Financial Management Practices and Financial Performance of Small and Medium Enterprises (SME) in Masaka Municipality

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Dedication

This research project is dedicated in a very special way to Willarn Welvis Kitto who endured staying home alone while I was out for studies; to my son Willard Welvis Kitto and my wife Deborah Mercy Nabukenya for the time I kept away from you while busy with books; and to my dearest sister Mrs. Emily Kitto Mwaka for the encouragement and support you have always given me through my academic journey. May God bless you all.

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List of Abbreviations

COS	Central Organization for Statistics
FMP	Financial Management Practices
ILO	International Labour Organization
IT	Information Technology
JASPA	Jobs and Skills Program Africa
MFPED	Ministry of Finance, Planning and Economic Development
MMC	Masaka Municipal Council
ROA	Return on Assets
ROCE	Return on Capital Employed
ROI	Return on Investment
SME	Small and Medium Enterprise
UIA	Uganda Investment Authority

Abstract

This study was done to examine the effect of Financial Management Practices on the Financial Performance of Small and Medium Enterprises in Masaka Municipality of Uganda.

This study was guided by the following specific objectives: To examine the relationship between Financial Planning and Financial Performance of SMEs, to assess the relationship between Financial Control and Financial Performance of SMEs and to examine the relationship between Financial Reporting and Financial Performance of SMEs. The study had Financial Management Practices as the independent variable with dimensions being; Financial Planning, Financial Control and Financial Reporting. It had Financial Performance as the dependent variable with its dimensions being; Return on Capital Employed, Return on Assets and Return on Investment.

The study adopted the Agency theory as the lead theory, with the Stewardship theory and the McClelland's Need for Achievement theory.

The study adopted a simple random sampling technique with a questionnaire being the data collection instrument to gather data from 101 out of 103 respondents giving a response rate of 98% in a population of 144 employees of registered SMEs in Masaka Municipality. Data was analyzed using SPSS version 21 software. Correlation and Regression analysis were conducted to obtain answers in relation to the research objectives.

The study findings revealed that there was a strong uphill (positive) linear relationship between financial planning and financial performance where $r=0.701$ with $p<0.000$ implying that financial planning is significant in explaining financial performance with a correlation coefficient of 0.701**, significant at 0.01 level of a two tailed test with 101 degrees of freedom.

The study also revealed that there was a very strong uphill (positive) linear relationship between financial control and financial performance where $r=0.759$ with $p<0.000$ implying that financial control is very significant in explaining financial performance with a correlation coefficient of 0.759**, significant at 0.01 level of a two tailed test with 101 degrees of freedom.

The study further revealed that there was a strong uphill (positive) linear relationship between financial reporting and financial performance where $r=0.618$ with $p<0.000$ implying that financial reporting is quite significant in explaining financial performance with a correlation coefficient of 0.618**, significant at 0.01 level of a two tailed test with 101 degrees of freedom. This implies that Financial Control is the best predictor of Financial Performance.

It was therefore recommended that the management of SMEs in Masaka Municipality should consider implementing the recommended steps for each financial management practice discussed, seen as probable ways of ensuring that their financial management practices are improved further for the best financial performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study was about Financial Management Practices and Financial Performance (FMP) of Small and Medium Enterprises (SME). The definition of the term Small and Medium Enterprises varies from country to country and between the sources of SME statistics reporting. In Uganda, a Micro Enterprise is an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. The Small Enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (Uganda Investment Authority, 2008).

On the other hand, the term "financial practices" refers to the set of common methods or standard operating procedures you develop for carrying out accounting, financial reporting, budgeting and other activities related to business finances. These practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, asset management and control within an organization may be divided into long-term and short-term decisions and techniques. Where all three share the common objective of enhancing the firm's financial value by ensuring that the return on capital employed exceeds the cost of capital at minimal financial risks (Pandey, 2010)

Financial Management Practices being the independent variable were viewed as; Financial Planning, Financial Control and Financial Reporting. Financial Performance of Small and

Medium Enterprises (SMEs) is the dependent variable and in here I will look at; Return on Assets (ROA), Return on Investments (ROI) and Return on Capital Employed (ROCE).

In this chapter, the researcher covers the background to the research study, statement of the problem, scope of the research study, research objectives, research questions as well as the significances of the research study.

1.1 Background of the Study

Financial Management Practices in any given company contribute directly to the organizational performance. For a Small and Medium Enterprise (SME) to be able to sustain its business operations and meet its goals and objectives, it must manage its financial practices effectively and prudently (Bhattacharya & Luo, 2006).

Regardless of the level of development of any country globally, Small and Medium Enterprises continue to contribute greatly to individual economies. Small and Medium Enterprises are globally regarded as the backbone of each and every economy (Kirby, 2003). The impact of Small and Medium Enterprises on the world's economy cannot be overlooked and that is the reason as to why they are being considered to be the engine of economic growth world over (Harash, 2004). Referring to (International Labour Organisation / Jobs and Skills Program Africa, 2010), the ILO working with JASPA revealed that 80% and 50% of workers in Japan and Germany respectively are employed in the SME sector. Small and Medium Enterprises therefore continue to play an important role in all economies globally by contributing to the growth of Gross Domestic Production (GDP) and initiating business innovations worldwide (Gamage, 2000).

The SME sector has an important role to play in economic development, poverty reduction and employment creation in all developing economies. The SME sector is the sector in which most of the world's poor people are working (Pradeep & Stern, 2003). Many governments and donors alike have embraced the important role of the SME sector towards overall development and this has resulted into government policies in support of SME sector growth through a variety of programs that range from tax incentives to technical assistance, from regulatory provisions to policy interventions, training and other types of business development services (Hallberg, 2000).

In Asia, for some of the fastest growing economies like Malaysia, Small and Medium Enterprises make up 80% of all the country's businesses of which 10% are industrial establishments and 90% are in the service sector (Hashim & Wafa, 2002). These SMEs are also estimated to contribute about 35% of Sri Lanka's employment. (The National Human Resources and Employment Policy for Sri Lanka, 2012. For example in Iraq, data from the Central Organisation for Statistics (COS) shows that SMEs dominate the private sector with 99% of all companies in Iraq (Harash, 2004).

Africa being a home to so many developing economies can only reduce poverty in a sustainable way by promoting economic growth through wealth and employment creation. This makes Small and Medium Enterprises very important as the major source of income, mother to many entrepreneurs and a hub of employment in many developing countries (Kraja & Osmani, 2013).

The Ugandan economy has made significant recovery since 1987, and is on the way to sustainable growth and development. SMEs form the back born of Uganda's private sector, making up approximately 90 percent of its private sector and contribute two-thirds of the national income. Recent economic studies in Uganda, have dubbed SMEs as the backbone, key drivers and primary catalysts of economic development (Kisaame, 2002). Estimated at 800,000 in urban and rural areas, the SME sector plays a vital role in the economy especially on job creation, innovation, and promotion and subsistence incomes. A study in 2007 revealed that SMEs in Uganda employ over 2.5 million people (Commonwealth Secretariat, 2007). A UBOS report on the Census of Business Establishments 2010/2011 illustrated that 30% of 458,106 enterprises were Small and Medium Enterprises and the sector employed over 1 million people in Uganda.

As in most developing countries, Small and Medium Enterprises form a significant part of the Ugandan economy. Good financial management practices have been viewed as critical elements in the success of SMEs in Uganda. As these SMEs make positive contributions to the economic growth and development in Uganda, their rate of failure is also seen to be very high some failing to celebrate their first anniversary (Tushabomwe-Kazooba, 2006).

Financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. However, such areas are not currently well embraced by SMEs in Uganda and urgent attention needs to be looked at (Kisaame, 2002).

Tushabomwe-Kazooba (2006) argues that though Uganda is among the countries with a high startup of SMEs, it also has the highest numbers of non-performing SMEs as well as a high number of closures of SMEs. However, the studies conducted did not show how the components of financial management affect the overall business efficiency of SMEs.

A large number of business failures have been attributed to inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms. Financial Planning, Financial Control and Financial Reporting are some of the key financial management practices that can save the SMEs in the turbulent business times (Mbaguta, 2002).

In Uganda, efforts have been made to improve the financial management practices competencies of SME Managers and / or owners. Enterprise Uganda in collaboration with Uganda Investment Authority, supported by UNDP has facilitated training programs majorly focusing on financial management practices competencies among SMEs managers and within a year, some SMEs had benefited (Uganda Investment Authority, 2010).

Masaka Municipality like all other urban areas in Uganda has a moderately developed trade and services sector with many new SMEs getting registered each year where many of which might have their performance affected by financial management practices (UN-HABITAT, 2010). However, to date the studies done on financial management practices in SMEs in Uganda are scanty without a trace for a study particularly done on Masaka Municipality.

Without proper financial management practices, SMEs in developing economies cannot expand to compete in global markets or even strike business linkages with multinational companies (World Bank, 2014). The relationship between financial management practices and financial performance of SMEs remains a subject of an important debate in the business finance literature. This prompted the researcher to carry out this study to shed light on how financial management practices affect financial performance of SMEs in Masaka Municipality.

1.2 Statement of the Problem

Financial Management Practices are essential to the survival and well-being of many business enterprises of all types (McMahon & Davis, 2012). Financial management practices have been ignored for so long most especially in the third-world countries perspective where the SMEs occupy the large part of the economy (Orobia, et al., 2013). According to Kigozi, (2012) and Namatovu (2010), Uganda has the highest rate of business start-ups but it is among the countries with the highest number of SMEs that perform poorly and close business before the end of the first year in business. The National small business survey Uganda (2015).

SMEs face a challenge in ensuring that financial management practices are put into effect. This results into lack of adequate information on financial practices, inadequate training on use of financial practices, and low expert advice to SMEs owners (Nantongo & Quartey, 2016).

Previous studies that have been made on SMEs among which Tushabomwe - Kazooba (2006), Lois and Annette (2005), found out that SMEs are not performing to the desired expectations and if this situation is not addressed, then the SMEs contribution to the developing economies like Uganda is likely to be affected.

According to Mbaguta (2002), number of interventions have been put in place for example borrowing from financial institutions like banks, but still the performance of SMEs in Masaka Municipality is still wanting. Could the reason be due to lack of financial management skills and lack of proper application of financial management practices? If yes what are these basic financial management practices that are vital for use by business managers to save their businesses. It's therefore from this background that the researcher was motivated to add on the existing business financial management literature as a way of narrowing this knowledge gap by investigating and identifying the effect of Financial Management Practices on the Financial Performance of Small and Medium Enterprises in Masaka Municipality of Uganda.

1.3 Objectives

1.3.1 Major Objective

To examine the effect of Financial Management Practices on the Financial Performance of Small and Medium Enterprises in Masaka Municipality.

1.3.2 Specific Objectives

(i) To examine the relationship between Financial Planning and Financial Performance of SMEs.

(ii) To assess the relationship between Financial Control and Financial Performance of SMEs.

(iii) To examine the relationship between Financial Reporting and Financial Performance of SMEs.

1.4 Research Questions

This research was aimed at answering the following questions;

(i) What is the relationship between Financial Planning and Financial Performance of Small and Medium Enterprises in Masaka Municipality?

(ii) What is the relationship between Financial Control and Financial Performance of Small and Medium Enterprises operating in Masaka Municipality?

(iii) What is the relationship between Financial Reporting and Financial Performance of Small and Medium Enterprises in Masaka Municipality?

1.5 Scope of the Study

The researcher looked at the time scope, content scope and geographical scope as the scope of the study during this research project.

1.5.1 Time Scope

This study was carried out basing on findings and data about Financial Management Practices and Financial Performance of SMEs in Masaka Municipality operating between 2015 and

2017. The study has been carried out for two years; from 2016 to 2017 where it involved coming up with a project proposal, using the developed tool to collect data from the field, carrying out data analysis and interpretation then writing a final research report.

1.5.2 Content Scope

Conceptually, this study was focused on the Financial Management Practices putting emphasis on the three dimensions of Financial Planning, Financial Control and Financial Reporting as the independent variable, and the Financial Performance of SMEs as the dependent variable using the three dimensions of Return on Assets, Return on Investment and Return on Capital Employed. Firm size and Capital intensity have been used as the moderating variables.

1.5.3 Geographical Scope

This study was conducted in Masaka Municipality of Uganda. Masaka Municipality is located in Bukoto county of Masaka District, in the southern part of Uganda west of Lake Victoria. It is located at 31.42^{0}E, 00.24^{0}S. The municipality is situated about 125 km south of the capital city Kampala, along two trans-African highways to Rwanda and the Democratic Republic of Congo in the south-west and to the Republic of Tanzania in the south. It is conveniently situated at the heart of Masaka district and has access routes to various districts, making it a strategically important economic centre in the region thus a hub for many operating SMEs and startups.

1.6 Significance of the Study

To the investors in the SME sector, this study is to help in establishing the contribution of adopting an efficient use of Financial Management Practices on the Financial Performance of Small and Medium Enterprises operating in Masaka Municipality. It will also provide important information to enterprises on how best to maximize financial policies and practices by understanding the best practices applicable to their enterprises.

To the finance practitioners, this study is to give an insight on the Financial Management Practices and their relationship with their organizational financial performance. Then to the future academician fraternity, this study is to act as a base and a point of reference while reviewing literature in the related research projects.

