DEBT MANAGEMENT POLICIES AND PERFORMANCE OF SMALL SCALE BUSINESSES IN JINJA DISTRICT-UGANDA

BY

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DECLARATION

This dissertation is my original work and has never been presented for a degree or any other academic award in any university or institution of learning.

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Date: ......19th/08/2018......

APPROVAL

I confirm that the work reported in this dissertation is carried out by the candidate under my supervision.

Signature: ....

Supervisor's Name: Dr. KIRABO K.B. JOSEPH

Date: 20/08/2018

DEDICATION

I dedicate this dissertation to my beloved parents Mr.Isiko Christopher and, Mrs. Kagoya Robinah.

To my pastors mr. Mugoya James, Kibwika Christopher, and apostle Daniel Mwesigwa.

To my sisters, Kisakye Suzan, Kisakye Esther, Kirabo Martha, Kwagala Angel, Namuyodi Kisakye Jamawa and Mirembe Hellen.

To my brothers Talyika Joel, Mulwanyi David, Muwanguzi Anthony and Kawesa Joseph. To all my relatives like Mugoya Samuel,Mugoya Steven and to my friends like Auma Sarah who used to help with the laptop, Twoli Joel, Nandera Judith, Wambuzi Tadeo, for the support and courage rendered to me during all the times of hardship.

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ABSTRACT

The study sought to assess the effect of debt management policies on performance of small scale Businesses in Jinja-Uganda. It was guided by three specific objectives, that included I) to determine the effect of reviewing interest rates on performance of small scale businesses in Jinja district, to establish the effect of negotiating with suppliers on performance of small scale businesses in Jinja district and to establish the relationship between debt management policies and financial performance of small scale businesses in Jinja district. This research employed cross-sectional, survey and descriptive research design to describe the variables and the questionnaire and interview guide were used as the research instruments. Descriptive statistics were used in this study included frequencies, means and regression analysis on variables. The findings revealed the following: The findings indicated that reviewing interest rates significantly affects the performance of small scale businesses in Jinja district, this effect therefore implies that reviewing interest rates highly contribute to the performance of Small scale businesses in Jinja district Uganda, the findings revealed that there is a significant effect negotiating with suppliers has on performance of small scale businesses in Jinja district, findings of this study proved a positive significant relationship between debt management policies and performance of small scale businesses in Jinja district. Still the conclusions were that; there is a positive significant effect reviewing interest rates has on performance of small scale businesses in Jinja district, effective negotiating with suppliers significantly improves performance of small scale businesses in Jinja district, debt management policies is highly related to the performance of small scale businesses in Jinja district Uganda. The researcher recommended that the: owners of small scale businesses should develop a good system to monitor debt payments, record and track all the debt payments so that there is effectiveness in payment of debt and ensure to cover loopholes in the system to enhance performance, owners and managers of small scale businesses should develop negotiating with suppliers system for example alternatives ways of collecting cash from customers which makes negotiating with suppliers easy and flexible so as to boost performance, and finally owners of small scale businesses should develop a debt management system and make sure they always have a debt plan that enables them have minimum cash balances at all times, this will help them control debts and hence increase in the performance of their businesses. Contribution to knowledge; the following are the debt management techniques used in maintaining the performance of small scale businesses in Jinja district; reviewing interest rates and negotiating with suppliers. The following are the measurements of performance in small scale businesses in Jinja district; profitability levels and sales growth.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, problem statement, purpose, research objectives, research questions, scope, hypothesis and Significance of the Study.

1.1 Background to the Study

The background of the study was presented in four perspectives which included historical perspective, theoretical perspective, conceptual perspective and contextual perspective;

1.1.1 Historical perspective

Larsson (2010) noted that willingness and ability of the borrower to repay the loan were the primary factors to be considered in any appraisal of credit risks. Applicants who could attempt to fraud were clearly undesirable, as are those who, though not strictly dishonest, could appear to be irresponsible. The second criterion was the ability to repay, could be tested by several standards: by personal characteristics such as age, sex and family status; and by the borrower's occupational or economic position, income and net worth. In general, then, the commercial banks were interested in the moral, personal, vocational and financial characteristics of the applicant for a personal loan. The would be borrower could be asked to supply credit references, banking connections and information concerning his charge accounts, since these give some evidence of his probity. Age, sex, marital status, number of dependents and permanence of residence, were pertinent personal characteristics, the nature of the applicant's occupation, his tenure of employment, and the industry in which he was engaged were clues to his ability to pay. His income, assets (real estate, household goods, automobiles, stocks and bonds) and debts (mortgages, charge accounts and installments accounts) served to indicate the financial capacity (Larson, 2010).

Conversely, Wolfenson (2011) observe that debt has the ability to cause the non-performance of small scale enterprises. Most empirical studies on the impact of debt management on the performance of businesses have focused basically on large scale businesses in developed countries (Coleman and Cohn, 2001; Eriotis et al., 2002). Yet, of recent, there has been an increase in the recognition of the role played by small scale firms in national economies. The contribution of small scale enterprises to job creation, revenue mobilization and poverty alleviation has been recognized by many governments in developing countries to the extent that small scale enterprises are now included in their development plans (Coleman and Cohn, 2001). Through such plans, support structures are provided for the growth of the small scale firms' including funding and concessional loans, usually at concessionary rates. Meanwhile, Harris et al, (2014) questions whether the use of such debt improve businesses' performance and hence enhancing sustainability (Fabayo, 2013).

In Africa, despite the recognition and support in Ghana, Akabueze, (2011) asserts that small scale enterprises faces several constraints including lack of power supply, capacity under-utilization, insufficient research and development, poor access to credit facility, price controls since 2001, shortage of foreign currency and fuel. Therefore, servicing debt has become imperative due to insufficient capital in the running of many small scale enterprises in Ghana. Managing the debt of such businesses has become a necessity if these businesses desire growth. This means that the management of such firms needs to appreciate the implication of the use of debt in financing their business operations. They need to deploy appropriate financing strategy to drive better organizational performance (Akorsu and Agyapong, 2012). The use of debt management becomes imperative in small scale enterprises in developing countries such as Ghana.

