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Cash Flow Management and Growth of SMEs in Uganda

Okello Gregory Nicholas[1*] Layet Single Agnes[1] Olido Kenneth[2]
1. Gulu University, Department of Accounting and Finance; Faculty of Business and Development Studies
2. Gulu University, Department of Marketing and Entrepreneurship; Faculty of Business and Development Studies
*n.g.okello@gu.ac.ug

Abstract
Cash flow management is a component of working capital management that aims to establish the financial position of the organization. The primary objective of cash flow management is to balance cash inflows with cash outflows in a matched approach to financing working capital. The study investigated the relationship between cash flow management and the growth of Small and Medium Enterprises (SMEs). The study was conducted in Gulu Municipal in northern Uganda using a cross-sectional survey design. Data were collected from a random sample of 94 businesses stratified as private schools (44), hotels (44), and clinics (6). The study used a quantitative approach, and the categorical data were measured using a five-pointLikert scale. Data analysis was based on the generated descriptive and inferential statistics. The study established that there is a significant and positive relationship between SMEs growth and cash flow management at $p = 0.01; R^2 = 27.60\%$. The study found that motives for cash holding is the major determinants of SMEs growth.The significant and positive relationship between SMEs growth and cash flow management at $p = 0.01$ means that in making liquidity decision management should attach great importance to the cash component of working capital. A coefficient of determination of $R^2 = 27.60\%$, means that about one third of the variation in growth of SMEs is accounted for by proper cash management of organizational resources. SMEs need to focus on cash flow management as a component of liquidity decision taken in their business. Financial institutions that finance gaps in working capital should ascertain clear cash holding strategies of the borrowers. Other researchers could explore the contribution of the components of working capital to the growth of SMEs. This should be in addition to the contribution of investment decision, financing decision, and dividend decision as a totality of best financial management practices in the promotion of growth of SMEs.
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1. Introduction

Cash flows can be defined as the amount of cash that a business entity possesses, which ensures its efficiency, financial stability, solvency, liquidity, and image (Bukvić, and Pavlović, 2023). This had been defined, among others, by Cooke and Jepson (1986), as the actual movement of money in and out of a business. Money flowing into a business is termed positive cash flow and is credited as cash received. Monies paid out are termed negative cash flow and are debited to the business. According to the Certified Institute of Management Accountants, CIMA (2011) Cash flow is the lifeblood of all businesses and is the primary indicator of business health. It is generally acknowledged as the single most pressing concern of most small and medium enterprises, and yet improving cash flow within the business is considered the cheapest and most effective way of financing any business.

A firm should keep sufficient cash, neither less nor more. This is because cash shortages will disrupt the firm's operations while excessive cash will simply remain idle without contributing anything towards the firm's profitability (Pandey, 2002). Business concern needs cash to make payments for the acquisition of resources and services for the normal conduct of business. Cash is one of the important and key parts of the current assets. It is the money which a business concern can disburse immediately without any restriction. The term cash includes coins, currency, cheques held by the business concern, and balance in its bank accounts. Management of cash consists of cash inflow and outflows, cash flow within the concern, and cash balance held by the concern,etc. 2011).

According to CIMA (2011), cash flow management is all about balancing the cash coming into the business with the cash going out. Cash management is an essential tool that aims to establish the financial position of the organization. Pandey (1998) notes that cash management is the set of guidelines established by management to ensure that the organization has optimal cash balances at any time to meet the organization's goals. Cash recovery should be matched with cash spent on services so that there are no unused cash balances.

Cash flow management goes beyond keeping track of how much money goes into and out of the business. By taking a more strategic approach, companies can free up cash flow so that they can invest in new products and markets, pay down debt, and finance other strategic initiatives. Strong cash flow also puts businesses in a better position to negotiate more attractive financing terms with lenders and steeper discounts with suppliers (Laurie, 2012).