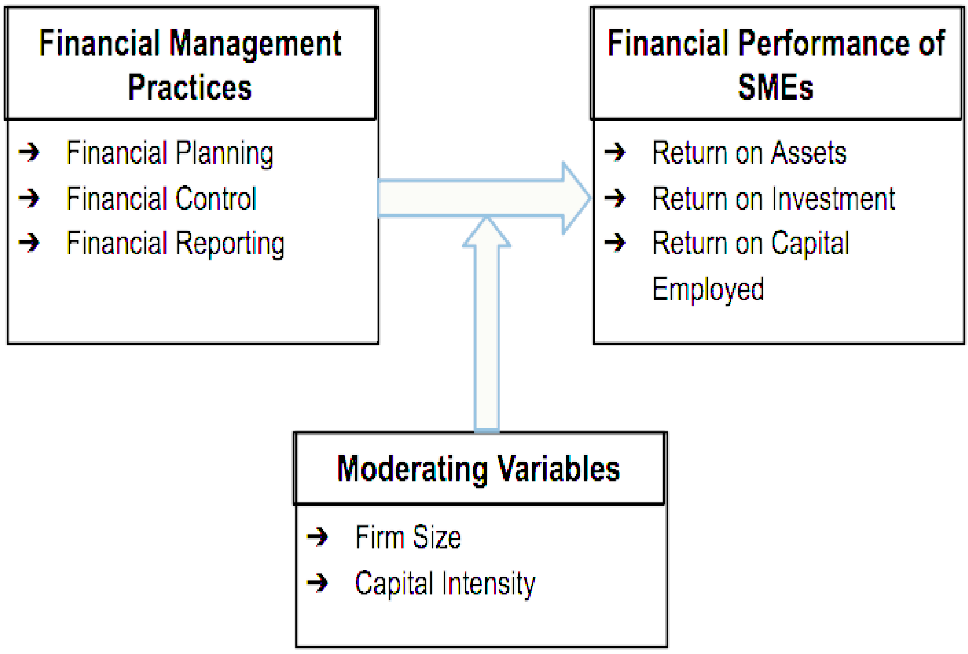
1.7 Justification of the Study

Financial Planning, Financial Control and Financial Reporting are some of the areas that are inconsistent and associated with financial performance challenges among the Small and Medium Enterprises. However, there have been persistent reports of poor performance of SMEs which in most times could even lead to closure of business. The ever declining Return on Capital Employed (ROCE), Return on Assets (ROA) and Return on Investments (ROI) have shown poor performance of SMEs in Masaka Municipality.

In addition a number of researches have been conducted on the topic in different parts of the country both urban and rural to add on the existing business financial literature, but limited research has been conducted on the effect of financial management practices on financial performance of Small and Medium Enterprises in Masaka Municipality.

1.8 Conceptual Framework: Relationship between Financial Management Practices and Financial Performance of Small and Medium Enterprises.

Figure 1: *Conceptual framework showing the relationship between Financial Management Practices and Financial Performance of Small and Medium Enterprises.*



Source: *The framework has been modified by the researcher basing on findings from* (Waweru & Ngugi, 2014).

The Conceptual framework above demonstrates the relationship between Financial Management Practices comprising of Financial Planning, Financial Control and Financial Reporting as the independent variable and Financial Performance of Small and Medium Enterprises is the dependent variable, being measured by Return on Assets, Return on Investment and Return on Capital Employed.

However the Financial Performance of SMEs may also be measured by the moderating variables which include; Firm Size and Capital Intensity. The independent variables and moderating variables eventually transform into the Financial Performance of Small and Medium Enterprises. Findings revealed that there is a relationship between Financial Management Practice and financial performance of SMEs, implying that when you improve on financial management practices, the performance of SMEs can also improve, however, this relationship can be moderated by other factors like, the size of the firm and its capital volume.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter presents a review of literature with the aim of identifying literature gap which this study has attempted to narrow. The literature was reviewed on the theoretical framework of the various theories that is; Agency theory, Stewardship theory, McClelland's need for achievement theory and the conceptual framework. This chapter further reviews literature on Financial Management Practices adopted by SMEs but also presents a review on the SMEs' Financial Performance.

2.1 SMEs in Uganda

Perusing a definition for SME is the starting point of reviewing literature on the aspects of adoption of financial management practices in SMEs. The definition of the term Small and Medium Enterprises varies from country to country and between the sources of SME statistics reporting. In Uganda, a Micro Enterprise is an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. The Small Enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (Uganda Investment Authority, 2008).

Small and Medium Businesses (SMEs) are generally regarded as the "backbone of the economy" (Kirby, 2003). The term SMEs covers a wide range of perceptions and measures, varying from country to country and between the sources reporting SME statistics. Some of the commonly used criterions are the number of employees, total net assets, sales and investment level. However, the most common definitional basis used is employment, but, there is a variation in defining the upper and lower size limit of an SME (Ayyagari & Demirguc-Kunt, 2003).

Small and Medium Enterprises play a vital role in the development of economies and societies. The SME sector contributes to economies in many ways, including by offering job opportunities which can help lower the unemployment rate, by addressing the demographic challenges posed by growing populations, and by contributing to the generation of domestic income. Countries with more SME employment tend to experience higher growth, as SMEs tend to employ more labor-intensive production processes than large enterprises, and that as a result they create more employment opportunities which is particularly relevant in Uganda (Hatega, 2007).

The Ugandan economy is supported mainly by Small and Medium Enterprises (SMEs), collectively constituting about 90% of private sector production which employs more than 2.5 million people including marginalized groups such as women and youth (MFPED, 2013). These SMEs play a crucial role in income generation, especially for the category of poor Ugandans (Uganda Investment Authority, 2008). In Uganda, many SMEs operate in the informal sector and are known to make use of raw materials found within the country (labour and other inputs) more intensively than other forms of enterprise.

According to the Ministry of Finance, Planning and Economic Development (MFPED), the majority of SMEs have fewer than 20 employees. MFPED defines a ‘Micro Enterprise’ as an enterprise employing up to four people, with an annual turnover of 12 million Uganda shillings, a ‘Small Enterprise’ as an enterprise employing between 5 and 50 people, with an annual sales/revenue turnover total asset of up to Uganda Shillings (USH.) 360 million, and a

‘Medium Enterprise’ as an enterprise that employs more than 50 people with an annual sales turnover or assets of between (USH.) 360 million and 30 billion (MFPED, 2012).

SMEs have been identified to play a crucial role in the economic development process of both the developed and developing countries. It is even more important to developing countries as the poverty and unemployment are burning problems in those economies. SMEs perform a strategic role in Uganda as it accounts for a higher percentage of the total number of industries and business establishments similarly in other developing countries. SMEs promote economic growth by import substitution as well as through direct exports, and they mostly supply goods and services to large directly exporting ventures and thereby contribute towards alleviating balance of payment difficulties (Turyahebwa, 2013).

Recent evidence shows that Small and Medium Enterprises (SMEs) form the bulk of Uganda’s private sector. If Uganda is to become competitive through growth of the private sector, it is inevitable that more attention must be paid to addressing the key bottlenecks to SME growth and competitiveness (MFPED, 2008). A large number of business failures in Uganda have been attributed to inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms (Mbaguta, 2002).

2.2 Theoretical Framework

Financial management theories and their application are really vital for an organization. It involves application of management principles to all financial operations. Theories of financial management are applicable to run an organization. These theories were designed and developed for promising positive cash flow and maximizing the profit of stakeholders. Financial management theories comprise of large complex strategies for administration, maintenance of financial operations and minimizing risks which are involved in the different aspects of such operations. With financial management theories and principles, it becomes easy for managers to figure out the right way to manage various affairs of an organization. One of the theories of financial management that is applicable to running an SME is the agency theory.

2.2.1 Agency Theory

Agency theory is the study of the agency relationship and the issues that arise from this, particularly the dilemma that the principal and agent, while nominally working toward the same goal, may not always share the same interests. The literature on agency theory largely focuses on methods and systems and their consequences that arise to try to align the interests of the principal and agent (Mitnick, 2006).

An agency relationship is one in which one or more persons (the principal[s]) engage other persons (the agents) to perform some services on their behalf which involves delegating some decision making authority to the agents. Perhaps the most recognizable form of agency relationship is that of employer and employees (Mitnick, 2006).

Agency theory therefore deals with people who own business enterprises and all others who have interest in it, for example managers and employees. This theory prostrates that the day to day running of business enterprise is carried out by managers who are engaged by the owners of the business as principals who are also known as shareholders. It therefore gives authority to managers and other employees to manage the principal's interests and make beneficial decisions on financial management practices adopted by the SMEs. In such a relationship, the owners of SMEs hire a competent staff to manage take appropriate decisions on the Financial Management Practices to be adopted by the organization (La Porta, et al., 2002).

2.2.1.1 Relevancy of the Agency theory to the study

Agency theory entails a number of specific and testable empirical hypotheses. For example, it has been used to explain why stockholders are willing to accept managerial behaviour that does not maximize the value of the firm. It provides insight into the reasons why managers voluntarily produce audited financial reports periodically and on an annual basis. In addition, the agency perspective can explain why ownership structures differ across industries (such as steel and software), and it can cast light on the restrictions (such as those found in bond covenants) imposed by creditors on managerial actions (Meckling & Jensen, 2000).

The agency theory raises a fundamental problem in Small and Medium Enterprise self-interested behavior. The SME manager may have personal goals that compete with the owner's goals of promoting financial performance of SMEs. Since the shareholders authorize managers to adopt the financial management practices, a potential conflict of interest occurs (Bebchuk & Fried, 2003).

The problems around which the agency theory resolves, describes the main challenge of agency relationships in small and medium enterprises; reconciling two distinct sets of personal goals. In an agency relationship, agents are required to work towards meeting the principals' goals, yet it is the agents, own goals that drive them to succeed on behalf of their principals. In order for an agency relationship to be mutually beneficial, both parties' goals must be addressed with in a climate of compromise, but with the understanding that meeting the principals' goals is the primary function of the relationship (Bhattacharya & Graham, 2009).

It is therefore important that information be shared freely and openly between the two parties so agents are always clear on their principles and priorities while the principals are always aware of their agents' decisions and actions (Mitnick, 2006).

According to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. A significant body of work has been undertaken in this area within the context of the principal-agent framework. In this regard, the work of Jensen and Mecklin (1976) in particular as well as that of Fama (1980) is important (Sarens and Abdolmohammadi 2011).

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). This study also used the agency theory to determine the effect of financial management practices on the financial Performance of various Small and Medium Enterprises in Masaka Municipality.

Agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent. The agency relationship can have a number of disadvantages relating to the opportunism or self-interest of the agent: For example, the agent may not act in the best interests of the principal, or the agent may act only partially in the best interests of the principal (Bhagat & Jefferis, 2002).

There can be a number of dimensions to this including for example, the agent misusing their power for pecuniary or other advantage, or the agent not taking appropriate risks in pursuance of the principal's interests because the agent views those risks as not being appropriate while on the other hand the principal may have different attitudes to risks. There is also the problem of information asymmetry whereby the principal and the agent have access to different levels of information; in practice this means that the principal is at a disadvantage because the agent has more information (Bodie, et al., 2007).

The theory was therefore very relevant in this study as shareholders who are the owners of the SMEs in Masaka Municipality have delegated the responsibilities of daily running of the companies to the management who acts as their agents and hence great need for best practices in financial management ensure shareholders and other stakeholders' interests are adequately safeguarded. The theory therefore supports existence of financial planning, financial control and financial reporting as core financial management practices for better financial performance of SMEs in Masaka Municipality.

2.2.2 Stewardship Theory

Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman and Donaldson (1997) as "a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized". Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained.

Argyris (1973) argues that while agency theory looks at an employee or people as an economic being, which suppresses an individual's own aspirations, on the other hand Donaldson and Davis (1991) argue that stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust. It stresses on the position of employees or executives to act more autonomously so that the shareholders "returns" are maximized. Indeed, Fama (1980) contended that executives and directors are also managing their careers in order to be seen as effective stewards of their organization, whilst, Shleifer, Andlei and Vishny (1997) claim that managers return finance to investors to establish a good reputation so that they can re-enter the market for future finance.

2.2.2.1 Relevancy of the Stewardship theory to the study

The cost incurred to curb agency problems like; reducing information asymmetries and accompanying moral hazards, is less when owners directly participate in the management of the firm as there is a natural alignment of owner managers' interest with growth opportunities and risk (Meckling and Jensen 1994).

It follows from the above that stewardship theory unlike agency theory is a complete contrast and doesn't emphasize on the need to incur monitoring or agency cost which includes establishing an internal audit function. Nevertheless Donaldson and Davis (1991) further noted that returns are improved by having both of these theories combined rather than separated which implies that management must strike a balance. In this study the steward theory is supported by the fact that managers of various SMEs within Masaka Municipality, act as stewards of shareholders, suppliers, creditors, consumers and employees of the same SMEs that they manage. This forces the managers of these SMEs to enforce best practices of financial management which in turn improves the financial performance of SMEs in Masaka Municipality.

2.2.3 McClelland's Need for Achievement Theory

This theory states that human behavior is affected by three needs; Need for power, Achievement and Affiliation. It suggests that individuals with high achievement needs can be greatly motivated by work that requires a stiff challenge and competition. Such individuals always work towards promotional opportunities and have a strong urge for feedback on their achievements (Quince & Whittaker, 2003).

