THE IMPACT OF FINANCIAL MANAGEMENT ON THE GROWTH AND DEVELOPMENT OF SMALL SCALE BUSINESSES IN MUKONO MUNICIPALITY

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE AWARD OF BACHELORS DEGREE IN BUSINESS ADMINISTRATION AT KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I Mirembe Mary Priscillah declare that this report is based on my personal knowledge and experience during the research on the impact of financial management on the growth and development of small scale businesses in Mukono municipality.

Signature...

Date....13-3-19....................................

APPROVAL

This report written by Mirembe Mary Priscillah who carried out research in Mukono municipality has been under my supervision and is ready for submission to the College of Economics and Management.

SIGNATURE................................. **DATE..........................**

DEDICATION

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This reporte is dedicated to my beloved parents especially my uncle Mr. Batwala Augustus whose endless support has carried me through to what I have reached at. May the loving God's blessings and Devine favors cover you always.

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I would like to extend my sincere praises to the one mighty God for his endless mercy and provisions that have seen me through all the trying moments in my course of study. My gratitude to the staff of Kampala international university for the good work they have done to see that i acquire the relevant knowledge that is demanded in the job market. Great thanks to Dr. Kibirige Ramathan Ali that mentored me throughout my research session. Thanks my siblings especially Faith, Jude and Flavia for all your support and guidance may the good lord reward you'll abundantly.

TABLE OF CONTENTS

ABSTRACT

This study is an examination of the impact of financial management on the growth and development of small scale businesses in Mukono Municipality. Specifically the study examined the impact of financing options, the influence of record keeping and the relationship between cash flow management and the growth and development of small businesses.

The study used a cross-sectional study design on a sample of 120 respondents. Data was collected by use of questionnaire and interview guide. Data was analysed both qualitatively and quantitatively. With the use of SPSS 17.0, quantitative data was analysed basing on frequencies and percentages and figures. For qualitative data, it was interpreted by composing explanations and conclusions on how different variables were related.

The study established that; different financing options in financial management impact the growth and development of small businesses. Record keeping influences the growth and development of small businesses. There is a relationship between cash flow management and the growth and development of small businesses.

The study recommends that; businessmen and women in small businesses should establish different financing options for the growth and development of their businesses. Businessmen and women need to carry out record keeping for the growth and development of small businesses. Businessmen and women should ensure cash flow management for the growth and development of small businesses.

CHAPTER ONE

1.0 INTRODUCTION

Sound financial management has a significant impact to the survival and wellbeing of small scale businesses of all types (Syrja, 2009). This study looks at the main financial management functions of financing options, record keeping and cash flow management (Terry, 2009) and how they affect growth and development of small scale business. Chapter one of the study covers background of the study, statement of the problem, purpose of the study, research objectives, research questions, scope of the study and significance.

1.1 Background to the Study

The dynamic role of small enterprises (SEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognised. These enterprises have been identified as the means through which the rapid industrialisation and other developmental goals of these countries can be realised. Small business can be identified mostly by considering the number of employees that work in them and investment capital. These are business firms with less than 10 employees (Kayanula & Quartey, 2000). According to Mbaguta (2002), Uganda's businesses are very small with less than 50 paid employees who in most cases are members of the same family. They have a working capital of less than USD 26,882; annual revenue of between USD5,376–26,882 throughout each year of operation and value of assets including land, building and working capital of less than USD 50,000. Tushabomwe-Kazooba and Kemeza (2006) further explain that most of them operate in shared premises; are owned and managed on family basis and are labour intensive. Skills are acquired on the job and often use adapted technology.

In the management of businesses, financial management is not a new thing, it has existed throughout history. Sumerian documents reveal the systematic use of credit for agricultural and other purposes in Mesopotamia around 3000 B.C (Crane, 1995). Hammurabi's Code contains many sections relating to regulation of credit in Babylon around 1800 B.C. Accounting one of the principles of financial management is also traceable to the bible days. It existed in the days of Joseph in Egypt and it is reported that "nothing was given out of the treasury without a written order." Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine (Akintoye, 2008). In England in the later Middle - Ages, accountability and information flow in monastic establishments was more complex. They developed accounting and management techniques and processes (Alisdair, 2008).

The concepts of this study are financial management and growth and development of small scale businesses. The concept of financial management according to Terry (2009) means properly recording all of the monetary (and some nonmonetary)transactions, reporting those transaction sin standard forms that show the financial position and performance of the organisation and ensuring that the organisation's funds are safeguarded and used prudently, now and in the future. It also involves accounting, information management and planning. One must secure the funds needed to operate, record the activities of operation, analyse the results on an on-going basis and report on activities and financial position. And one must repeat the process month aftermath and year after year. Sound financial management requires careful tracking and prudent management of the organisation's financial resources and cash flows. With good financial management, an organisation can understand its costs and incomes; without it, an organisation compounds any operational problems.

Regarding the concept of growth, this refers to an increase in some quantity over time. The quantity can be physical (e.g. growth in an amount of money) or abstract (e.g. a system becoming more complex,). It can also refer to the mode of growth, i.e. numeric models for describing how much a particular quantity grows over time. For business development, business development comprises a number of tasks and processes generally aiming at developing and implementing growth opportunities. Business development and its associated tasks and processes include marketing management, sales and marketing and entrepreneurship (Sørensen, 2012).

In Uganda, small business include food processing, drinks and tobacco, textiles, clothing and foot wear, sawmilling, paper and printing, chemicals, paint, soap & foam products, bricks & cement, metal products , plastic products manufacturing and furniture making among others (Uganda Bureau of Statistics, 2010). These play a significant role as they employ 90percent of the active non farming population. They employ approximately 2,704,127 people, representing 56% of employment size. They are responsible for human resource and entrepreneurial development, poverty alleviation and improved quality of life, resource mobilisation, business adaptability and sustainability (Tushabomwe-Kazooba, 2010).

The context of the study is that small scale business in Mukono Town like elsewhere in Uganda often face a lot of constraints and challenges in their operations. According to UIA (2008), these small entrepreneurs operate against heavy odds and slight changes in the external environment hit them strongly. They are often confronted with fierce local and international competition, lack general skills in management, marketing and financial planning, limited access to information on market opportunities and sources of competitive technology. These constraints limit substantially the productive capacity and efficiency of small scale businesses in Uganda to be competitive within the context of globalisation.

1.2 Statement of the Problem

Whereas financial management is important for the growth of any businesses, financial management is a highly neglected area in small business.Small businesses in Uganda are faced with diverse challenges that lead to business failure, with more than fifty percent of businesses failing in the first five years and fighting an uphill battle from the start. Because of poor financial management, there is lack of business plans, lack of capital, and wrong pricing which are some of the causes of the small- scale business failures (Tushabomwe- Kazooba, 2003). The businessmen and women cannot access financial institutions because of lack of business record and do not follow the cash flows in the running of the businesses. Against this background, the study investigated the role of financial management in the growth and development of small businesses.

1.3 The General Objective of the Study

The general objective of the study was to examine the impact of financial management on the growth and development of small scale businesses in Mukono Town.

1.4 Specific objectives of the Study

The specific objectives of the study were;

i. To establish the impact of financing options on the growth and development of small businesses.

ii. To find out the influence of record keeping on the growth and development of small businesses.

iii. To analyse the relationship between cash flow management and the growth and development of small businesses.

1.5 Research Questions

i. What is the impact of financing options on the growth and development of small businesses?

ii. What is the influence of record keeping on the growth and development of small businesses?

iii. What is the relationship between cash flow management on the growth and development of small businesses?

1.6 Scope of the Study

The geographical scope was Mukono Town. Mukono Town is a municipality in Mukono District, Central Uganda. The town is bordered by Kalagi to the north, Kira Town to the west, Lake Victoria to the south and Lugazi to the east. It lies 27 kilometres (17 miles) east of the central business district of Kampala, Uganda's capital and largest city.

The content scope of the study was financial management and growth and development of small scale businesses. The variables to be studied include financing options, record keeping and cash flow management and how they lead to growth and development of small scale businesses.

For the time scope, the enquiry covered the period from 2012 – 2013. The study was covered in two months that is February 2012 to March 2012. This period allowed field preparation, community entry, data collection, data analysis and presentation.

1.7 Significance of the Study

The study focused on the financial management in small scale businesses in terms of financing options, record keeping and cash flow management. This will help business men and women in instituting proper financial management that will enable help bringing about the growth and development of their businesses. It will also help in providing new knowledge to researchers and academicians to extend and develop new knowledge on proper financial management and the results of the study will be useful to future researchers who would be interested in this area and also other areas that will be recommended by from this study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The purpose of this chapter was to generate relevant information to the topic under study. It presents the review of related literature. While reviewing literature, gaps and trends on financial management and the growth and development of small scale businesses wereevaluated. What different authors had written on financial management and the growth and development of small scale businesses was reviewed. These were; financing options, record keeping and cash flow management.

2.1Financial Management

Financial management means properly recording all of the monetary (and some nonmonetary) transactions, reporting those transactions in standard forms that show the financial position and performance and ensuring that funds are safeguarded and used prudently, now and in the future. It also involves accounting, information management and planning. Sound financial management requires careful tracking and prudent management of financial resources and cash flows (Terry, 2009).

Alisdair (2008) explains that financial Management (FM) is an on-going process and not something organisations do on ad hoc basis. This is one field of Finance that handles financial planning, financial risks management, financial analysis and control, financial accounting, and financial reporting. Financial planning is about identifying possible resources, planning organisation's budget based on anticipated resources, and allocating this budget to appropriate, necessary, efficient, and timely expenditure. Financial control, on the other hand, is about monitoring how the actual inflow and outflow of cash relates to the budgeted cash flow. Control mechanism comes in when income and expenditures do not go as planned. For financial reporting this plays a vital role in financial management. Transparency is of utmost consideration in financial management.

