

The Relevancy of Working Capital Management Practices and Financial Expertise in Driving Business Success for Micro, Small, and Medium Enterprises (MSMEs) in Nakawa Division, Kampala District, Uganda

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Abstract:- The objective of this investigation was to examine the connection between working capital management, financial-expertise, and the business success of Micro, small, and medium-sized enterprises (MSMEs) in Nakawa Division, Kampala. The study adopted a quantitative methodology to produce numerical data and applied causal-comparative and correlational designs. The analysis focused on MSMEs, with business owners serving as the primary respondents. About 132 questionnaires were distributed, and 130 were completed and returned, yielding a high response rate of 98.48%, which was adequate for the study's conclusions. Most of respondents were female, married, and actively involved in business activities, with an educational background. Most MSMEs were registered but employed fewer than five workers. Analytical tools such as Pearson correlation and linear regression were utilized for the data analysis. The findings revealed that financial expertise significantly moderates the association between working capital management (specifically inventory management) and business success. The results highlight that improving financial skills such as debt management, bookkeeping, and budgeting through education, training, and collaboration with financial institutions enhances the ability of MSME owners to manage working capital efficiently, thereby boosting business-success. The study recommended that MSME owners in Nakawa Division prioritize developing their financial expertise through training sessions, workshops, and partnerships with financial organizations or business development agencies. Additionally, future research could delve into other factors influencing MSME success, such as marketing strategies, innovation potential, or access to modern technologies.

Keywords:- Working Capital Management, Financial Expertise, Business Success.

I. INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) are pivotal to the economic growth of many nations (World Bank Report, 2020). They significantly contribute to job creation and the global economy, accounting for 90% of businesses and over 50% of employment worldwide (Pedraza, 2021). MSMEs encompass all business types, whether formal or informal, to promote inclusivity (Osunsan, Kinyatta, Baliruno, & Kibirige, 2015). Globally, the performance of MSMEs is estimated at 62.6%, and regionally at 52% (Ensari & Karabay, 2018). In Uganda, the business sector has experienced an average annual growth of 8% since the 1990s, contributing 28% to the GDP and 37% to economic growth (UBOS, 2018). Additionally, MSMEs constitute approximately 90% of the entire private sector (Kyambadde, 2015).

Despite MSME's urban location, development, promotion and implementation of MSME's policies and economic prioritization, their performance in terms of profitability remains a challenge, (Kyambadde, 2015). This is evidenced by Uganda's high business failure rate (Global Entrepreneurship Monitor report, 2015; Kyambadde, 2015). In particular, Nakawa Division in Kampala district is one of the areas where MSMEs exhibit poor performance (Nakawa MSMEs Register, 2016). In 2015, Nakawa Division had 16,793 registered MSMEs, however, a total of 1,562 representing a 9.3% had closed down within the same year leaving a total of 15,231 surviving MSMEs in the division (Nakawa MSMEs Register, 2016). In 2016 a total of 319 new MSMEs were registered within Nakawa division however, by the end of the same year a total of 2,674 (55 being part of the 319 new MSMEs) had failed representing 17.2 % an increase in the failure rate from the 9.3% registered in 2015 (Nakawa MSMEs Register, 2016; Najjingo, 2018), UIA, 2019, 2018; Ernst & Young, 2018; (Uganda Bureau of Statistics (UBOS), 2018). The government of Uganda has executed various initiatives aimed at enhancing and supporting the business environment, reducing compliance costs associated with business regulations, and enacting reforms. However, these efforts have not yielded significant improvement, as the

performance of MSMEs in Uganda remains below expectations, standing at 55% compared to the sub-Saharan Africa average of 85%. The high failure rate of these enterprises is closely linked to deficiencies in working capital management and financial literacy, both of which are critical for maintaining profitability (Chepngetich, P., 2016; Global Entrepreneurship Monitor Report, 2015; Kyambadde, 2015). This underwhelming performance is largely attributed to poor working capital practices, with 75% of managers lacking financial literacy (UIA, 2019), resulting in unreliable and unsustainable financial decision-making within these businesses (Nuwamanya, 2021).

Effective working capital management serves as a critical driver and foundational requirement for an organization's financial success (Nuwamanya, 2021; Ahangar, 2020; Abuzayed, 2012). According to Sharmilee and Muhammad (2016), MSME owners and managers should focus on building collaborations to enhance business performance. These collaborations help MSMEs achieve economies of scale and scope while gaining affordable complementary skills and knowledge. Similarly, research by Rosyadah and Semmaila (2017) highlights that inadequate financial expertise and poor working capital management are major contributors to MSME failures, often resulting in high bad debts, excessive inventory costs, and reduced operational efficiency.

Dahmen and Rodriguez (2014) highlighted the significance of financial literacy for business owners to improve company performance and foster high growth. However, many MSMEs still neglect financial management, often mixing personal and business finances, which hinders progress. Alongside efficient working capital management, strategic initiatives are essential to support MSME growth, including enhancing financial literacy among MSME stakeholders to foster effective financial management practices (Aribawa, 2016).

This study draws upon two foundational theories: the Resource-Based View (RBV) theory (Barney, 2001) and the Dynamic Capability Theory (DCT) (Wernerfelt, 2014). The RBV theory underscores the significance of a firm's internal resources and highlights the critical role of financially skilled owners in managing working capital. Businesses leveraging RBV principles and efficient working capital management are better positioned to achieve superior profitability (Cranimar & John, 2021). The DCT extends the RBV framework by emphasizing the ability of firms to adapt to evolving environments and adjust strategies and resource allocations accordingly.

Working capital management is regarded as an intangible dynamic capability that empowers MSMEs to integrate, develop, and reconfigure their internal and external competencies (Elf, Werner, & Black, 2022). A lack of financial expertise in transforming resources, skills, and knowledge into services that align with market demands can hinder MSME performance. Dynamic capabilities, however, enable businesses to modify their resource base, enhancing adaptability and driving growth. Accordingly, this study

investigates the impact of working capital management and financial expertise on the performance of MSMEs in Nakawa Division.