1.1.2 Theoretical perspectives

This study was guided by the Signaling theory of business performance developed by Myers-Majluf (1984) which rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance is made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them (Emery et al, 1991). For example management's decision to make an acquisition or divest; repurchase outstanding shares; as well as decisions by outsiders like for example an institutional investor deciding to withhold a certain amount of equity or debt finance. The emerging evidence on the relevance of signaling theory to commercial banks performance performance is mixed (Masonson, 2010).

1.1.3 Conceptual perspective

According to Gupta (2013), argues that debt management is any approach that is adopted to guide an individual or business organisation to manage its debt. This definition includes debt settlement, bankruptcy, debt consolidation, personal loans as well as other techniques that assist businesses to service outstanding debts.

According to David (2010), performance in business refers to the act of performing financial activity. In broader sense, performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

According to Kennon (2010) performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Further this term is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Performance of companies can be measured by use of accounting information or stock market values in a financial management practices context. When applying stock market values as a measure of performance, one is interested in analyzing the change in market value. Firm performance is measured over time by using the average stock market change per year.

According to David (2014), performance in business refers to the ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. Small businesses range from fifteen employees to fifty employees according to the definition used by the European Union (World Bank report, 2015). According to Uganda investment authority (2008), small scale businesses employ 5-50 employees under the government act.

1.1.4 Contextual perspective

According to Stevens (2013), more than 50 percent of Small scale businesses (SSB) fight an uphill battle from the start and fail in the first five years. This is a common scenario for Uganda's small scale businesses, as most of them 'never celebrate their first anniversary.' That is to say, in Uganda Small scale businesses account to 99% of private business. However, in every year, for over 10,000 people who start a business, 40% fail within a year and 80% of the business within five years. This is attributed to poor of managerial training and experience whereby many Small scale business owners or managers have poor managerial training and inadequate experience, poor infrastructures, technological change, lack of sufficient market information poses a great scanty markets information (Daily Monitor June 12th, 2011). Many owners of the small scale businesses do not plan for their debt requirements. They have slow debt inflow generation procedures with high rate of debt outflow, limited skills of handling debt balances and do not strategically invest surplus debt (Joseph, 2011). Many of small scale business owners do not understand the significance of proper management of business resources and tend to believe that the business will get better on its own. There is a low performance of small scale business in Jinja district. Small scale businesses face constraints in the availability of production inputs. For instance, better quality raw materials are generally exported or are available only to larger firms and their suppliers tend to be oligopolies. Inadequate infrastructure and weak provision of basic services such as transportation, energy, urban planning and production sites represent particular impediments for small scale businesses.

1.2 Statement of the Problem

A large number of small scale businesses have failed and closed after incurring a lot of losses (New vision, 2016). Poor performance is a frequent problem among small scale businesses (SSB) in Jinja district. Peter indicated that most SSBs die within their first five years of existence; a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity. The result of such poor performance is claimed to be due to not using the appropriate techniques of managing businesses. Small scale businesses (SSBs) suffer difficulty in accessing appropriate technology, skills, financing, business information and land. These constraints make it difficult for SSBs in Jinja district to develop their productive capacities, maximize their sales and contribute to sustainable financial growth. Hence poor performance of small scale businesses in Jinja district. This study will look into how far SSBs have gone in Jinja district in particular. This will reveal the performance and gaps in SSBs in the district, with the main purpose of offering options for enhancing their performance competitiveness in Jinja district.

1.3 Purpose of the study

The study aimed at establishing the relationship between debt management policies and performance of small scale businesses in Jinja district-Uganda.

1.4 Research objectives

(i) To determine the effect of reviewing interest rates on performance of small scale businesses in Jinja district.

(ii) To evaluate the effect of negotiating with suppliers on performance of small scale businesses in Jinja district.

(iii) To evaluate the relationship between debt management and performance of small scale businesses in Jinja district.

1.5 Research questions

(i) What is the effect of reviewing interest rates on performance of small scale businesses in Jinja district?

(ii) What is the effect of negotiating with suppliers on performance of small scale businesses in Jinja district?

(iii) What is the relationship between debt management and performance of small scale businesses in Jinja district?

1.6 Hypothesis.

Ho_1: There is no significant effect of reviewing interest rates on performance of small scale businesses in Jinja district.

Ho_2: There is no significant effect of negotiating with suppliers on performance of small scale businesses in Jinja district.

Ho_3: There is no relationship between debt management and performance of small scale businesses in Jinja district.

1.7 Scope of the study

1.7.1 Geographical scope

This study was carried out Jinja district, it is bordered by Kamuli District to the North, Luuka District to the East, Mayuge District to the Southeast, Buvuma District to the South, Buikwe District to the West and Kayunga, District to the Northwest

1.7.2 Content Scope

In terms of content, debt management policies (independent variable) was conceptualized in terms of reviewing interest rates and negotiating with suppliers. Yet the dependent variable (Performance of small scale businesses) was measured in terms of profitability, sales growth.

1.7.3 Time scope

This study was conducted from March 2018 to June 2018, whereby proposal writing will take place from March 2018 to April 2018, data collection and analysis was done in May 2018, and then the final report was written and submitted in June 2018.

1.8 Significance of the study

The study will assist the government to support and plan for the finance of Small-scale businesses which will help them to save, grow and carry out innovative activities.

The findings and conclusions resulting from the study also will contribute to the body of knowledge on the relationship between debt management policies and performance of small scale businesses. Future researchers and academicians may use the study findings to further their research.

The study will benefit the managers and owners of small scale businesses who are experiencing nowadays debt management policies problem and improving their understanding towards the role of debt management policies on business performance.

The study will contribute additional knowledge to the previously existing facts about the role of debt management policies on business performance to future researchers who are interested debt management policies for further research.

Still the study will generate new information from the existing theory to which this study is based and it will bring gaps identified in literature.

1.9 Operational definition of key terms

Debt management policies; this referred to the principles used by the management of an organization in achieving the management's objectives of ensuring efficient conduct of debts.

Performance; this referred to the primary objective of the business and its measurements of performance such as profitability and sales growth.

Profitability: this referred to what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business' activities.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers all reviews of literature related to the study. It is from studies and observations made by other scholars/ researchers with more concrete understanding of the subject. It also discusses the literature on debt management policies and performance of small scale businesses.

