



**EFFECTS OF CASH FLOW MANAGEMENT ON FINANCIAL PERFORMANCE OF
SMALL AND MEDIUM SCALE BUSINESSES. A CASE STUDY OF KAMPALA
CENTRAL DIVISION**

BY

MUGALA JACKLINE

BU/UP/2020/1561

EMAIL: jacklinemugala97@gmail.com

**RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT
SCIENCE IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF A BACHELOR OF BUSINESS
ADMINISTRATION OF BUSITEMA
UNIVERSITY**

JANUARY, 2024

DECLARATION

I Mugala Jackline hereby declare that this research report has never been carried out by anyone else and that it is under my consent this is my original work which has not been presented in any institution for the award of a degree.

Signature...  Date 25.1.21.2024

APPROVAL

This research report has been submitted for examination with my approval as the University supervisor and it's now ready for presentation for the award of a bachelor's degree of Business Administration of Busitema University.

Signature.....

Date.....26/01/2024.....

MR. WADAMBISHA BRIAN

SUPERVISOR

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
TABLE OF CONTENTS.....	iii
LIST OF FIGURES	vii
LIST OF TABLES.....	viii
LIST OF ACRONYMS	ix
ABSTRACT.....	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 Introduction.....	1
1.1. Background of the study	1
1.2 Statement of the problem.....	4
1.3 Objectives of the study.....	5
1.3.1 General objective	5
1.3.2 Specific objectives	5
1.4 Research questions.....	5
1.5 Scope of the study.....	5
1.5.1 Content scope.....	5
1.5.2 Time scope	6
1.5.3 Geographical scope.....	6
1.6 Significance of the study.....	6
1.7. Conceptual framework.....	7
1.8 Operational definition of key terms	8
CHAPTER TWO:.....	9

LITERATURE REVIEW	9
2.0 Introduction.....	9
2.1 Theoretical framework.....	9
2.1.1 Baumol Model Theory	9
2.2 Review of the related literature.....	10
2.2.1 Effect of Budgeting on financial performance.....	10
2.2.2 Effect of Auditing on financial performance	11
2.2.3 Effect of records keeping on financial performance.....	15
CHAPTER THREE	17
RESEARCH METHODOLOGY	17
3.1 Introduction.....	17
3.2 Research design	17
3.3 Study Population.....	17
3.4 Sample Size and Sampling Technique	17
3.5 Data Source.....	17
3.5.1 Primary Data	18
3.5.2 Secondary Data	18
3.6 Data Collection methods and Instruments	18
3.6.1 Questionnaire.....	18
3.7 Reliability and Validity of the Instruments.....	18
3.7.1 Reliability.....	18
3.7.2 Validity	19
3.8 Data Processing and Analysis	19
3.9 Ethical Consideration.....	20
CHAPTER FOUR.....	21

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS.....	21
4.1 Introduction.....	21
4.2 Response rate	21
4.3 Demographic information.....	21
4.3.1 Gender of respondents	21
4.4 Correlations.....	23
4.4.1 Auditing and Financial Performance	23
4.4.2 Budgeting and Financial Performance.....	24
4.4.3 Records keeping and Financial Performance.....	24
4.5 Regression analysis.....	24
4.5.1 Auditing and Financial Performance	24
4.5.2 Budgeting and Financial Performance.....	25
4.5.2 Records keeping and Financial Performance.....	25
CHAPTER FIVE	27
DISCUSSION, CONCLUSION AND RECOMMENDATIONS	27
5.0. Introduction.....	27
5.1. Discussion of the findings.....	27
5.1.1. Budgeting and financial performance	27
5.1.2. Auditing and financial performance	28
5.1.3. Records keeping and financial performance.....	29
5.2. Conclusion	30
5.3. Recommendations.....	31
5.4 Limitations of the Study.....	31
5.5 Areas of Further Research	32
REFERENCES	33

APPENDICES	37
Appendix I: Questionnaire.....	37
Appendix II: Work Plan.....	42
Appendix III: Research Budget	43
Appendix IV: Krejcie and Morgan (1970) Table of sample size determination	44
Appendix V: Acceptance letter.....	45

LIST OF FIGURES

Figure 1: 1: Conceptual Framework showing cashflow management- financial performance effect. 7

LIST OF TABLES

Table 3: 1 showing reliability and validity results.....	19
Table 4:2 Showing gender of respondents.....	21
Table 4: 3 Education Level Characteristics	22
Table 4: 4 Work Experience characteristics	22
Table 4: 5 Age Characteristics.....	23
Table 4: 6 showing Correlations between variables	23
Table 4: 8 Budgeting and Financial Performance.....	25
Table 4: 9 Records keeping and Financial Performance	25