➤ *Problem Statement*

While Uganda is recognized as one of the most entrepreneurial countries globally, it also ranks among those with the highest number of MSMEs struggling to perform and often closing within their first year of operation (Najjingo, 2018; Global Entrepreneurship Monitor Report, 2015). Despite increased attention from the Government of Uganda and development partners, recent studies indicate limited progress in enhancing the profitability and sustainability of these enterprises (PSFU, 2019; UIA, 2019; BOU, 2018; Nuwamanya, 2021). The high failure rate is largely attributed to poor credit utilization, inadequate money management practices, excessive debt levels, and high operational costs, all of which stifle productivity and growth among traders (Uganda Bureau of Statistics (UBOS), 2018). These challenges often result in MSMEs exiting the market after failing to meet performance benchmarks (UBOS, 2017). Data reveals that 70% of MSMEs fail to achieve their targets, and most enterprises in Uganda do not survive beyond two years (PSFU, 2019; MoFPED/UNPF, 2017). Nakawa Division, in particular, has been highlighted as one of the weakest-performing regions for medium enterprises (UBOS, 2016). This poor performance is closely tied to weak working capital management, with 75% of managers lacking financial literacy skills (UIA, 2019; PSFU, 2019). Reports suggest that many traders handled substantial sums of money but lacked the financial expertise necessary for effective management, leading to widespread business failures between 2015 and 2016 (UIA, 2017). This lack of financial literacy has made it difficult for business owners to make informed decisions regarding inventory levels, accounts payable, and accounts receivable, all of which significantly impact MSME performance (Sharmilee & Muhammad, 2016). In light of these challenges, this study aims to investigate how working capital management and financial expertise influence the performance of MSMEs in Nakawa Division.

II. LITERATURE REVIEW

➤ *Micro, Small and Medium-Sized Enterprises (MSMEs)*

According to the Uganda Bureau of Statistics (2019), MSMEs are classified based on three criteria: the number of employees, the capital invested, and the annual turnover. Micro-enterprises are defined as businesses employing no more than five individuals, with total investments not exceeding UGX 10 million. Small enterprises, on the other hand, have between 5 and 49 employees and investments ranging from UGX 10 million to 100 million. Medium enterprises employ 50 to 100 people and hold total assets exceeding UGX 100 million but not surpassing UGX 360 million.

MSMEs encompass all types of enterprises, regardless of whether they are formal or informal, ensuring inclusivity (Osunsan, Kinyatta, Baliruno, & Kibirige, 2015). Uganda Bureau of Statistics (2016) similarly categorized MSMEs based on employment size, capital investments, and annual

turnover. Micro-enterprises employ between 1 and 5 individuals with total assets not exceeding UGX 10 million. Small enterprises hire 5 to 49 people and own assets valued between UGX 10 million and 100 million. Medium enterprises, meanwhile, employ 50 to 100 individuals with total assets exceeding UGX 100 million but not surpassing UGX 360 million (Kakuru, 2015).

Recognizing the critical role of MSMEs in driving economic transformation and development, the Ugandan government has established the Directorate of MSMEs within the Ministry of Trade and Cooperatives. This body is tasked with addressing challenges faced by these enterprises and supporting their growth (Uganda Micro, Small, and Medium Enterprise (MSME) Policy, 2015).

➤ *Theoretical Foundation*

This study draws upon two key theoretical frameworks: the Resource-Based View (RBV) by Barney (2001) and Wernerfelt (2014), and the Dynamic Capability Theory (DCT), introduced by Teece et al. (1997).

• *Resource-Based View (RBV)*

The Resource-Based View (RBV) asserts that firms possess unique, rare, and inimitable resources that form the foundation for competitive advantage (Barney, 2001; Wernerfelt, 2014). According to RBV, internal resources such as human capital, including financial expertise, are essential for achieving superior performance. Rather than focusing solely on external factors, RBV encourages firms to leverage their internal resource base.

For MSMEs, where owners often provide and manage resources, financially literate managers are critical for effective working capital management, which in turn enhances profitability (Barney, 2001). Working capital serves as the lifeblood of any business, ensuring the availability of funds for raw material procurement, payment of utilities and wages, offering credit to customers, and maintaining an adequate stock of finished goods to meet market demand. Without sufficient working capital, daily operations become inefficient, ultimately hampering business performance (Lambarg & Valmang, 2009). RBV emphasizes that resource heterogeneity across firms explains performance differences. Firms that effectively implement financial expertise can better manage bookkeeping and accounting, improving their ability to track business operations and drive success (Siekei,

Wagoki, & Kalio, 2013). However, critics of RBV argue that it is overly static and fails to account for dynamic and turbulent business environments (Williamson, 1999).

• *Dynamic Capability Theory (DCT)*

The Dynamic Capability Theory (DCT), introduced by Teece et al. (1997), extends RBV by emphasizing the need for firms to adapt and thrive in dynamic environments. DCT highlights the importance of anticipating changes and reorganizing strategies and resource deployment to maintain a competitive edge. In this study, working capital management is conceptualized as an intangible dynamic capability that enables MSMEs to integrate, build, and reorganize internal and external competencies to address rapidly changing environments. Dynamic capabilities involve purposeful routines or processes aimed at achieving specific objectives, allowing firms to sustain a competitive advantage over others (Helfat et al., 2009). The lack of financial expertise to combine and transform existing resources, skills, and knowledge into market-demanded services negatively impacts MSME performance. Dynamic capabilities, however, empower firms to reconfigure their resource base (Eisenhardt & Martin, 2000), enhancing adaptability and performance in turbulent markets.