2.1 Theoretical review

This study was guided by the Signaling theory of business performance developed by Myers-Majluf (1984), which rests on the transfer and interpretation of information at hand about a business enterprise to the capital market, and the impounding of the resulting perceptions into the terms on which finance is made available to the enterprise. In other words, flows of funds between an enterprise and the capital market are dependent on the flow of information between them (Emery et al, 1991). The theory considers the role of financial management (with regard to presently held assets and investment opportunities) between banks and capital markets. According to Myers-Majluf, banks use internal funds that are less costly than external funds. When outside funds are necessary, banks prefer debt to equity because of lower information costs associated with debt issues, while equity is rarely issued. Later, these ideas were refined into testable predictions and conbanked by Vogt (1994) who finds that internal funds have an important influence in bank's investment decisions; signaling behavior is most pronounced in banks that have low long-run dividend payout policies (Salkind, 2009).

Myers-Majluf shows how debt could be used as a costly signal to separate the good from the bad banks. Under the asymmetric information between management and investors, signals from banks are crucial to obtain financial resources. It is indicated that managers (the insiders) know the true distribution of bank returns, but investors do not.

Signaling of higher debt by managers then suggests an optimistic future and high quality banks would use more debt while low quality banks have lower debt levels.

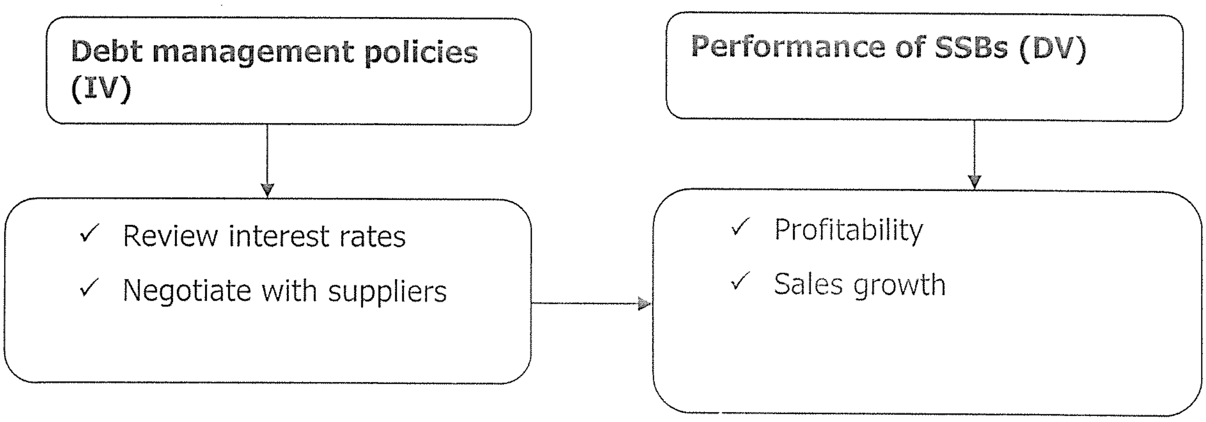
In this way, a good bank can separate itself by attracting scrutiny while the bad bank will not mimic because the bad bank will not want to be discovered (Sampson, 1999).

Siddika (2007) indicated that the signaling theory talks about financing tactics, where good banks try to distinguish themselves from bad quality banks by using different financing device. Bank owners also have incentives to get external financing by adopting such financing strategies. The signal instruments for farm business can be its profitability, farm income, the historical good performance record (return on assets) bank leverage, risk management documentation, operating products etc. An important econometric issue that needs to be addressed is that signaling theory considers the financing deficit to be exogenous. Bank's profits and leverage simultaneously affect each other and both are influenced by banks' investments. When banks face a good investment opportunity, they first use cash, followed by credit, and last they will issue equity (Ssuuna, 2008).

2.2 Conceptual framework

Figure 1: Conceptual framework

A conceptual framework showing the relationship between debt management policies and performance of small scale businesses



Source: Zimmerer (2012)

The conceptual frame work shows that the independent variable in this study is debt management policies which is conceptualized as reviewing interest rates, and negotiate with suppliers. Yet the dependent variable (Performance of small scale businesses) will be measured in terms of profitability and sales growth.

2.3. Review of related literature

2.3.1 Effect of reviewing interest rates on performance

According to Chandra (2011), small scale enterprises just like other organisations need capital to run their operations. As earlier alluded to, generating capital through credit systems has become a necessity for the growth of small scale enterprises. This creates debt for such businesses.

Allis (2010) noted that advances that debt is the amount of taxes incurred during a tax period which are payable to some type of governmental jurisdiction. Aspen Law and Business (2004) defines debt as an amount owed to a person or organization for funds borrowed. For the purposes of this study, debt is defined as any amount due to any authority for which payment has not been effected. Debt take many forms and can be represented by a bond, loan note, mortgage as well as other repayment terms and, when necessary, interest requirements. These different forms are indications of the intent to pay back the amount owed at an agreed date as is set forth in the repayment terms (Arinaitwe, 2014).

A study by Kwame (2007) contends that, debt management is an act of trying to get one's debt under control and become responsible for repaying associated obligations. It can therefore be inferred that debt management is a conscious measure taken by a debtor or agents hired on their behalf to reduce the debt burden or strategize to eliminate the debt through acceptable payment terms.

Kotut (2003) observe that a reasonable debt level improves welfare and enhances growth but high level debts can lead to a decline in growth of a firm. Reinhart et al. (2009) reinforces this assertion by arguing that debt impacts positively to the growth of a firm only when it is within certain levels. He opines that a firm becomes vulnerable to financial crisis when the ratio goes beyond certain levels. Stern Stewart and Company shares a similar view that high level of debt increases the probability of a firm facing financial distress. Ross et al. (2011) contends that over borrowing by a firm can cause bankruptcy and financial ruin. Accumulating high levels of debt by a small scale enterprise will constrain its ability to undertake project that are likely to be profitable. This is because it would not be able to attract new debt from financial institutions.