This theory was developed by David McClelland, known among those who carried out early psychological studies of entrepreneurship. Among his studies, one of the major objectives was to identify and analyze the psychological factors that produce entrepreneurial personalities and traits. He described the individuals who operate by this theory as gamblers since they set quite challenging targets for themselves which in turn makes them to take deliberate risks to achieve those targets. They end up looking for innovative ways of executing their jobs and appreciate goals achievement as a more valuable reward compared to any form of financial reward (Quince & Whittaker, 2003)

2.2.3.1 Relevancy of the McClelland's Need for Achievement theory to the study

The McClelland theory was used by the researcher to investigate the general objective of the study: To examine the effect of Financial Management Practices on the Financial Performance of Small and Medium Enterprises in Masaka Municipality.

Generally, individuals at managerial levels with higher need of power, tend to be more efficient and successful in executing their roles as they are more determined and loyal to the organizations they work for. Their need for power can be viewed as their need to have a positive effect on performance of an organization and then support it to achieve its set goals. Therefore, individuals with greater authority and power will perform better than those possessing less power (Hauer & Aagaard, 2003).

2.3 Financial Management Practices

Financial Management Practices are defined as the practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, asset management and control. Financial Management Practices are defined as techniques, tools and analysis used by corporations to make financial decisions. These practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, asset management and control within an organisation may be divided into long-term and short-term decisions and techniques. They however both share the common objective of enhancing the firm's financial value by ensuring that the return on capital employed exceeds the cost of capital at minimal financial risks (Pandey, 2010).

Financial management practices in SME sector have long attracted the attention of researchers. Depending on different objectives, researchers emphasize different aspects of financial management practices. In his review (Barry, 2013) the context of financial management practices include the following areas;

i. Accounting information systems

This is the nature and purpose of financial records, bookkeeping, cost accounting, and use of computers in financial record keeping and financial management.

ii. Financial reporting and analysis

This is the nature, frequency and purpose of financial reporting, auditing, analysis and interpretation of financial performance.

iii. Working Capital Management

This is the non-financial and financial considerations in asset acquisition, quantitative techniques for capital project evaluation, investment rate determination and handling risk in an uncertainty in this context.

iv. Financial structure management

This is the financial leverage or gearing, accounting to lenders, knowledge of sources and uses of finance, non-financial and financial considerations in financial structure decisions and non- financial and financial considerations in profit distribution decisions.

v. Financial planning and control

These are the financial objectives and targets, cost-volume profit analysis, pricing, financial budgeting and control and management responsibility centers

vi. Financial advice

It refers to the internal and external sources and types of financial advice and use of public accounting services.

vii. Financial management expertise

It deals with the informal and formal education, training and experience in financial management, relevant qualifications and overall financial management expertise.

However the purpose of this study is not to cover all the context of financial management practices as indicated above but to review selected financial management practices adopted by or are related to the SMEs in Masaka Municipality.

Some of the most common Financial Management Practices used by management of SMEs in Masaka Municipality are Financial Planning, Financial Control and Financial Reporting. All these three practices are fundamental for a competent financial management in the local SMEs.

2.3.1 Financial Planning

Financial planning is a task taken by managers to determine how a business will be able to achieve its set strategic goals and objectives. Management usually creates a financial plan immediately after setting the organisation’s vision, goals and objectives. This drawn plan describes each of the activities, resources, equipment and materials that are needed to achieve the set objectives as well as the timeline involved (Jordan, et al., 2010).

Financial Planning is critical to the success of any business by confirming that the set objectives are achievable from a financial point of view. Financial planning helps SME managers to set financial targets and reward staff for meeting objectives within the set budget (Mittra, et al., 2007).

These financial planning activities involve the following tasks;

- Assessing the business environment.
- Confirming the business vision and objectives.
- Identifying the types of resources needed to achieve the set objectives.
- Quantifying the amount of resource e.g. labour, equipment, materials etc.
- Calculating the total cost of each type of resource.
- Summarizing the costs to create a budget.
- Identifying any risks and issues within the set budget.

Financial Planning has got many objectives that one needs to look forward to while studying the financial performance of SMEs (Jordan, et al., 2010). Some of these include;

(i) Determining the Capital Requirements

This always depends on factors like the cost of current and fixed assets, promotional expenses and long range planning. While dealing with capital requirements, there is need to look at short and long term requirements.

(ii) Determining Capital Structure

This comprises of all the relative kind and proportion of capital required in the business. It usually includes decisions to do with debt - equity ratios at both short and long term.

(iii) Framing of Financial Policies

This is usually done with regard to cash control, lending, and borrowing among so many others within businesses.

(iv) Scarce Financial Resources

Financial managers must ensure that the scarce financial resources are maximally utilized in the best possible manner in order to yield maximum returns on investment.

(Jordan, et al., 2010) Further refer to financial planning as a process of framing objectives, policies, programs and budgets regarding the financial activities of concern. All this is to ensure an effective and adequate financial and investment policies. They outline the importance of financial planning to be;

i. Financial Planning helps in ensuring a reasonable balance between inflow and outflow of funds to maintain stability.

ii. Financial Planning ensures that the suppliers of funds are easily investing in companies that exercise financial planning.

iii. Financial Planning does a great job in reducing the uncertainties that can affect the growth of the company by ensuring business stability and profitability in concern.

iv. Financial Planning reduces uncertainties with regard to the changing market trends which can be faced easily through enough funds.

v. Financial Planning helps in making expansion and growth programs which helps in the long run survival of the company.

vi. Financial Planning helps in ensuring that adequate funds are ensured for the business.

2.3.2 Financial Control

Financial control is defined as all those procedures designed to protect assets and ensure that all financial transactions are recorded to prevent and reduce errors and fraud (Block & Geofrey 2008). Financial control is put in place to provide guidelines that shall result into efficient and effective management of all resources within an organisation. A strong financial control system promotes the SME's ability to attain its objectives of providing reliable financial data, safeguarding assets and records, organizational control, evaluation of operations and adherence to prescribed policies and regulations. An efficient financial control system enables safety of the shareholders and stakeholders investment and also protects the organization's assets. Therefore, these financial controls enable the effectiveness and efficiency of organizational operations which leads to the reliability of internal and external financial reporting and also assist in compliance with laws and regulations (Hayles 2005). Financial control activities are the policies and procedures that enable management directives to be carried out effectively (Walter & Dunn 2001)

When trying to understand the effect that financial control has over financial performance of SMEs, the researcher used the theory of financial control.

2.2.2.1 Theory of Financial Control

This theory states that the existing and possible functions of financial tools for organisations are very essential. It further states that payments, control models, financial instruments, accounting, economic calculations and related considerations, both within and outside of the organisation, ought to be discussed in regard to inner characteristics but also possible effects. There is always a need to establish a relationship between the organization's activities and its financial processes. The theory further states that there is always organizational structure and financial control system works together (Ostman, 2009).

The theory places a natural focus on organisations by viewing them from various spheres. It starts by looking at the human beings with their activities and output in the organisation. Secondary, it examines the organisation structure with its activities and financial transactions involved there in. thirdly, it studies employed procedures and methods as a way of relating the present and future functions to both internal and external resources. It ends with illustrating the specific processes within a particular organization's perspective to clear certain issues (Ostman, 2009).

The financial control theory was therefore found to be quite relevant to the researcher during his investigations given that it helps a lot in understanding better the very completed and detailed events surrounding financial management practices in SMEs.

The effective financial controls including maintaining of proper accounting records help in ensuring that the financial information is used only within the business (Hayles, 2005). Financial control decisions cover the SME's methods, processes and internal audit all being put in place by the administration to ensure that all the business's activities are based on the administration's pre-determined policies and legislation in order to protect its assets and resources (Khoove, 2010).

Financial controls are divided into; Entity-wide control, those that are general and Account-level controls, those that are specific (Morris, 2011). For the purpose of assessing the relationship between financial control and financial performance of SMEs, the researcher dwelled much on reviewing the literature on the account-level controls.

Many SMEs today have adopted use of an electronic Accounting Information System as an account-level financial control to enable management carryout appropriate financial decisions. An electronic Accounting information system is a computer-based system of records that combines accounting principles and concepts with the benefits of an information system and which is used to analyze and record business transactions for the purpose of preparing financial statements and providing accounting data to its users (Orwell, 2009). It assists in the analysis of accounting information provided by the financial statements. The biggest advantage of computer-based accounting information systems is that they automate and lead to a more efficient financial control. Financial control is a major tool for organizations to accurately see summarized, timely information used for decision-making (Romney et al, 2009).

There is an indirect effect of use of sophisticated AIS to aid financial control on financial performance, acting through a prospector strategy (Naranjo 2004). Several studies identify IT alignment, and relationship between IT alignment and the firm's financial performance (Ismail and King 2006). The main problems faced by SMEs are the lack of capital and technological obsolescence, limited financial resources, management information, IT-oriented behaviour and lack of funds to improve skills (Levy, et al., 2011).

It was revealed that business strategy today consists of cost leadership and innovative differentiation of which both have a significant influence on the AIS design. A small or medium firm needs competitive advantage by adopting cost leadership strategy to know whether the features are acceptable to organization or IT team to avoid inconsistency in the next business process (Al-Egab & Ismail 2011).

However, similar to cost leadership strategy, the innovation differentiation strategy can only be planned and implemented effectively with proper financial controls. To achieve the efficiency, SMEs need an account-level control strategy that is aligned to their business strategy. Alignment between such strategy and business strategy will support their operation and transaction (Levy et al. 2011).

Organizations running without financial controls tend to perform their business less successfully than those with financial controls systems. The efficiency would be achieved if the firms have highest alignment and good performance in their financial controls systems. SMEs should adopt strategies and consider investment in accounting information systems in order to deal with a variety of customers per given period of time (Tuanmat and Smith, (2011).

For businesses to survive, SMEs owners need to update accounting information for decision making accurately and timely. The adoption of accounting control systems would ensure proper accounting practices as good accounting practices have some implications on SME managers (Lohman, 2000; Amidu et al., 2011).

Most SMEs are family firms; therefore the SMEs which are owned by family members play quite a significant role in technology innovation than non-family owned firms. In small firms, the owners will be more responsible for the development of information and technology to improve organizational performance through a proper financial control system (Chu 2009).

The financial success of businesses is most likely to occur when external IT experts work as a team with senior managers to integrate information and build a robust financial control system. This Cooperation can improve business efficiency, increase return on investment, and increase business performance (Woznica and Healy, 2009).

Small firms in Ghana usually process financial information by chartering accountants to handle their accounting information for management decision (Amidu et al., 2011). Hence, technical support, training, and harmonious working relationship with consultants can reduce the risk of IT failure in small businesses making financial control sounding thus enhancing the organizational performance (Soudani, 2012)

Financial control systems like the Accounting information systems and its capacity if high in our SMEs, aligning information processing capacity with perceived information requirements shall have a contribution in improving the financial performance of SMEs in developing economies. Therefore, government intervention is crucial to accelerate the strategic use financial control systems as an effective and efficient financial management practice. SMEs really need to implement use of financial control systems for value addition (Estebanez et al. 2010).

Financial control being a set of procedures implemented to detect and/or prevent errors, theft, fraud, or policy non-compliance in a financial transaction process great aid financial performance in SMEs. Financial control procedures can be implemented either by an individual or as part of an automated process within a financial system of the SME. Financial control procedures ensure that all financial information is recorded and accurate (Barry, 2012).

Barry (2012) in his SME guide listed the following as some of the benefits of implementing financial controls in SMEs:

- ➢ Regular reporting will provide accurate financial information that can be used by those responsible for the operations of the business (For example, sales numbers can be provided to sales representatives to monitor targets and budgets).

- ➢ The business can make informed decisions on budgets and spending.

- ➢ Controls provide documentary proof for compliance requirements (such as GST calculations).
- ➢ Business standards are set and every person within the business is informed of these standards through reporting.

Each financial control procedure is designed to fulfill at least one of the following eight criteria shown in the table below:

Table 1: *Financial Control Procedure Criteria*

Completeness	All records and transactions are included in the reports of the business.
Accuracy	The right amounts are recorded in the correct accounts.
Authorisation	Approved authorization levels are in place to cover such things as approval, payments, and data entry and computer access.
Validity	The invoice is for work performed or products received, and the business has incurred the liability properly.
Existence	All assets and liabilities recorded in the books actually exist. Has a purchase been recorded for goods or services that have not yet been received? Is there correct documentation to support the item?
Handling errors	Procedures ensure that errors in the system have been identified and corrected.
Segregation of duties	Certain functions are separated. For example, the person taking cash receipts does not also do the banking.
Presentation and disclosure	There is timely preparation of reports for compliance and/or review.

Source: Financial Guide for Small and Medium Enterprises by Barry Lee (CPA Aust.) 2012.

2.3.3 Financial Reporting

As pertains to Financial Reporting, recording and organizing the accounting information systems will not meet objectives unless reports from systems are analyzed and used for making managerial decisions. Financial statements usually provide the information required for planning and decision making. Information from financial statements can also be used as part of the evaluation, planning and decision making by making historical comparisons (Diamond, 2006).

Financial Planning alone without preparing reports is likely not to be fundamental in aiding decision making unless proper reports are prepared and analyzed to attach a meaning so as to help decision makers, D'Amboise and Gasse (1980). Financial statements are needed to predict, compare and evaluate a firm's earning ability. It is also required to aid in economic decision making investment and financing decision making. The financial information of an enterprise is contained in the financial statements. The use of financial statement analysis in investment decision has been addressed by a series of authors (Diamond, 2006).

According to Gautam, U. S. (2005) Accountancy, Financial Statement is generally explained as financial information which is the information relating to financial position of any firm in a capsule form. Financial statement according to J.A Ohison (1999) was defined as a written report that summarizes the financial status of an organization for a stated period of time. It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit.