➤ *Conceptual Framework*

The conceptual framework explains the relationships of working capital management (independent variable), Financial Expertise (moderating variable) and Business success (dependent variable). Financial Expertise is measured in terms of loan/Debt management skills, Budgeting competency, and Book-keeping proficiency by (Chepkemoi, Patrick, & Njoroge, 2017). Working capital management is conceptualized in terms of inventory management, accounts receivable and accounts payable (Abuzayed, 2012). Business success is measured in terms of non-financial indicators such as employee productivity and customer satisfaction. This is in line with previous scholars (Nkundabanyanga, 2016; Nuwamanya, 2021). The conceptual framework was supported by two theories; the Resource-Based View (RBV) theory (Barney, 2001) and the Dynamic Capability Theory (DCT) (Wernerfelt, 2014). RBV theory emphasizes the importance of a firm's resource base and the role of financially literate owners in managing working capital. Firms with RBV and effective working capital management are more likely to achieve higher profitability (Cranimar & John, 2021).

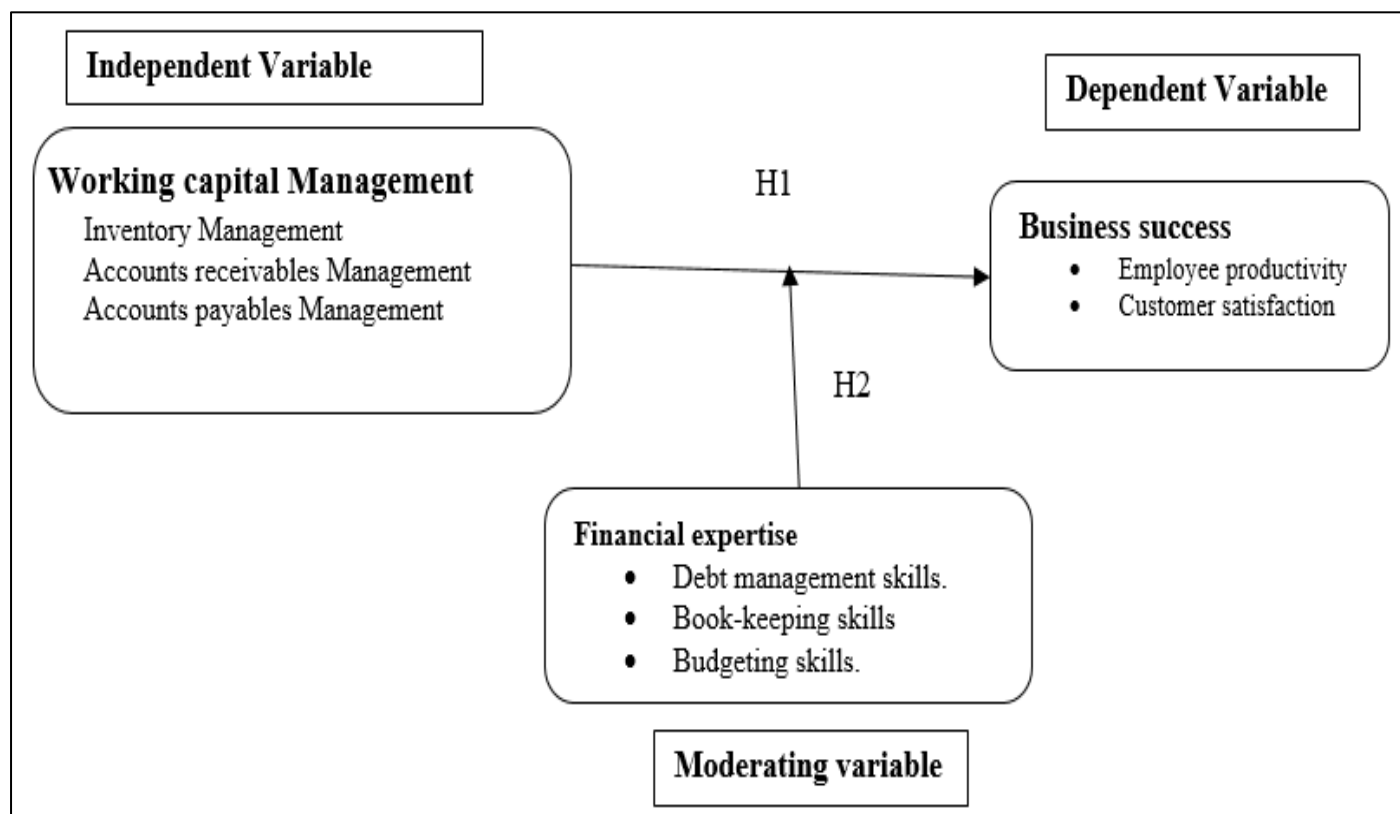


Fig 1 The Conceptual Frame Work

Sources: Adopted and modified from NUwamanya (2021); Najjingo (2018); Altawalbeh (2020); Malik & Iqbal (2012); Abuzayed (2012); Onodje (2014).

III. RESEARCH METHODS

This study employed a cross-sectional survey design, which allowed the researcher to gather data within a brief period. A correlational design was used to examine and quantify the relationship or association between two or more variables or sets of scores (Creswell, 2014). A quantitative research approach was chosen for this study to collect numerical data on various variables. The unit of analysis was MSMEs, while the unit of inquiry consisted of the owners of these businesses. The study focused on a target population of 200 MSME owners in Nakawa Division, who possess the necessary knowledge and skills related to working capital management. These individuals were considered the most suitable respondents to provide the required information (Creswell, 2014). A five-point Likert scale was employed, as it has been commonly used in previous studies (Ali et al., 2014; Bacha, 2014; Noor, 2012), among others.

➤ Measurement of the Variables

The study employed established measurement items from previous research to operationalize and assess the key variables under investigation.

➤ Financial Expertise

Sucuahi (2013) measured financial expertise using record-keeping, budgeting, savings, and financing skills. Similarly, Fatoki (2014) assessed the financial expertise of new micro-entrepreneurs through financial planning analysis and control, bookkeeping, understanding of funding sources,

business terminology, use of technology, and risk management (insurance). This study adopted the concepts of debt management skills, bookkeeping skills, and budgeting skills to measure the financial expertise of MSMEs.

➤ Working Capital Management

Working capital management was measured based on inventory management, accounts receivable, and accounts payable, as conceptualized by Marttonen et al. (2013) and Abuzayed (2011). These factors were assessed using a five-point Likert scale, which was adapted to suit the local context of MSMEs in Uganda.