A study by Yuan and Kazuyuki (2012) using a sample of Chinese listed companies showed that total debt ratio had a negative impact on fixed investment. This implies that high proportion of debt in the capital structure of a firm can harm investment using internal funds. This is because a firm with a high debt ratio can potentially channel most of its income towards debt servicing thereby forgoing investment through internal funds. Therefore the risk of a small scale enterprise increases when more debt is employed in its capital structure. It will become increasingly difficult to attract more debt for investment purposes as creditors will charge high interest rates to compensate for the high business risk. Yuan and Kazuyuki (2012) therefore argued that creditors will be reluctant to lend more funds to a highly indebted firm which resulting in underinvestment. As such, firm operations can be affected if insufficient investment is undertaken.

2.3.2 Effect of negotiating with suppliers on performance

Chandra (2011) examined the optimal level of capital structure which enables a firm to increase its financial performance. The study found that there was a negative relationship between the firm's debt ratio and financial performance measured by return on assets and return on equity (Mashestwari, 2012).

Fosu (2013) also conducted a similar study in South Africa to investigate the relationship between capital structure and corporate performance with focus on the degree of competition. The study established that there was positive relationship between capital structure and corporate performance. Ogebe et al. (2013) investigated the impact of capital structure on corporate performance in Nigeria from 2000 to 2010. The study paid particular attention to macroeconomic variables (Gross Domestic Product and inflation) on firm performance. The study concluded that there was a strong relationship between leverage and corporate performance. The negative relationship was also confirmed by Mumtaz et al. (2013) in their study in Pakistan that sought to establish the relationship between leverage and firm performance. The study showed that financial performance of firms is significantly impacted by their capital structure (Chandra, 2013).

A similar study by Denise (2011) concluded that a firm's profitability and liquidity are influenced by its debt management strategies. The study used pooled data between 2006 and 2008 to evaluate the companies listed in the Vietnam Stock Exchange focusing on cash conversion cycle and related elements to measure debt management. It found that the relationships among these variables were strongly negative. This implies that profit is negatively influenced by an increase in cash conversion cycle. It further established that profitability increases as the debtor's collection and inventory conversion periods reduce. The study also assessed debt management strategies in terms of aggressive financing and aggressive investing debt management approaches. Mathuva applied the Pearson and Spearman's correlations, the pooled ordinary least squares, and the fixed effects regression models in analyzing the data. The study found a highly significant negative relationship between profitability and the time it takes for firms to collect cash from their customers. It also found a highly significant positive relationship between profitability and the period taken to convert inventories to sales and the time it takes for firms to pay creditors (Fabayo, 2013).

2.3.3 Relationship between debt management and performance

A study by Gillooly (2010) in Malaysia which sought to investigate how capital structure impacts on a firm's performance by analyzing the relationship between return on assets (ROA), return on equity (ROE) and short-term debt and total debt established that short-term debt and long-term debt had significant relationship with ROA. It was also established that ROE had significant relationship with short-term debt, long-term debt and total debt. A similar study by Rosemary (2013) partially agreed with the findings of Ahmad et al. (2012). In the study Ebaid sought to establish the nexus between debt level and financial performance of companies listed on the Egyptian Stock Exchange. The study used return on assets, return on equity and gross profit margin as dependent variables. It also used short-term debt, long-term debt and total debt as independent variables. The study found that the relationship between short-term debt and total debt on return on assets (ROA) is negative. It therefore concluded that there was no significant relationship between long-term debt financing and ROA.

Frank (2012) studying the nexus between capital structure and corporate performance in Jordanian shareholdings firms used multiple regression models by least squares (OLS) to establish the link between capital structure and corporate performance of firms over a period of 5 years. The study found that capital structure was negatively and statistically associated to the performance of the firms. The study concluded that there is a negative relationship between capital structure and firm performance for both high and low growth firms (Van, 2011).

2.4. Performance of small scale businesses

Mirvisr (2012) noted that performance involves the measure of the amount by which the company's revenues exceed its expenses. Whether you are recording performance for the past period or projecting performance for the coming period, measuring performance is the most important measure of the success of the business, a business that is not profitable cannot survive (Hall, 2012). Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Increasing performance is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve performance. These potential changes can be analyzed with a pro forma income statement or a Partial Budget. Partial budgeting allows you to assess the impact on performance of a small or incremental change in the business before it is implemented (Hofstrand, 2014).

Profit Margin measures how much a company earns relative to its sales. According to Lesonsky, (2010), there are two profit margin ratios; sales volume and net profit margin. A company with a higher profit margin than its competitor is more efficient. Gleim (2010) however argues that profit margin is a k indicator that describes the profit generating capacity of the flow of revenue, but does not tell much about the actual efficiency of its employees.

Kennon (2010) argues that organizations that generate high returns relative to their shareholder's equity are organization that pays their shareholders off handsomely, creating substantial assets for each dollar invested. Such organizational are more than likely self-funding companies that require no additional debt or equity investments. By relating the earnings generated to the shareholder's equity, an investor can quickly see how much cash is created from the existing assets.

Marie (2011) suggested that there should exist minimum resource inputs to achieve a given quantity and quality of output, or a maximum output with a given quantity and quality of resource inputs. Effective refers to the accomplishment of objectives or to the extent to which the outcomes of an activity match the objective or the intended effects of that activity. "Performance and performance goals as well as safeguarding of resources are the major objectives to be attained by effective and efficient operations. This implies that operations are performed so as to attain their intended effect; such objectives can be accessed through biannual or quarterly performance audits (Abdul, 2011).

Performance objectives in small scale businesses are designed to maintain efficiency and effectiveness in the operations of a company. Included in operational objectives are procedures that promote companies' use of assets and resources properly. There are two types of internal controls. Preventative controls are procedures used to avoid potential problems before they happen. Operational objectives are designed to serve this purpose. Procedures developed to meet operational objectives include things such as the separation of duties and the requirement of proper authorization and password usage to control access to important company information (Bushman, 2011).

2.4.1 Profitability

Profitability is the ability of a business to earn a profit (Marie, 2011). A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business' activities. Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important in determining sales performance (Kino, 2010).

According to (Stevens, 2013), whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a Partial Budget. Partial budgeting allows one to assess the impact on profitability of a small or incremental change in the business before it is implemented (Tong, 2011).