2.2 Business Growth

Growth is an increase in some quantity over time. The quantity can be physical (e.g. growth in an amount of money) or abstract (e.g. a system becoming more complex,). It can also refer to the mode of growth, i.e. numeric models for describing how much a particular quantity grows over time (Sørensen, 2012). Generally, it is expected that a business that began on a smaller scale might experience higher rates of growth. It is usually easier to double the size of a very small firm than a large one. The proportion of businesses reporting low or negative growth rates increase with the size of firm. At the other end of the spectrum high rates of growth are far more frequent among firms that started small (Dunkelberg & Cooper, 1979).

According to Scott & Bruce (1987), there are five stages of growth in small business. Accordingly, all businesses pass through distinctive stages (each with its own characteristics) as they grow. This growth process can be likened to the product lifecycle. Like products, businesses do not move through the cycle at the same speed but unlike most products businesses can stay in the same stage for a considerable period of time. In this cycle, the first stage is inception. In this stage, the main efforts will hinge around developing a commercially acceptable product and establishing a place for it in the market-place. The second stage is survival. With the survival stage, as the business expands the financing emphasis will swing to working capital and the need to finance increased inventories and receivables. The owner and his personal sources of financing continue to bear the brunt although more use may be made of creditor financing if the firm has established credibility with its suppliers.

The third stage in the growth cycle according to Bruce is growth. With this stage, more time will have to be spent on coordinating the efforts of the functional managers. This will mean a more formal organisation structure based on functional lines. Normal accounting systems will now be in place. The fourth stage is expansion. Here, budgetary control, regular management reports and decentralised authority accompanied by formalised accounting systems are the order of the day. The need to systemise most administrative functions will be a fundamental to survival through this stage. Lastly, the fifth stage is maturity. At this stage, most companies in this stage are on verge of moving out of being small businesses. The key issues facing management are expense control, productivity and finding growth opportunities.

2.3 Business Development

Business development comprises a number of tasks and processes generally aiming at developing and implementing growth opportunities (Sørensen, 2012).However, there are a number of strategies for developing small scale businesses. In the first place there isneed for following of important practices such as maintaining a focus on markets and customers. Successful small business developers analyse their prospective market(s)and develop products or services that offer a clear competitive advantage. Developers embody their vision in business plans that articulate, among other things, the size and growth rate of the market, the purchasing practices of the customers, why customers will choose the new business over others and what financial resources are required to startand maintain the business, and where those resources will come from. Then there is need to develop the workforce. Successful small business development inevitably requires some measure of workforce training and/or human resources services (McQueen et al., 2007).

Small Business BC (2004) indicates that development of a business also requires identifying opportunities arising from the existing business. A businessman or woman can uncover new business opportunities by analysing the current business operations and finding new directions for the business activities. Such opportunities could arise from either the strengths or the weaknesses of the business. To provide new opportunities, strengths can be expanded and weaknesses can be corrected. This is done by taking an inventory of the human, physical and other operating assets to identify those that are currently underused. These assets may be: equipment; facilities; patents; products; systems; cash; credit; licences; knowledge; skills; experience; contacts; reputation; market position; methods of distribution; locations; or trademarks.

Business development can also be carried out by taking advantage of a market switch. When groups of consumers move from one type of product to another on a long-term basis, new business opportunities can result. Market switches create demands for new products and services. This can be done by analysing the advantage of new products to find those that are greatly superior to and will likely replace more traditional items (Small Business BC, 2004).

2.4 Financing Options and Growth and Development of Small Scale Businesses

Small businesses generally have weak capital base since majority of them areeither sole proprietorship or partnerships. Consequently, the only option is to borrow money and at times with unfavourable terms (Oboro & Ighoroj, 2011). Credit in particular is especially important for small scale businesses, since they are unable to finance themselves through retained earnings or equity financing (Pandula, 2011). The banking sector is able to support the increasing lending requirements to business activities. Banks' lending objective is to improve the private sector business activity to enhance their contribution to economic growth.

Small scale businesses also have the financing option of equity capital. This is that part of fund invested in the business by the owner(s) which the business is under no obligation either to refund or pay interest on. It is often regarded as risk capital because it is under the risk of being lost should the business fail. Equity capital can only be recovered by way of dividend or when the business winds up. For a small scale business owner or prospective investor, equity capital forms a good basis for obtaining loans from financial institutions (Oboro & Ighoroj, 2011).

The lifecycle approach, as described by Weston and Brigham (1981), conceived on the premise of rapid growth and lack of access to the capital market also indicates that small firms start out by using only the owners" resources. If these firms survive, the dangers of undercapitalisation will soon appear, and they will then be likely to make use of other sources of funds, such as trade credit and short-term loans from banks. Rapid growth could lead to the problem of illiquidity.

Small scale businesses can also obtain financing from government. Governments the world over have taken the initiative to support SMEs. According to Hallberg (2000) government assistance strategies in both developed and developing countries often try to achieve a combination of equity objectives (alleviating poverty and addressing social, ethnic and gender inequalities) and efficiency objectives (raising the productivity and profitability of firms). Equity funds address market failure by providing the public funds to promote businesses. Debt funds are intended to enable the growth and to address the difficulties some businesses.

Small entrepreneurs obtain finance services from saving options. The savings facilities are as important as loans in increasing amounts of income and assets under their control. Such already effective ways of saving include revolving savings and credit associations and 'trouble funds' in Africa which provide a safety net for very poor women (Mayoux, 2002).The revolving of rotating savings and credit associations help in saving for by turns, each member gets the pool. Those who have yet to receive the pool are savers, and members who have already received the pool are debtors (Vonderlack & Schreiner, 2001). This money can be invested in the business.

2.5 Record Keeping and Growth and Development of Small Businesses

Record keeping is the recording of business transactions in systematic manner so that the financial position of an organisation can be ascertained at any point in time (Olukotun et al, 2012). Financial records, for example the sales day book (sales journal), purchases day book (purchases journal), cash receipt book, cheque payments book, petty cash book ,general journal, nominal ledger, debtors' ledger and creditors' ledger must be kept and maintained in a sound accounting system (Maseko & Manyani, 2011).

Records' keeping in the financial management of businesses is very crucial. Accounting records furnish substantial information about the volume of business, such as how present and prior volumes compare, the amount of cash versus credit sales and the level and status of accounts receivable. In addition, good accounting records help to accomplish controlling expenses. Accounting records detail the amounts owed to suppliers and other creditors so that the businessman or woman can plan the availability of cash to meet your obligations. Such records also provide information regarding expenditures and allow him or her to establish controls over them. It is important to be aware of expense requirements and how they relate to the overall picture (Cordano, 1991).

Keeping accurate and up-to-date records is vital to the success of any business. The business must realise that records kept will be one of the most important management tools it possesses and, therefore, it should be allocated due importance. The business owner is looking for the maximum return from their investment and the maintaining of good records is part of that equation. Good record keeping is vital in regards to meeting the financial commitments of the business and providing information on which decisions for the future of the business can be based. Good records will keep the business individual on toes and enable him or her to monitor every situation (Queensland government, 2011).

Two common recordkeeping systems used by businesses and other organisations are the single-entry bookkeeping system and the double-entry bookkeeping system. Single-entry bookkeeping uses only income and expense accounts, recorded primarily in a revenue and expense journal. Single-entry bookkeeping is adequate for many small businesses. Double-entry bookkeeping requires posting (recording) each transaction twice, using debits and credits. The primary bookkeeping record in single-entry bookkeeping is the cash book, that allocates the income and expenses to various income and expense accounts. Separate account records are maintained for petty cash, accounts payable and receivable, and other relevant transactions such as inventory and travel expenses (Olukotun et al, 2012). The double-entry bookkeeping is more advanced and requires accountancy skills to maintain. Expenses are recorded in a 'General Ledger' as they are incurred, rather than when the bill is actually paid; and when income is earned rather than when received. By recognising financial obligations when they occur, not when they are paid or received, this overcomes the problem of time lags, giving a truer picture of the financial position. The system can deal with all types of transactions and adjustments (Terry, 2009).

Further, there are daybooks. A daybook is a descriptive and chronological (diary-like) record of day-to-day financial transactions also called a book of original entry. The daybook's details must be entered formally into journals to enable posting to ledgers. Daybooks include: sales daybook, for recording all the sales invoices and sales credits daybook for recording all the sales credit notes. It also includes purchases daybook, for recording all the purchase invoices, purchases credits daybook, for recording all the purchase credit notes and cash daybook, usually known as the cash book, for recording all money received as well as money paid out. It may be split into two daybooks: receipts daybook for money received in, and payments daybook for money paid out (Olukotun et al, 2012).

2.6 Cash Flow Management and Growth and Development of Small Businesses

Cash flow is primarily the difference between cash coming into the business and cash going out of the business during a given time period. Routine cash management reviews must keep a close eye on debt collection, sales and deliveries, status of invoices, receipt of payments and depositing of payments. The best cash flow management strategies usually result from systems that are fully understood by the cash flow manager. Sometimes such systems are computerised, while others are manual. Cash flow management does not need to be complex to be effective. It does, however, have to be performed (Holland, 1999).

The cash flow management is a strategy by which an enterprise administers and invests its cash. It is also seen as control of cash collection. Cash management is an essential tool which aims at establishing the financial position of the business. It is a set of guidelines established by management to ensure that the business has optimal cash balance to meet the business goals (Banker, 2009). Cash needs to be efficiently managed and allocated to meet routine business objectives. The gap between cash expenses and cash collection enhances liquidity position, profitability leading to overall business growth over a period of time (Brinchk et al, 2011).

Holland (1999) further expounds that there is no magical solution to managing cash flow. Accordingly, Important, is need to decrease the amount of money that is owed to the business. Debtors should be made to pay their bills. Overdue accounts receivables can pull down a business. One way to address this problem is to keep credit current and at a minimum. Still, there is there is need to cut out excess overhead expenditures. Good spending discipline should keep unnecessary expenditures to a minimum, but good cash flow management should help to virtually eliminate excess overhead expenditures. Bad spending habits are often picked up when cash is plentiful.