➤ Business Success

Business success was measured using non-financial indicators such as employee productivity and customer satisfaction, in line with the approach of previous scholars (Nkundabanyanga, 2016; Abuzayed, 2012; Nuwamanya, 2021; Kaawaase et al., 2019). These indicators were also measured using a five-point Likert scale, modified to reflect the specific context of MSMEs in Uganda.

IV. RESULTS

The demographic characteristics of the respondents, including gender, age, educational level, marital status, number of employees, and years in business, were examined. Descriptive statistics for each of these characteristics were computed. The distribution of these characteristics is presented in Table 1 below.

Table 1 Respondents

| Characteristics of the respondents. | | Frequency | Percent |
|-------------------------------------|-------------------------|-----------|---------|
| Gender | Female | 67 | 51.5 |
| | Male | 63 | 48.5 |
| | Total | 130 | 100 |
| Age | 18- 29 years | 48 | 36.9 |
| | 30 - 39 years | 56 | 43.1 |
| | 40 – 49 years | 10 | 7.7 |
| | 50 - 59 years | 12 | 9.2 |
| | Above 60 years | 4 | 3.1 |
| | Total | 130 | 100 |
| Marital Status | Married | 75 | 57.7 |
| | Single | 41 | 31.5 |
| | Widow | 8 | 6.2 |
| | Widower | 6 | 4.6 |
| | Total | 130 | 100 |
| Business Registration | No | 49 | 37.7 |
| | Yes | 81 | 62.3 |
| | Total | 130 | 100 |
| Education | Diploma | 2 | 1.5 |
| | Bachelors’ degree | 34 | 26.2 |
| | Diploma | 64 | 49.2 |
| | Masters’ degree | 6 | 4.6 |
| | PHD | 2 | 1.5 |
| | Secondary qualification | 22 | 16.9 |
| | Total | 130 | 100 |
| Years of Existence | 1-5 years | 99 | 76.2 |
| | 11-15 years | 4 | 3.1 |
| | 6-10 years | 25 | 19.2 |
| | Over 15 years | 2 | 1.5 |
| | Total | 130 | 100 |
| No. of Employees | 4-49 | 22 | 16.9 |
| | Less than 5 | 108 | 83.1 |
| | Total | 130 | 100 |

Regarding gender, slightly more female respondents (51.5%) than male respondents (48.5%) participated, highlighting the significant involvement of women in managing MSMEs in Nakawa Division, Kampala District. In terms of age, the largest group of respondents fell within the 30-39 years category (43.1%), followed by the 18-29 years group (36.9%). This suggests that younger individuals are particularly engaged in establishing MSMEs, likely driven by the high unemployment rates in Uganda. Concerning marital status, the majority of respondents (57.7%) were married, with single individuals representing 31.5% of the respondents. These findings indicate that both married and single individuals are actively involved in business activities, possibly due to the need for financial support for family responsibilities or personal expenses. Regarding business registration, most respondents (62.3%) had formally registered their businesses. This indicates a positive trend,

with MSME owners recognizing the importance of formalizing their enterprises, which allows them access to financial assistance and other support. In terms of educational background, a significant majority of respondents (76.9%) had at least a diploma or higher education, underlining the importance of education in owning and managing MSMEs in Nakawa Division, and suggesting that formal qualifications provide advantages in business operations. Finally, regarding the age of the businesses, the majority (76.2%) had been operational for 1-5 years, suggesting that MSMEs in the region often face challenges in sustaining their businesses beyond the initial phase. Additionally, most businesses employed fewer than 5 people (83.1%), reflecting limited capacity for job creation. These findings provide valuable insights into the demographic and business landscape of MSMEs in Nakawa Division, which can inform future analysis and policymaking to support these enterprises.

Table 2 Descriptive Statistics for the Research Instruments

| | Min | Max | Mean | SD | Decision rule |
|-------------------------------|-----|-----|-------|-------|---------------|
| Book Keeping Skills | | | | | |
| I keep records of income. | 1.0 | 5.0 | 2.292 | 1.309 | Low |
| I keep records of expenditure | 1.0 | 5.0 | 2.177 | 1.197 | Low |
| I maintain a cash book. | 1.0 | 5.0 | 2.477 | 1.399 | Low |
| I maintain a Stock Register | 1.0 | 5.0 | 2.515 | 1.388 | Low |

| | | | | | |
|---|-----|-----|-------|-------|----------|
| I maintain a Sales book | 1.0 | 5.0 | 2.454 | 1.365 | Low |
| Total For Book Keeping Skills | | | 2.383 | 1.125 | Low |
| Receivables management | | | | | |
| We do not offer credit to irregular customers because that is very risky. | 1.0 | 5.0 | 2.846 | 1.587 | Moderate |
| We offer credit to regular customers. | 1.0 | 5.0 | 2.677 | 1.365 | Moderate |
| We carry out credit analysis for our customers before we offer credit to customers. | 1.0 | 5.0 | 3.185 | 1.440 | Moderate |
| In our organization, we give reminders to customers before their due dates | 1.0 | 5.0 | 2.846 | 1.355 | Moderate |
| The business gives discounts to encourage customers to pay on time | 1.0 | 5.0 | 3.131 | 1.394 | Moderate |
| Total for Receivables management | | | 2.937 | .987 | Moderate |
| Payables management | | | | | |
| I evaluate the terms and conditions of different financiers before choosing their products or services for my business. | 1.0 | 5.0 | 2.900 | 1.424 | Moderate |
| We pay our loans on time | 1.0 | 5.0 | 2.677 | 1.474 | Moderate |
| I know how to compute interest on savings | 1.0 | 5.0 | 2.862 | 1.418 | Moderate |
| Total for Payables Management | | | 2.813 | 1.178 | Moderate |
| Budgeting Skills | | | | | |
| I have clearly documented financial goals outlining what I aim to achieve for my business within a year. | 1.0 | 5.0 | 2.792 | 1.274 | Moderate |
| I am capable of creating a detailed budget tailored to my business needs. | 1.0 | 5.0 | 2.392 | 1.321 | Low |
| I can draft a written plan for projected income. | 1.0 | 5.0 | 2.592 | 1.345 | Low |
| I am skilled at preparing a comprehensive budget for expenses. | 1.0 | 5.0 | 2.592 | 1.345 | Low |
| I can analyze and compare actual performance against the planned budget. | 1.0 | 5.0 | 2.446 | 1.220 | Low |
| I use the budget to determine whether a business has the resources to acquire extra Assets. | 1.0 | 5.0 | 2.823 | 1.285 | Moderate |
| Total for Budgeting skills | | | 2.606 | 1.095 | Moderate |
| Grand TOTAL | | | 2.667 | .899 | Moderate |
| Interpretation of Mean 1.0 -1.8= Very Low , 1.8-2.6 =Low, 2.6-3.4 =Moderate, 3.4-4.2=High and 4.2-5.0 = very High and SD-Standard Deviation | | | | | |