LIST OF ACRONYMS

BBA	Bachelor of Business Administration
GDP	Gross Domestic Product
KCCA	Kampala Capital City Authority
SMEs	Small Medium Enterprises
PDM	Parish Development Model
YLP	Youth Livelihood Programs
SPSS	Statistical Package for Social Sciences
CVI	Content Validity Index

ABSTRACT

This study examined the effect of Cash flow Management on Financial Performance of Small-Scale Businesses in Kampala central division. The study was guided by the following objectives notably, to examining the impact of auditing on financial performance of medium scale businesses, to establish the impact of budgeting on financial performance of medium scale businesses and to establish the impact of record keeping on financial performance of medium scale businesses in Kampala Central Division. The study used a cross sectional research design, and a quantitative approach. Data was collected from a target population of 100 of Small-Scale businesses with accessible unit of 70 operators of Small-Scale businesses, using simple random and purposive sampling techniques. Data were collected with the aid of closed ended questionnaire and Statistical Packages for Social Sciences was employed for analyzing data from which frequency tables, descriptive statistics (mean and standard deviation), reliability, validity, correlation, and regression results were obtained. The study findings revealed that there is a positive and a significant effect of auditing on financial performance, budgeting on financial performance and record keeping on financial performance of medium scale businesses in Kampala Central Division. The study concludes that there is a strong predictive power that the dimensions of cashflow management contribute towards enhancing financial performance of Small-Scale businesses. Finally, the study recommends that efforts to improve on the financial performance of Small-Scale businesses depend on cashflow management (auditing, budgeting and records keeping).

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the introduction, background of the study, problem statement, objectives of the study, research questions, scope of the study, significance and the conceptual framework to show the dependent and independent variables.

1.1. Background of the study

Globally, organizations have strict cash management controls to monitor its inflows and outflows while retaining a sufficient amount in order to take advantage of attractive investments or handle unforeseen liabilities. Efficient management of cash prevents loss of money due to theft or error in processing transactions. Numerous best practices are adopted to enhance management of company's funds. This involves shortening of cash collection periods, regular follow ups for collections, negotiation of favorable terms with suppliers allowing delay in payment periods, and preparation of cash flow forecasts. Businesses also use of technology to speed up cash collection process. They must do all of this while maintaining adequate amount of funds to meet daily operations. Therefore, in today's global economy, exploring opportunities outside established markets is essential to continued growth. That is why strategic cash management and enhanced visibility for making faster, smarter business decisions is vital to success, (Ehrhardt and Brigham, 2016).

In Africa, during the first century, the continent has experienced significant economic growth and this is widely expected to continue for the foreseeable future. For example, pan Africa GDP growth in 2014 is expected to be 4.8% and as much as 5%-6% in 2015. This growth is fuelled by a number of factors including an increasingly educated population which is expected to exceed 2 billion by 2050, collective GDP of USD 2.4 billion and consumer spending of USD 1 .4 trillion, both forecast by 2020. Therefore, there are additional risks associated with cash management compared with some other regions across the world. This section is not intended to be all encompassing but focuses on several key risks relating to managing cash holdings and payments

REFERENCES

- Adam M. (2015). Evaluating the financial performance of banks using financial ratios – a case study of Erbil Bank for Investment and Finance. *European Journal of Accounting Auditing and Finance Research*, 2(6), 162–177.
- Authority, U. I. (2011). Quarterly Report. (Q1:FY2011-2012), July-September.
- Bamutunde. (2011). The Effect of Financial Record Keeping on Financial Performance of Development Groups in Rural Areas of Western Uganda. *International Journal of Economics and Finance*, 10, No. 4.
- Basheka, B. C., Tumutegyereize, M., & Sabiiti, C. K. (n.d.). *Procurement governance and administrative efficiency in uganda: an empirical relational analytical framework*.
- Baumol. (1952). The Transactions demand for cash: a listing theoretical Approach. *Quarterly Journal of Economics*, 66(4), 545–556.
- Bhatia. (2013). Internal auditing review. *Journal of Accounting and Economics*, 5.
- Boakye-Bonsu, V. (2019). *Developing internal audit approach*. 5, 6.
- Carey, J. L. (2020). Earnings in Wartime. *Journal of Accountancy*, 70(1), 66.
- CIMA. (2018). Internal Auditors and a Value-added Approach: The New Business Regime. Chicago. *Managerial Auditing Journal*.
- Damulira. (2013). Records management and procurement performance. *Records Management Journal*.
- Diamond, J. & Khemani, P. (2006). Introducing financial management information systems in developing countries. *OECD Journal on Budgeting*, 5(3).
- Duranti, L. (2010). “The concept of appraisal and archival theory.” *The American Archivist*, 57 No. 2, 328–344.