It argued that profitability is the ability of an entity to earn income. It can be assessed by computing various relevant measures including the ratio of net sales to assets, the rate earned on total assets etc. Financial Statement simply means a declaration of what is believed to be true and which, communicated in terms of monetary unit. It describes certain attributes of a company that is considered to fairly represent its financial activities (Pandey, 2005).

The financial statement is a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management’s stewardship of the resources entrusted to it. To meet these objectives, financial statements provide information about an entity’s with the following being suggested by (Meigs & Meigs, 2003):

a) Assets

b) Liabilities

c) Equity

d) Income and expenses, including gains and losses

e) Contribution by and distribution to owners in their capacity as owners, and

f) Cash flows

According to Meigs & Meigs (2003) and Pandey (2005), a complete set of financial statement should comprise of the following;

i. A statement of financial position as at the end of the period

ii. A statement of comprehensive income for the period

iii. A statement of changes in equity for the period

iv. A statement of cash flow for the period

v. Notes of Account comprising a summary of significant accounting policies and other explanatory information; and

vi. A statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

The purpose of financial statement analysis is to provide information about a business unit for decision making purpose and such information need not to be limited to accounting data. While ratios and other relationships based on past performance may be helpful in predicting the future earnings performance and financial health of a company, we must be aware of the inherent limitations of such data (Akpan, 2002).

The key objectives of financial analysis are to determine the company's earnings performance and the soundness and liquidity of its financial position. We are essentially interested in financial analysis as a predictive tool. Accordingly, to examine both quantitative and qualitative data in order to ascertain the quality of earnings, the quality and protection of assets. In periods of recession when business failures are common, the balance sheet has to be prepared to increase importance because the question of liquidity is uppermost in the minds of many in the business community. However, when business conditions are good, the income statement receives more attention. Nevertheless, a financial analyst has to struggle on the above complexities of using financial statement analysis to achieve a specific purpose (Meigs & Meigs, 2003).

According to Akpan (2002), as cited by Abubakar, et al., (2015) financial statement may be used by the following users for different purposes as further explained below:

a) Owners and Managers

Require financial statement to make important business decisions that affect its operations. Financial analysis is then performed on these statements to provide management with a more detailed understanding of the figures. These statements are also used as part of management's annual report to the stockholders.

b) Employers

Also need these reports in making collective bargaining agreements (CBA) with the management, in the case of labour unions or for individuals in discussing their compensation promotion and rankings.

c) Prospective investors

They make use of financial statements to assess the viability of investing in a business. Financial analysis are often used by investors and are prepared by professionals (financial analyst), thus providing them with the basis for making investment decisions.

d) Financial institutions

Financial institutions (banks and other lending company) use them to decide whether to grant a company with fresh working capital or extend debt securities (such as a long term bank loan or debentures) to finance expansion and other significant expenditures.

e) Government entities

Government entities (Tax authorities) need financial statements to ascertain the property and accuracy of taxes and other duties declared and paid by a company.

f) Vendors

They require financial statement to access the credit worthiness of the business

g) Media and general public

They are also interested in financial statements for a variety of reasons.

According to Diamond (2006) they are three types of financial statements. Each will give important information about how efficiency and effective the business is operating. Income statement, balance sheet and statement of cash flow are the basic and the most important financial statements which interprets the quantitative data's of a company's performance.

a) Income Statement

Income statement measures the company's profitability over a period of time. In the income statement, the net income is calculated by subtracting all the expenses from income.

The income statement provides the information of the transactions occurred in a certain period of time called accounting period. Expenses include purchase, administrative expenses, selling expenses, depreciation, amortization expenses and income tax paid. Initially gross profit is calculated by subtracting cost of goods sold from net sales. Cost of goods sold is the expense occurred from the sales of the goods, Labour cost, raw materials and overhead expenses occurred during the sales period falls under the cost of goods sold category (Diamond, 2006).

Operating income is calculated by subtracting the depreciation and the other selling and administrative expenses. From the operating income, interest and/or amortization is paid which will result in earning before tax income of the entity. Finally, income tax is paid from earning before tax resulting in net profit. Management decides if they want to pay dividends or not. If they do pay dividends then preferred dividends are paid first and afterwards common stockholders' dividends are paid. The residue income also known as the retained earnings are reinvested in the firm (Russell & Taylor, 2011).

b) Balance Sheet

A firm's assets, liabilities and equity at a given time period are presented in the balance sheet. It shows the financial position at a point in time. There are two sub accounts in balance sheet. Assets account is the first one, which includes all the current and fixed assets of the company. Current assets include cash, market securities, account receivable, inventories, prepaid expenses etc. Current assets also named as working capital provide short-term benefit for the entity. The other items which fall under assets are property, plant, equipment, goodwill, intangibles, long term investments, note receivable and other long term assets. Additionally, the other sub account includes all the liabilities and equity. Accounts payable, accrued expenses, notes payable, short term debt are the major components of current liabilities. While total long term debt, deferred income tax and minority interest added to the current liabilities sums up the total liabilities. Total liabilities summed up with total equity make total liabilities and shareholder´s equity, which is always equal to the total assets (Diamond, 2006).

c) Statement of Cash Flow

Statement of cash flow shows how cash flows in and out of the company. Cash generated by the operating, investing and financing activities are shown in the statement of cash flow. Furthermore statement of cash flow shows the overall net increase or decrease in cash of the firm.

According to Patrick et al (2002), cash flow helps the investors and creditors to access the ability of the firm to generate positive future cash flow, ability to meet the debt obligations and to shed light on the cash and non-cash aspect of the investing and financial transactions. Operating activities includes net income, depreciation, the increase or decrease in marketable securities, accounts receivable, inventory, prepaid expenses, account payable, and accrued expenses. The cash involved in purchase or sales of fixed assets falls under investing activities.

Finally sales and retirement of notes, preferred and common stock, other corporate securities and bonds falls under financial activities in the statement of cash flow report. Accounts payable, accrued expenses, notes payable, short term debt are the major components of current liabilities. While total long term debt, deferred income tax and minority interest added to the current liabilities sums up the total liabilities. Total liabilities summed up with total equity make total liabilities and shareholder´s equity, which is always equal to the total assets (Diamond, 2006).

2.4 Indicators of Financial Performance of Small and Medium Enterprises

Financial performance is one of the most important objectives of financial management practices because one goal of financial management is to maximize the owner's wealth (McMahon & Davis, 2012). Thus, financial performance is very important in determining the success or failure of a business. At the establishment stage, a business may not be profitable because of investment and expenses for establishing the business. When the business becomes mature, profits have to be produced. Due to the importance of financial performance, Edmister (2007) among other researchers have suggested that SMEs need to concentrate on financial performance. Jen (2003) found financial performance to be a significant determinant of a small firm's credit risk. Thomas and Evanson (2007) stress the aim of a business is not only the generation of sales, but also generation of profits. Profit is especially important because it is necessary for the survival of a business. Low financial performance contributes to under-capitalization problems because it leads to retained earnings and therefore to a reliance on external capital (Davidson & Dutia, 2001).

Measures of SMEs financial performance are numerous. Traditional common measures include; Return on Investments (ROI), Return on Assets (ROA), Return on Capital Employed (ROCE). In this study all these measures are discussed.

2.4.1 Return on Investments

Return on Investment (ROI) was developed by Dupont Powder Company in the early 1900s to help manage vertically integrated enterprise. According to Tenopil (2010), the intent of this measure was to evaluate the success of a company or division by comparing its operating income to its invested capital. The major weakness of ROI is that, it forces managers to take decisions that are short term in nature and not necessary in the best interest of the company in long term. ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio (Tenopil, 2010).

ROI = Gain from investment – Cost of investment

Cost of investment

In the formula above, gains from investment refers to the proceeds obtained from selling the investment or interest. Return on investment is a very popular measure because of its versatility and simplicity. If an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should not be undertaken. In specific situations, ROI variations can be used: Return on invested capital, return on total assets, return on equity, return on net worth (Andolsen, 2004).

It is the incremental financial gain (or loss). ROI should be greater than zero for an investment to be economically attractive. Calculating the ROI on various options will help to ensure that a company selects the most economical and profitable project (Tenopil, 2010).

The ROI evaluations are broader: as a method of persuasive communication to senior management, a process of getting everybody's attention to the financial aspects of the decisions and stimulating a rigid financial analysis. In this case, actually calculated ROI numbers are of less importance compared to the processes of gathering/analyzing cost and benefit data (Kalvar, 2003).

According to other authors, there is no description of specific sub-areas of ROI use, for example. ROI of social media (Petouhoff, 2009), ROI of e-business (Mogollon & Raisinghani, 2003), ROI of user experience (Hirsch, Fraser, & Beckman, 2004), ROI of learning programs (Haddad, 2011; Kingma & Schisa, 2010), ROI of knowledge management (McManus, Wilson, & Snyder, 2004), ROI of records and information management (Andolsen, 2004), ROI of quality initiatives (Coelho &Vilares, 2010), and ROI of websites and search ("Maximizing website return on investment," 2009). All of the mentioned areas have their own specific measures of the benefits and costs, the description of which would be difficult to understand the demonstration of the main ROI qualities and characteristics.

2.4.2 Return on Assets

This is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. It is calculated by dividing a company's annual earnings by its total assets. It is computed as follows:

ROA = Net income (EBIT) / Total assets (expressed as a percentage).

It depicts what earnings were generated from invested capital assets (Munyao, 2010). ROA for public companies can vary substantially and will be highly dependent on the industry. It is derived by dividing a company's annual earnings by its total assets as follows:

ROA = Profits before interest and tax ÷ Total assets (Chai, 2011).

The profitability performance can be measured using ROA. The higher the ROA ratio, the better bank profits (Rasiah, 2010). According to Tenopil (2010), studies of frontier efficiency rely on accounting measures of costs, outputs, inputs, revenues, profits, etc. to impute efficiency relative to the best practice within the available sample. Besides that, there are many ways to measure the profitability performance. Other than that, getting on top of the financial measures of the firm performance is an important part of running a growing business, especially in the current economic climate. In addition, Return on Asset is an indicator of measuring managerial efficiency (Munyao, 2010).

In ROA, the firm will know the efficiency and capability to convert the assets into net income. ROA is the ratio of operating profit to average total assets. In principle, ROA reflects the ability of a firm's management to generate profits from the firm's assets though it may be biased due to off-balance sheet activities. ROA can be used to view the firm's performance in terms of profitability. In analyzing how well any given firm is performing, it is often useful to consider the return on assets. Moreover, company performance is usually measured by profitability, which may itself be proxies by using the return-on-assets (ROA) ratio. In addition, according to the author, ROA also can be defined as the quotient of net profit after taxes to total assets (Al-Eqab & Ismail, 2011).

The advantage of using profitability ratios is that they are inflation invariant; that is they are not affected by changes in price levels. Besides that, the ROA is a helpful measurement when comparing the profitability of one company to another, either for those within the same industry or those from a different industry. Therefore, the ROA is a valuable measure when comparing the profitability of one firm with another or with other firms as a whole (Rasiah, 2010).

2.4.3 Return on Capital Employed

According to Weetman (2003), "ROCE is the ratio of which measure the performance of a company as a whole in using all sources of long term finance". Meanwhile, according to Irala (2005), "ROCE is an improvement over the EPS as it links the returns generated to the capital.

Given the company's goal is to increase profits, and then the maximum ROCE indicates that the company has been able to improve efficiency in the use of funds and capital. ROCE ratio can be formulated as follows (Weetman, 2003) the profit before interest and tax is used as the numerator in determining the company's operating results or return on capital employed. Profit before interest and tax is often referred to as EBIT (earnings before interest and tax). Denominator value obtained ROE (Return on Equity).

ROCE indicates the efficiency and profitability of a company’s capital investment. It is one of the most important operating ratios that can be used to assess corporate profitability. It is expressed as a percentage and can be very revealing about the industry in which a company operates in, the skills of management and occasionally the general business climate. As a general rule, a firm with a high return on capital employed will probably be a very profitable business. Analysis of potential investments over a reasonable period of time will expose an investor to many types of business and industry (Al-Eqab & Ismail, 2011).

It is not true but as a rule, a firm with a high return on capital employed will probably be very profitable in business.

ROCE = Trading Capital ÷ Capital Employed, Where: Capital employed = share capital + reserves + all borrowings (Munyao, 2010).

2.5 Level of Financial Performance

The age of business owners and performance of business in all studies reviewed as measured in years, and more specifically within age groups (Osunsan, 2015; Kaunda, 2012; International Labour Organization, 2005; Weber & Schaper, 2004). It was revealed that one-third of all successful entrepreneurs in small and medium enterprises originate from the age group of 18 to 34 years (International Labour Organisation / Jobs and Skills Program Africa, 2010). Similarly, it was found out that majority of small business owners were within the age range of 20 to 39, accounting for half of small business owners in their study (Osunsan, et al., 2015). Weber & Schaper (2004) on the other hand claimed that 31 % of small businesses where in fact started by those over the age of 50. Similarly, Kaunda (2012) had a majority of almost a quarter (26%) within the age group of 55 to 64 in his study. However, it was strongly pointed out that starting up a business and realizing success in any aspect of life (including business) is not subjected to age, but to individual drive and determination (Osunsan, 2015).