Table 3 Descriptive Statistics on Working Capital Management

| | Min | Max | Mean | SD | Decision Rule |
|---|-----|-----|-------|-------|---------------|
| Inventory Management | | | | | |
| In our business, we maintain a minimum stock level to avoid running out of stock. | 1.0 | 5.0 | 2.308 | 1.048 | Low |
| In our business, we set up a maximum level of stocks at any time to avoid overstocking. | 1.0 | 5.0 | 2.738 | 1.204 | Moderate |
| The business knows when to order and when not to order | 1.0 | 5.0 | 2.369 | 1.095 | Low |
| Totals for inventory Management | | | 2.472 | .9517 | Low |
| Accounts payables management | | | | | |
| In our organization, we pay our suppliers on time in order to take advantage of cash discounts. | 1.0 | 5.0 | 2.400 | 1.152 | Low |
| We negotiate with our suppliers in order to maximize the credit period. | 1.0 | 5.0 | 2.623 | 1.196 | Moderate |
| Our firm maintains accurate records on all transactions with creditors | 1.0 | 5.0 | 2.446 | 1.162 | Low |
| The records forms the basis of reference and decision making on creditors' matters | 1.0 | 5.0 | 3.262 | 1.178 | Moderate |
| Totals For Accounts payables management | | | 2.464 | .949 | Low |
| Accounts receivables management | | | | | |
| Our business have formulated credit policy that guides extension of credits to our customers | 1.0 | 5.0 | 2.854 | 1.227 | Moderate |
| Implementation of credit policies ensures that only customers who meet set specifications access credit | 1.0 | 5.0 | 2.962 | 1.290 | Moderate |
| The business have established a means of negotiating with customers with bad debts | 1.0 | 5.0 | 2.908 | 1.124 | Moderate |
| Our business have formulated means of reviewing bad debts and measure to counter future ones | 1.0 | 5.0 | 3.323 | 1.189 | Moderate |
| We have debt recovery mechanisms in place | 1.0 | 5.0 | 3.147 | 1.156 | Moderate |
| Totals for Accounts receivables management | | | 3.062 | .984 | Moderate |
| Grand Totals | | | 2.667 | .899 | Moderate |

Interpretation of Mean 1.0 -1.8= Very Low , 1.8-2.6 =Low, 2.6-3.4 =Moderate, 3.4-4.2=High and 4.2-5.0 = very High and SD-Standard Deviation

Table 4 Descriptive Statistics Business Success

| | Min | Max | Mean | SD | Decision rule |
|---|-----|-----|--------------|--------------|-----------------|
| Employee productivity | | | | | |
| Employees consistently produce work of exceptional quality. | 1.0 | 5.0 | 2.715 | 1.176 | Moderate |
| Individual performance has shown a steady increase over time. | 1.0 | 5.0 | 2.662 | 1.053 | Moderate |
| Employees achieve more productivity per hour than expected. | 1.0 | 5.0 | 2.938 | 1.040 | Moderate |
| Team members actively seek ways to improve their efficiency. | 1.0 | 5.0 | 2.608 | 1.045 | Moderate |
| Employees excel in delivering results even under challenging circumstances. | 1.0 | 5.0 | 2.908 | 1.053 | Moderate |
| Employees effectively prioritize tasks and focus on key objectives. | 1.0 | 5.0 | 2.677 | 1.196 | Moderate |
| Deadlines are consistently met with precision and efficiency. | 1.0 | 5.0 | 2.608 | 1.131 | Moderate |
| The standard of employees' work improves progressively over time. | 1.0 | 5.0 | 2.500 | 1.094 | Low |
| Employees handle significant workloads with ease each day. | 1.0 | 5.0 | 2.754 | 1.035 | Moderate |
| Team members regularly propose ideas to enhance service quality. | 1.0 | 5.0 | 2.738 | 1.198 | Moderate |
| Our workforce upholds a high level of achievement in task completion. | 1.0 | 5.0 | 2.738 | 1.118 | Moderate |
| Employees consistently surpass team goals and performance benchmarks. | 1.0 | 5.0 | 2.885 | 1.185 | Moderate |
| Assigned tasks are completed within the specified time limits. | 1.0 | 5.0 | 2.662 | 1.131 | Moderate |
| Totals for Employee productivity | | | 2.723 | .865 | Moderate |
| Customer satisfaction | | | | | |
| The customers are satisfied with our services/products | 1.0 | 5.0 | 2.323 | 1.087 | Low |
| Consumers now need our services than before. | 1.0 | 5.0 | 2.385 | 1.144 | Low |
| Total for Customer satisfaction | | | 2.592 | 1.154 | Low |
| Grand Total | | | 2.60 | .838 | Moderate |
| Interpretation of Mean 1.0 -1.8= Very Low , 1.8-2.6 =Low, 2.6-3.4 =Moderate, 3.4-4.2=High and 4.2-5.0 = very High and SD-Standard Deviation | | | | | |

V. ANALYSES AND RESULTS

The zero Order correlation analysis was performed to not only ascertain the strength of correlations of the variables, but also to check as to whether there were no cases of multicollinearity. The relationship between the demographic control variables (registration of the business, size of the business and the period it has been in operation), working capital management and its constructs of inventory, payables and receivables management, Financial Expertise and business success, were established using Pearson moment correlation after data quality checks presented.

