

ABSTRACT

The study was about the effect of financial management practices on the financial performance of small and medium, enterprises (SMEs) in Uganda and based on a case study of selected SMEs in Kajjansi Katabi Town Councils. It was guided by three objectives which are; i) to establish the effect of working capital management practice on the financial performance of SMEs in Uganda, ii) to examine the effect of capital budgeting techniques on the financial performance of SMEs in Uganda and iii) to determine the effect of capital structure decisions on the financial performance of SMEs in Uganda.

The research study used a descriptive research design focused on quantitative and qualitative approaches to collect data from 222 respondents who had been conveniently picked for the sample of which only 221 participated.

The study findings found that SMEs earn enough profit after deducting expenses especially in times thus they earn enough cash to meet everyday business needs and avoid taking debts. It was revealed that many business owners who have accounting skills or those who lack seek financial advice in deciding whether the earnings are high enough to compensate for the associated risk in the business. Results showed that the key benefit of business budgeting is that it allows SMEs to create a focus for the direction of their business and provides targets that will help business grow.

The study found that working capital management, capital budgeting techniques and capital structure decisions had a significant effect on the financial performance of SMEs in Uganda. The study recommends that SMEs should evaluate the viability of new business ideas including new products launch in terms of their profitability. In addition, SMEs should maintain optimal capital structure and ensure that the companies fully utilize their debt facility according to their capabilities.