Studies on performance employ various measures (Radipere & Dhliwayo, 2014; Dele, 2012; Amran, 2011; Chong, 2008; Fairlie & Robb, 2008; Oesterle, 2008; Strivers, et. al., 1998). These measures can be summarized as financial and nonfinancial measures. Financial measures include cash flow, return on assets, and return on equity as a means of assessing firm performance. While the nonfinancial measure include aspects such as customer service, marketing effectiveness, human capital, strategy achievement, innovation, employee satisfaction, financial practice, processes, and corporate culture (Dele, 2012; Strivers, et. al., 1998). Some studies (Li, Huang & Tsai 2009) suggest a combination of both financial and non-financial measures in order to offer a complete evaluation of the businesses performance.

The use of nonfinancial data is adopted for several reasons. Several scholars (Strivers, et. al., 1998; Caves, 1998; Audretsch & Klepper, 2000) affirm that such nonfinancial measures have been endorsed by both academic and managers. They are that;

(i) Nonfinancial measures can be better indicators of both present and future financial performance,

(ii) Nonfinancial data can provide indirect, quantitative indicators of a firm's intangible assets, and

(iii) Nonfinancial measures are less susceptible to external noise than accounting measures.

Noise being change in performance measure that cannot be controlled by business owner, such as changes in the economy or even luck. Secondly, the perceived measure of performance (perceived performance) is used as a substitute to financial data as recommended by Dele (2012). This is due to limitations of financial data as pointed out by Ittner & Larcker (2000) and as experienced by Easete (2005) and Rooks, Szirmai & Sserwanga (2009) in the case of small businesses in Kampala. Small businesses are reluctant to share their financial data due to several reasons (Easete, 2005; Rooks, Szirmai & Sserwanga, 2009), including no financial records, poor financial record keeping or manipulated books for the sake of tax evasion to mention a few.

According to Levesque and Minniti (2006), Watkins et al. (2003), and Storey (1994) suggested that younger business owners run businesses that perform better (in terms of growth), their argument is hinged on the believe that younger business owners are more motivated, energetic, committed and are less risk averse. Davidsson (1991) made a similar observation by pointing out that older business owners probably realize their aspiration and have less drive due to the fact that the need for mortgage payments and supporting a family is no longer present. The opposite is true for young business owners. Belenzon and Zarutskie (2013) pointed out that firm performance drops as the owner grows older and they specifically mentioned that owners above the age of 54 show a great level of performance decline in their business. Cressy and Storey (1995) suggest that the survival rates of business by older entrepreneurs are higher than those by younger entrepreneurs; in order for a business to survive long it has to perform well and survive.

2.6 Relationship of Financial Management practices on Financial Performance of SMEs

When the relationship between financial management practices and financial performance is analyzed, it should be noted that there are other factors which account for potential influence on the relationship. Although these other variables are not directly related to the relationship between financial management practices and performance, it is important to take them into account in order to isolate their effect on performance. These variables include firm size, degree of risk, capital intensity, and leverage and industry factors such as growth, firm advertising, market share, research and development. This study holds these variables as control variables (Moore & Reichert, 1989).

Financial management practices directly contribute to the organizational performance of any company. A business firm to be able to sustain its business operations and meet its goals and objectives it must manage its financial practices effectively and prudently (Bhattacharya & Luo, 2006).

2.7 Conclusion

In the literature, it has been argued that the use of financial management practices may be related to improved financial performance. Some of the studies indicated that modern financial management practices had a positive relationship with financial performance of SMEs. However, similar researches reported a negative relationship between them and financial performance. This indicates that the mere adoption of various financial management practices is not sufficient to bring about superior performance and that, other factors such as firm size and capital intensity, may have a greater impact on performance of small and medium enterprises.

Locally, studies conducted though are few; these earlier researches have shown that there exists a significant positive relationship between financial management practices and performance of SMEs. Furthermore, they have been conducted in other areas which include western Uganda and northern Uganda, however these researchers did not exhaust all financial management practices practiced in Masaka Municipality and this forms part of my research to identify the financial management practices and performance of SMEs in Masaka Municipality.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter covers the research methodology and description of the methods and techniques that were used in the collection of data. According to Leedy and Ormoed (2001) research methodology refers to “the general approach the researcher takes in carrying out a research project”. On the other side, Kothari (2004) defines research methodology as a scientific and objective understanding of how research is conducted. Through it; various steps are employed in studying a research problem along with the logic behind them.

This Chapter presents the research design, population, sample size and technique, methods of data collection, data management and analysis, reliability and validity, and ethical considerations that was employed in this study.

3.1 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims at combining relevance to the research purpose with economy in procedure (Kothari, 2004). A research design can be thought of as the structure of research. It is the glue that holds all the elements in a research project together. In other words, a research design is the conceptual structure within which research is conducted (Kombo & Tromp, 2006).

In consideration of the time scope intended for this particular research, this study took on a cross-sectional research design because the researcher gathered data from a sample of a population and produced findings at a particular point in time (Amin, 2005). Given the nature of the variables involved, this study was carried out using qualitative and quantitative research approaches because it handled data that was both qualitative and quantitative in nature (Amin, 2005).

3.2 Area of the Study

This research was carried out among SMEs owners, managers and other stakeholders in Masaka Municipality. This enabled the researcher to get divergent views from the different respondents so that the findings of the study can be applied to all SMEs in Masaka Municipality and the country at large.

3.3 Study Population

A population is a group of individuals, objects or items from which samples are taken for measurement. It refers to an entire group of persons or elements that have at least one thing in common. Population also refers to the larger group from which the sample is taken. It is important for the researcher to find out as much as possible about the study population (Kombo & Tromp, 2006).

This research used a finite population of study where 144 employees of registered SMEs in Masaka Municipality were considered. This population is the total number of management staff employed in licensed small and medium enterprises in Masaka Municipality (SME list 2016, Records Department, Masaka Municipal Council).

Table 2: *Number of Management Staff in Licensed SMEs in Masaka Municipality*

S/No.	Categories of registered SMEs	No. of Management Staff	Sample Size
1	Bakery and Confectionery	8	5
2	Distribution Stores and Depots	7	5
3	Financial Institutions	19	14
4	Furniture Marts	10	8
5	Hardware Stores	12	10
6	Hotels	17	11
7	Mechanical Workshops	6	5
8	Recreation Centres	14	10
9	Saloons	17	11
10	Supermarkets	16	10
11	Vocational Institutions	18	14
	TOTAL	**144**	**103**

Source: Secondary data from SME list 2016, Records department, Masaka Municipal Council

3.4 Sampling Procedure

Sampling is a procedure, process or technique of choosing a subgroup from a population to participate in the study (Ogula, 2005). According to Mugenda and Mugenda (1999), a sample is a smaller group or sub-group obtained from the accessible population.

3.4.1 Sample Size and Selection

A sample refers to a proportion of a population being selected from the population. If a sample to be drawn must reflect the characteristic of the population and other considerations (Kombo & Tromp, 2006). The sample size of the study was 103 employees of SMEs obtained from a population of 144 employees of registered SMEs selected from the entire Masaka Municipality. The selection of this sample size was done using the Krejcie and Morgan Table (Krejcie, Morgan 1970).

3.4.2 Sampling Technique

For the case of this study, the researcher used a simple random sampling technique. A simple random sampling is a type of sampling design in which all members of the population have an equal opportunity of being selected while forming a sample. It is used when the population is homogeneous in nature or when the information that respondents are exposed to is homogeneous. It was therefore used by the researcher to pick SME owners, and financial managers, who are seen to be rich in information on financial management practices, from Masaka Municipality to respond on specific queries.

3.5 Data Collection Methods and instruments

The researcher used both primary and secondary methods of data collection. This referred to questionnaires and interviews, so as to obtain primary data and documentary review for the case of secondary data. The option of the method of data collection was functional depending on accessibility, practicality and method reliability of the research.

3.5.1 Questionnaires

The main data collection instrument used during this study was a questionnaire. According to Creswell (2008), a questionnaire is a research instrument consisting of a series of questions and prompts for the purposes of gathering data. The purpose of using questionnaires was to obtain specific data from the managers / owners of SMEs on the given topic (Creswell, 2008). Questionnaires were handed to different SME managers/owners in Masaka Municipality for the purpose of gathering primary data from respondents. The data gathered through use of the questionnaire helped the researcher in compiling the finding of the study.

3.5.2 Documentary Review

The documentary review included the written documents of the SMEs in order to obtain secondary data. The data were collected from files, official memos, reports, journals, pamphlets and other related documentations available.

3.6 Quality Control Methods

3.6.1 Validity

According to Miles and Huberman (1994) cited in Mayanja (2005), validity of an instrument is defined as "the extent to which the items in the instrument measure what they are set out to measure".

Validity tests were done to determine how well the questionnaire as a research instrument used would be valid in measuring the concept for which it was intended (Coghlan, 2011). The researcher sought guidance and advice from supervisor in order to ascertain whether the instrument was valid. In addition expert judgment method was used by approaching experts in the field to determine the validity of the instrument.

$$\textbf{CVI} = \frac{\text{Number of questions considered valid}}{\text{Total number of questions}} \times 100 = \frac{18}{24} \times 100 = \textbf{0.75}$$

The results from the questionnaire indicated a content validity index (CVI) greater than 70% which is acceptable according to (Amin 2005), and (Mugenda, 1999).

In addition, according to Berg and Gall (1989), validity is the degree by which the sample of the test items represents the content the test is designed to measure (construct validity). Construct validity refers to how well you translated or transformed a concept, idea or behaviour (a construct) into a functioning and operating reality.

3.6.2 Reliability

Reliability has to do with "the extent to which the items in an instrument generate consistent responses over several trials with different audiences in the same setting or circumstances" as supported by Miles and Huberman (1994) cited in Mayanja (2005).

In order to achieve the reliability of the research instrument, Cronbach's Alpha coefficient was used. In statistics, Cronbach's (alpha) is a coefficient of internal consistency, it is commonly used as an estimate of the reliability of a psychometric test for a sample of examinees (Cronbach, 1951) and that the theoretical value of the alpha varies from 0 to 1.

Therefore, reliability tests measured the consistency and stability of a research instrument. Creswell (2008) asserts that Cronbach Alpha coefficient can be used to test for reliability, while content validity index may be used to test validity of the questionnaire (Coghlan, 2011).

The computation of the correlation between different variables was measured separately using Cronbach's Alpha method (SPSS version 21 software).

Table 3.1: Reliability Test

No.	Item tested for reliability	No. of questions on each objectives	Cronbanch's Alpha index
1	Financial planning	6	0.703
2	Financial control	6	0.771
3	Financial reporting	6	0.728
4	Financial performance	6	0.693
Average value of reliability		**6**	**0.723**

Source: *Primary data (2017)*

According to Amin (2005) an instrument which has a cronbanch alpha reliability index of 0.7 or above is accepted as being reliable. The findings having revealed an average index of 0.723, confirms that the instrument was reliable.

3.7 Data Management and Processing

3.7.1 Data Management

Mugenda and Mugenda (2003) assert that data obtained from the field in raw form is difficult to interpret unless it is cleaned, coded and analyzed. The compilation and processing of the quantitative and the qualitative data which were collected started immediately after the field work.

According to Kothari (2005) data analysis and processing involves editing the schedules and interview responses, coding and classification and entering data into the computer. It was found out that out of the 103 filled questionnaires, 101 were used during the data analysis exercise.

From; Response rate = $\frac{101}{103} \times 100 = \mathbf{98\%}$

The response rate was therefore 98% which was enough to enable the researcher get valid study results.

3.7.2 Data Presentation

Quantitative data was presented by use of frequency tables, bar graphs, charts, correlations, and regressions.

3.8 Data Analysis

The data was analyzed using SPSS (Statistical Package for the Social Sciences) version 21 and Microsoft excel 2007. It was considered by the researcher because it is a strong and suitable method of data analysis especially for social sciences.

While analyzing data, the researcher used Statistical Package for Social Scientist (SPSS) software to analyze quantitative data that was collected using the questionnaires. Descriptive statistics was used to analyze data relating to background information using Mean, Percentages, Frequencies and Tables while Descriptive statistics method was used to identify the different Financial Management Practices used by Small and Medium Enterprises in Masaka Municipality. Descriptive statistics in form of mean, percentages, frequencies and tables was used to determine the level of Financial Performance of Small and Medium Enterprises operating in Masaka Municipality. Further to the above, Correlation analysis was used to analyze the relationship between the Financial Management Practices and Financial Performance of SMEs to determine the contribution of one variable and its influence on another.

3.9 Ethical Considerations

The researcher got an introductory letter from the university that was used to low him to collect data from the field. In addition, the researcher met with all the relevant authorities and made appointments or had to seek permission to carry out the research. The researcher took all the information collected from various SMEs to be confidential in order to avoid it from getting exposed to unauthorized audience.

3.10 Limitations

The time period allocated to carry out this research was extremely short given the parallel requirements of other study modules on the researcher's time table and the highly demanding personal normal working schedule.

The study was also limited by insufficient funds to carry out the research activities. This is because there was a lot of items and activities like typing, printing, transport, communication, buying books, pens and papers, and meals. However the researcher tried to mobilize funds from friends and relatives.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents analyses and discusses the primary findings of the study in relation to the specific objectives. In the presentation of data, the researcher presented the major findings of the research in a summarized form. The results were presented using tables or frequency tables as generated from SPSS. These show the results as tested by the objectives of the study which were;

(i) To examine the relationship between Financial Planning and Financial Performance of SMEs.

(ii) To assess the relationship between Financial Control and Financial Performance of SMEs.