There is also need to keep a close eye on inventory. Holland (1999) explains that product sales and inventory management are complex issues that can be likened to the "chicken and egg." A business needs enough inventories to fill orders in a timely manner, but adequate sales are needed to minimise inventory. Inventory includes finished products held for future sales as well as raw materials held for future production. Both types of inventory represent cash that has been spent but that has not generated a return. It is often best to sell inventory items that are just gathering dust at a discounted price.

Increasing control over cash is an important cash flow management strategy. It is necessary for to manage the cash to provide maximum value for the business. This can be achieved by getting better connected to the banks, and pursuing the best cash strategies for the company. Besides, there is need to gain greater visibility into the sources and uses of your cash. A complete view of the entire financial value chain is important. The resulting insight can improve the ability to forecast cash and optimise overall cash management. Sales order management systems and purchase order management systems both contain critical data on transactions (Bouhdary, 2009).

One of the options to ensure that a business has optimal cash balance to meet the business goals is through budgeting. According to Shapiro (2001) a budget is an estimateabout what will be needed in monetary terms to do work. The budget is an essential financial management tool. This is because the budget tells how much money is needed to carry out activities, forces rigorous thinking through the implications of activity planning and the budgeting process at times forces rethinking of action plans. Still if used properly, the budget tells whencertain amounts of money to carry out your activities will be needed, enables monitoring of income and expenditure and identifies any problems. The budget is a basis for financial accountability.

Cash flow management demands carrying out of accounting. Accounting is important because financial information is needed before any economic decision is made. Financial accounting information focuses on actual events. For the purpose of decision making, the past is used as a guide to future estimates of the consequences of different alternatives. Accounting helps in identifying, measuring, recording and communicating economic information to permit informed judgements and economic decisions (Hoggett, 2003). Financial capabilities are common reasons for business failure: including low-quality accounting records, poor cash flow management and using inappropriate sources of finance. Resource control is also reported to be 'very important' or 'essential' by a larger proportion of self-employed managers (Felstead et al., 2007).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research design, area of study, study population, sampling procedures that include sample size and sampling techniques, data sources, data collection methods and instruments, quality control methods; validity and reliability, data management and processing, data analysis, ethical consideration, limitations to the study and conclusion.

3.1 Research Design

The study adopted a cross-sectional study design. Cross-sectional information gathered represents what is going on at a particular point in time. This was important in collecting qualitative and quantitative data because cross-sectional studies collect data using questionnaires and interviews (Olsen & Marie, 2004). Quantitative data focuses on descriptive and inferential statistics. This approach produced results in form of tables, figures and graphs which were the basis for discussion and conclusions about the findings. For qualitative data, this was in form of statements by which respondents gave suggestions, opinions or strategies for achieving the results. The analysis of qualitative data provided the basis for in – depth understanding of the situation under study.

3.2 The Study Area

The area of the study was Mukono municipality in Mukono District, Central Uganda. The town is bordered by Kalagi to the north, Kira Town to the west, Lake Victoria to the south and Lugazi to the east. It lies 27 kilometres (17 miles) east of the central business district of Kampala, Uganda's capital and largest city.

3.3 Study population

The population of the study was businessmen and women in Mukono Municipality. The total population of the Municipality are 57,400 (Uganda Bureau of Statistics, 2010). From this population of the sample of the study was drawn.

3.4 Sample Size and Selection

The sample of the study was120 selected according to the judgemental sample. In the researcher's opinion, by the judgemental sample this size was considered a sufficient population (Salant & Dillman, 1994). The sample population comprised 5 staff of the Municipality including the Town Clerk, 1 staff of Uganda Revenue Authority in charge of Mukono Municipality and 114 businessmen and women.

Table: Sample Size Population

Respondents	Sample population	Sampling Technique
Municipality officials	5	Purposive sampling
Revenue Authority official	1	Purposive sampling
Business Population	114	Random sampling
Total	120	

3.5 Sampling Techniques

The study used simple random sampling and purposive sampling. A simple random sample is a subset of individuals chosen from a larger set with each individual chosen randomly and entirely by chance (Burns, 2000). For purposive sampling, this was used because it helped in selecting typical and useful people that gave relevant data. Purposeful sampling selects information rich cases for in – depth study (Oso & Onen, 2009).

3.6 Data Collection Methods

The study employed two data collection methods. That is the questionnaires and interview guide;

3.6.1 Questionnaires

The study used a five-likert scale questionnaire. The study had one set of questionnaire that was constructed strategically to capture all the necessary information from all categories of respondents in respect to the themes of the study. The likert scale was used since they it is flexible and can be constructed more easily than most other types of attitude scales (Amin, 2005).

3.6.2 Interview guide

Face to face interviews with the help of an interview guide was conducted on 20 respondents. These respondents were sufficient because Creswell John according to Mason (2010) suggests that 5 to 25 interviewees are satisfactory. This helped in obtaining rich information in regard to the topic under study. Interviews were used, since they were appropriate in providing in-depth data required to meet specific objectives, allows clarity in questioning and quite flexible compared to questionnaires.

3.7 Data Sources

This study used both primary and secondary data sources that exist on the impact of financial management on the growth and development of small scale businesses. The sources were textbooks, interviews, questionnaires, journals and interest sources among others.

3.8Process of Collecting Data

The data for this study was collected from the people in Mukono Town. The respondents were businessmen and women in the municipality. This was on the impact of financial management on the growth and development of small scale businesses in Mukono Town.

3.9 Quality Control Methods

3.9.1Validity of the Instruments

Validity refers to truthfulness of findings, accuracy and quality of instruments used to obtain data about the phenomenon under study.Content Validity which refers to the extent to which a measure represents all aspects of a given social concept (Sushil & Verma, 2010)was measured under this study. The researcher ensured that the instruments had adequate traitsthrough consultations with the researcher's supervisor and peers.

3.9.2Reliability

Reliability means the extent to which results are consistent over time. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable (Joppe, 2000). Guba & Lincoln (1989) call it credibility, transferability, dependability, and conformability. The strategies was used to obtain reliability were; peer debriefing, prolonged engagement and audit trails. Data was systematically checked, focus maintained and there will be identification and correcting of errors (Morse, 2003).

3.10 Data Analysis

The collected data was analysed depending on the nature of the data. For Qualitative data, it was sorted by checking for any errors and analysed as postulated in the research objectives. Patterns and connections within and between categories were identified. It was interpreted by composing explanations and substantiating them using the respondents open responses. While analysing qualitative data, conclusions were made on how different themes/variables were related.

For quantitative data, data collected was expressed in numeric terms for analysis using SPSS 17.0 (Statistical Package for Social Scientists). The statistical programme was used in the calculation of frequencies and percentages, drawing of frequency tables and figures. This was well-suited for quantitative description. Analysis and explanations were made basing on frequency tables and figures.

3.11 Ethical Considerations

The researcher secured a letter of introduction from the University to proceed with the study after the proposal had been approved. Permission to collect data was sought from relevant authorities. The respondents were told about the general nature of the study. They were assured of confidentiality and their freedom to participate or not. The researcher observed extreme confidentiality while handling the responses.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter is a presentation, interpretation and analysis of the findings of this study. The aimed at examining the impact of financial management on the growth and development of small scale businesses in Mukono Town. The findings were derived from responses obtained by use of questionnaires to all respondents and interviews. The researcher administered 200 but only 120 were responded to with appropriate data. Also, 20 interviews were conducted that is 15 interviews on businessmen and women and 5 on key informants.

This chapter is presented in two sections, that is, section one that presents background information of the respondents and section two that presents the results of the study questions. Each research question is treated separately.

4.1Background Characteristic of the Respondents

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

4.1.1 Sex composition

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

4.1.2Gender of the Respondents

In first place, data was collected on the gender of the respondents. The purpose of this was to balance the sex distribution of the respondents included in the study such that views representing the different sexes were obtained. The results are presented in Table 4.1.

Table 4.1: Gender Distribution of the Respondents

Sex of the respondents	Frequency	Percent
Male	64	53.3
Female	56	46.7
Total	**120**	**100.0**

Source: Field Data

The male businessmen were the majority respondents at 53.3% of the total population of the respondents responding to the questionnaire while the businesswomen were 46.7% as indicated above. Though the males were more than the females, the views of the females were captured as they fully participated in the study. Above all the difference margin between the males and females were small that is 6.6%.

4.1.3Age of the Respondents

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

Table 4.2: Distribution of Age groups of the respondents

Age groups	Frequency	Percent
20-29	27	22.5
30-39	42	35.0
40 and above	51	42.5
Total	**120**	**100.0**

Source: Field Data

Data in Table 4.2 reveals that age group 40 and above was the dominant at 42.5 %, age group 30-39 followed with 35.0% and age group 40 and above followed at 22.5%. The results indicate that most of the respondents were of mature age above 30 years. The results indicate that all the respondents were of mature age and therefore this gave the researcher to consider the solicited views as valid and authentic in relation to study since they were considered to have enough business experience.

4.1.4The education Level of the Respondents

In the first place, the study looked at the level of education of the respondents. Data collected is presented in Table 4.3.

Table 4.3: Frequency Distribution on the Education level of the Respondents

Education Level	Frequency	Percent
Primary education	45	37.5
Secondary education	30	25.0
Post Secondary	28	23.0
Non - formal	17	14.5
Total	**120**	**100.0**

Source Primary Data

Data presented in Table 4.3 shows that the majority of the respondents 37.5% of the respondents had attained primary education, 25.0% had attained secondary education, 23.0% had attained post-secondary education and 14.5% had non-formal. Whereas most the respondents 52.0% had primary and non-formal education a big number of the respondents 48.0% had secondary education and above. This provided the researcher the opportunity of collecting dependable data as these with the help of researcher could give informed data about the issues understudy. In the researcher's opinion information solicited could be relied on by the investigations of the study.