Profits are necessary for survival in the long run in a competitive environment, but SSB management may choose not to grow. Long-term profitability derives from the relations between cost and revenue; it is a necessary but not sufficient condition for growth. Revenues may be held up by entry barriers and costs pushed down by management ingenuity (Arnold-, 2013). A low-profit firm will lack the finance for expansion, but a high-profit business may conclude the risk and rewards of expansion are inadequate. In a 'life style' SSB, an owner may trade profitability today against profitability tomorrow. Dynamic pricing or sequential investment projects may require initially lower profits in order to obtain higher future pay-offs from greater market penetration. An SSB manager's time preference is likely to determine the intertemporal profit trade-off (Gleim, 2010).

2.4.2 Sales growth

Sales growth implies an increase of a company's sales when compared to a previous quarter's revenue performance (Fabayo, 2013). The current quarter's sales figure can be compared on a year-over-year basis or sequentially. This helps to give analysts, investors and participants an idea of how much an SSB's sales are increasing over time. When looking at an SSB's quarterly or annual financials, it is not enough to just look at the revenue for the current period. When investing in a SSB, an investor wants to see it grow or improve over time. Looking at the financials in comparison to a previous quarter will give participants a much better idea of how well an SSB is doing (Allis, 2010).

Sales Growth is used to measure how fast a company's business is expanding. The figures give analysts, investors and participants an idea of how much a company's sales are increasing over time. While sales growth tends to fluctuate from fiscal year to fiscal year and fiscal quarter to fiscal quarter, investors look for trends in revenue growth as a means of gauging the company's growth over proscribed periods of time. All other things being equal, a company that is able to continually grow its revenue should see equivalent increases in net income (Soldofsky, 2014).

2.5 Identifying the gap

The literature review above did not give a comprehensive coverage on the effect of debt management policies on performance of small scale businesses Jinja district in Uganda. The study intends to cover this content gap and since this study of debt management policies on performance of small scale businesses Jinja district in Uganda has never been carried out in Jinja district therefore this study intends to cover the geographical gap.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter presents the research design, the research population, and the sample size, sampling procedures, research instruments, validity and reliability of instruments, data gathering procedures, data analysis, ethical considerations and limitations of the study.

3.1 Research design

This study employed a cross-sectional research design. Cross-sectional design allows the study of the population at one specific time and the difference between the individual groups within the population to be compared. It also provide for the examination of the co-relationship between the study variables (Mugenda and Mugenda, 2003). The study also used Survey design, this was used to collect data from a large sample of respondents. This study also followed a descriptive research design, whereby qualitative and quantitative research approaches were used to gain insight to and it was descriptive in that it described the characteristics of respondents.

3.2 Research population

The study population of 6273 small scale business owners was considered in this study (Jinja town council business manual, 2017). The study considered businesses which have been in existence for the last one year. The researcher believed the targeted population had the relevant knowledge and information necessary for this study (Jinja town council profile, 2017). In each SSB only one person was selected to fill the questionnaire therefore, the unit of inquiry was the individuals running the business who were either the owners or the managers.

3.3 Sample size

The Slovene's formula was used to determine the minimum sample size.

$$n = \frac{N}{1+N(e)^2}$$

Where;

n: Sample Size

N: Population Size

e: Level of significance

$$n = \frac{6273}{1+6273\ (0.0025)}$$

$$n = \frac{6273}{16.7}$$

n=376

3.4 Sampling procedure

Simple random sampling was used to select the SSBs. From which all top employees and lower level employees were represented in the study and all had a chance to be selected to participate in this study as respondents.

3.5 Research instrument

3.5.1 Questionnaire

A questionnaire was the major method used for data collection. The questionnaire was preferred for this study because it enabled the researcher reach a larger number of respondents within a short time, thus made it easier to collect relevant information. The first section in the questionnaire was the face sheet, to collect data on profile of respondents. The second section in the questionnaire was debt management policies. The third set was performance of small on scale businesses, the third section of the questionnaire had questions on performance of small scale businesses. All the questions were Likert Scaled on four points ranging from 1=

strongly disagree, 2 = disagree, 3 = agree, and 4 = strongly agree. The questionnaires contained close-ended questions to collect quantifiable data relevant for precise and effective correlation of research variables. They were also preferred to save time, enabled respondents to easily fill out the questionnaires and keep them on the subject and relatively objective.

3.6 Validity and reliability of the instrument

3.6.1 Validity

Here the questionnaire was given to experts to judge the validity of questions according to the objectives. After the assessment of the questionnaire, the necessary adjustments were made bearing in mind the objectives of the study. A minimum of 0.75 of CVI was used to test validity of the research instrument. Then a content validity index (CVI) will be computed using the following formula:

$$CVI = \frac{No.of questions declared valid}{total No.of questions in the questionnaire}$$

$$CVI \quad \frac{27}{30}$$

$$\mathbf{CVI} = \underline{0.9}$$

3.6.2 Reliability

To ensure the reliability of the instrument, the researcher used the test-retest method. The questionnaire was given to 10 people and after two weeks, the same questionnaire was given to the same people and the Cronbatch Alpha was computed using SPSS.

Table 3.1: showing reliability test results

Construct variable	**Cranbach's alpha**	**Number of items**
Reviewing interest rates	.798	5
Negotiating with suppliers	.548	5
Profitability	.508	5
Sales growth	.533	5

3.7 Data gathering procedure

Before the administration of the questionnaires

Before the administration of the questionnaires the researcher took an introductory letter from the College of Economics and Management (CEM), the researcher had to first seek authorization from the proposed respondents to conduct research and review the questions to avoid errors and ensured that only qualified respondents are approached.

During the administration of the questionnaires

The respondents were requested to sign and answer the questionnaires. The researcher emphasized retrieval of the questionnaires within three days from the date of distribution. And lastly, all returned questionnaires were checked if all were answered.

After the administration of the questionnaires

The data gathered was collected, coded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

3.8 Data Analysis

The frequency and percentage distribution were used to determine the demographic characteristics of the respondents. The mean and standard deviations were applied for the extent of debt management policies and performance of small scale businesses.

And regression analysis was used to determine the significant effect between the variables. Whereas Pearson Linear Correlation Coefficient (PLCC) was used to analyze the relationship between variables.