Menon (2011) argued that cash flow management helps SMEs in spotting potential cash flow gaps, serves as a reference tool for seeking funds from bankers, and enhances the confidence of the bankers in the SMEs' effectiveness. The management of cash raises similar issues to those relating to the management of stocks. There are costs involved in holding too much and too little cash. In view of that, there is a need for careful planning and monitoring of cash flows over time (Atrill, 2006). Chittenden et al. (1998) found in their study that only 63% of the respondents prepared a cash budget. It was also found that cash balances were generally proportionately higher for SMEs than for larger businesses. Again, more than half of those SMEs in the survey held surplus cash balances on a regular basis. Business owners often get so wrapped up in running their day-to-day operations that they neglect to develop a strategic cash flow management approach that can help them avoid cash shortages and maximize income.(Laurie, 2012).

According to Uwonda et al (2013), around 90% of SME failures in Saudi Arabia are due to inadequate management of cash flow. Muller (2008) noted that in order for SMEs to manage their cash flow, they must understand cash flow and be able to project how and when cash will be received and spent, take steps to optimize revenue and expenditure timing and amounts. Yaqub and Husain (2010) argue that for SMEs to grow, they must address failure factors by identifying potential cash problems and deciding how to improve the organization's cash position.

The report on the district state of the environment in 2005 for Gulu Municipal Council indicated that the population is engaged mostly in small-scale businesses, which are mainly for day-toto-day survival. The Census of Business Establishments 2010/11 indicates that there are 592,769 businesses in Uganda, of which 37,399 are in Northern Uganda, with 4,554 operating in Gulu Municipal Council.(UBOS, 2011).

2. Methodology

2.1 Research design

This research used a cross-sectional survey design to find out the relationship between cash flow management and the growth of SMEs in Gulu Municipal Council. A quantitative research approach was employed to collect data from the respondents.

2.2 Study Population, Sampling Method, and Sample Size

The study population included private schools, hotels, and clinics operating in Gulu Municipal Council, as shown in Table 1. These were selected because they are considered private profit-making organizations and are believed to have accessed funds from the open market. However, the study excluded drug shops operated by nursing aids and non-health professionals.

Table 1. Study Population and Sample Size

Business Activities	Total population	Sample size
Private Schools	51	44
Hotels	46	44
Clinics	6	6
Total	**103**	**94**

The respondents for the study included the owner / manager (head teacher) or the bursar of the private schools, hotels, and clinics operating within the four divisions of Gulu Municipal Council, but excluded other staff members other than the manager / accountants or bursars. The owner / manager/ bursar was selected because they are considered to be involved in making financing decisions and other decisions on the normal operations of the businesses.

This study used stratified sampling to distribute the respondents according to the type of industry in which they fall, namely; schools, hotels, and clinic services. Thereafter, simple random sampling was used to select the required respondents from the population using Krejcie & Morgan's (1970) table for determining sample size for a given population. A total sample of 94 respondents was distributed as shown in Table 1.

2.3 Data Collection, Measurement, and Instrument

This research used both primary and secondary data. Primary data was obtained directly from the field using questionnaires as the main tool for collecting data. While secondary data was collected from e-resources, journals, and textbooks in the library.

The researcher employed an ordinal scale of measurement on a 5-point Likert scale using Strongly Disagree (SD), Disagree (D), Don't Know (DK), Agree (A), and Strongly Agree (SA).

2.4 Data Analysis

Coded responses from the questionnaires were analyzed quantitatively using Statistical Package for the Social

Sciences (SPSS) software version 12.0. SPSS is a versatile computer package in social science research with the capability of performing a variety of statistical analyses and procedures (Taylor,2000).

This study utilized descriptive and inferential statistics to generalize the findings beyond the sample, concerning the relationships and differences among the study variables. Correlation measures were used to predict and describe the association between cash flow management and growth of SMEs.

2.5 Validity and Reliability

Validity was achieved by pre-testing the questionnaire for both face and content validity. Inputs from the pretested respondents were used to modify the questionnaire. The questionnaire was given to experts in questionnaire design to check for reliability and accuracy of the questions, its analyzability, and possible outcomes, and then advise accordingly. Reliability was measured by the Cronbach Alpha Test, and we obtained a Cronbach alpha of 0.937 (93.7%).

