 at 50%, 40 and above was at 40%, age group 30-39 followed with 33% and age group 40 and above followed at 10%. The results indicate that most of the respondents were of mature age above 20 years. The results indicate that all the respondents were of mature age and therefore this gave the researcher to consider the solicited views as valid and authentic in relation to study since they were considered to have enough experience about the study.

**4.1.4 The education Level of the Respondents**

In the first place, the study looked at the level of education of the respondents. Data collected is presented in Table 4

**Table 4: Showing the education Level of the Respondents**

Level	Frequency	Percentage
Primary	15	50
Secondary	8	10
Post-Secondary	5	7
Non formal	2	3
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Researcher field data 2023

Data presented in Table 4 shows that the majority of the respondents 50% of the respondents had attained primary education, 10% had attained secondary education, 36% had attained postsecondary education and 16% had non-formal. Whereas most the respondents 30% had primary and non-formal education a big number of the respondents 7% had secondary education and above. This provided the researcher the opportunity of collecting dependable data as these with the help of researcher could give informed data about the issues understudy. In the researcher's opinion information solicited could be relied on by the investigations of the study

#### 4.2 The importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district

**Table 5: Showing the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district**

Response	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
Maintain an optimal cash balance	15	50	7	13	4	13	2	6	1	2
Spotting cash flow gaps	12	40	10	33	1	3	1	2	5	16
Demonstrate profitability	15	50	7	23	4	13	2	6	1	2

*Source: Researcher field data 2023*

According to table above, respondents rated the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district and on the point that cash flow management utilization help to Maintain an optimal cash balance, 15 respondents representing 50% strongly agreed, 7 respondents representing 13% agreed, 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed.

Also on the point that it helps in Spotting cash flow gaps, 12 respondents representing 40% strongly agreed, 10 respondents representing 33% agreed, 1 respondent representing 3% were not sure, 1 respondent representing 2% disagreed and 5 respondents representing 16% strongly disagreed.

Cash flow management Utilization Demonstrate profitability, 15 respondents representing 50% strongly agreed, 7 respondents representing 23% agreed, 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed .

#### .4.3 Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district

Table 6: Showing Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district

Cash flow management utilization challenges	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
Limited Business skills	12	40	10	33	1	3	1	3	5	16
Hazards such as bad debt, fraud and risks	15	50	7	23	4	13	2	6	1	2
Working capital	11	37	13	43	3	10	1	2	2	6

**Source: Researcher field data 2023**

Cash flow management utilization challenges where discussed and On Limited Business skills it was strongly agreed by 12 respondents representing 40% , 10 respondents 33% agreed, 1 respondent 3% disagreed and 5 respondent representing 16% strongly disagreed.

Also Hazards such as bad debt, fraud and risks was strongly agreed by 15 respondents representing 50%, 7 respondents representing 23% agreed , 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed

Another limited working capital where 11 respondents representing 37% strongly agreed, 13 respondents 43% agreed, 3 respondents representing 10% were not sure, 1 respondent representing 2% disagreed and 2 respondents 6% strongly disagreed

**4.4 ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district**

**Table 7: Showing ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district**

Response	Strongly agree		Agree		Not sure		Disagree		Strongly disagree	
	F	%	F	%	F	%	F	%	F	%
Putting in place financial planning, control systems and profitability systems	11	37	13	43	3	10	1	2	2	6
Monitoring the performance of the business	15	50	7	23	4	13	2	6	1	2
Minimizing costs and ensure business growth	12	40	10	33	1	3	1	2	5	16
Acting with great degree of integrity in execution of their role to ensure growth of our business	15	50	7	23	4	13	2	6	1	2
Upholding ethical issues in all management decisions	15	50	7	23	4	13	2	6	1	2
following Debtors to ensure payment within an agreed tie	11	37	13	43	3	10	1	2	2	6

**Source: Researcher field data 2023**

The ways in which cash flow management in SMEs can be improved, 11 respondents representing 37% that strongly agreed that Putting in place financial planning, control systems and profitability systems. 13 respondents agreed representing 43%. 3 respondents representing 10%. 1 respondent representing 2% and 2 respondents representing 6% strongly disagreed

15 respondents representing 50% agreed with Monitoring the performance of the business, 7 respondents representing 23% agreed, 4 respondents representing 13% were not sure, 2 respondents representing 6% strongly disagreed.

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12 respondents representing 40% strongly agreed, about Minimizing costs and ensure business growth IO respondents representing 33% agreed, 1 respondent representing 20 and respondents representing 16% strongly disagreed.

15 respondents representing 50% agreed with Acting with great degree of integrity in execution of their role to ensure growth of our business, 7 respondents representing 23% agreed. 4 respondents representing 13% were not sure. 2 respondents representing 6% strongly disagreed.