Table 3.2: For debt management policies

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very satisfactory
2.51-3.25	Agree	Satisfactory
1.76-2.50	Disagree	Unsatisfactory
1.00-1.75	Strongly disagree	Very unsatisfactory

3.9 Ethical considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethical in this study, the following activities were implemented by the researcher:

i. Acknowledged the authors quoted in this study and the author of standardized instrument through citations and referencing.
ii. Presented the findings in a generalized manner.

3.10 Limitations of the study

In view of the following threats to validity, the researcher allowed 0.05 level of significance. Measures are also indicated in order to minimize if not to eradicate the threats to the validity of the findings of the study.

1 Extraneous variables which were beyond the researcher's control such as respondent's honesty , personal biases and uncontrolled setting of the study . The researcher mitigated this by encouraging the respondents to be truthful since the results of the study if released would help them understand the loopholes in their businesses.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presented, analyzed and interpreted data collected from the field. Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings;

4.1 Demographic characteristics of the Respondents

The objective of this study was to show the profile information of respondents as to age, gender, level of education and years spent in a business.

Table 4.1: Demographic characteristics of the Respondents

Category	Frequency	Percent
Gender		
Male	209	55.6
Female	167	44.4
Total	**376**	**100**
Age		
18-30 years	136	36.2
31-40 years	117	31.1
41-50 years	80	21.3
510years and above	43	11.4
Total	**376**	**100**
Education level		
Primary	113	30.1
Secondary	165	43.9
Post secondary	98	26.1
Total	**376**	**100**
Years spent in a business		
2 years and below	85	22.6
3-5 years	130	34.6
6-8 years	69	18.4
9 years and above	92	24.5
Total	**376**	**100**

Sources: Primary Data 2018

Results in table 4.1 indicated that majority of the respondents represented in this study were between 18-30 years (36.2%), followed by respondents' age between 31-40 years (31.1%), 21.3% were between 41-50 years and finally 11.4% were 51 years and above. According to gender, results showed that 55.6% were male and 44.4% of the respondents were female. This clearly implied that majority of small scale businesses in Jinja district are run and dominated by men. Table 4.1 also showed that majority of the respondents had attained secondary education level (43.9%), the second group of the respondents were (30.1%) had only attained primary education level as far as education is concerned and the third group (26.1%) had attained post secondary. In terms of years spent in a business, majority of the respondents (34.6%) had carried out their businesses for 3-5 years, followed by those of 9 years and above (24.5%), 22.6% had for 2 years and below, finally 18.4% had worked for 6-8 years. This indicated that majority of these respondents had enough experience in their businesses, and therefore they could provide the researcher with the information required.

4.2 Debt management policies

The independent variable in this study was debt management policies, this variable (IV) was broken into two constructs and these were; reviewing interest rates (with five items/questions) and negotiating with suppliers (with five questions) and debt management policies (with five questions). Each of these questions was based on a four point Likert scale whereby respondents were asked to rate the debt management policies by indicating the extent to which they agree or disagree with each question.

Table4.2: Debt management policies

Items	Mean	Std.	Interpretation
Reviewing interest rates			
A higher credit score is always an indication of successful financial management	2.88	.995	Satisfactory
Before meeting with a lender, you always review your credit report to make sure there are no blemishes	2.55	1.017	Satisfactory
Debt servicing has become imperative due to insufficient capital in the running of many small scale businesses	2.51	1.081	Satisfactory
Generating capital through credit systems has become a necessity for the growth of your business	2.47	1.069	Unsatisfactory
If the interest rate on your small-business loan is significantly higher than current rates, you always consider refinancing to obtain a loan with lower monthly payments	2.30	1.093	Unsatisfactory
Average mean	**2.54**	**.78129**	**Satisfactory**
Negotiating with suppliers			
If you are not using all of your square footage, you always consider subleasing unused space	3.26	.993	Satisfactory
Support structures are always provided for the growth of the small scale firms' including funding and concessional loans, usually at concessionary rates	2.59	.974	Satisfactory
You always consider partnering with other small-business owners to make bulk purchases at lower prices	2.55	.994	Satisfactory
You always draw on your good payment history or on quotes from other suppliers when negotiating flexible or extended payment terms with suppliers	2.52	1.137	Satisfactory
You always hesitate to ask suppliers for discounts, especially if you order in bulk	2.48	1.087	Unsatisfactory
Average mean	**2.68**	**.57756**	**Satisfactory**
Overall mean	**2.61**	**.54744**	**Satisfactory**

Sources: Primary Data 2018

Results in table 4.2 indicated that debt management policies among small scale businesses in Jinja district Uganda was rated satisfactory and this was indicated by the overall mean of 2.61, implying that the owners of small scale businesses in Jinja district fairly manage their debts well. With respect to reviewing interest rates; results indicated that reviewing interest rates was rated high and this was indicated by the average mean (mean=2.54), implying that the interest rates are fairly eviewd well by small scale business owners in Jinja district. Results still indicated that a higher credit score is always an indication of successful financial management

2 Testing the use of research assistants brought about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize the threat, the research assistants were oriented and briefed on the procedures to be done in data collection.

3 Attrition/Mortality: Not all questionnaires were returned completely answered now even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher reserved more respondents by exceeding the minimum sample size. The respondents were also reminded not to leave any item in the questionnaires unanswered and were closely followed up as to the date of retrieval.

(mean=2.88), before meeting with a lender, you always review your credit report to make sure there are no blemishes (mean=2.55), debt servicing has become imperative due to insufficient capital in the running of many small scale businesses (mean=2.51), however generating capital through credit systems has become a necessity for the growth of your business (mean=2.47), and if the interest rate on your small-business loan is significantly higher than current rates, you always consider refinancing to obtain a loan with lower monthly payments (mean=2.30).

With respect to negotiating with suppliers; results in table 4.2 indicated that five items were used to measure this construct and it was also rated satisfactory and this was indicated by the average mean of 2.61, implying that negotiating with suppliers is fairly carried well among small scale business in Jinja district, Uganda. The respondents still responded that; If you are not using all of your square footage, you always consider subleasing unused space (mean=3.26), support structures are always provided for the growth of the small scale firms' including funding and concessional loans, usually at concessionary rates (mean=2.59), they always consider partnering with other small-business owners to make bulk purchases at lower prices (mean=2.55), always draw on your good payment history or on quotes from other suppliers when negotiating flexible or extended payment terms with suppliers (mean=2.52), but however the always hesitate to ask suppliers for discounts, especially if you order in bulk (mean=2.48).