4.1.5Number of Years in the Business

The study then looked at the length of the experience the respondents had in business. This was by asking the respondents to indicate the number of years they had spent in business. This aimed at establishing if they had worked long enough to understand the running of small enterprises since the longer the time in an activity means the higher the opportunities of knowing how it operates. The results are presented in Figure 4.4.

Table 4.4: Frequency Distribution on the Number of Years in The Business

Years in Business	Frequency	Percent
1 – 3 years	21	17.5
4 – 6 years	32	26.7
7 – 10 years	37	30.8
11 years and above	30	25.0
Total	**120**	**100.0**

Source Primary Data

Table 4.4 above shows that the larger number of the respondents, 30.8% had spent between 7 – 10 years in the business, 26.7% between 4 – 6 years, 25.0% 11 years and above and 17.5% 1 – 3 years. This implies that the respondents had attained some business experience in the management business since the majority had spent a reasonable number of more than 6 years in business. This helped the study to obtain grounded information on the study as the respondents provided necessary information about the running of the businesses.

4.1.6Type of business

This item was studied because different business has different financial management requirements depending on the nature. The results obtained on the item are presented in Table 4.5 hare under.

Table 4.5: Frequency Distribution on the Type of Busines

Years in Business	Frequency	Percent
Retail shops	47	39.1
Wholesale Trading	20	16.7
Super Markets	03	2.5
Cottage Industry	50	41.7
Total	**120**	**100.0**

Source Primary Data

The results presented in Table 4.5 show that the larger number of the respondents 41.7% was from the cottage industries. The cottage industries included include food processing, drinks and textiles, clothing and foot wear, sawmilling, paper and printing, chemicals, paint, soap & foam products, bricks, metal products, plastic products manufacturing and furniture making. These were followed 39.1% who dealt in retail shops, 16.7% who dealt in wholesale trading and 2.5% who were supermarket entrepreneurs. These results show that all the respondents dealt in businesses and so were involved in financial management. This helped the researcher to compile reliable information on the study.

4.2 Study Findings

The findings of the study were based on the on the data obtained from the respondents by use of the questionnaire and interview guide. Thedata presentation, analysis and interpretation data follows the order of the research objectives.

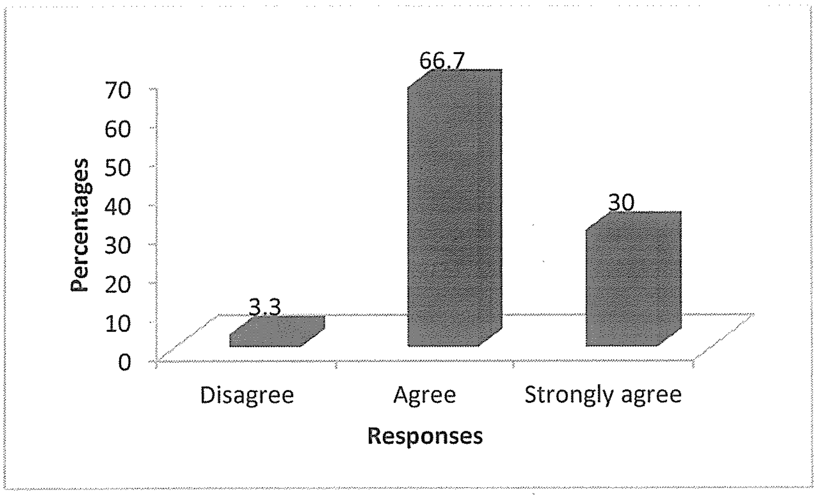
4.2.1 Financing Options and Growth and Development of Small Scale Businesses

This item was obtained from the objective one of the study which sought to establish the impact of financing options on the growth and development of small businesses. The items studied included the businessmen and women borrowing from the bank, investing their capital, receiving funding from the government and obtaining investment from savings groups.

Borrowing from the Lending Institutions

This item was studied because a major source of business financing is lending institutions. These include banks, Micro-finance institutions and member based Savings and Credit Organisations (especially SACCOS) and money lenders among others. The results obtained are presented in Figure 4.1 here under.

Figure 4.2: Borrowing from Lending Institutions



Source: Primary Data

Figure 4.1 above shows that the businessmen and women in Mukono Municipality to a large extent used banks a source of financing in their financial management. This because the majority of respondents 66.7% agreed that they obtained money from lending institutions followed by 30.0% who strongly agreed. Those who indicated that they did not borrow from financial institutions were a mere 3.3. This means that lending institutions provided finances to the businessmen and women helping them to enhance the growth and development of their businesses.

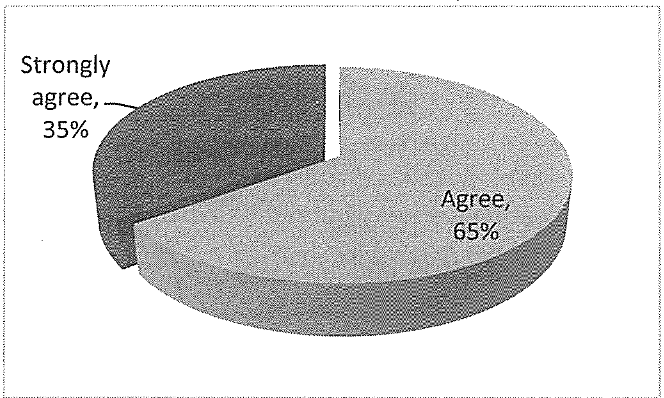
During the interviews, the respondents confirmed that lending institutions were a source of financing for the businessmen and women in Mukono Municipality helping them to grow and develop their businesses. One respondent stated that, "*I get money to run my business from lending institutions such as the bank and SACCOs.*" Other respondents also expressed the same view and indicated that the sources of their financing included banks, micro finance institutions, registered SACCOs, saving groups and even money lenders. This means that in financial management lending institutions are a financing option for the growth and development of small businesses.

The finding that in financial management lending institutions are a financing option for the growth and development of small businesses agrees with the finding of other scholars. Oboro & Ighoroj (2011) indicate that small businesses generally have weak capital base since majority of them are either sole proprietorship or partnerships. Consequently, as indicated by Pandula (2011), the only option is to borrow money. Accordingly, credit in particular is especially important for small scale businesses, since they are unable to finance themselves through retained earnings or equity financing. The banking sector is able to support the increasing lending requirements to business activities. Banks' lending objective is to improve the private sector business activity to enhance their contribution to economic growth. As with the finding of the study, here it is indicated that credit is important for the growth and development of small scale businesses.

Investing Personal Capital

This item was studied was studied because personal capital like money obtained from salaries, selling property and agricultural produce among others is always a source of financing business in financial management. Data obtained on the Item is presented in Figure 4.2.

Figure 4.2: Investing Personal Capital



Source: Primary Data

The results presented in Figure 4.2 shows that all the respondents invested their personal capital in their business. This is because the majority of 65% agreed with the item and the remaining

35% strongly agreed. This means that in financial management, businessmen and women invest their own money in their businesses.

During the interviews, the respondents gen erally indicated that they invested their personal money in their businesses. This included money from salaries, money from other investments like agricultural farms, inherited capital, money offered by friends and relatives from abroad, sale of property such as land and money pulled together with business partners among others. Therefore, this means that in financial management, personal money is invested in businesses to help enable them grow and develop.

The above finding that in financial management, personal money is invested in businesses to help enable them grow and develop concurs with the views presented by other scholars. Oboro & Ighoroj (2011) expound that small scale businesses have the financing option of equity capital. Accordingly, this is that part of fund invested in the business by the owner(s) which the business is under no obligation either to refund or pay interest on. This capital is often regarded as risk capital because it is under the risk of being lost should the business fail. Equity capital can only be recovered by way of dividend or when the business winds up. For a small scale business owner or prospective investor, equity capital forms a good basis for obtaining loans from financial institutions. This literature as with the finding of the study confirms that in financial management, personal money is invested in businesses to helping their growth and development.

Receiving Funding from the Government

This item sought to establish if there were government programmes that supported small scale entrepreneurs in their business ventures. This was because the government is charged with supporting the growth of business in order to enable the growth and development of the economy. The results obtained on the item are presented in Table 4.6.

Table 4.6: Frequency Distribution on Businessmen and Women obtaining Support from the Government

Responses	Frequency	Percent	Valid Percent
Strongly Disagree	24	20.0	20.0
Disagree	91	75.8	75.8
Agree	5	4.2	4.2
Total	**120**	**100.0**	**100.0**

Source: Primary Data

Data presented in Table 4.6 show that to a larger extent the businessmen and women did not obtain government financial support. This is because the majority of the respondents 75.8% disagreed with the item and 20.0% strongly disagreed. Those who agreed were a mere 4.2%. This means that the government was not largely a source of financing for small scale businesses.

During the interviews one of those respondents who indicated that he obtained assistance from the government, he indicated that in the 1990s he obtained Entadikwa Money which he invested in his business. He also indicted that he has benefitted from the money extended at lower interest rates to business people through SACCOS. Even during the interview with the district officials, it was indicated that the government puts soft loans in banks, Micro finance institutions and SACCOs for business entrepreneurs and there were other programmes like Entandikwa however which failed because most of those given the money did not repay to make it revolve. The views presented here indicate that the government can support small scale businesses helping them to grow.

The finding that the government can support small scale businesses helping them to grow agrees with the views of Hallberg (2000). According to Hallberg, government assistance strategies in both developed and developing countries often try to achieve a combination of equity objectives (alleviating poverty and addressing social, ethnic and gender inequalities) and efficiency objectives (raising the productivity and profitability of firms). Equity funds address market failure by providing the public funds to promote businesses. Debt funds are intended to enable the growth and to address the difficulties some businesses. Therefore, government can support small businesses in financing their businesses.

Saving Schemes/Institutions

This item looked at the financial management practice of saving schemes. This was looked at because business individuals at times form groups where the save or pull money that helps them to have more capital in their businesses. Data obtained on the item is presented in Table 4.7.