15 respondents representing 50% agreed with Upholding ethical issues in all management decisions, 7 respondents representing 23% agreed, 4 respondents representing 13% were not sure. 2 respondents representing 6% strongly disagreed.

Following Debtors to ensure payment within an agreed tie where 11 respondents representing 37% strongly agreed, 13 respondents 43% agreed, 3 respondents representing 10% were not sure, 1 respondent representing 2% disagreed and 2 respondents 6% strongly disagreed

## CHAPTER FIVE

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter presented the summary of the findings, conclusions derived from the findings and the recommendations on the cash flow management Utilization in SMEs in Kitumba Sub county Kabale district basing on the findings of the study

#### 5.1 Discussion of Findings

##### 5.1.1 Importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district

According to table above, respondents rated the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district and on the point that cash flow management utilization help to Maintain an optimal cash balance, 15 respondents representing 50% strongly agreed. 7 respondents representing 23% agreed. 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed. as Evans (2012) put across that cash flow management helps SMEs maintain an optimal cash balance that is neither excessive nor deficient. It would minimize the positive items and maximize the negative items affecting the cash cycle leading to a minimum number of days in a cash cycle.

Also on the point that it helps in Spotting cash flow gaps, 12 respondents representing 40% strongly agreed, 10 respondents representing 33% agreed, 1 respondent representing 3% were not sure. 1 respondent representing 2% disagreed and 5 respondents representing 16% strongly disagreed. This is in agreement with Menon, (2011) who said that cash flow management helps SMEs in spotting potential cash flow gaps, serves as a reference tool for seeking funds from bankers, and enhances confidence of the bankers on the SMEs effectiveness

Cash flow management Utilization Demonstrate profitability, 15 respondents representing 50% strongly agreed, 7 respondents representing 23% agreed. 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed as Minnery (2006) maintains that an efficient cash flow management system plays a key role and helps to demonstrate that the SME is profitable. He explained that an enterprise



would need to generate a profit over a long-term period but if it does not generate sufficient cash reserves for its daily operations and for the generation of a profit for the owners, then such enterprise is a failure

### **5.1.2 Cash flow management utilization challenges in SMEs in Kitumba Sub county Kabale district**

Cash flow management utilization challenges were discussed and On Limited Business skills it

was strongly agreed by 12 respondents representing 40% , 10 respondents 33% agreed, 1 respondent 3% disagreed and 5 respondent representing 16% strongly disagreed. Amuzu, (2010) linked business success/failure to the volume of the net cash inflows and outflows from a firm's activities as inability to generate cash from its operations may force it to borrow more money or to dispose of its capital investments to meet its obligations, but may lead to involuntary bankruptcy if this situation persists over periods of time.

Also Hazards such as bad debt, fraud and risks was strongly agreed by 12 respondents representing 50%, 7 respondents representing 23% agreed , 4 respondents representing 13% were not sure, 2 respondents representing 6% disagreed and 1 respondent representing 2% strongly disagreed. Mbonyan (2006) observed that most businesses experience cash flow problems due to slow improving or excessive stock which gives rise to poor stock or inventory management; too generous credit terms; cash watered on unprofitable products or services and unnecessary expenditure (money spent on buildings. houses. luxury cars) as well as drawings

Another limited working capital where 11 respondents representing 37% strongly agreed, 13 respondents 43% agreed, 3 respondents representing 10% were not sure, 1 respondent representing 2% disagreed and 2 respondents 6% strongly disagreed as Kakuru (2008), observed that cash flow management in Uganda business enterprises has been limited due to limited capital fall in the market shares; poor market in formations gathering concerning the firm, increase in competition and inappropriate response to competition and natural factors like floods.

### **5.1.3 Ways in which cash flow management in SMEs can be improved in Kitumba Sub county Kabale district**

The ways in which cash flow management in SMEs can be improved, 11 respondents representing 37% that strongly agreed that Putting in place financial planning, control systems and profitability systems, 13 respondents agreed representing 43%, 3 respondents representing 10%. 1 respondent representing 2% and 2 respondents representing 6% strongly disagreed. "Effective cash flow management is so critical to business survival providing services or products. No matter how effective a business negotiates with customers and suppliers, poor business practices can put its cash flow at risk" (CIMA, 2005).

15 respondents representing 50% agreed with Monitoring the performance of the business, 7 respondents representing 23% agreed. 4 respondents representing 13% were not sure, 2 respondents representing 6% strongly disagreed as Menon, (2011) concurs that Credit period. inventory. advances, and prepayments are the most important ones and common in most businesses

12 respondents representing 40% strongly agreed, about Minimizing costs and ensure business growth 10 respondents representing 33% agreed, 1 respondent representing 2% and 5 respondents representing 16% strongly disagreed .. For SMEs to spot potential problems, they need to fine-tune cash flow planning process based on the nature of business and the industry conditions (Menon. 2011).