4.3 Performance

Performance is the dependent variable in this study and was broken into two constructs and these are; profitability (with five questions) and sales growth (with five items). Each of these questions was based on a four point Likert scale and respondents were asked to rate performance by indicating the extent to which they agree or disagree with each question, their responses were analyzed using SPSS and summarized using means and standard deviations as indicated in tables 4.3;

Table4.3: Performance

Items	Mean	Std.	Interpretation
Profitability			
You always plan to increase profitability in the business.	2.87	.959	Satisfactory
Your business revenue have always exceeded the expenditure	2.82	.968	Satisfactory
You always plan and meet the desired profits	2.79	1.089	Satisfactory
Survival of this business has been due to the profits you always earn.	2.69	1.056	Satisfactory
The returns on capital employed is appropriate to the expectations of the owner(s)	2.57	1.033	Satisfactory
Average mean	**2.75**	**.59201**	**Satisfactory**
Sales growth			
Your sales have steadily been increasing in past periods.	2.70	1.054	Satisfactory
You always give discounts to clients to encourage more purchases	2.56	1.111	Satisfactory
Your business has enough stock to meet the customer demands	2.55	1.055	Satisfactory
Your business always carries out sales forecasting to meet the targets.	2.49	1.092	Unsatisfactory
Your business always sells in bulk to its customers	2.48	1.058	Unsatisfactory
Average mean	**2.55**	**.59410**	
overall mean	**2.65**	**.49201**	

Sources: Primary Data 2018

Results in table 4.3 indicated that the level of performance is high and this was indicated by the overall mean of 2.65, which implies that small scale businesses in Jinja district, Uganda have resources which can make them financially perform well. With respect to profitability; this was the first construct on the dependent variable and was measured using five items/questions and it was rated satisfactory (average mean=2.75), implying that the small scale businesses in Jinja district always receive relatively high returns. Still results indicated that the small scale business owners always plan to increase profitability in the business (mean=2.87), their business revenue have always exceeded the expenditure (mean=2.82), always plan and meet the desired profits (mean=2.79), survival of the business has been due to the profits always earned (mean=2.69), the returns on capital employed is appropriate to the expectations of the owner(s) (mean=2.57).

Concerning sales growth; results in table 4.3 indicated that this construct was rated satisfactory on and this was indicated by the average mean of 2.55, implying that the small and medium scale businesses in Jinja district have tried to expand the market base where to sell their products. Still results indicated that sales have steadily been increasing in past periods (mean=2.70), always they give discounts to clients to encourage more purchases (mean=2.56), the businesses have enough stock to meet the customer demands (mean=2.55), however the small scale businesses in Jinja district always do not carry out sales forecasting to meet the targets (mean=2.49) and they do not sell in bulk to its customers (mean=2.48).

4.4 Objective one; effect of reviewing interest rates on performance of small scale businesses in Jinja district

Objective one; effect of reviewing interest rates on performance of small scale businesses in Jinja district

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524[a]	.274	.272	.41854
a. Predictors: (Constant), Reviewing interest rates				

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.992	1	23.992	136.963	.000[a]

	Residual	63.413	362	.175		
	Total	87.405	363			
a. Predictors: (Constant), Reviewing interest rates						
b. Dependent Variable: performance						

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.815	.075		24.228	.000
	REVIEWING INTEREST RATES	.329	.028	.524	11.703	.000
a. Dependent Variable: performance						

Regression analysis results in the Model Summary table revealed that reviewing interest rates accounted for 27.4% on performance of small scale businesses in Jinja district Uganda and this was indicated by r-squared of 0.274 implying that to small extent reviewing interest rates contribute to the performance of small scale businesses in Jinja district Uganda.

The ANOVA table indicated that reviewing interest rates significantly affects the performance of small scale businesses and this was indicated by the F-value=136.963 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that reviewing interest rates highly contribute to the performance of small scale businesses in Jinja district Uganda.

The coefficients table indicated that considering the standard error, reviewing interest rates significantly influence the performance of small scale businesses in Jinja district Uganda (β=0.329, Sig=0. 000).

4.5 Objective two; the effect of negotiating with suppliers on performance of small scale businesses in Jinja district

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.193[a]	.037	.035	.47942

a. Predictors: (Constant), negotiating with suppliers

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.207	1	3.207	13.955	.000[a]
	Residual	82.514	359	.230		
	Total	85.722	360			
a. Predictors: (Constant), negotiating with suppliers						
b. Dependent Variable: performance						

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.239	.113		19.761	.000
	NEGOTIATING WITH SUPPLIERS	.164	.044	.193	3.736	.000

a. Dependent Variable: performance

Regression analysis results in the Model Summary table indicated that the negotiating with suppliers accounted for 3.7% on performance of small scale businesses in Jinja district Uganda and this was indicated by r-squared of 0.037 implying that negotiating with suppliers significantly contributes 3.7% on the performance of small scale businesses in Jinja district Uganda.

The ANOVA table indicated that negotiating with suppliers significantly affects the performance and this was indicated by the F-value=13.955 and Sig-value=.000, since the sig. value (0.000) was less than 0.05 and which is the maximum level of significance required to declare a significant effect. This implies that negotiating with suppliers highly affects the performance of small scale businesses in Jinja district Uganda.

The coefficients table indicated that considering the standard error, negotiating with suppliers significantly affects the performance of small scale businesses (β=0.193, Sig=0. 000).

4.5 Objective three; relationship between debt management policies and financial performance of small scale businesses in Jinja district

The third objective in this study was to assess the relationship between debt management policies and performance of small scale businesses in Jinja District. The researcher correlated the means on both variables by using the Pearson's Linear

Correlation Coefficient as a way of achieving this objective and this was indicated in table 4.6;

Table 4.6: Pearson correlation between debt management policies and performance of small scale businesses

Variables correlated	r-value	Sig	Interpretation	Decision on Ho
Debt management policies Vs Performance of small scale businesses	.585	.000	Significant correlation	Rejected

Source: Primary Data, 2018

The Pearson's Linear correlation Coefficient (PLCC) results in table 4.6 indicated a relationship between debt management policies and performance of small scale businesses in Jinja District, since the sig. value (0.000) was far less than 0.05 and r-value (0.585) which is the maximum level of significance required to declare a significant relationship. Therefore this implies that improving in debt management policies may highly improve on performance of small scale businesses in Jinja District, Uganda.