Table 4.7: Frequency Distribution on Businessmen and Women Obtaining From Saving Schemes/Institutions

	Frequency	Percent	Valid Percent
Strongly Disagree	9	7.5	7.5
Disagree	41	34.2	34.2
Agree	53	44.2	44.2
Strongly agree	17	14.2	14.2
Total	120	100.0	100.0

Source: Primary Data

The statistics in Table 4.7 show that a large number of the respondents agreed that they managed their finances through saving institutions. Those in agreement were 44.2% and 14.2% who agreed and strongly agreed respectively. Those who disagreed were 34.2% and 7.5% strongly disagreed. These results mean that that businessmen and women obtain financing from their saving groups.

During interviews, it was established that there were different schemes through which the businessmen and women saved finances that help them in the running of their business. These included daily saving schemes which each business man and woman put money according to the different arrangements. Such money is shared at an agreed time or revolves through the members. This money helps the women to gather sizeable capital that they would otherwise not save individually. This thus helps them to have capital for their businesses.

The finding that businessmen and women managed their finances through saving institutions to finance their business is supported by studies made by other scholars. Mayoux (2002) explains that savings facilities are as important as loans in increasing amounts of income and assets under the control of businesswomen and men. Such already effective ways of saving include revolving savings and credit associations and 'trouble funds' in Africa which provide a safety net for very poor women. This also agreed to by Vonderlack & Schreiner (2001) who indicate that the revolving of rotating savings and credit associations' help in saving for by turns, each member gets the pool. Those who have yet to receive the pool are savers, and members who have already received the pool are debtors. This money can be invested in the business and this definitely helps in the growth and development of small scale enterprises.

In conclusion, financial management requires establishing Financing options to enable the growth and development of the businesses. These financial options include borrowing from the lending institutions. Lending institutions provide finances to the businessmen and women helping them to enhance the growth and development of their businesses. Financing can be obtained from investing personal capital. This includes money from salaries, money from other investments like agricultural farms, inherited capital, money offered by friends and relatives from abroad, sale of property such as land and money pulled together with business partners among others. There is also receiving funding from the government. The government can support small scale businesses helping them to grow through different support programmes. Lastly, saving schemes/institutions are an option for financing businesses. These included schemes like daily saving schemes. Money is shared at an agreed time or revolves through the members who plough it back into the business.

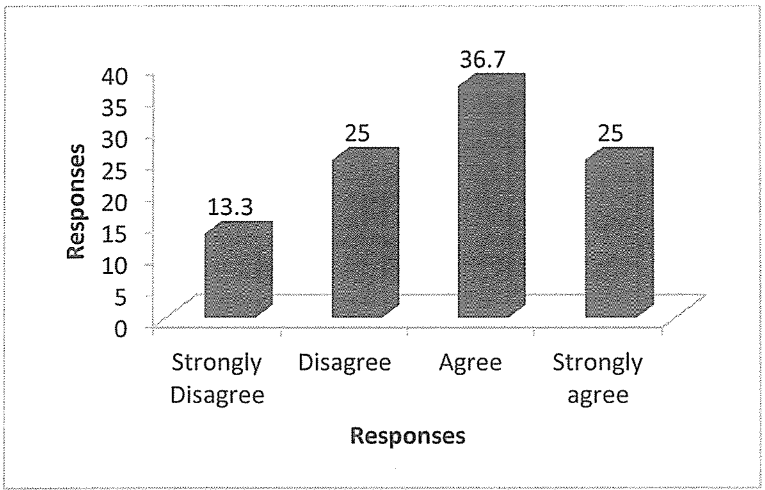
4.2.2 Record Keeping and Growth and Development of Small Businesses

This item was obtained from the objective two of the study which sought to find out the influence of record keeping on the growth and development of small businesses. The items studied included carrying out recording of business transactions, amount owed to suppliers and other creditors, keeping accurate and up-to-date records and systems of entries.

Recording of Business Transactions

This item sought to find out establish if the businessmen and women carry out business transactions. This was because proper financial management requires recording of all business transactions in order to be able to track the income and expenditures of the business. The results on this item are presented in Figure 4.3.

Figure 4.3: Recording of Business Transactions



Source: Primary Data

Data presented in Figure 4.3 shows that the larger number of the respondents 36.7% and 25% agreed and strongly agreed that they carried out recording of business transactions. However, there are those whom indicated that they did not carry out business transactions. These were 25% who disagreed and 13.3% who strongly disagreed.

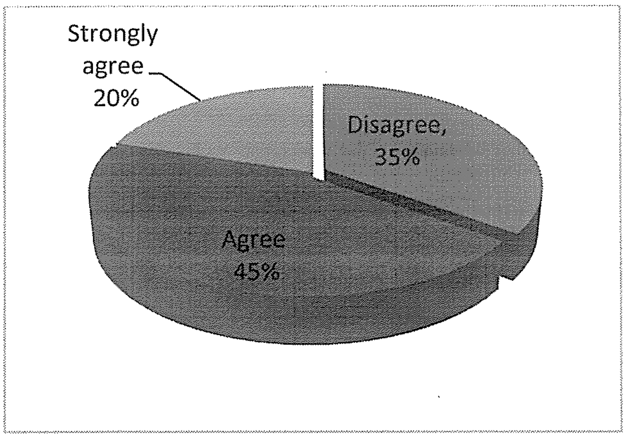
During the interviews 20% of the respondents indicated that they carried out recording of every transaction. Some even indicated that they had adopted use of computers in making business transactions to record every transaction for easy accountability and auditing. However, most of the respondents indicated that they made inventory of purchases but did not record the items sold. However, since most of the respondents indicated that they carried out some recording, it means that recording transactions is an important financial management practice. In the interviews with the district officials and the revenue official, it was indicated that few business carried out proper recording of the transactions. Accordingly this posed a problem in the assessment of taxes and licences.

The finding that recording transactions is an important financial management practice is agreed to by other scholars. Maseko & Manyani (2011), Financial records, for example the sales day book (sales journal), purchases day book (purchases journal), cash receipt book, cheque payments book, petty cash book, general journal, nominal ledger, debtors' ledger and creditors' ledger must be kept and maintained in a sound accounting system. This literature as with the finding of the study indicates that recording transactions is important.

Recording Amount Owed to Suppliers and other Creditors

This item sought to establish is the businessmen and women recorded the amount owed to the suppliers and other creditors. This item was studied because good financial management demand the recording of the amount owed to the suppliers and other creditors. The results obtained are presented in Figure 4.4.

Figure 4.4: Recording of Amount Owed to Suppliers and other Creditors



Source: Primary Data

Data in Figure 4.4 shows that the larger number of the respondents agreed that they recorded the amount owed to suppliers and other creditors. Those who agreed were 45% and 20% strongly agreed. However, 35% of the respondents disagreed indicating that they did record the amount owed to suppliers and other creditors. The fact that a large number of the respondents indicated that they recorded the amount owed to suppliers and other creditors, it means that recording is important for the growth and development of small scale business.

Finding that recording is important for the growth and development of small scale business agrees with the views of other scholars. According to Cordano (1991), records' keeping in the financial management of businesses is very crucial. Accordingly, accounting records furnish substantial information about the volume of business, such as how present and prior volumes compare, the amount of cash versus credit sales and the level and status of accounts receivable. In addition, good accounting records help to accomplish controlling expenses. Accounting records detail the amounts owed to suppliers and other creditors so that the businessman or woman can plan the availability of cash to meet your obligations. Such records also provide information regarding expenditures and allow him or her to establish controls over them. It is important to be aware of expense requirements and how they relate to the overall picture. Therefore, this means that recording in business is very paramount.

Keeping Accurate and Up-To-Date Records

This item asked the respondents to tell is they kept accurate and up-to-date records. This item was studied because keeping accurate and up-to-date records is a good financial management practice. Data obtained on the Item is presented in Table4.8.

Table 4.8: Frequency Distribution on Keeping Accurate and Up-To-Date Records

Responses	Frequency	Percent	Valid Percent
Disagree	39	32.5	32.5
Not sure	22	18.3	18.3
Agree	38	31.7	31.7
Strongly agree	21	17.5	17.5
Total	**120**	**100.0**	**100.0**

Source: Primary Data

Data presented in Table 4.8 shows that the larger number of respondents 31.7% and 17.5% agreed and strongly agreed respectively that kept accurate and up-to-date records. However, still a reasonable number of the respondents 32.5% disagreed and even 17.5% were not sure. This means that keeping up-to-date records is important since most of the respondents indicated that they kept accurate records

When during the interviews the respondents were asked to tell how up-to-date their records were, generally the majority of the respondents 60% indicated that their records were poor. One respondent stated that, "at times I become busy and postpone recording but eventually end up forgetting to records completely." Another indicated that "the only update records are of the commodities I bring in; otherwise the others are not properly recorded." The views of these respondents were echoed by the officials from the district and revenue authority. They indicated that it was difficult to find up-to-date records except for some supermarkets. However, when asked to tell what was the importance of keeping up-to-date records, all the respondents generally indicated that they helped in keeping track of the finances in the business and preventing loss of money.

The recognition made by the study that keeping up-to-date records is important for the business is also recognised by other studies. A study by the Queensland government (2011) indicates that keeping accurate and up-to-date records is vital to the success of any business. The business must realise that records kept will be one of the most important management tools it possesses and, therefore, it should be allocated due importance. The business owner is looking for the maximum return from their investment and the maintaining of good records is part of that equation. Good record keeping is vital in regards to meeting the financial commitments of the business and providing information on which decisions for the future of the business can be based. Good records will keep the business individual on toes and enable him or her to monitor every situation. Therefore as found out by the study, here it is agreed that up-to-date records are important for the business.

Single-entry bookkeeping system

This item was studied because one of the recordkeeping system used by businesses single-entry bookkeeping system. This system of bookkeeping uses only income and expense accounts, recorded primarily in a revenue and expense order. The results obtained on the item are presented in Table 4.9.