3. Findings

3.1 General Characteristics of Businesses

This study captured the characteristics of respondents by variables of gender, education level, age group, categories of business, and number of owners of the business, as per Table 2.

Table 2: General Characteristics of Businesses

S/No	Characteristics	Frequency	Percentage (%)
	Categories of Small and Medium Enterprises		
	Private School	44	46.8
	Clinic	6	6.4
	Hotels	44	46.8
	Total	**94**	**100**
	Number of people owning the Business		
	Only one person	58	61.7
	Between 2-20 people	36	38.3
	More than 20 people	0	0
	Total	**94**	**100**

From Table 2, it is found that the majority of respondents were males (60.64%), while females made up only 39.36%. This sex difference was significant with a value of $p = 0.029$ perhaps this relates to the fact that the largest proportions of entrepreneurs are of the male gender. The table also showed that, respondents with O' level of education were 5.3%, A' level (9.6%), Diploma (25.5%), Degree (42.6%) and post graduate (17%). Hence, the majority of the respondents (42.6%) were degree holders and when compared with other qualifications, the difference was statistically significant with a value of $p = 0.000$.

Regarding the age of respondents, those of age group 20-25 years were 2.1%, 26-30 years were 12.8%, 31-35 years were 20.2%, 36-40 years were 27.7% and age group over 40 years were 37.2% and the difference in this age distribution was significant with a value of $p = 0.000$. Therefore the majority of the respondents were above 40 years.

The table further showed that out of the total 94 respondents included in the study, 44 (46.8%) were from private schools, 44 (46.8%) hotels, and 6 (6.4%) clinics. Therefore, clinics formed the minority of all the SMEs included in this study. Furthermore, it was observed that among the businesses interviewed, 61.7% were owned by only one person, and 38.3% were owned by between 2-20 people. None of the businesses were owned by more than 20 people. Hence the greater proportions of the SMEs included in the study were Sole Proprietorship and the difference in classification was significant at $p = 0.023$.

3.2 level of cash flow management.

This study examined the level of cash flow management in terms of motives for holding cash, techniques for managing cash flow, managing temporary cash shortages, managing temporary cash surpluses, and credit management.

3.2.1 Motives for holding cash

Motives for holding cash covered transaction motives, precautionary motive, and speculative motives as indicated in Table 3.

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Table 3.Motives for Cash Holding

Motives for holding cash	Strongly Disagree (i)	Disagree (ii)	Disagreement (i+ii)	Don't Know (iii)	Agree (iv)	Strongly Agree (v)	Agreement (iv+v)
The business holds cash to meet routine cash requirements in the normal course of business	9.6%	6.4%	**16%**	4.3%	40.4%	39.4%	**79.8%**
The business holds cash to meet unexpected contingency	27.7%	25.5%	**53.2%**	6.4%	23.4%	17.0%	**40.4%**
The business holds cash to take advantage of opportunities outside the normal course of	13.8%	19.1%	**32.9%**	3.2%	41.5%	22.3%	**63.8%**
Averages			**34%**	**4.63%**			**61.33%**

The results showed that 79.8% of the SMEs hold cash for transaction motives, 63.8% for speculative motives, and 40.4% for precautionary motives. The results above imply that more than half of the SMEs hold cash in the business mainly for transaction motives (79.8%) and speculative motives (63.8%), while precautions are only taken care of to a small extent (40.4%).

3.2.2 Techniques for Managing Cash Flow

According to this study, techniques for managing cash flow covered cash planning (forecasting) and cash budgeting, as per table 4.