However, as advised by Yong and Pearce (2013), the correlation results were run in two separate modes to avoid

concerns about multi-collinearity, which is always associated with correlation values of 0.9 and above. For example, in one design, the constructs working capital management of inventory, payables and receivables management were run first in table 4.5 and global variable; was run after see table 6.

A Pearson correlation was used to determine the relationships between the study variables. Taylor's (1990) interpretation was used in this study (Taylor, 1990). A correlation coefficient of absolute.35 is thought to represent a low or weak association; 0.36 to 0.67 is thought to represent a modest or moderate correlation; and.68 to 1.0 is thought to represent a strong or high correlation. The study's correlation findings are presented in the sections that follow.

Table 5 Correlation Results with the Constructs of Working Capital Management

| Correlations | | | | | |
|-----------------------------------|--------|--------|--------|--------|---|
| | 1 | 2 | 3 | 4 | 5 |
| 1=Business success | 1 | | | | |
| 2=Inventory management | .709** | 1 | | | |
| 3=Accounts payables management | .703** | .680** | 1 | | |
| 4=Accounts receivables management | .592** | .517** | .570** | 1 | |
| 5=Financial Expertise | .762** | .734** | .791** | .644** | 1 |

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

Source Primary data (2022).

Table 6 Correlation Results with the Working Capital Management

| Correlations | | |
|------------------------|--------|---|
| | 1 | 2 |
| 1=Business success | 1 | |
| 2= Financial Expertise | .762** | 1 |

| | | | |
|-------------------------------|--------|--------|---|
| 3= Working capital management | .783** | .847** | 1 |
|-------------------------------|--------|--------|---|

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

The study found a significant strong positive relationship between inventory management and Business success among MSMEs in Nakawa division, Uganda ($r=.709^{**}$, $p\leq.01$), as indicated in Table 5. This means that high values of inventory management is related to higher business success of SMEs in Nakawa Division. Further examination of the coefficients of determination indicated a strong shared variance between inventory management ($R^2 = .503$) and business success, implying that 50.3% of the variation in business success in SMEs in Nakawa division, Kampala, is attributed to inventory management. This is quite a high value of coefficient of determination between these parameters, showing initial support for the hypothesis H1a.

The findings in table 5 revealed a significant strong positive relationship between Accounts payables management and business success of MSMEs in Nakawa division, Uganda ($r=.703^{**}$, $p\leq.01$). This means that higher values of accounts payables management are associated with higher business success of SMEs in Nakawa Division. Further examination of the coefficients of determination indicated a strong shared variance between accounts payables management ($R^2 = .494$) and business success, implying that accounts payables management accounts for 49.4% of the variation in business success in SMEs in Nakawa division, Kampala, this is quite a high value of coefficient of determination between these parameters, showing initial support for the hypothesis H1b.

The findings in table 5 revealed a significant moderate positive relationship between Accounts receivables management and Business success of MSMEs in Nakawa division, Kampala ($r=.592^{**}$, $p\leq.01$). This means that higher values of inventory management are associated with higher business success of SMEs in Nakawa Division. Further examination of the coefficients of determination indicated a strong shared variance between accounts receivables management ($R^2 = .350$) and business success, implying that accounts receivables management accounts for 35.0% of the variation in business success in SMEs in Nakawa division, Kampala, this is quite a high value of shared variance between these variables, showing initial support for the hypothesis H1c

The findings in table 6 revealed a significant strong positive relationship between working capital management and business success of MSMEs in Nakawa division, Kampala ($r=.783^{**}$, $p\leq.01$). This also shows that higher values of working capital management are associated with higher business success of SMEs in Nakawa Division. Further examination of the coefficients of determination indicated a strong shared variance between working capital management ($R^2 = .6130$) and business success, implying that accounts Working capital management accounts for 61.30% of the variation in business success in SMEs in Nakawa division, Kampala, this is quite a high value of shared variance between these variables, showing initial support for the hypothesis H1c. It's evident that higher values all the variables of working capital management are associated higher levels of business success, but receivables management being the highest contributor.

➤ *Moderating Role of Financial Expertise on the Relationship between Working Capital Management and Business Success*

To assess the moderating effect of Financial Expertise on the relationship between working capital management and business success, the researcher run correlation between the three variables to ascertain if their existing linkage among the variables before confirming the moderating effect in section 4.6. The results in table 5 showed that Financial Expertise and working capital management and Business success have a significant positive correlation amongst them ($r=.847^{**}$, $p<0.01$) Financial Expertise and working capital management and ($r=.762^{**}$, $p<0.01$), Financial Expertise and business success indicating positive changes in Financial Expertise is associated with positive changes in working capital management. This shows a strong primarily justification for moderation effect of Financial Expertise on the relationship between Working capital management and Business success.

While there are high positive correlations between the predictors (Financial Expertise and working capital management) and the outcome variable (business success), it is important to note that correlations do not infer causality. As a result, in section 4.4.2, the researcher run multiple regressions to confirm the hypotheses.

