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**THE EFFECT OF HUMAN RESOURCE MANAGEMENT ON FINANCIAL  
PERFORMANCE OF SMALL-SCALE ENTERPRISES IN PALLISA A CASE STUDY  
OF PALLISA GARDENS**

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**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT  
SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE  
AWARD OF BACHELOR'S DEGREE OF BUSSINESS ADMINSTRATION  
(ACCOUNTINGAND FINANCE OPTION)  
BUSITEMA UNIVERSITY  
MARCH 2022**

**DECLARATION**

I **BUMBA PATRICK** do hereby declare that this research proposal has been my own original work and it has not been submitted to any other University/Institution by anybody else for any other degree award.

Student's Signature: .....

Date: .....

**APPROVAL**

This research proposal has been submitted for examination with the approval of my supervisor and is for the award of a Bachelor of Business Administration of Busitema University.

Supervisor: Mr. EMOJONG RONALD

Signature: .....

Date: .....

## **DEDICATION**

This research project is dedicated to my loving WIFE, Mrs. ASIO SARAH, my mother, Mr. Logose Topista not forgetting the team that helped me in compiling this work especially Ochekede Peter , my children, Patricia , Pinon, Philimon, Joshua

I also dedicate this research to the staff members of Busitema University. On a special note I also dedicate this research to my supervisor, Mr. Emojong Ronald for his endless guidance and my Lastly, to my friends and fellow researchers at Busitema University specifically peter, Angela for the corporation and love exhibited. May God reward you accordingly, Amen!

## **ACKNOWLEDGEMENT**

First and foremost, I am grateful to God for having guided me through my Academic Struggle. I wish also to thank the following persons for the technical support they gave me. I must register my most sincere gratitude to my supervisor Mr. Emojong Ronald for his constructive criticism and guidance throughout the study. I wish also to thank Mr. Esuku for the proper guidance he rendered to me in completing this research.

Lastly, special thanks go to the following; my brothers Mugoda Godfery, outa Dominik, Moses, mark ; and my sister Katooko Scovia, Goretti and others who provided all the financial assistance to enable me complete my studies.

Thanks also go to my parents who tirelessly worked hard both by their financial support and prayers to ensure that I completed my course.

May God bless you ALL

## **ABSTRACT**

The study was carried out with the purpose of examining the effect of human resource management practice on financial performance of small-scale enterprises in Pallisa. The objectives for the study aimed at determining the effect of compensation system, performance appraisal, and selection systems of employee on financial performance small scale enterprises; qualitative and quantitative techniques in designing the research were used and A total of 40 respondents participated in the study and were selected using random sampling method. The data was collected using questionnaires and interviews and presented using tables, graphs and pie charts for easy analysis.

The study also highlighted some of the negative and positive effects that have been registered in financial management as a result of human resource management in SMEs which includes ie increases work motivation, attracts talented employees, develops organization competence, tracks employees values, very costly to conduct, time consuming, Result into increased cost, leads to loss of liquidity

The study therefore signified that there was appositive effect of human resource management practice on financial performance of SMEs.

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## CHAPTER ONE: INTRODUCTION

### 1.0 Introduction.

This chapter presents the Background of the study, statement of the problem, Objectives of the study, Research questions, Content scope, Geographical scope, Time scope, Significance of the study and the Conceptual frame work

### 1.1 Background of study

A number of independent studies have supported the positive influence of effective HRM on company financial performance. This research has demonstrated that HRM practices can be leveraged to improve employee skills, increase motivation, and foster commitment to the company, by linking certain types of HRM practices to lower voluntary turnover, higher financial performance, and increased market share.

Moreover, similar patterns have been observed across cultures and industries, including auto assembly, general manufacturing, and food service. These results indicate that HRM strategies can produce similar positive effects across regions, cultures, and industries. Firms have increasingly recognized the potential for their people to be a source of competitive advantage (Pfeffer, 1994).

Creating competitive advantage through people requires careful attention to the practices that best leverage these assets. This change in the mindset of executive decision-makers has spurred an increasing body of academic research attempting to reveal a relationship between a HR practice and its performance. Much of this research has demonstrated statistically significant relationships between measures of HR practices and firm profitability (Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995). While these studies have been useful for demonstrating the potential value created through HR practices, they have revealed very little regarding the processes through which this value is created (Wright and Gardner, 2002). Some authors have referred to this as the 'black box' problem, noting that the conceptual development of the mediating mechanisms through which HRM has an impact on stability has thus far eluded empirical testing (*eg Purcell et al*, 2003). In addition, the vast majority of studies examining the relationship between HR practices and firm performance have been entirely cross-sectional in their design. Again, while providing useful information, such designs are somewhat problematic.

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