Table 4.9:Frequency Distribution on Single-Entry Bookkeeping System

Responses	Frequency	Percent	Valid Percent
Disagree	28	23.3	23.3
Not sure	14	11.7	11.7
Agree	67	55.8	55.8
Strongly agree	11	9.2	9.2
Total	**120**	**100.0**	**100.0**

Source: Primary Data

Data presented in Table 4.9 shows that the majority of the respondents 55.8% agreed that they carried out single-entry bookkeeping system and 9.2% strongly agreed. However, the remaining 23.3% disagreed and 11.7% were not sure possibly because they do not carry out bookkeeping.

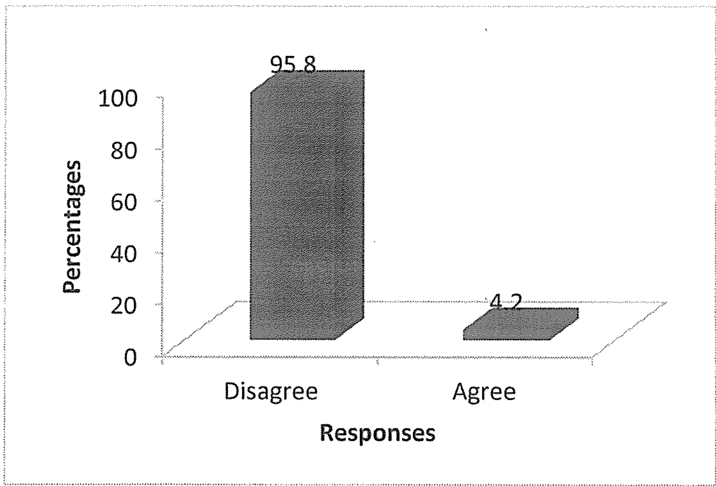
During the interviews 96% of the interviewees indicated that they used single-entry book keeping system to make all records. However, a small number of the respondents indicated that they used the double entry system because of the volume of transaction and because the items of recording are different and have different purposes. Since the views of the majority indicate that they carried out single-entry book keeping system, this means that largely, in financial management, small scale businesses use the same book.

The finding that in financial management small scale businesses uses the single-entry book keeping system is agreed to by other scholars. Olukotun et al (2012) indicate that the single-entry bookkeeping that uses only income and expense accounts, recorded primarily in revenue and expense is adequate for many small businesses. Accordingly, the primary bookkeeping record in single-entry bookkeeping is the cash book, that allocates the income and expenses to various income and expense accounts. This literature indicates that single-entry book keeping system is sufficient for small scale business as found out by the study.

Double-Entry Bookkeeping System

This item was studied because it's another system of the recordkeeping used by businesses. This system requires posting (recording) each transaction twice, using debits and credits. Every item is entered as a debit in one account and a corresponding credit in another because it is assumed that there are always two parties involved: the giver and the receiver. However, this system is more advanced and requires accountancy skills to maintain. The results on this item are presented in Figure 4.5.

Figure 4.5: Double-Entry Bookkeeping System



Source: Primary Data

Data presented here indicates that the majority of the respondents 95.8% did not use the double entry system. Only 4.2% of the respondents used the double entry system. This possibly was because as Terry (2009) puts it, the double-entry bookkeeping is more advanced and requires accountancy skills to maintain. This means that most of the small scale business men and women do not understand it.

In conclusion, record keeping helps the growth and development of small businesses. This is done through recording business transactions. Accordingly, this enabled the businessmen and women to be able to track the income and expenditures of the business. Recording amount owed to suppliers and other creditors is also record keeping system. This helps to establish the amount of cash versus credit sales and the level and status of accounts receivable. Record keeping is also done by ensuring that accurate and up-to-date records are kept. This helps in keeping track of the finances in the business and preventing loss of money. However, it has to be done in the proper either using the single entry and double entry. The only problem is that the double entry is complicated and requires accounting skills.

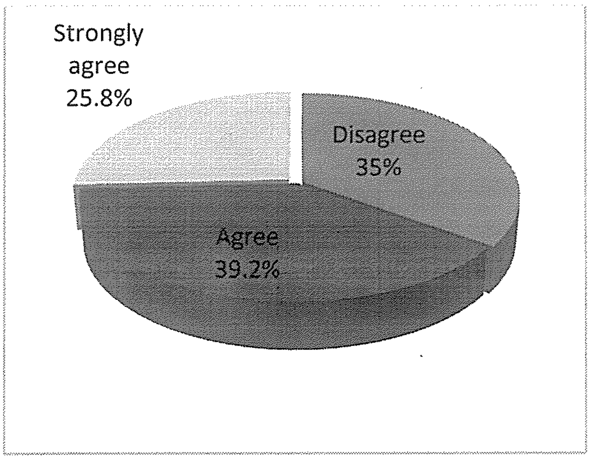
4.2.3 Cash Flow Management and Growth and Development of Small Businesses

This item was obtained from the objective three of the study which sought to analyse the relationship between cash flow management and the growth and development of small businesses. The items studied included recording of money coming and going out of the business, ensuring that the business has cash balance to meet the business goals, limiting debts to maintain cash and monitor your inventories.

Monitoring Money Coming into and Going Out of the Business

This item sought to establish if the businessmen and women strived to monitor their cash flow such that they know the money coming into the business and going out of the business. This was because good financial management practices demand that cash be monitored. Data obtained on the item is presented in Figure 4.6.

Figure 4.6:Monitoring Money Coming into and Going Out of the Business



Source: Primary Data

Data presented in Figure 4.6 show that the larger number of the respondents 39.2% and 25.8% agreed and strongly agreed that they monitored money coming into and going out of the business. Those who disagreed were 35%. Since the majority of the respondents indicated that they monitored money coming into the business and going out of the business, this means it is important in the financial management of businesses.

During the interviews, all the respondents indicated that monitoring money coming into and going out of the business is very important. They generally indicated that by monitoring the flow of the money, they are able to plan for the business, know its profitability and be able to cater for contingencies. Therefore, this means that it is important to monitor money coming into and going out of the business.

The importance of monitoring money coming into and going out of the business is also recognised by Holland (1999) who indicates that cash flow is primarily the difference between cash coming into the business and cash going out of the business during a given time period. Accordingly, routine cash management reviews must keep a close eye on debt collection, sales and deliveries, status of invoices, receipt of payments and depositing of payments. However, best cash flow management strategies usually result from systems that are fully understood by the cash flow manager. Sometimes such systems are computerised, while others are manual. Cash flow management does not need to be complex to be effective. It does, however, have to be performed. This means that monitoring cash flow makes the business keep performing well.

Business having Cash Balance to Meet the Business Goals

This item concerned businessmen and women keeping cash to ensure that they meet their business goals. This item was studied because good financial management demands that money should be reserved to help in the running of the businesses especially contingencies. The results obtained on the item are presented in Table 4.10.

Table 4.10:Frequency Distribution on Business having Cash Balance to Meet the Business Goals

Responses	Frequency	Percent	Valid Percent
Disagree	62	51.7	51.7
Agree	44	36.7	36.7
Strongly agree	14	11.7	11.7
Total	120	100.0	100.0

Source: Primary Data

Data presented in Table 4.10 shows that the larger number of the respondents disagreed to the item asking whether businesses had cash balance to meet the business goals. Those who disagreed were 51.7%. However, still, there was a large number of the respondents they kept cash balances to meet the business goals. Those who agreed were 36.7% and 11.7% strongly agreed.

During the interviews, with the respondents they all indicated that it was important to keep cash to meet their business goals. However, most they all indicated that the problem was that the businesses like enough cash and whatever little money that is earned by the business is ploughed back thus lacking reserve money. Therefore, this means that lack of having cash balance to meet the business goals was simply because of little capital in the business to generate enough money to keep for the business. However, holding other factor constant it is important to havecash balance to meet the business goals.

The finding that it is important to havecash balance to meet the business goals agrees with the views presented by other scholars. Banker (2009) shows that cash management is an essential tool which aims at establishing the financial position of the business. Accordingly, it is a set of guidelines established by management to ensure that the business has optimal cash balance to meet the business goals. Therefore, this means that money should be kept to ensure that business goals and met.

Limiting Debts to Maintain Cash

This item was studied to establish how people managed debts in order to maintain cash to run the businesses. This was because debts can run down the business since money will be held in debts and thus the business will not be able to run. The results on the item are presented in Table 4.11.

Table 4.11:Frequency Distribution on Limiting Debts to Maintain Cash

	Frequency	Percent	Valid Percent
Agree	120	100.0	100.0

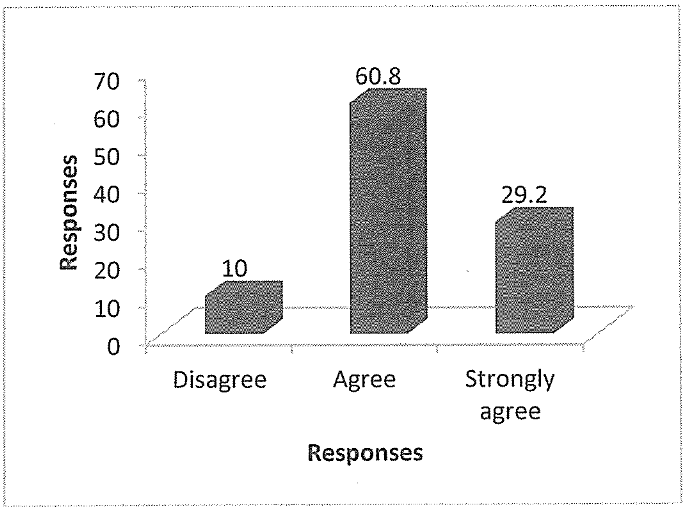
Source: Primary Data

Data presented in Table 4.11 shows that all the respondents all the respondents 100% agreed that they limited debts to maintain cash. This means that it is crucial for businesses to limit debts in order to maintain cash. This finding is in agreement with the views of Holland (1999) who indicates that it is Important to decrease the amount of money that is owed to the business and debtors should be made to pay their bills. Accordingly, overdue accounts receivables can pull down a business. One way to address this problem is to keep credit current and at a minimum. Good spending discipline should keep unnecessary expenditures to a minimum, but good cash flow management should help to virtually eliminate excess overhead expenditures. This means that it is important that businesses ensure that not much is out in debts to enable it run successfully.