➤ *The Multiple Regression Analysis*

Table 7 Multiple Regression Results for Constructs of Working Capital Management

| | Coefficientsa | | | | | | |
|---------------------------|---------------|------|-------|-------|------|-----------|-------|
| | B | SE | Beta | t | p | Tolerance | VIF |
| (Constant) | .116 | .227 | | .512 | .610 | | |
| Control variables | | | | | | | |
| Registered business | -.042 | .104 | -.024 | -.407 | .685 | .779 | 1.284 |
| Working Period 6to10years | .355 | .132 | .168 | 2.686 | .008 | .725 | 1.379 |
| Above10years | -.038 | .232 | -.010 | -.163 | .871 | .834 | 1.199 |
| Microbusinesses | .326 | .137 | .147 | 2.388 | .018 | .750 | 1.334 |
| Independent variables | | | | | | | |
| Inventory management | .343 | .066 | .390 | 5.186 | .000 | .500 | 2.000 |

| | | | | | | | |
|---|------------------|------|------|-------|------|------|-------|
| Accounts payables management | .260 | .069 | .294 | 3.742 | .000 | .457 | 2.189 |
| Accounts receivables management | .223 | .059 | .262 | 3.806 | .000 | .595 | 1.682 |
| Model summary | | | | | | | |
| R2 | .655 | | | | | | |
| Adjusted R2 | .635 | | | | | | |
| ANOVA | | | | | | | |
| F-values | F(7,122)= 33.099 | | | | | | |
| Durbin Watson | 1.610 | | | | | | |
| P-values | 0.000 | | | | | | |
| Dependent Variable: Business success | | | | | | | |
| Reference categories, Business status- Nonregistered , Size of the business -SMEs, and period of operation less than 5 years-, p= Null hypothesis probability, B= unstandardized beta, SE –standard Error | | | | | | | |

Table 8 Multiple Regression Results for Working Capital Management as Global Variable

| Coefficientsa | | | | | | | |
|---|------------------|------|-------|--------|------|-----------|-------|
| | B | SE | Beta | t | p | Tolerance | VIF |
| (Constant) | .047 | .213 | | .220 | .826 | | |
| Control variables | | | | | | | |
| Registered business | -.022 | .102 | -.013 | -.214 | .831 | .800 | 1.250 |
| Working Period 6to10years | .364 | .131 | .172 | 2.773 | .006 | .731 | 1.368 |
| Above10years | -.017 | .230 | -.004 | -.074 | .941 | .839 | 1.192 |
| Microbusinesses | .350 | .133 | .157 | 2.643 | .009 | .793 | 1.261 |
| Independent variables | | | | | | | |
| working capital management | .828 | .055 | .809 | 14.974 | .000 | .964 | 1.037 |
| Model summary | | | | | | | |
| R2 | .651 | | | | | | |
| Adjusted R2 | .637 | | | | | | |
| ANOVA | | | | | | | |
| F-values | F(5,124)= 46.219 | | | | | | |
| Durbin Watson | 1.578 | | | | | | |
| P-values | 0.000 | | | | | | |
| Dependent Variable: Business success | | | | | | | |
| Reference categories, Business status- Nonregistered , Size of the business -SMEs, and period of operation less than 5 years-, p= Null hypothesis probability, B= unstandardized beta, SE –standard Error | | | | | | | |

The table 7 presents the findings on the contribution of control variables, inventory management, accounts payables management and accounts receivables management to business success. This model made a positive and significant contribution of 65.5% (R2= .655, F = 46.219, p = .000) in explaining the variation in business success considering the included variables. The results revealed that among the control variables, business that had been in operation for period of 6 to 10years (B = 0.355, p =0.008<0.05) are associated with business success and also Micro-businesses/ (B = 0.326, p =0.018) positively and are performing better in terms of non-financial measures compared to SME enterprise.

The results indicated an increase by one unit of the number of businesses that operated for between 6 to 10 years as compared to those below 5 years of operation is associated with increased non-financial performance by 0.355 units and the increase by a unit of micro-businesses as compared to SMEs is associated with the increase in the non-financial performance by 0.326 units holding other factors constant.

Hypothesis One H1a, H1b and H1c; examined the relationship between inventory management, accounts payables management and accounts receivables management

and business success. Table 7. revealed that inventory engagement (B = 0.343, p =0.000), accounts payables management (B = 0.260, p =0.000) and accounts receivables management (B = 0.223, p =0.000) are statistically significant predictors of business success This means that an increase in inventory management, accounts payables management and accounts receivables management by one unit leads to 0.343, 0.260 and 0.223 units increase in performance of the business, when all other factors are kept constant. Thus, hypothesis H1b, H1b and H1c; are fully supported; inventory management, accounts payables management and accounts receivables are a positively predictors of business success.

Hypothesis H1, this evaluated the effect of working capital management as global variable, on business success. As indicated in table 8, the model made a significant contribution of 65.1% (R2=.651, F (5,124) =46.219, p=0.00) in explaining the variation in business success. The results revealed that working capital management are significant predictor’s business success. The results further revealed that for a unit increase in working capital management (B=0.828, p=.000) leads to 0.828 units increase in business success. Therefore, hypothesis H1 was fully supported.

➤ *Moderation effect of Financial Expertise on the Relationship between Working Capital and Business Success.*

An interaction term must be statistically tested to determine whether a variable is a moderator of the relationship between two other variables (Fritz & Arthur, 2017). For this research as explained in chapter one and two, of Financial Expertise is assumed to influence the on the relationship between working capital and business success. The interaction between the independent variable (s) and the modulation are tested in the model in the table 9.

- H2: Financial Expertise significantly moderates the relationship between working capital and business success.
- H2a: Financial Expertise significantly moderates the relationship between inventory management and business success.
- H2b: Financial Expertise significantly moderates the relationship between accounts receivables management and business success.
- H2c: Financial Expertise significantly moderates the relationship between accounts payables management and business success.

The moderation effect was examined by loading the variables onto the Andrew F. Hayes process macro (Hayes, 2018), which was utilized in this study to determine the extent to which the interaction of the moderator variable with the independent variable influenced the outcome variable (Andrew & Hayes, 2012). The model in table 9 shows the Financial Expertise does not significantly moderate the relationship between working capital management and business success as indicated by the interaction not being significant (B= 0.0235, p=.6223>0.05, 95% [LLCL, ULCL] = [-.0708, .1179] and the lower and upper limit confidence limit being falling in different ranges (negative and positive) failing to support hypothesis H2. It's important to note the Financial Expertise also had an insignificant relationship on financial performance (B= .1970, p=.2172>0.05, 95% [LLCL, ULCL] = [-.1174, .5114])

Furthermore, on assessing the moderating role of Financial Expertise on the relationship between inventory management, accounts receivables management and accounts payables and business success. The findings revealed an insignificant moderating effect of Financial Expertise on the relationships thus hypotheses H2a, H2b and H2c were not supported; the process print out are in the appendix 2.

