

Financial Management Practices and the Growth of Small and Medium-Sized Enterprises in Uganda: A Case of Small and Medium-Sized Enterprises in Lira City

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Background: The purpose of this study was to examine the effect of financial management practices on the growth of small and medium-sized enterprises in Uganda focusing on small and medium-sized enterprises in Lira City as a case study. Specifically, the study sought to: determine the effect of working capital management on the growth of small and medium-sized enterprises in Lira City, establish the effect of the investment decision on the growth of small and medium-sized enterprises in Lira City and examine the effect of financing decision on the growth of small and medium-sized enterprises in Lira City. The target population for the study was 358 SMEs in the two divisions of Lira City. The study sample comprised of 235 representatives of SMEs in Lira City

Methods: Data was analyzed using descriptive statistics, correlation analysis and regression analysis.

Findings: The findings of the study revealed a positive significant effect of working capital management on the growth of small and medium-sized enterprises in Lira City (coef. 0.437, $p < 0.01$). Secondly, the results on the effect of financing decision on the growth of small and medium-sized enterprises in Lira City further revealed a positive significant effect (coef. 0.308, $p < 0.01$). Thirdly, the effect of investment decision on the growth of small and medium-sized enterprises in Lira City was found to be negative and insignificant (coef. -0.031, $p > 0.01$). Finally, the results of multiple linear regression yielded an adjusted R square value of 0.462, which meant that the financial management practices contribute about 46% to the growth of small and medium-sized enterprises in Lira City.

Recommendations: Based on the above findings, the study recommends that owners and managers of SMEs should put more emphasis on working capital management and the financing decision to improve on the growth of their firms.