Monitoring inventories

Inventory is the stock held by the business. This item was studied because inventory helps to monitor cash flow. If there more inventories it means a lot of cash is held in inventories. Low inventories may also mean that there is need to stock more for the market. Failing to keep a balanced inventory may lead to the collapse of the business. The results obtained on the item are presented in Figure 4.7.

Figure 4.7:Monitoring inventories



Source: Primary Data

Data presented in Figure 4.7 shows that the majority of the respondents 60.8% agreed and 29.2% agreed with the item that they monitored inventory of their business. Only 10% of the respondents indicated that they did not monitor the inventory.

During the interviews, the majority of the respondents 94% indicated that they kept inventories in order to know what is in the business and what is lacking. Accordingly, taking stock helped them to know what to add or what not to stock especially if its purchase is low and keeps on holding cash. One respondent stated that, *"taking stock helps in managing theft of stock by employees as you keep knowing your stock."* However, there were those who indicated that they did not take stock but instead added in the business the declining stock or the stock on higher demand.

The importance of keeping stock has long been acclaimed by many scholars. According to Holland (1999) inventory includes finished products held for future sales as well as raw materials held for future production. Accordingly, both types of inventory represent cash that has been spent but that has not generated a return. It is often best to sell inventory items that are just gathering dust at a discounted price. This means to monitor the flow of cash, it is important to carry out inventory management.

Carrying out Budgeting

This item sought to establish from the businessmen and women if they carried out budgeting. Budgeting helps to know the money one has and how it will be used. Therefore without budgeting, one may not know the money he or she has. The results obtained on the item are presented in Table 4.12.

Table 4.12:Frequency Distribution onCarrying out Budgeting

Responses	Frequency	Percent	Valid Percent
Disagree	6	5.0	5.0
Agree	70	58.3	58.3
Strongly agree	44	36.7	36.7
Total	**120**	**100.0**	**100.0**

Source: Primary Data

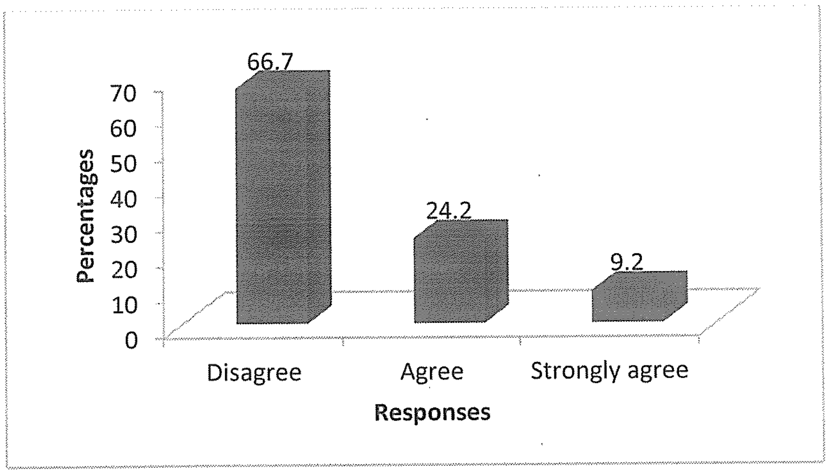
Data in Table 4.12 shows that the majority of the respondents 58.3% and 36.7% agreed and strongly agreed respectively that they carried out budgeting in the monitoring of cash flow. Those who disagreed were a mere 5.0%. This means that budgeting is very important for businesses.

The finding that budgeting is very important for businesses is agreed to by other scholars. Shapiro (2001) the budget is an essential financial management tool. Without a budget, it is like a pilot navigating in the dark without instruments. This is because the budget tells how much money is needed to carry out activities, forces rigorous thinking through the implications of activity planning and the budgeting process at times forces rethinking of action plans. The budget tells when certain amounts of money to carry out your activities will be needed, enables monitoring of income and expenditure and identifies any problems. This means that with a budget, cash flow management.

Carrying out Accounting

This item was carried out to establish if small scale businessmen and women carried out accounting to be able to know how money has been used or is being used in the business. This is important in helping one to know if cash flow of the business is appropriately managed. The results on this item are presented in Figure 4.8.

Figure 4.8: Accounting in Small Scale Businesses



Source: Primary Data

Data presented in Figure 4.8 shows that the majority of the respondents 66.7% did not carry out accounting. Only 24.2% and 9.2% agreed and strongly agreed respectively that they carried out accounting.

However, during the interviews, it was establishing that the larger number of respondents lacked accounting skills. This is because some said that even if they looked at the recorded accounts they were not able to reconcile them with stock, purchases and expenditure. In fact it was those respondents from the supermarkets and cottage industries who indicated that they carried out accounting. However, those in retail trading and wholesale did not carry accounting. They just managed the business through monitoring stock and restocking. However, all the respondents agreed that accounting is important for the business because it helped in monitoring the cash flow of the business.

The finding that accounting is important for the business because it helps in monitoring the cash flow of the business is agreed to by other scholars. According to Hoggett (2003), accounting helps in identifying, measuring, recording and communicating economic information to permit informed judgements and economic decisions. Therefore accounting is the basis for cash flow management.

In conclusion cash flow management is important for growth and development of small businesses. This is carried out through monitoring money coming into and going out of the business. This helps the businessmen and women to plan for the businesses, know their profitability and be able to cater for contingencies. Cash flow management is also managed through businesses ensuring that they have cash balance to meet the business goals. It further managed through limiting debts. This is because overdue accounts receivables can pull down a business. There is also monitoring of inventories. This helps in knowing what to add or what not to stock especially if its purchase is low and keeps on holding cash. Budgeting also helps monitoring cash flow. The budget tells whencertain amounts of money to carry out your activities will be needed, enables monitoring of income and expenditure and identifies any problems. Lastly it is carried out through accounting. Accounting helps in identifying, measuring, recording and communicating economic information to permit informed judgements and economic decisions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, conclusions derived from the findings and the recommendations on the impact of financial management on the growth and development of small scale businesses basing on the findings of the study.

5.1 Summary of the Findings

The study established a number of findings and the summary of the findings is outlined here under;

5.1.1 Objective One: To establish the impact of financing options on the growth and development of small businesses

The study established that different financing options in financial management impact the growth and development of small businesses. Accordingly, borrowing from the lending institutions helps small scale businessmen and women to obtain financing capital. Lending institutions provide finances to the businessmen and women helping them to enhance the growth and development of their businesses. Financing can also be obtained from investing personal capital. This includes money from salaries, money from other investments like agricultural farms, inherited capital, money offered by friends and relatives from abroad, sale of property such as land and money pulled together with business partners among others. There is also receiving funding from the government. The government can support small scale businesses helping them to grow through different support programmes. Saving schemes/institutions are an option for financing businesses. These included schemes like daily saving schemes. Money is shared at an agreed time or revolves through the members who plough it back into the business.

5.1.2 Objective Two: To find out the influence of record keeping on the growth and development of small businesses.

The study found out that record keeping influences the growth and development of small businesses. This is includes recording business transactions. This enables the businessmen and women to be able to track the income and expenditures of the business. By recording the amount owed to suppliers and other creditors is also record keeping system, the businesswoman or man is able to establish the amount of cash against credit sales and the level and status of accounts receivable. When there are accurate and up-to-date records one is able to track of the finances in the business and preventing loss of money. Record keeping has to be done in the proper way either using the single entry and double entry.

5.1.3 Objective Three: To analyse the relationship between cash flow management and the growth and development of small businesses.

The study established that there is a relationship between cash flow management and the growth and development of small businesses. This is because if there is monitoring money coming into and going out of the business, the businessmen and women to plan for the businesses, they are know the profitability of the businesses and are be able to cater for contingencies. When businessmen and women have cash balance they are able to meet the business goals. By limiting debts they are able to prevent overdue accounts receivables from pulling down the businesses. When they monitor, they are able to know what to add or what not to stock especially if its purchase is low and keeps on holding cash. When they carry out budgeting, they are able to monitor cash flow. The budget tells when certain amounts of money to carry out activities will be needed, enables monitoring of income and expenditure and identifies any problems. When they carry out accounting, they are able to identify, measure, record and communicate economic information to permit informed judgements and economic decisions.

5.2 Conclusion of the findings

In the findings of the study many important observations were made and the following conclusions drawn;

5.2.1 Objective One: To establish the impact of financing options on the growth and development of small businesses

Financing options enable the growth and development of the businesses. These financial options include borrowing from the lending institutions. Lending institutions provide finances to the businessmen and women helping them to enhance the growth and development of their businesses. Financing can be obtained from investing personal capital. This includes money from salaries, money from other investments like agricultural farms, inherited capital, money offered by friends and relatives from abroad, sale of property such as land and money pulled together with business partners among others. There is also receiving funding from the government. The government can support small scale businesses helping them to grow through different support programmes. Lastly, saving schemes/institutions are an option for financing businesses. These included schemes like daily saving schemes. Money is shared at an agreed time or revolves through the members who plough it back into the business.

5.2.2 Objective Two: To find out the influence of record keeping on the growth and development of small businesses.

Record keeping helps the growth and development of small businesses. This is done through recording business transactions. Accordingly, this enabled the businessmen and women to be able to track the income and expenditures of the business. Recording amount owed to suppliers and other creditors is also record keeping system. This helps to establish the amount of cash versus credit sales and the level and status of accounts receivable. Record keeping is also done by ensuring that accurate and up-to-date records are kept. This helps in keeping track of the finances in the business and preventing loss of money. However, it has to be done in the proper either using the single entry and double entry. The only problem is that the double entry is complicated and requires accounting skills.