Table 4. Techniques for Cash Flow Management

Cash Flow Management Techniques	Strongly Disagree (i)	Disagree (ii)	Disagree-ment (i+ii)	Don't Know (iii)	Agree (iv)	Strongly Agree (v)	Agree-ment (iv+v)
Cash planning							
Cash planning to ensure that cash is always available.	6.4%	9.6%	**16%**	7.4%	43.6%	33.0%	**76.6%**
The business has the capacity to do cash planning.	13.8%	16.0%	**29.8%**	5.3%	45.7%	19.1%	**64.8%**
Average			**22.9%**	**6.4%**			**70.7%**
Cash budgeting							
The business creates monthly, quarterly, and annual cash budgets for its operations.	9.6%	39.4%	**49%**	5.3%	26.6%	19.1%	**45.7%**
Money generated from the business is spent only on budgeted business activities.	8.5%	44.7%	**53.2%**	4.3%	20.2%	22.3%	**42.5%**
There is strong internal control on cash receipts and payments.	2.1%	44.7%	**46.8%**	8.5%	27.7%	17.0%	**44.7%**
Funds borrowed are used to finance business activities other than personal activities.	6.4%	40.4%	**46.8%**	2.1%	24.5%	26.6%	**51.1%**
Expenditures on the business plan are not affected by other personal needs.	6.4%	44.7%	**51.1%**	5.3%	33.0%	10.6%	**43.6%**
Organization's expenditures assist in planning and controlling cash flows.	4.3%	25.5%	**29.8%**	12.8%	31.9%	25.5%	**57.4%**
The business has reliable suppliers who deliver on time.	5.3%	40.4%	**45.7%**	6.4%	31.9%	16.0%	**47.9%**
The business keeps proper records of suppliers, which eases payment of suppliers and improves business relationship	6.4%	53.2%	**59.2%**	2.1%	14.9%	23.4%	**37.3%**
Averages			**48.0%**	**6.0%**			**46.0%**

The results showed that SMEs are aware that cash planning helps ensure that cash is always available when needed (76.6%), and that businesses have the capacity to do cash planning for their activities, which helps them avoid having inadequate or excess cash (64.8%). This implies that, on average, more than half of the SMEs (67%) engage in cash planning for their activities.

Result on cash budgeting in Table 5 show that SMEs do not keep proper records of suppliers, which makes payment of suppliers difficult and destroys business relationships (59.6%). The results further indicate that money generated from the business is spent on non-budgeted business activities (53.2%), and that expenditures on the business plan are affected by the owners' personal needs (51.1%). This implies that SMEs do not engage in proper cash budgeting, have weak internal control on cash receipts and expenditures, lack proper records of suppliers, spend money on none business activities, and that the personal interests of the owners affect expenditures on all business activities.

3.2.2.1 Managing Cash Shortages

This study was intended to examine how businesses handle business operations in situations where the business is experiencing temporary cash shortages. The results are indicated in Table 5.

Table 5. Cash Shortage Management

Managing temporary cash shortage	Strongly Disagree (i)	Disagree (ii)	Disagree-ment (i+ii)	Don't Know (iii)	Agree (iv)	Strongly Agree (v)	Agree-ment (iv+v)
The business obtains a loan from a bank or an individual.	27.7%	35.1%	**62.8%**	4.3%	27.7%	5.3%	**33%**
The business arranges for a line of credit from banks.	8.5%	23.4%	**31.9%**	4.3%	43.6%	20.2%	**63.8%**
The business speeds up the collection of receivables.	10.6%	20.2%	**30.1%**	4.3%	43.6%	21.3%	**64.9%**
The business liquidates (sells) investments in case of cash shortage.	18.4%	31.9%	**50%**	5.3%	27.7%	17.0%	**44.7%**
the business delays payments to vendors (suppliers)	12.8%	26.6%	**39.4%**	4.3%	31.9%	24.5%	**56.4%**
Averages			**43.0%**	**4.0%**			**53.0%**

According to the results in Table 5, it is evident that SMEs manage temporary cash shortages by arranging for a line of credit from banks (63.8%), speeding up the collection of receivables from suppliers (64.5%), and delaying payments to vendors / suppliers (56.4%). The results also show that a smaller percentage (33%) of MEs obtain a loan, usually from an individual such as a board member, staff, or amily member, to help the business run its normal operations during times of cash shortage. This result indicates that more than half of the SMEs examined manage their temporary cash shortage by arranging for a line of credit from banks, speeding up collection of receivables from suppliers, and delaying payments to suppliers.