Table 9 Financial Expertise on the Relationship between Working Capital and Business Success.

| Moderation Model | | | | | | |
|--|--|-------|----------|-------|--------|--------|
| | coefficient | se | t | p | LLCI | ULCI |
| Constant | 3061 | .4552 | .6725 | .5025 | -.5950 | 1.2073 |
| Independent variables | | | | | | |
| working capital Management | .4984 | .1946 | 2.5605 | .0117 | .1131 | .8837 |
| Financial Expertise | .1970 | .1588 | 1.2405 | .2172 | -.1174 | .5114 |
| Int_1 | .0235 | .0477 | .4938 | .6223 | -.0708 | .1179 |
| Control variables | | | | | | |
| Registered business | -.0359 | .1004 | -.3576 | .7213 | -.2346 | .1628 |
| Working Period 6to10years | .2780 | .1324 | 2.0989 | .0379 | .0158 | .5402 |
| Above10years | .2780 | .1324 | . 2.0989 | .0379 | .0158 | .5402 |
| Microbusinesses | .2765 | .1329 | 2.0800 | .0396 | .0134 | .5396 |
| Model Summary | | | | | | |
| R | .8194 | | | | | |
| R-squared | .6714 | | | | | |
| F | F(df1,df2) F(7.0000, 122.0000)= 36.6153 | | | | | |
| P | 0.000 | | | | | |
| Product terms key: Int_1 : WCM x FE | | | | | | |
| Where; (LLCI is The lower limit confidence interval and (ULCI) upper limit confidence interval | | | | | | |
| Se-standard error, Int_1 – interaction between the moderator and independent variable | | | | | | |
| Dependent variable; Business success | | | | | | |
| : WCM- working capital Management, FE- Financial Expertise | | | | | | |

VI. DISCUSSING

The findings of the study revealed that working capital management (WCM), along with its dimensions of inventory management, accounts receivables management, and accounts payables management, significantly impacts business success. These aspects of WCM positively influence the success of Micro, Small, and Medium Enterprises (MSMEs) in Nakawa Division. The results align with the studies by Mardones (2022), Ibrahim et al. (2021), and Sensini (2020), which emphasized the significant role WCM

plays in business success. The similarity in findings may be attributed to the use of comparable measures of WCM and the focus on SMEs as the area of study. Sensini (2020) highlighted that for SMEs, efficient WCM is crucial as financial constraints often hinder their prospects. Proper management of WCM ensures survival and success by balancing current assets and liabilities to meet short-term obligations without overinvesting in short-term assets. Ibrahim et al. (2021) further demonstrated the importance of WCM in their qualitative study on SMEs in Italy. They concluded that a longer cash conversion cycle and debtors'

collection period negatively affect business success, while a longer payment period for creditors enhances profitability. These findings resonate with the present study, underscoring the necessity of optimizing cash flows and credit policies for business success. Inventory management also plays a pivotal role in the success of SMEs, as affirmed by Nyabwanga and Ojera (2012). Their research on small-scale enterprises in Kenya found a significant positive relationship between effective inventory management practices and business success. Inventory budgeting had the most substantial effect on success, followed by shelf-space management and inventory level management. These findings underline the importance of strategic inventory practices for improving business performance. Receivable management is another critical determinant of financial performance, as noted by Sah (2022). Accounts receivables and payables influence net working capital, with delayed payments providing a low-cost financing option. However, excessive receivables increase holding costs and reduce financial performance. Omar and Ronald (2020) advocated for computer-based accounting systems to improve internal control over accounts receivables and payables, thereby enhancing decision-making processes and business success. Interestingly, the study found that financial expertise does not moderate the relationship between WCM and business success. This finding contrasts with Rosyadah et al. (2022), who noted that financial literacy impacts MSME financial performance in Indonesia. The disparity may arise from differences in performance metrics, as the current study focused on non-financial measures like customer satisfaction, employee productivity, and clientele size. Furthermore, financial expertise is a subset of financial literacy, which encompasses behaviors, attitudes, and experiences not assessed in the current study. Despite the above, financial expertise remains a vital aspect of human capital, significantly influencing self-employment and business success. Ying et al. (2019) and Zhao et al. (2015, 2010) emphasized that financial expertise enhances self-efficacy, enabling entrepreneurs to navigate challenges effectively. Pandey and Gupta (2018) argued that a "fit" between financial expertise and entrepreneurial demands improves performance and financial well-being. Although not observed in this study, the broader literature supports the importance of financial expertise in fostering long-term success for entrepreneurs and businesses.

VII. CONCLUSIONS

The study found a significant relationship between business that had operate for more than 5 years and small business with business success. This shows that businesses that have functioned for more than 5 years are performing better than those that were newly opened (less than 5 years). And this is to be credited to their experience; they would have massed over the years, which those startup businesses might not have. And small businesses are performing better than medium businesses, and this is due to the fact that small businesses are directly managed by their owners and have small amounts of capital, which don't require much more financial management skills to run the business. The study found working capital management constructs of inventory management, payables and receivable management to be

positive predictors of business success. The study conclusively deduces that all the dimensions of working capital management, especially inventory management matter a lot to in business success among MSMEs in Nakawa division, this is line with many scholars who have emphasized businesses adopting working capital management practices to improve their performance. Therefore, managing the inventory, receivables and payables of the business increase its performance. The study discovered an insignificant moderating effect on the relationship between Working Capital Management and Business success among SMEs in Nakawa Division. Implying that management in SMEs should not be concerned about their Financial Expertise while trying to achieve non-financial business success. Financial literacy skills are not necessary in achieving non-financial performance while applying working capital management skills. Therefore, working capital management are enough in promoting customer satisfaction, customer retention and increasing the clientele base.

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