5.2.3 Objective Three: To analyse the relationship between cash flow management and the growth and development of small businesses.

Cash flow management is important for growth and development of small businesses. This is carried out through monitoring money coming into and going out of the business. This helps the businessmen and women to plan for the businesses, know their profitability and be able to cater for contingencies. Cash flow management is also managed through businesses ensuring that they have cash balance to meet the business goals. It further managed through limiting debts. This is because overdue accounts receivables can pull down a business. There is also monitoring of inventories. This helps in knowing what to add or what not to stock especially if its purchase is low and keeps on holding cash. Budgeting also helps monitoring cash flow. The budget tells whencertain amounts of money to carry out your activities will be needed, enables monitoring of income and expenditure and identifies any problems. Lastly it is carried out through accounting.

Accounting helps in identifying, measuring, recording and communicating economic information to permit informed judgements and economic decisions.

5.3 Recommendations of the study

The study makes the following important recommendations in relation to the observations made during the study;

5.3.1 Objective One: To establish the impact of financing options on the growth and development of small businesses

Businessmen and women in small businesses should establish different financing options for the growth and development of their businesses. This can be by borrowing from the lending institutions to obtain financing capital. Lending institutions provide finances to the businessmen and women helping them to enhance the growth and development of their businesses. They can also invest their personal capital. This includes money from salaries, money from other investments like agricultural farms, inherited capital, money offered by friends and relatives from abroad, sale of property such as land and money pulled together with business partners among others. Also, the government needs to establish programmes for supporting small business. Financing programmes need to be established by the government such that they are able to support the businesses. Saving schemes/institutions are an option for financing businesses. Small scale businessmen and women also need to form and join saving schemes such as daily saving schemes. Money shared at an agreed time or revolving through the members can be ploughed back into the business.

5.3.2 Objective Two: To find out the influence of record keeping on the growth and development of small businesses.

Businessmen and women need to carry out record keeping for the growth and development of small businesses. This is includes recording business transactions to be able to track the income and expenditures of the business. Recording the amount owed to suppliers and other creditors such that they are able to establish the amount of cash against credit sales and the level and status of accounts receivable and keep accurate and up-to-date records to able to track of the finances in the business and preventing loss of money. However, record keeping has to be done in the proper way either using the single entry and double entry. This calls upon them to learn accounting skills and contracting accountants to help them make proper accounting.

5.3.3 Objective Three: To analyse the relationship between cash flow management and the growth and development of small businesses.

Businessmen and women should ensure cash flow management for the growth and development of small businesses. This should be through monitoring money coming into and going out of the business such that are know the profitability of the businesses. Should have cash balance such that they are able to meet the business goals. Limitdebts such that they are able to prevent overdue accounts receivables from pulling down the businesses. They also have to monitor stock such that they are able to know what to add or what not to stock. There is also need for budgeting such that they are able to monitor cash flow. There should also be accounting such that they are able to identify, measure, record and communicate economic information to permit informed judgements and economic decisions.

5.4 Areas for further research

The study only investigated the impact of financial management on the growth and development of small scale businesses. However, there are many more areas which may be studied and these include: Entrepreneurship skills and the performance of small scale businesses owned by women, business challenges affecting performance of small and medium entrepreneurial initiatives in Uganda and the contribution of entrepreneurial personality to the performance of small and medium business among others.

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APPENDIX I: QUESTIONNAIRE FOR THE RESPONDENTS

Dear Sir/Madam

I am currently undertaking a study on the topic "The Impact of Financial Management on the Growth and Development of Small Scale Businesses in Mukono Municipality" in Fulfilment of the Requirements for the Award of a Bachelor's Degree in business administration at Kampala international university.

The information sought is required only for academic purposes. Participation is entirely out of your free will and necessary for the success of this work. Information provided will be handled with utmost confidentiality.

Sincerely

....

MIREMBE MARY PRISCILLAH

SECTION A: BACKGROUND INFORMATION

1. Your Gender

Male	Female

2. Your age group:

20-30 years	31-39 years	40-49 years	40-50 years	above 51 years

3. Your level of education:

Non - Informal	Primary	Secondary Level	Post secondary Level

4. Number of years in the business

1 – 3 years	4 – 6 years	7 – 10 years	11 years and above

5. Type of business

Retail shop	Whole sale shop	Cottage Industry	Super Markets

SECTION B: Response on the Research Variables

Indicate the extent to which you agree with the following observations on a scale of 1- Strongly disagree; 2- Disagree; 3- Not sure; 4- Agree; 5- Strongly agree.

Question Items	**SD 1**	**D 2**	**NS 3**	**A 4**	**SA 5**
Financing Options and Growth and Development of Small Scale Businesses					
You borrow from the lending institutions					
Invest your own money in the business					
You have received funding from the government					
Obtain investment capital from saving schemes					
Record Keeping and Growth and Development of Small Businesses					
You record business transactions					
Record amount owed to suppliers and other creditors					
Your records are accurate and up-to-date records					
Record in the same book					
Record in different books					
Cash Flow Management and Growth and Development of Small Businesses					

You monitor money coming into the business and going out of the business					
You ensure that the business has cash balance to meet the business goals					
You limit debts to maintain cash					
You monitor your inventories					
You carry out budgeting					
You carry out of accounting					

APPENDIX I:
INTERVIEW GUIDE FOR THE RESPONDENTS

1. How have lending institutions helped you the managing of your finances
2. What personal money is invested in business?
3. What assistance of business funding is offered by the government?
4. What is the importance of saving schemes to your business?
5. What recordings of transactions are carried out?
6. How up-to-date are the records?
7. What is the importance of keeping up-to-date records?
8. What system of bookkeeping is used?
9. What is the importance of monitoring money coming into and going out of the business?
10. What is the importance of business having cash balance to meet the business goals?

APPENDIX III:
FREQUENCIES

Sex of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Male	64	53.3	53.3	53.3	
	Females	56	46.7	46.7	100.0	
	Total	120	100.0	100.0		

Age groups of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	27	22.5	22.5	22.5
	30-39	42	35.0	35.0	57.5
	40 and above	51	42.5	42.5	100.0
	Total	120	100.0	100.0	

Education level of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary education	45	37.5	37.5	37.5
	Secondary education	30	25.0	25.0	62.5
	Post Secondary	28	23.3	23.3	85.8
	Non - formal	17	14.2	14.2	100.0
	Total	120	100.0	100.0	

Number of years in the Business

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1 - 3 years	21	17.5	17.5	17.5	
	4 - 6 years	32	26.7	26.7	44.2	
	7 - 10 years	37	30.8	30.8	75.0	
	11 years and above	30	25.0	25.0	100.0	
	Total	120	100.0	100.0		

Type of business

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Retail shops	47	39.2	39.12	39.1	
	Wholesale Trading	20	16.7	16.7	55.8	
	Super Markets	3	2.5	2.5	58.3	
	Cottage Industries	50	41.7	41.7	100.0	
	Total	120	100.0	100.0		

You borrow from the banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	3.3	3.3	3.3
	Agree	80	66.7	66.7	70.0
	Strongly agree	36	30.0	30.0	100.0
	Total	120	100.0	100.0	

Invest your own money in the business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	78	65.0	65.0	65.0
	Strongly agree	42	35.0	35.0	100.0
	Total	120	100.0	100.0	

You have received funding from the government

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	20.0	20.0	20.0
	Disagree	91	75.8	75.8	95.8
	Agree	5	4.2	4.2	100.0
	Total	120	100.0	100.0	

Saving Schemes/Institutions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	9	7.5	7.5	7.5
	Disagree	41	34.2	34.2	41.7
	Agree	53	44.2	44.2	85.8
	Strongly agree	17	14.2	14.2	100.0
	Total	120	100.0	100.0	

You record business transactions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	16	13.3	13.3	13.3
	Disagree	30	25.0	25.0	38.3
	Agree	44	36.7	36.7	75.0
	Strongly agree	30	25.0	25.0	100.0
	Total	120	100.0	100.0	

Record amount owed to suppliers and other creditors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	42	35.0	35.0	35.0
	Agree	54	45.0	45.0	80.0
	Strongly agree	24	20.0	20.0	100.0
	Total	120	100.0	100.0	

Your records are accurate and up-to-date records

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	39	32.5	32.5	32.5
	Not sure	22	18.3	18.3	50.8
	Agree	38	31.7	31.7	82.5
	Strongly agree	21	17.5	17.5	100.0
	Total	120	100.0	100.0	

Single-entry bookkeeping system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	28	23.3	23.3	23.3
	Not sure	14	11.7	11.7	35.0
	Agree	67	55.8	55.8	90.8
	Strongly agree	11	9.2	9.2	100.0
	Total	120	100.0	100.0	

Double-entry bookkeeping system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	115	95.8	95.8	95.8
	Agree	5	4.2	4.2	100.0
	Total	120	100.0	100.0	

You monitor money coming into the business and going out of the business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	42	35.0	35.0	35.0
	Agree	47	39.2	39.2	74.2
	Strongly agree	31	25.8	25.8	100.0
	Total	120	100.0	100.0	

You ensure that the business has cash balance to meet the business goals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	62	51.7	51.7	51.7
	Agree	44	36.7	36.7	88.3
	Strongly agree	14	11.7	11.7	100.0
	Total	120	100.0	100.0	

You limit debts to maintain cash

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	120	100.0	100.0	100.0

You monitor your inventories

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	12	10.0	10.0	10.0
	Agree	73	60.8	60.8	70.8
	Strongly agree	35	29.2	29.2	100.0
	Total	120	100.0	100.0	

You carry out budgeting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	5.0	5.0	5.0
	Agree	70	58.3	58.3	63.3
	Strongly agree	44	36.7	36.7	100.0
	Total	120	100.0	100.0	

You carry out of accounting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	80	66.7	66.7	66.7
	Agree	29	24.2	24.2	90.8
	Strongly agree	11	9.2	9.2	100.0
	Total	120	100.0	100.0	