3.2.2.2 Managing temporary cash surplus

Much as surplus cash in any business is a sign that a business is doing well, if the surplus cash is not managed well, then it can remain idle. This study examined how best SMEs manage their excess cash in the business. Results on the study are indicated in Table 6.

Table 6. Temporary Cash Surplus Management

Managing temporary cash surplus	Strongly Disagree (i)	Disagree (ii)	Disagree-ment (i+ii)	Don't Know (iii)	Agree (iv)	Strongly Agree (v)	Agree-ment (iv+v)
aThe business makes short-term investments in certificates of deposit, money market funds, Treasury bills, and Bonds.	30.9%	29.8%	**60.45%**	7.4%	23.4%	8.5%	**31.9%**
The business can buy goods in bulk when there is temporary cash surplus and use them over the course of the year.	8.5%	13.8%	**22.3%**	7.4%	47.9%	22.3%	**70.2%**
Average			**42.0%**	**7%**			**57.45%**

The result on managing temporary cash surplus in Table 6 indicated that 60.7% of the SMEs do not make short term investments in certificates of deposit, money market funds, Treasury bills and Bonds (60.7%) when there is temporary cash surplus. However, it is also observed from the result that 70.2% of the SMEs purchase / buy goods in bulk when there is temporary cash surplus and use them over the course of the year. This implies that more than half of the SMEs examined purchase goods in bulk when there is temporary cash surplus. Also, more than half of them do not make short-term investments in the money market. example, in Treasury bills, where they could earn interest at the end of the period. Perhaps they are not aware of such kinds of investments.

Credit Management

Credit management consists of invoicing customers nd general management of credit terms for those who purchase goods or services on credit. Result on credit management are indicated in Table 7.

Table 7: Credit Management

Credit Management	Strongly Disagree (i)	Disagree (ii)	Disagre e-ment (i+ii)	Don't Know (iii)	Agree (iv)	Strongl y Agree (v)	Agree-ment (iv+v)
The business issues invoices promptly and sends periodic statements of reminder to customers.	14.9%	19.1%	**34%**	2.1%	45.7 %	18.4%	**63.8%**
Credit terms (grace period for payment) are communicated to customers on sales invoices.	12.8%	23.4%	**36.2%**	43%	42.6 %	17.0%	**59.6%**
The business assesses the creditworthiness of each customer and establishes limits in terms of the amount and time allowed for them to pay.	10.6%	27.7%	**38.3%**	5.3%	42.6 %	13.8%	**56.4%**
Average time taken to receive payment from customers:0-1monh	7.4%	25.5%	**32.9%**	3.2%	45.7 %	18.4%	**63.8%**
Average time taken to receive payment from customers: 2-3 months	12.8%	40.4%	**53.2%**	6.4%	27.7 %	12.8%	**40.5%**
The business reviews the credit terms of customers who often fail to pay within the grace period set by the business.	5.3%	26.6%	**31.9%**	7.4%	43.6 %	17.0%	**60.6%**
Total Averages			**37.75%**	**4.78%**			**57.45 %**

According to the results on credit management on table 7, 63.8% of SMEs issue invoices promptly and send periodic statements of reminder to customers. Additionally, 59.6% communicate credit terms (grace period for payment and discount for early payments if any) to customers on sales invoices. 56.4% assess the creditworthiness of each customer and establish limits in terms of the amount and time allowed for them to pay. Furthermore, 63.8% set their average time to collect payment from customers between 0-1 month, while 60.6% review the credit terms of customers who often fail to pay within the grace period given by the business. This implies that, on average, more than half (57.45%) of the SMEs manage their creditors fairly well.

