



**CASH MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF
SMALL AND MEDIUM ENTERPRISES IN PALLISA TOWN COUNCIL**

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REG NO: BU/ UP/2021/1232

**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE
OF BUSINESS ADMINISTRATION AT BUSITEMA UNIVERSITY
FACULTY OF MANAGEMENT SCIENCES**

August 2024

DECLARATION

DECLARATION

I **MUSAMBANTE JARVIS BERNARD** do state that this is my personal original piece of work as a result of my own effort after the approval of the research topic; 'Cash management practices and Financial Performance of Small and Medium Enterprises in Pallisa Town Council and has never been submitted before to any institution, for the award of a Bachelor in Business Administration Accounting and Finance option.

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APPROVAL

APPROVAL

This is to certify that the research proposal done by MUSAMBANTE JARVIS BERNARD on the topic; 'Cash management practices and Financial Performance of Small and Medium Enterprises in Pallisa Town Council has been produced under my supervision and it is now ready for submission to Busitema University Faculty of Management Sciences.

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DEDICATION

I have a pleasure to dedicate this work to my beloved family, classmates and my research supervisor Mr. Kalenzi Abbey. It was due to their tremendous support and efforts that this piece of work was a success. I pray that God Almighty may bless them abundantly.

ACKNOWLEDGEMNT

I am deeply grateful to the Almighty God for the good health and knowledge he has always given me throughout my academic life. Appreciation goes to My research supervisor Mr. Kalenzi Abbey, my lecturers Mr. Emusugut Desterio, Mr. Wadambisha Brian, my Mother Nambalirwa Agnes, my uncle Sewanyana Patrick, my classmate Okhun Ross, who have been helpful not only in guidance but also in financial support, advise among other forms of support to ensure that this task is driven to success. I appreciate their interest and encouragement, expertise, tolerance and during times when I lacked any idea concerning research. I also wish to acknowledge the efforts of my colleagues and the entire class of BBA3, 2024 towards the successful completion of this work.

ABSTRACT

The study was conducted to examine the effect of cash management practices on the financial performance of SMEs in Pallisa Town Council and it was based on three which included; (i) to examine the impact of cash control on the financial performance of SMEs, (ii) to determine the impact of cash planning on the financial performance of small and medium enterprises and (iii) to determine the effect of receivables management on the financial performance of small and medium enterprises in Pallisa town Council. The study adopted a cross-sectional research design and a quantitative approach to test the casual relationship and predict power of the independent variable on the dependent variable. Data was collected from a target population of 90 and a sample size of 70 respondents of the 73 questionnaires distributed in Pallisa Town Council and analyzed using SPSS version 20 for both descriptive, correlation and regression analysis on the variables. Findings revealed that cash management practices which were measured through dimensions of cash planning, cash control and receivables management have a significant effect on the financial performance of SMEs. Findings showed that cash planning and cash control has a positive effect on the liquidity of a business whereas receivables management has a strong effect on the profit and cash sales growth. The researcher concluded that cash management practices dimensions of cash planning, cash control and receivables management have a direct and indirect significant effect on the financial performance of SMEs in PTC through having an effect on its dimensions of Liquidity, Profit growth and Sales growth.

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LIST OF ACRONYMS

1. SMEs: Small and Medium Enterprises
2. WB: World Bank
3. PTC: Pallisa Town Council
4. GDP: Gross Domestic Product
5. DMBs: Deposit Money Banks
6. CM Practices: Cash Management Practices
7. ROA: Return On Asset
8. ROE: Return On Equity
9. CFO: Chief Finance Officer
10. NOP: Net Operating Profits
11. SPSS: Statistical Package for the Social Sciences
12. IFAC: International Federation of Accountants
13. BBA: Bachelor of Business Administration

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions, and scope of the study.

1.1 Background of the study.

SMEs refer to enterprises with a range of employees between 1 to 249 (IFC 2011). On the other hand, Financial Performance in business refers to the ability of a business to profit from its resources and achieve its objectives. (Arek Terpilowski 2022).

Globally, Small and Medium Enterprises (SMEs) play a major role in the most economies, particularly in developing countries (WB 2019). SMEs account for the majority of the Businesses worldwide and are important contributors to job creation and global economic development. They present about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. (World Bank 2019). In Australia, reports show that SMEs contributed 35% to the Australian GDP in 2021-2022. (ASBFEO 2023). In China, there are over 140million SMEs contributing to 60% to the GDP and 50% of the tax income. (China Daily2023). They provide over 70% of jobs and contribute to nearly 35% of GDP (WTO, 2020) in developing countries thus showing their vital importance in these developed nations.

In the Sub-Saharan Africa region, SMEs account 95% of all registered businesses and contribute about 50% to the total GDP of sub-Saharan countries, (World Economic Forum, 2023). In Kenya, a survey report by the Central Bank of Kenya revealed that that SMEs constitute 98 percent of all business in Kenya, create 30 percent of the jobs annually as well as contribute 30 percent of the GDP. Zeroing this to Uganda, according to the UN Trade and Development (2022), Uganda's 1.1 million MSMEs account for 80% of the country's GDP and 90% of its private sector. A further 1.8 million informal businesses are run by women, youth and refugees.

However, despite of their significant importance, research shows that the rate of failure of SMEs is high especially in developing countries than in developed ones (Arinaitwe, 2006) and this is attributed to poor financial performance. For example, according to the French research

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