- Ehrhardt, M.C, & Brigham, E. F. (2016). Corporate finance; A focused approach. (2nd ed.). *Mason: Thomson South-Western Fabozzi Entrepreneurial Approach.(7th Ed.)*, Prentice Hall International Inc. New Jersey.
- Emasu, K. (2016). Evaluating internal controls: control self-assessment in Government. *Journal of Finance and Accounting*, 4(3), 55–67.
- Evans, W. R., & Davis, W. D. (2005). High-performance work systems and organizational performance: The mediating role of internal social structure. *Journal of Management*, 31(5), 758–775.
- Farlex, I. (2012). *Financial Performance*. Retrieved September 11, 2015.
- Gerrit S and Mohammad J. A. (2018). Monitoring effects of the internal Audit Function: Agency Theory versus other explanatory variables. *International Journal of Auditing*, Blackwell Publishing Ltd.
- Goodwin-Stewart, J. & Kent, P. (2016). The Use of internal audit by Australian Companies. *Managerial Auditing Journal*.
- Gupta, K.P. & Jain, V. (2017). Capital budgeting practices in SME'S: A study of selected enterprises of Haryana. *International Journal of Commerce and Management Research*, 2(2), 75–79.
- IIA-UK. (2017). The standards for the professional practice of internal auditing. Altamonte Springs. *The Institute of Internal Auditors, Research Foundation*.
- ISO. (2001). Information and documentation -Records management. *Part 1: General*.
- Kochan, A. (2013). Internal Evaluation. *TQM Magazine*, 5.
- Krejcie, R. V. and Morgan, D. W. (1970). *Determining Sample Size for Research Activities*. *Education and Psychological Measurement*. 607–610.
- Margah. (2017). Effect of budgetary process on budget performance. *Journal of Management Studies*.

- Matthew D. Hill, G. Wayne Kelly, G. B. L. (2012). *Shareholder Returns from Supplying Trade Credit*. 28 March 2012.
- Maxwell, J. (2018). *Qualitative research design: an interactive approach*. London: Sage.
- Menkus. (1996). Electronic records management in Malaysia: the need for an organisational and legal framework. *Records Management Journal*, 11(2).
- Mensah-Agyei, B. K. (2012). Working Capital Management practices of small firms in the Ashanti region of Ghana. *International Journal of Academic Research in Business and Social Science*, 2 (1), 3781–3789.
- Millichamp, A. . (2013). *Auditing*. 6th Ed.
- Mnjama and Wamukoya. (2004). Records management and procurement performance: A case of NAADS program in the central region of Uganda. *Records Management Journal*, 27 No. 3, 256–274.
- Mugenda, O., & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Acts Press.
- Mugenda, O. M. (2017). *Research methods: Quantitative and Qualitative Approaches*. African Center for Technology Studies, Nairobi.
- Mundeke. (2013). *Research methods: Quantitative and Qualitative Approaches*. African Center for Technology Studies.
- Myers, S. C. (1984). “Corporate financing and investment decisions when firms have information that investors do not have”. *Journal of Financial Economics*, 13:, 187–221.
- National Records and Archives Act. (2001). *Kampala: Government of Uganda*.
- Okello-Obura, C. (2011). Records and Archives Legal and Policy Frameworks in Uganda. *Library Philosophy and Practice (e-Journal)*, 608.
- Otley, D. (2017). The contingency theory of management accounting and control. *David Otley*,

Management Accounting and Control, 1980 – 2014.

Preetabh. (2018). *Advantages of Budgetary Control. Retrieved February 12th, 2023.*

Raja. (2012). Effect of internal audit on financial performance of commercial banks. *International Journal of Management and Commerce Innovations, 9(2), 181–191.*

Reid, K. & Ashelby, D. (2018). The Swansea Internal Quality Audit Processes Quality Assurance in Education. *Internal Quality Audit Processes Quality Assurance.*

Samuel Enow, Pradeep Brijlal, E. B. H. I. (2014). The Use of Financial Management Practices by Small, Medium and Micro Enterprises: *A Perspective from South Africa, 28(5, October 2014).*

Scarlett. (2014). Official Learning System. *Budget Management.*

Sebbowa B. (2019). The role of internal audit function in Organizations. “*Effectiveness of Internal Control System in Higher Institutions of Learning*” *Unpublished MBA Project, University of Nairobi.*

Subramanian, N. (2016). Internal Auditing. *International Journal of Auditing, 10(1), 1–18.*

Uduigwome, C. (1989). The use of archival resources in the National Archives. *The Nigerian Archives, 1 (1), 28–32.*

Uganda Public Procurement Oversight Authority. (2008). *Records Management Policy. Kampala.*

Wallace, W. A., & Kreutzfeldt, R. W. (2021). Distinctive Characteristics of Entities with an Internal Audit Department and the Association of the Quality of Such Departments with Errors. *Contemporary Accounting Research, 7(2), 485–512.*

Woolf, E. (2016). Auditing today (3rd Ed.). *Prentice Hall International (UK) Ltd.*

World Bank. (2010). World development indicators. *Available at: Available, [Accessed 8 July 2020].*