3.4 Correlations between Cash Flow Management and Growth of SMEs.

This study examines the relationship between cash flow management and the growth of SMEs, considering SMEs in Gulu Municipal Council. The Karl Pearson Product Moment Correlation Matrix was used to examine this relationship, as indicated in Table 7 and

Table 8. The correlations between cash flow management and the growth of SMEs

		Cash flow management	SMEs growth
Cash flow management	Pearson Correlation	1	.371(**)
	Sig. (2-tailed)		.000
	N	94	94
SMEs growth	Pearson Correlation	.371(**)	1
	Sig. (2-tailed)	.000	
	N	94	94

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

The analysis result on table 8 found that there is a significant positive relationship between the growth and cash flow management (r=0.371**; p<0.01).

3.5 Relationship between Cash Flow Management and Growth of SMEs.

The purpose of this study was to examine the relationship between cash flow management and the growth of SMEs in Gulu Municipal Council. To achieve this, a regression analysis was performed using components of cash flow management against that of SMEs growth, as indicated in the model summary on

Table 9. Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.526[a]	.276	.235	.494	.276	6.723	5	88	.000

a. Predictors: (Constant), Credit magaement, Managing temporary cash shortage, Managing temporary cash s for Holding cash, Techniques for managing cash flow

From Table 9, it is observable that the variation in the growth of SMEs is accounted for by the variables of cash flow management to the tune of 27.6% (R square=0.276). The low value of R square means that only 27.6% of the variation in the growth of SMEs is accounted for by unit changes in the predictors of cash flow management, which are Credit management, managing temporary cash shortage, Motives for Holding cash, Managing temporary cash surplus, and Techniques for managing cash flow**.** Thus, while these variables are desirable for the growth of SMEs, there may be other variables responsible for the growth of SMEs that need to be explored.

3.6 Predictors of Small and Medium Enterprises growth

To predict the variables responsible for Small and Medium Enterprises (SMEs) growth in Gulu Municipal Council, a regression analysis was performed using components of cash flow management as shown in Table 10.

Table 10. Coefficients (a) Predictors of Small and Medium Enterprises (SMEs) growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.252	.280		4.463	.000
	Motives for Holding cash	.214	.064	.352	3.318	.001
	Techniques for managing cash flow	.010	.073	.017	.141	.889
	Managing temporary cash shortage	.084	.075	.113	1.115	.268
	Managing temporary cash surplus	.072	.055	.141	1.313	.192
	Credit management	.060	.088	.088	.683	.496

a Dependent Variable: SMEs growth

** $p \leq 0.01$

From the table 10, it is observed that motives for holding cash are responsible for growth of Small and Medium enterprises (SMEs) with level of significant of $p = 0.001$. While Techniques for managing cash flow, Managing temporary cash shortage, Managing temporary cash surplus and Credit management with level of significance of $p = 0.889$, $p = 0.268$, $p = 0.192$ and $p = 0.496$ respectively are not responsible for growth of SMEs with respect to SMEs operating in Gulu Municipal Council. This implied that when techniques for managing cash flow, credit management policy, management of temporary cash shortages and surpluses is poorly perceived as is in the case of SMEs operating in Gulu Municipality then, they may not lead to growth as expected.

4. Discussions

Results showed that more than half of the SMEs held cash for transaction and speculative motives, while few of them held cash for precautionary motives. Other studies by Stephen (2012); (Biger, 2013); Besley and Brigham (2005), Gill and Shah (2012), Kim et al. (2011), and Pandey (2002) found that businesses hold cash to satisfy transactional, speculative, and precautionary motives as well.

Results on techniques for managing cash flow (cash planning and budgeting) found that more than half of the SMEs are aware that cash planning helps ensure that cash is always available when needed, and that the SMEs examined have the capacity to do cash planning of their activities, which helps them avoid having inadequate or excess cash. This affirms what Pandey (2002) and Scott and Eugine (1998) suggested, that companies need to manage their cash properly through cash planning (forecast) and cash budget. Also, according to surveys of businesses by Haskins, Higgs, and Ketz (1987), it is safe to suggest for companies of any size that cash is the lifeblood of the firm, and that a company's cash-planning practices can be a critical early warning device of impending financial trouble.