(iii) To examine the relationship between Financial Reporting and Financial Performance of SMEs.

4.1 Demographic Characteristics of Respondents

4.1.1 Gender of Respondents

Table 3: *Gender of Respondents*

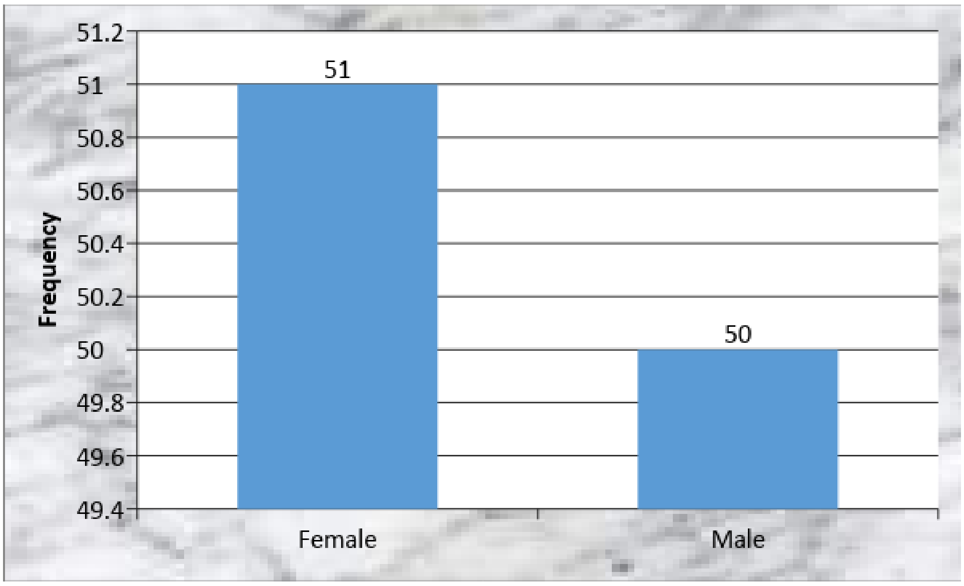
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	51	50.5	50.5	50.5
	Male	50	49.5	49.5	100.0
	Total	101	100.0	100.0	

Source: Primary data 2017

The primary findings in table 3 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

It further showed that most of the respondents were female at 50.5% and the male participated at 49.5%. This may imply that there was greater gender sensitivity in the SMEs.

Figure 2: *Gender of Respondents*



Source: Primary data 2017

According to the Beijing Platform for Action that was unveiled almost two decades ago, it has unleashed a remarkable political will and made females visible in leadership positions worldwide. It has led to equal pay for equal work for females leading to their massive inclusion into the management of SMEs. Although females contribute to close to 51% which is slightly above half of the SME management workforce in Masaka Municipality as seen from the graph below, they still lag behind their male counterparts in business leadership roles as for Uganda's situation (Nakaweesi, 2016).

The quality of education, being impacted by societal issues, affects greatly the nature of employment females get at the managerial level of these SMEs. Finding in Masaka Municipality conquer with Nakaweesi (2016) that many females fill up middle and operational managerial positions. But without a doubt, their presence in large numbers may contribute to the better performance of SMEs since they tend to work by the rules and here enforcing Financial Management Practices (Osunsan, 2015).

Findings on higher involvement of females in management of SMEs in Masaka Municipality reveals that there is a versatility exhibited by Ugandan women which has led to creating and operating competitive SMEs. This confirms that Uganda's economy continues to grow faster as it expands further in comparison to other parts of the world (Amine & Staub, 2009).

4.1.2 Age of Respondents

Table 4: *Age in Years*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	36	35.6	35.6	35.6
	31-40	50	49.5	49.5	85.1
	41 and above	15	14.9	14.9	100.0
	Total	101	100.0	100.0	

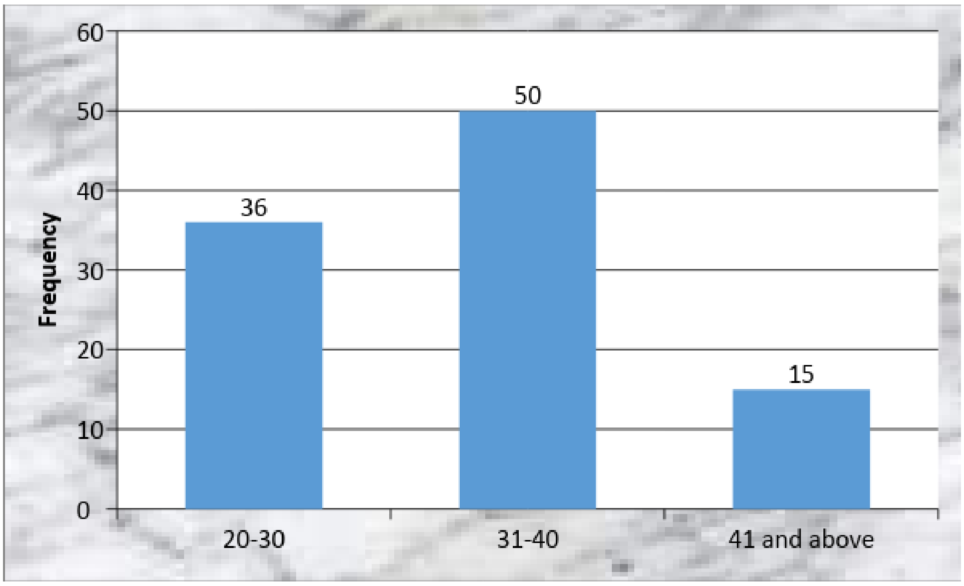
Source: Primary data 2017

The primary findings in table 4 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The primary findings in table 4 above showed that most of the respondents were in the age group 31-40 years (49.5%), as compared to 20-30 years at (35.6%) and above 41 years at 14.9%. The findings imply that all the respondents were adults.

International studies on age and financial performance of SMEs shows that for managers beyond the age of 54 years, performance of the SMEs they run drops as they keep growing older. For the business to survive longer, the age of its staff at different managerial levels should cut across 25 to 50 years (Belenzon & Zarutskie, 2013).

Figure 3: *Age in Years*



Source: Primary data 2017

The findings on the age of the SME managerial staff in Masaka Municipality as seen from the graph above revealed that majority of this staff fall into the category of the young, energetic and efficient group (31 to 40 years) as seen from the graph above. This middle aged category which represents 50% of all management staff comprises of disciplined, responsible young men and women who have a lot to prove in life and value legacy over salary.

For the ones above 40 years although fewer in number, they represent a very important category of managers many of whom are at senior management level, with booming experience and ready to pass on organizational learning to the young ones which is very important for growth and financial performance of SMEs. However, the researcher agrees with past researchers that better SME financial performance is not only limited to the certain age group of management but more to the financial management practices being employed by these managers (Osunsan, et al., 2015).

4.1.3 Marital Status of Respondents

Table 5: Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	28	27.7	27.7	27.7
	Married	72	71.3	71.3	99.0
	Others	1	1.0	1.0	100.0
	Total	101	100.0	100.0	

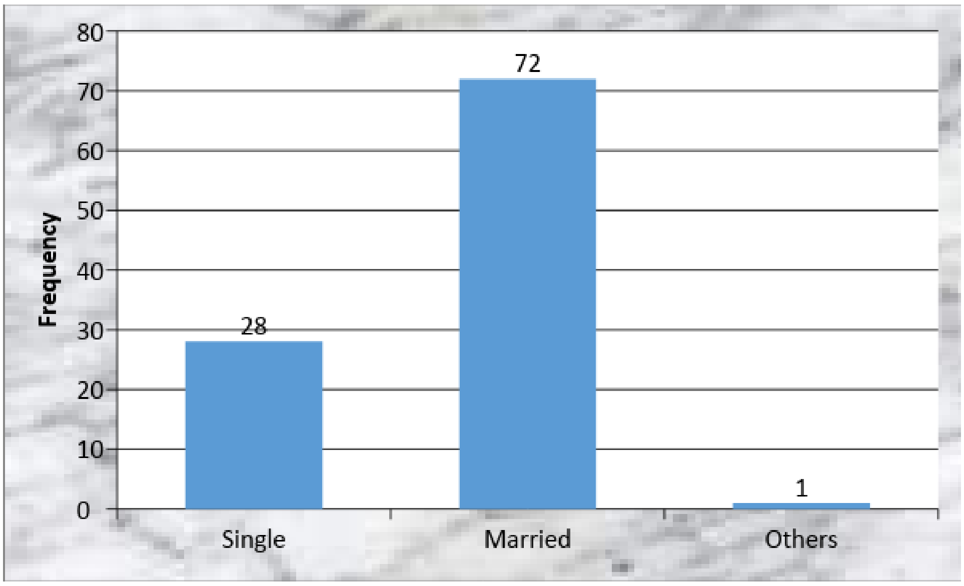
Source: Primary data 2017

The primary findings in table 5 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The primary findings in table 5 above showed that most of the respondents were married (71.3%), while 27.7% were single and 1.0% was in the category of others.

This higher number of married management staff of SMEs as seen on the graph below, greatly explains the presence of responsible officers at the helm of leadership to run these organizations. Their stakes are high and have settled for a purpose to achieve in life. They need to gain more in order to meet their many financial obligations as they uplift their homes and groom families.

Figure 4: *Marital Status*



Source: Primary data 2017

For many businesses in Uganda, it's common practice that managers attract bonuses that are weighed against the financial performance of the organization. This was found to be the same practice in SMEs operating in Masaka Municipality.

I therefore conquer with past researchers that the need to gain more leads to a higher performance of the manager such that a higher bonus is attracted at the end of the day. But still this has no conclusive evidence as it gets overshadowed by many other demographic factors like; level of education, experience, age and family background (Isaga, 2015).

4.1.4 Level of Education

Table 6: *Level of Education*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Masters and above	5	5.0	5.0	5.0
	Degree	60	59.4	59.4	64.4
	Diploma	18	17.8	17.8	82.2
	A-Level	11	10.9	10.9	93.1
	O-Level	7	6.9	6.9	100.0
	Total	101	100.0	100.0	

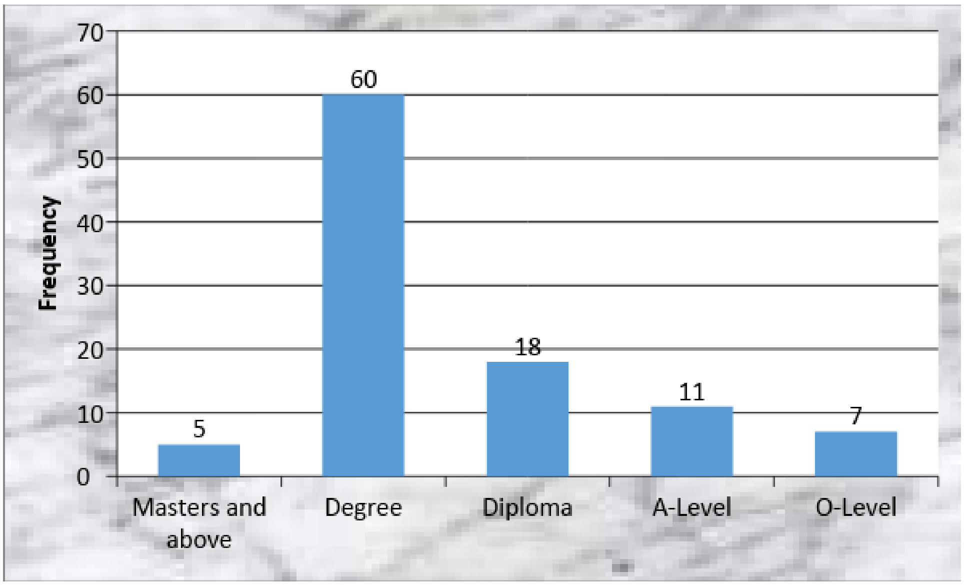
Source: Primary data 2017

The primary findings in table 6 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The primary findings in table 6 above, revealed that most of the respondents were at degree level of education (59.4%) as compared to diploma level at 17.8%, A-level at 10.9%, O-level at 6.9% and lastly masters and above at 5.0%. This implies that all the respondents hard the ability to read and interpret the questionnaire.

Education is one of the key components of human capital being that it's the major source of knowledge, skills, discipline, motivation and self-confidence. Many scholars have carried out studies on the effect of education level on performance of SMEs and there is this ever growing assumption that individuals with a higher level of education can manage business firms more effectively than their counterparts with lower levels of education (Kirby, 2003).

Figure 5: *Level of Education*



Source: Primary data 2017

Basing on the primary data as shown on the graph above, the researcher believes like other researchers did that formal education can only aid other attributes like experience and family background to enable the managers successfully perform their duties. Many members of the SMEs management staff in Masaka Municipality do not have education qualifications in business administration and management but given their family background and working experience, they have managed to steer the business firms they run to higher levels (Isaga, 2015).