15 respondents representing 50% agreed with Acting with great degree of integrity in execution of their role to ensure growth of our business, 7 respondents representing 23% agreed, 4 respondents representing 13% were not sure, 2 respondents representing 6% strongly disagreed. "If SMEs owners' do not consider cash flow, their businesses will not flourish" (all Business: Champions of Small Business, 2004

15 respondents representing 50% agreed with Upholding ethical issues in all management decisions, 7 respondents representing 23% agreed, 4 respondents representing 13% were not sure. 2 respondents representing 6% strongly disagreed. Peng and Jiahai, (2005) agrees on their studies of SM Es in China. referred to this as the warning signs of recessive financial crisis.

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Following Debtors to ensure payment within an agreed tie where 11 respondents representing 37% strongly agreed, 13 respondents 43% agreed, 3 respondents representing 10% were not sure. 1 respondent representing 2% disagreed and 2 respondents 6% strongly disagreed. "Cash flow management relates strongly to financial performance of SMEs because the success or failure of SMEs has to some extent, been fundamentally associated with the net outflow and inflow cash elements from a number of business activities" (Bernstein & Wild, 1999).

## **5.2 Conclusion**

The importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district and on the point that cash flow management utilization helps to Maintain an optimal cash balance. helps Spotting cash flow gaps and Demonstrates profitability of a business

Cash flow management utilization challenges where discussed and On Limited Business skills . .Also Hazards such as bad debt, fraud and risks and limited working capital.

The ways in which cash flow management in SMEs can be improved, Monitoring the performance of the business, Minimizing costs and ensure business growth. Acting with great degree of integrity in execution of their role to ensure growth of our business, Upholding ethical issues in all management decisions, Following Debtors to ensure payment within an agreed time

## **5.3 Recommendations**

Business Enterprises should employ qualified staff so that financial management is handled with care in order to improve on the profitability

The government should support business enterprises institutions by providing loans on low Interest. giving tax holidays among others so that businesses do not overstrain the budget.

Monitoring the performance of the business by business Managers and Owners should be regularly done to reduce challenges such as misallocation of funds,

Minimizing costs and ensuring business growth by putting collective bargaining and assessing the risks

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#### **5.4 Area for further research**

Assessing the effect of cash flow management in SMEs in Kabale district

Assesing the importance of cash flow management Utilization in SMEs in Kitumba Sub county Kabale district

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c). Degree

d). others (specify) .....

5. For how long have you been in this school?

(a) Less than 5 years (c) 10 years **D** (d) 15 and  
11 - 15 above

6. I. Do you have/own a business?

- a) Yes
- b) No

7. Does your business employ other people?

- a) Yes
- b) No

8. If yes, how many people?

- a) Less than 5 people
- b) 5 to 10 people
- c) 10 to 15 people
- d) 15 to 20 people

**SECTION B: IMPORTANCE OF CASH FLOW MANAGEMENT UTILIZATION IN SMES**

9. Do you think Cash Flow management has contributed anything to the performance of SMEs

(a) Yes **ti** (b) No **t**

10. If "Yes", tick some for the importance of cash flow management utilization on the performance of SMEs **S**

Response	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Market for inputs and outputs					
Self-employment					
Food production					

\_\_\_\_\_le\_rs\_\_\_\_\_J\_-----'-----'-----'-----'-----' Others

.....  
.....  
.....  
.....

**SECTION C: CASH FLOW MANAGEMENT UTILIZATION CHALLENGES IN SMES II. Cash**

flow management utilization have challenges in SMEs.

- a) I agree
- b) I disagree
- c) I strongly agree
- d) I strongly disagree

12. Please give any other challenge of Cash flow management

.....  
.....  
.....  
.....  
.....  
.....

L3. Which of the following is a reason that encouraged you to start such a business?

- a) Poverty alleviation programmes like NAADS, PEAP
- b) Little money required by the Business
- c) Competition for jobs

d) Donations

f) Government policies like tax regulations, Licenses

14. To what extent do the following cash flow management utilization challenges influence

SMEs

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Challenge of starting up					
Inadequate capital expenses					
High operating expenses					
Fluctuation in Others					

Others

.....

.....

16. How can such challenges be overcome'?

.....

.....

**SECTION D: WAYS OF IMPROVING CASH FLOW MANAGEMENT IN SMEs**

	Important	Neutral	Less important
Responding to the financial needs of the business			
Minimizing costs and ensuring business growth			
Acting with integrity and ensuring the growth of their role			

Upholding ethical issues all management decisions			
Following Debtors to ensure payment within an agreed time			

**THANK YOU VERY MUCH**