Results on cash budgeting found that SMEs do not keep proper records of suppliers, which makes payment to suppliers difficult and hence destroys business relationships. Money generated from the business is spent on non-budgeted business activities, and expenditures on business plans are affected by the owners' personal needs. Although Besley and Brigham (1998), suggested that the preparation of cash budget is an indication of good planning, the result from this study found that SMEs do not do proper cash budgeting, have weak internal control on cash receipts and expenditures, and lack proper records of suppliers. The study also found that SMEs spend money on none business activities because expenditures on all activities are affected by the owners' personal interest. This is in line with ICAEW (2011) The study found that 60%-70% of SMEs' directors/shareholders take too much money out of the business, and others have tax bills to pay that they didn't plan for. The lack of proper records of suppliers makes budgeting hard for SMEs.

Results on managing temporary cash shortages found that more than half of the SMEs manage temporary cash shortages by arranging for a line of credit from banks, speeding up the collection of receivables from suppliers, and delaying payments to suppliers. The result also found that a few of the SMEs examined obtain loans, usually from an individual such as a board member, a staff member, or a family member, to help the business run its normal operations in times of cash shortage. Hence, conforming to the recommendation from Jannicelli (2003), According to Jannicell, (2003), SMES should consider obtaining a loan or a line of credit, usually from a bank or an individual such as a board or staff member, speed up the collection of receivables, and delay payments to vendors.

Results on managing temporary cash surpluses found that more than half of the SMEs purchase goods in bulk when there is a temporary cash surplus but do not make short-term investments in treasury bills, where they could earn interest at the end of the period. This could be because they are not aware that they can invest their excess money in shares and earn dividends. This study is in line with suggestions to SMEs by Jannicelli (2003)**,** on making bulk purchases in situations of temporary cash surplus. However, it is observed that the result does not agree with the suggestion from Jannicelli (2003)**,** that SMEs may make short-term investments in certificates of deposit, money market funds, Treasury bills. This could be because the SMEs examined may not have available information on such kinds of investment.

According to the results of credit management, more than half of the SMEs examined issue invoices promptly and send periodic statements of reminder to customers. They communicate credit terms (grace period for payment and discount for early payments, if any) to the customers on sales invoices, assess the creditworthiness of each customer, and establish limits in terms of amount and time allowed for them to pay. They set their average time to collect payment from customers between 0-1 month and review the credit terms of customers who often fail to pay within the grace period given by the business. Thus, on average, they manage their creditors fairly well. This is in line with Agyei-Mensah (2012), who suggested that in the formulation of the credit control policy, the terms of trade, notably the period of credit to be granted, should be clearly stated, and the creditworthiness, especially for new customers, should be assessed to establish limits in terms of amount and time of credits. He also noted that, in addition to the above, the business should consider reviewing existing customers from time to time, especially if they request that their credit limit should be raised.

5. Conclusions and Recommendations

5.1 Conclusions*:* The significant and positive relationship between SMEs growth and cash flow management at $p = 0.01$ means that in making liquidity decision management should attach great importance to the cash component of working capital. A coefficient of determination of $R^2 = 27.60\%$, means that about one third of the variation in growth of SMEs is accounted for by proper cash management of organizational resources.

5.2 Recommendations*:* SMEs need to focus on cash flow management as a component of liquidity decision taken in their business. Financial institutions that finance gaps in working capital should ascertain clear cash holding strategies of the borrowers.

5.3 Areas for further research*:* Other researchers could explore the contribution of the components of working capital to the growth of SMEs. This should be in addition to the contribution of investment decisions, financing decisions, and dividend decisions as a totality of best financial management practices in the promotion of growth of SMEs.

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