4.1.5 Working Experience

Table 7: *Working experience*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2 and below	22	21.8	21.8	21.8
	3-4 years	44	43.6	43.6	65.3
	5 and above	35	34.7	34.7	100.0
	Total	101	100.0	100.0	

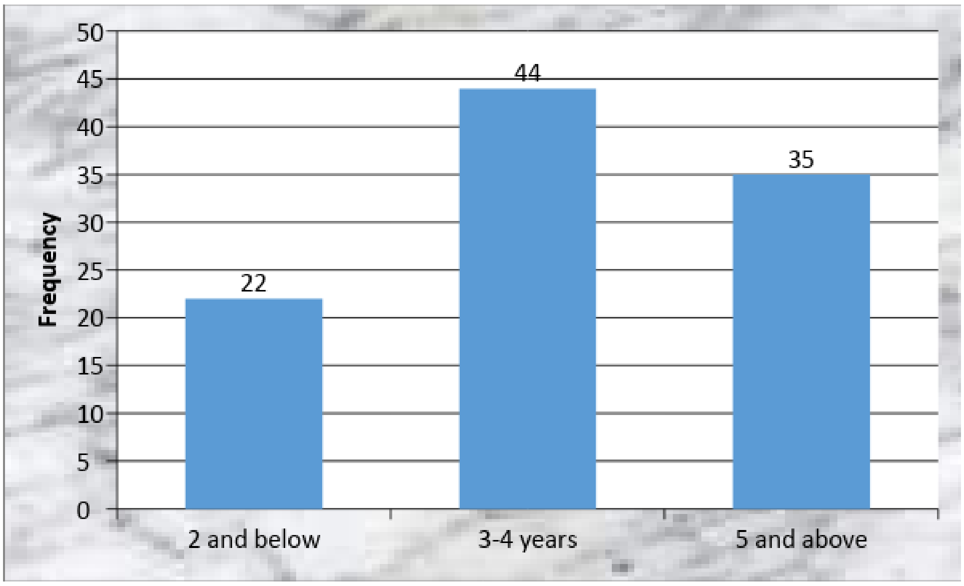
Source: Primary data 2017

The primary findings in table 7 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The primary findings of the study in table 7 above revealed that most of the respondents had worked for a period 3-4 years (43.6%), as compared to 5 and above years at 34.7%, and 21.8% for 2 and below years.

Just like education, prior experience is another one of the frequently examined components of human capital. It was evident from the study that many SME managers in Masaka Municipality have gathered information and developed various skills through experience. Their experience ranges from industrial management to entrepreneurial management and finally to management experience all being levels of business learning which aid performance.

Figure 6: *Working Experience*



Source: Primary data 2017

It is shown from the graph above that employability goes hand in hand with experience. Many SMEs in Masaka Municipality tend to employ managers who exhibit a longer working experience. This is consideration made by many employers world over as being very important in determining the general growth of SMEs (Shane & Khurana, 2003).

The researcher is totally in agreement with former researchers like Isaga (2015) that managers with more experience tend to drive the SMEs they run to greater employment and sales growth. These managers are able to run the SMEs more effectively because previous experience was a training ground leading to acquisition of skills like; decision making styles, negotiation, customer and employees engagement, ways to serve markets, etc. (Shane, 2007).

4.2 Findings on the objectives

4.2.1 Financial Planning

Table 8: *Descriptive statistics on financial planning*

	N	Minimum	Maximum	Mean	Std. Deviation
The business has a vision and strategic objectives.	101	1	5	4.51	.103
The business prepares a Financial Plan to follow.	101	1	5	4.33	.181
The business prepares an annual budget for its operation.	101	1	5	4.63	.008
The business identifies risks and other issues within the set budget.	101	1	5	3.96	.972
The business prepares financial statements.	101	1	5	4.64	.711
The business ensures that there is an efficient tax management plan.	101	1	5	3.91	.881
Valid N (listwise)	101				

Source: Primary data 2017

The primary findings in table 8 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The findings in table 8 above revealed that, respondents agreed with the statement that “The business has a vision and strategic objectives” given the mean response of 4.51. Meanwhile, the standard deviation of 0.103 explains that the variation in the response amongst all the respondents was too small to invalidate the outcome.

The findings from the table above still showed that respondents agree that “The business prepares a Financial Plan to follow” as being viewed with mean response of 4.33. The standard deviation of 0.181 explains that the respondents did not deviate much in agreement therefore keeping the results valid.

From the table above, respondents agreed with the statement that “The business prepares an annual budget for its operation” as evident with a mean response 4.63. The variation in the responses shown by the standard deviation of 0.008 was negligible to invalidate the results.

Findings from the table above further revealed that the respondents were neutral on the statement that “The business identifies risks and other issues within the set budget” with mean response 3.96. However the standard deviation of 0.972 is still low implying that there were valid results.

The table above further shows that many respondents agreed with the statement that “The business prepares financial statements.” with a mean response of 4.64. However, the standard deviation of 0.711 implied that minimal of the responses were deviating from the average response which could not invalidate the result.

Findings from the table still shows that respondents were neutral on the statement "The business ensures that there is an efficient tax management plan" with mean response of 3.91. It is evident that the individual responses deviate from the mean with a standard deviation 0.881 that is too small to invalidate the results.

Additional relationship analysis was also generated from spearman's correlation coefficient as in table 9 below.

Table 9: *Correlations between financial planning and financial performance*

		Financial planning	Financial performance
Financial planning	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	101	101
Financial performance	Pearson Correlation	.701**	.000
	Sig. (2-tailed)	.000	
	N	101	101

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data 2017

From table 9 above, the study findings revealed a correlation coefficient of 0.701**, significant at 0.01 level of a two tailed test with 101 degrees of freedom.

The above study findings reveal that there is a strong uphill (positive) linear relationship between financial planning and financial performance where $r=0.701$ with $p<0.000$ implying that financial planning is significant in explaining financial performance.

Managers of SMEs in Masaka Municipality take the aspect of financial planning to be critical by setting strategic goals and objectives for their businesses. The researcher agrees with various researchers that as a best practice, financial planning helps the SME managers to set financial targets and also reward their staff for meeting the set strategic objectives within the set budget (Mittra, et al., 2007).

Therefore the study findings revealed that there is a high positive significant relationship between financial planning and financial performance recommending that as a financial management practice, financial planning should be employed in all SMEs if they are to better their financial performance.

4.2.2 Financial Control

Table 10: *Descriptive statistics on financial control*

	N	Minimum	Maximum	Mean	Std. Deviation
Management checks that all processes are running properly.	101	1	5	4.28	.301
Management detects errors and areas of improvement in budgeting and other financial aspects.	101	1	5	3.88	.410
Management implements loss preventive measures.	101	1	5	4.44	1.038
Management communicates with and motivates employees.	101	1	5	4.01	.892
Management takes immediate action where required.	101	1	5	4.51	.412
Management establishes different operational scenarios to test profitability and sales volume.	101	1	5	3.98	1.313
Valid N (listwise)	101				

Source: Primary data 2017

The primary findings in table 10 above showed that out of the sample size of 103, the total number of respondents who returned the questionnaires was 101, explaining the total frequency of 101.

The primary findings in table 10 above indicated that respondents agreed with the statement that “Management checks that all processes are running properly” as shown with mean response of 4.28. The standard deviation 0.301 explains that the individual responses were too small to invalidate the results.

Findings from the table above still show that respondents were neutral on the statement that “Management detects errors and areas of improvement in budgeting and other financial aspects” with mean response of 3.88. However, the small standard deviation of 0.410 reveals that individual responses were close to the mean value.

The findings from the table above still show that respondents were in agreement with the statement that “Management implements loss preventive measures.” with mean response of 4.44. The standard deviation 1.038 however indicates that the individual data values are still close from the mean value so cannot invalidate the results.

The table above further shows that respondents agreed with the statement that “Management communicates with and motivates employees” with mean response of 4.01. The standard deviation value of 0.892 explains that the individual responses are still small to invalidate the results.

The table above still shows findings that respondents strongly agreed with the statement that “Management takes immediate action where required” with a mean response value of 4.51. The standard deviation of 0.412 is quite negligible to invalidate the results.

Findings from the table above finally show that the respondents were neutral on the statement that "Management establishes different operational scenarios to test profitability and sales volume." with a mean value of 3.98. The standard deviation value of 1.313 still indicates that few responses were far from the mean value.

Additional relationship analysis was also generated from spearman's correlation coefficient as in table 11 below.

Table 11: *Correlations between financial control and financial performance*

		Financial control	Financial performance
Financial control	Pearson Correlation	1	.759**
	Sig. (2-tailed)		.000
	N	101	101
Financial performance	Pearson Correlation	.759**	.000
	Sig. (2-tailed)	.000	
	N	101	101

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data 2017

From table 11 above, the study findings revealed a correlation coefficient of 0.759**, significant at 0.01 level of a two tailed test with 101 degrees of freedom.

The above study findings reveal that there is a very strong uphill (positive) linear relationship between financial control and financial performance where $r=0.759$ with $p<0.000$ implying that financial control is very significant in explaining financial performance.

Managers of SMEs in Masaka Municipality believe that as a management practice, financial control is so relevant in the day to day running of a business firm. When applied, it provides guidelines to all employees that result into efficient and effective management practice.

The researcher strongly agrees with Block & Geofrey (2008) who said that financial control prevents and reduces clerical errors and fraud in businesses. When the SME builds a strong financial control system, it will be able to achieve its strategic objectives. Such efficient control systems like those in SMEs in Masaka Municipality, can enable safety of the shareholders' investment and also protect the business' assets (Walter & Dunn, 2001).

Therefore the study findings revealed that there is a very high positive significant relationship between financial control and financial performance of SMEs in Masaka Municipality recommending that as a financial management practice, financial control should be prioritized in all SMEs to enable shareholder gain more returns on their investment which in the long run might lead to opening of more businesses in the area.

4.2.3 Financial Reporting

Table 12: *Descriptive statistics on financial reporting*

	N	Minimum	Maximum	Mean	Std. Deviation
The Financial Statements of the business are prepared in line with the Financial Accounting Standards.	101	1	5	4.09	1.133
The accounting department is well equipped with technical skilled people and operates efficiently.	101	1	5	3.83	.813
The Financial Reports are prepared periodically.	101	1	5	4.41	.709
The business prepares annual Financial Reports.	101	1	5	4.59	.387
Financial reporting acts as a basis of effective decision making by management.	101	1	5	4.64	.701
Financial reporting provides vital information about the financial health and activities of the enterprise.	101	1	5	4.88	.264
Valid N (listwise)	101				

Source: Primary data 2017

The primary findings in table 12 above indicated that respondents agreed with the statement that "The Financial Statements of the business are prepared in line with the Financial Accounting Standards." with a mean response of 4.09. The standard deviation of 1.133 is an indication that individual responses were closer to the mean rendering results as valid.

The findings from the table above show that respondents were neutral on the statement that “The accounting department is well equipped with technical skilled people and operates efficiently” with a mean response value of 3.83. The standard deviation value of 0.813 shows that the individual data value from the mean value is too low giving valid results.

The table above shows that the respondents strongly agree with the statement that “The Financial Reports are prepared periodically” with mean response value of 4.41. The standard deviation value of 0.709 implies that the individual response value is close to the average value making results to be valid.

Findings from the table above further reveal that respondents strongly agreed with the statement that “The business prepares annual Financial Reports.” with mean response value of 4.59. The resulting standard deviation value of 0.387 implies that the individual response value is too close to the mean value rendering results to be valid.

The findings further showed that respondents also strongly agreed with the statement that “Financial reporting acts as a basis of effective decision making by management” with a mean response value of 4.64. The shown standard deviation value of 0.701is still too small to invalidate the study results.

Referring to the table shown above, in the same way respondents also strongly agreed with the statement that “Financial reporting provides vital information about the financial health and activities of the enterprise” with a mean response value of 4.88. The standard deviation value of 0.264 is negligible to invalidate the study results.

Additional relationship analysis was also generated from spearman’s correlation coefficient as shown in table 13 below.

Table 13: *Correlations between financial reporting and financial performance*

		Financial reporting	Financial performance
Financial reporting	Pearson Correlation	1	.618**
	Sig. (2-tailed)		.000
	N	101	101
Financial performance	Pearson Correlation	.618**	.000
	Sig. (2-tailed)	.000	
	N	101	101

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data 2017

From table 13 above, the study findings revealed a correlation coefficient of 0.618**, significant at 0.01 level of a two tailed test with 101 degrees of freedom.

The above study findings reveal that there is a strong uphill (positive) linear relationship between financial reporting and financial performance where r=0.618 with p<0.000 implying that financial reporting is quite significant in explaining financial performance.

Managers of SMEs in Masaka Municipality believe that just like all other financial management practices, financial reporting is so special in a way that it coordinates the others. When appropriately being put into practice, it provides all the information required by SME managers and owners for proper planning and business decision making.

The researcher strongly agrees with Gitman (2011) who put it right that financial planning, financial control, and all other financial management practices are likely not to be fundamental in aiding financial performance without proper financial reporting mechanisms.

Since profitability is the ability of an SME to earn income and grow, then how can it be assessed or measured without financial reporting systems? Financial statements prepared in financial reporting help in declaring what is believed to be true about the business in monetary sense (Meigs & Meigs, 2003).

Therefore the study findings revealed that there is a high positive significant relationship between financial reporting and financial performance of SMEs in Masaka Municipality recommending that as a financial management practice, financial reporting should be the basis for management and shareholder when planning and making economic decisions (Akpan, 2002).

4.2.4 Financial Performance

Table 14: *Descriptive statistics on financial performance*

	N	Minimum	Maximum	Mean	Std. Deviation
The business has acquired enough assets for its operations.	101	1	5	3.99	.533
Return on Asset is an indicator of measuring managerial efficiency.	101	1	5	4.37	.173
There is an increase of Return on Capital Employed.	101	1	5	3.87	.922
The increase on Return on Capital Employed reflects a higher Financial performance.	101	1	5	4.03	.341
There is low capital expenditure on investments.	101	1	5	3.39	.455
There is high level of investments in the business.	101	1	5	4.42	.053
Valid N (listwise)	101				

Source: Primary data 2017

The primary findings in table 14 above indicated that respondents were neutral on the statement that "The business has acquired enough assets for its operations" with a mean response value of 3.99. The standard deviation value of 0.533 is small to invalidate the study results.

The table also shows that the respondents were in agreement with the statement that "Return on Asset is an indicator of measuring managerial efficiency" with a mean response value of 4.37. However the standard deviation value of 0.173 is negligible to invalidate the results of the study.

The findings from the table further reveal that respondents were neutral on the statement that "There is an increase of Return on Capital Employed" with a mean response value of 3.87. The standard deviation value of 0.922 explains how close the individual response value is to the mean value making results to be valid.

The table still shows that respondents were in agreement with the statement that "The increase on Return on Capital Employed reflects a higher Financial" with a mean response value of 4.03. The standard deviation value of 0.341indicates that the individual response value is too close to the mean making the results valid.

The table further shows that the respondents were neutral on the statement that "There is low capital expenditure on investments" with a mean response value of 3.39. The standard deviation value of 0.455 is too low to invalidate the study results.

The findings from the table above further revealed that respondents were in agreement with the statement that "There is high level of investments in the business" with mean response value of 4.42. The standard deviation value of 0.053 is too small to invalidate the results from the study.

4.2.5 Regression Analysis

Table 15: *Coefficients* ***a***

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.006	.023		.000	1.000
	Financial planning	.436	.080	.613	5.001	.000
	Financial control	.996	.094	.811	10.061	.000
	Financial reporting	.351	.071	.463	4.993	.000

a. Dependent Variable: financial performance

The findings in table 15 above revealed that financial control was the best predictor of financial performance (Beta 0.811) followed by financial planning (Beta 0.616) and lastly financial reporting (Beta 0.463). This implies that financial control plays the biggest role in ensuring financial performance.

All the three variables; Financial Planning, Financial Control and Financial Reporting contribute much in explaining the Financial Performance of SMEs in Masaka Municipality. However, Financial Control contributes more than the other two with 81%, followed by Financial Planning with 61.3% and lastly Financial Reporting with 46.3%.

The Beta Coefficient ($\beta = 0.613$) for Financial Planning means that keeping all other factors constant, a unit increase in Financial Planning leads to a 61.3% increase in Financial Performance. The p value of 0.000 means that Financial Planning is very significant in explaining Financial Performance of Small and Medium Enterprises in Masaka Municipality.

Financial planning is a task taken by managers to determine how a business will be able to achieve its set strategic goals and objectives. Management usually creates a financial plan immediately after setting the organisation's vision, goals and objectives. This drawn plan describes each of the activities, resources, equipment and materials that are needed to achieve the set objectives as well as the timeline involved (Jordan, et al., 2010).

Financial Planning is critical to the success of any business by confirming that the set objectives are achievable from a financial point of view. Financial planning helps SME managers to set financial targets and reward staff for meeting objectives within the set budget (Mittra, et al., 2007).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the finding and draws conclusions and recommendations according to the study objectives which were;

(i) To examine the relationship between Financial Planning and Financial Performance of SMEs.

(ii) To assess the relationship between Financial Control and Financial Performance of SMEs.

(iii) To examine the relationship between Financial Reporting and Financial Performance of SMEs.

5.1 Summary of Findings

5.1.1 Financial Planning

There is a high positive relationship between financial planning and financial performance with a correlation coefficient of 0.701**, significant at 0.01 level of a two tailed test with 101 degrees of freedom as revealed by the primary findings.

The above study findings reveal that there is a strong uphill (positive) linear relationship between financial planning and financial performance where $r=0.701$ with $p<0.000$ implying that financial planning is significant in explaining financial performance.

Therefore the study findings revealed that there is a high positive significant relationship between financial planning and financial performance recommending that as a financial management practice, financial planning should be employed in all SMEs if they are to better their financial performance.

5.1.2 Financial Control

There is a very high positive relationship between financial control and financial performance with a correlation coefficient of 0.759**, significant at 0.01 level of a two tailed test with 101 degrees of freedom as revealed by the primary findings.

The above study findings reveal that there is a very strong uphill (positive) linear relationship between financial control and financial performance where $r=0.759$ with $p<0.000$ implying that financial control is very significant in explaining financial performance.

Therefore the study findings revealed that there is a very high positive significant relationship between financial control and financial performance of SMEs in Masaka Municipality recommending that as a financial management practice, financial control should be prioritized in all SMEs to enable shareholder gain more returns on their investment which in the long run might lead to opening of more businesses in the area.

5.1.3 Financial Reporting

There is a high positive relationship between financial control and financial performance with a correlation coefficient of 0.618**, significant at 0.01 level of a two tailed test with 101 degrees of freedom as revealed by the primary findings.

The above study findings reveal that there is a strong uphill (positive) linear relationship between financial reporting and financial performance where $r=0.618$ with $p<0.000$ implying that financial reporting is quite significant in explaining financial performance.

Therefore the study findings revealed that there is a high positive significant relationship between financial reporting and financial performance of SMEs in Masaka Municipality recommending that as a financial management practice, financial reporting should be the basis for management and shareholder when planning and making economic decisions (Akpan, 2002).

5.2 Conclusions

5.2.1 Financial Planning

Financial planning positively impacts financial performance with a proportion above average. Financial Planning is critical to the success of any business by confirming that the set objectives are achievable from a financial point of view. Financial planning helps SME managers to set financial targets and reward staff for meeting objectives within the set budget (Mittra, et al., 2007).

5.2.2 Financial Control

An efficient financial control system enables safety of the shareholders and stakeholders investment and also protects the organization's assets.

Managers of SMEs in Masaka Municipality believe that as a management practice, financial control is so relevant in the day to day running of a business firm. When applied, it provides guidelines to all employees that result into efficient and effective management practice.

The researcher strongly agrees with Block & Geofrey (2008) who said that financial control prevents and reduces clerical errors and fraud in businesses. When the SME builds a strong financial control system, it will be able to achieve its strategic objectives. Such efficient control systems like those in SMEs in Masaka Municipality, can enable safety of the shareholders' investment and also protect the business' assets (Walter & Dunn, 2001).

Therefore, these financial controls enable the effectiveness and efficiency of organizational operations which leads to the reliability of internal and external financial reporting and also assist in compliance with laws and regulations (Hayles 2005). Financial control activities are the policies and procedures that enable management directives to be carried out effectively (Walter & Dunn 2001)

From the study, it’s seen that financial control positively impacts financial performance with a strong proportion above average.

5.2.3 Financial Reporting

Financial reporting positively impacts financial performance with a proportion slightly above average. Managers of SMEs in Masaka Municipality believe that just like all other financial management practices, financial reporting is so special in a way that it coordinates the others. When appropriately being put into practice, it provides all the information required by SME managers and owners for proper planning and business decision making.

The researcher strongly agrees with Gitman (2011) who put it right that financial planning, financial control, and all other financial management practices are likely not to be fundamental in aiding financial performance without proper financial reporting mechanisms. Since profitability is the ability of an SME to earn income and grow, then how can it be assessed or measured without financial reporting systems? Financial statements prepared in financial reporting help in declaring what is believed to be true about the business in monetary sense (Meigs & Meigs, 2003).

5.3 Recommendations

5.3.1 Financial planning

Financial planning should always be given critical attention since it is a strong input for any business to improve on its financial performance.

Managers of SMEs in Masaka Municipality take the aspect of financial planning to be critical by setting strategic goals and objectives for their businesses. The researcher agrees with various researchers that as a best practice, financial planning helps the SME managers to set financial targets and also reward their staff for meeting the set strategic objectives within the set budget (Mittra, et al., 2007).

It is recommended that all SME management should take financial planning to be the first step in financial management. All SMEs must have a business plan from which an operational plan like annual budgets could be drawn. The financial planning function should be the basis for implementing of strategic goals and objectives of Small and Medium Enterprises.

5.3.2 Financial Control

Strong controls are a key to successful financial performance. Therefore strong effective controls need to be put in place and always revised where need arises. This is intended to work ahead of those who are always looking for loopholes.

With a proper financial control system, the SME can enhance its financial performance and management can receive appropriate powers from the stakeholders which leads to efficiency.

5.3.3 Financial Reporting

Financial reporting should always be done in accordance to the established standards and procedures, most preferably the international accounting standards. With proper financial reporting there is timely damage control in the system and checks to avoid fraud and financial mismanagement which is very healthy for business.

5.4 Areas for further research

Financial management practices are vital for the growth and performance of SMEs. In Masaka Municipality, many SMEs have owners fully involved in the management of their businesses. During this research, much attention was put on employees of SMEs who were respondents to the study. There is need to investigate further how the owners of these SMEs use the financial management practices as a tool leading to the profitability of their business in Masaka Municipality.

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APPENDICES

Appendix I. Questionnaire

Dear respondent

I am Kitto Willis a student of Uganda Martyrs University, undertaking a Master's degree in Business Administration. I am doing a research on **Financial Management Practices and Financial Performance of Small and Medium Enterprises**. I therefore humbly request you to spare me some time and fill this simple questionnaire. The questionnaire is purely for academic purpose. All the information will be treated with confidentiality.

SECTION A: Background Information

Tick an appropriate response

1. Gender:

a) Female ☐ b) Male ☐

2. Age

a) 20-30 ☐ b) 31-40 ☐ c) 41 and above ☐

3. Marital Status

a) Single ☐ b) Married ☐ c) Others, specify ……………

4. Education Level

a) Masters and above ☐

b) Degree ☐

c) Diploma ☐

d) Advanced level ☐

e) Ordinary level ☐

5. Number of years you have worked in Small and Medium Enterprises.

a) 2 and below ☐

b) 3-4 years ☐

c) 5 and above ☐

SECTION B: Financial Management Practices used by Small and Medium Enterprises in Masaka Municipality.

Please indicate how much do you agree or disagree with each of the following statements at your work? Tick one space for each question.

(5)Strongly agree, (4) Agree, (3) Not sure, (2) Disagree, (1) Strongly disagree

NO.	**FINANCIAL PLANNING**	**1**	**2**	**3**	**4**	**5**
1	The business has a vision and strategic objectives.					
2	The business prepares a Financial Plan to follow.					
3	The business prepares an annual budget for its operation.					
4	The business identifies risks and other issues within the set budget.					
5	The business prepares financial statements.					
6	The business ensures that there is an efficient tax management plan.					
	FINANCIAL CONTROL	**1**	**2**	**3**	**4**	**5**
1	Management checks that all processes are running properly.					
2	Management detects errors and areas of improvement in budgeting and other financial aspects.					
3	Management implements loss preventive measures.					
4	Management communicates with and motivates employees.					
5	Management takes immediate action where required.					
6	Management establishes different operational scenarios to test profitability and sales volume.					

	FINANCIAL REPORTING	**1**	**2**	**3**	**4**	**5**
1	The Financial Statements of the business are prepared in line with the Financial Accounting Standards.					
2	The accounting department is well equipped with technical skilled people and operates efficiently.					
3	The Financial Reports are prepared periodically.					
4	The business prepares annual Financial Reports.					
5	Financial reporting acts as a basis of effective decision making by management.					
6	Financial reporting provides vital information about the financial health and activities of the enterprise.					

SECTION C: Financial Performance of Small and Medium Enterprises operating in Masaka Municipality.

Please indicate how much do you agree or disagree with each of the following statements at your work? *Tick one space for each question.*

(5) Strongly agree, (4) Agree (3) Not sure (2) Disagree (1) Strongly disagree

NO.	**Financial Performance of SMEs**	**1**	**2**	**3**	**4**	**5**
1	The business has acquired enough assets for its operations.					
2	Return on Asset is an indicator of measuring managerial efficiency.					
3	There is an increase of Return on Capital Employed.					
4	The increase on Return on Capital Employed reflects a higher Financial performance.					
5	There is low capital expenditure on investments.					
6	There is high level of investments in the business.					

Appendix II. Reliability tests

Reliability Statistics: Financial planning

Cronbach's Alpha	N of Items
.703	6

Reliability Statistics: Financial control

Cronbach's Alpha	N of Items
.771	6

Reliability Statistics: Financial reporting

Cronbach's Alpha	N of Items
.728	6

Reliability Statistics: Financial performance

Cronbach's Alpha	N of Items
.693	6

Appendix III. Morgan Table

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size
"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

Appendix IV. Introduction Letter

Uganda
Martyrs
University

making a difference

14th August, 2017

TO WHOM IT MAY CONCERN

RE: INTRODUCING MR. KITTO WILLIS , MBA STUDENT, UGANDA MARTYRS UNIVERSITY.

MR. KITTO WILLIS (2015-M102-30004) is our student pursuing a Master of Business Administration and Management of Uganda Martyrs University, in year two.

As part of the Course requirement, he is carrying out a research project entitled **"Financial Management Practices and Financial performance of Small and Medium Enterprises (SMEs) ".** He has asked us to recommend him to you as a key stakeholder in his research project.

We have no reservations in recommending Willis since the proposed research will go a long way in concretizing his work experience, deeply enrich his practice and hopefully add to the existing knowledge in the sphere under study.

Kindly access him with relevant facilities, literature and interactions he may need to obtain information and exposure towards successful completion of the research project.

Yours,

For Nabukenya Mary

Administrator

Uganda Martyrs University.

Uganda Martyrs University
14 AUG 2017
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