CHAPTER FIVE

DISCUSSIONS, CONLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the findings, conclusions; recommendations based on the conclusions of this study and suggested areas that need further research following the study objectives;

5.1 Discussions

This study was set to find out the effect of debt management policies on performance of Small scale businesses in Jinja district Uganda, three specific objectives guided this study and these were i) determining the effect of reviewing interest rates on performance of small scale businesses in Jinja district; ii) establishing the effect of negotiating with suppliers on performance of small scale businesses in Jinja district and (iii) to establish the relationship between debt management policies and performance of small scale businesses in Jinja district.

5.1.1 Objective one; the effect of reviewing interest rates on performance

The findings indicated that reviewing interest rates significantly affects the performance of small scale businesses in Jinja district, this effect therefore implies that reviewing interest rates contribute to the performance of Small scale businesses in Jinja district Uganda. This finding is in line with Allis (2010) who noted that advances that debt is the amount of taxes incurred during a tax period which are payable to some type of governmental jurisdiction. Aspen Law and Business (2004) defines debt as an amount owed to a person or organization for funds borrowed. For the purposes of this study, debt is defined as any amount due to any authority for which payment has not been effected. Debt take many forms and can be represented by a bond, loan note, mortgage as well as other repayment terms and, when necessary, interest requirements. These different forms are indications of the intent to pay back the amount owed at an agreed date as is set forth in the repayment terms (Arinaitwe, 2014).

Kotut (2003) observe that a reasonable debt level improves welfare and enhances growth but high level debts can lead to a decline in growth of a firm. Reinhart et al. (2009) reinforces this assertion by arguing that debt impacts positively to the growth of a firm only when it is within certain levels. He opines that a firm becomes vulnerable to financial crisis when the ratio goes beyond certain levels. Stern Stewart and Company shares a similar view that high level of debt increases the probability of a firm facing financial distress. Ross et al. (2011) contends that over borrowing by a firm can cause bankruptcy and financial ruin. Accumulating high levels of debt by a small scale enterprise will constrain its ability to undertake project that are likely to be profitable. This is because it would not be able to attract new debt from financial institutions. A study by Kwame (2007) contends that, debt management is an act of trying to get one's debt under control and become responsible for repaying associated obligations. It can therefore be inferred that debt management is a conscious measure taken by a debtor or agents hired on their behalf to reduce the debt burden or strategize to eliminate the debt through acceptable payment terms.

5.1.2 Objective two; the effect of negotiating with suppliers on performance

The findings revealed that there is a significant effect negotiating with suppliers has on performance of small scale businesses in Jinja district, this also implied that high negotiating with suppliers improves the level of performance of Small scale businesses in Jinja district Uganda and poor negotiating with suppliers reduces it. This finding agrees with Fosu (2013) who investigated the relationship between capital structure and corporate performance with focus on the degree of competition. The study established that there was positive relationship between capital structure and corporate performance. Ogebe et al. (2013) investigated the impact of capital structure on corporate performance in Nigeria from 2000 to 2010. The study paid particular attention to macroeconomic variables (Gross Domestic Product and inflation) on firm performance. The study concluded that there was a strong relationship between leverage and corporate performance. The negative relationship was also confirmed by Mumtaz et al. (2013) in their study in Pakistan that sought to establish the relationship between leverage and firm performance.

The study showed that financial performance of firms is significantly impacted by their capital structure (Chandra, 2013).

5.1.3 Objective three; relationship between debt management policies and financial performance

The findings indicated that debt management policies has a significant relationship on performance of small scale businesses in Jinja District, this was so due to the significant correlation which existed between debt management policies and performance of small scale businesses, this led to an implication that increasing on the level of debt management policies it can highly improve performance of small scale businesses in Jinja District, Uganda. This finding is in line with Frank (2012) who studied the nexus between debt management and corporate performance in Jordanian shareholdings firms used multiple regression models by least squares (OLS) to establish the link between debt management and corporate performance of firms over a period of 5 years. The study found that debt management was positively and statistically associated to the performance of the firms. The study concluded that there is a positive relationship between debt management and firm performance for both high and low growth firms (Van, 2011)

5.2 Conclusions

5.2.1 Objective one; the effect of reviewing interest rates on performance

According to the findings reviewing interest rates has a positive significant effect on performance of small scale businesses in Jinja district.

5.2.2 Objective two; the effect of negotiating with suppliers on performance

According to the findings negotiating with suppliers has a significant effect on performance of small scale businesses in Jinja district.

5.2.3 Objective three; relationship between debt management policies and financial performance

According to the findings debt management policies has a positive significant relationship on performance of small scale businesses in Jinja district Uganda.

5.3 Recommendation

1. Owners of small scale businesses should develop a good system to monitor debt payments, record and track all the debt payments so that there is effectiveness in payment of debt and ensure to cover loopholes in the system to enhance performance.

2. Owners and managers of small scale businesses should develop negotiating with suppliers system for example alternatives ways of collecting cash from customers which makes negotiating with suppliers easy and flexible so as to boost performance.

3. Owners of small scale businesses should develop a debt management system and make sure they always have a debt plan that enables them have minimum cash balances at all times, this will help them control debts and hence increase in the performance of their businesses

5.4 Contribution to knowledge

The following are the debt management techniques used in maintaining the performance of small scale businesses in Jinja district; reviewing interest rates and negotiating with suppliers. The following are the measurements of performance in small scale businesses in Jinja district; profitability levels and sales growth.

5.5 Areas for further research

Prospective researchers and even students are encouraged to research on the following areas;

1) Negotiating with suppliers and profitability of small scale businesses in Jinja district.
2) Debt management policies and profitability of small scale businesses in Jinja district.
3) The challenges facing the performance of small scale businesses in Jinja district.

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APPENDICES

APPENDIX I: QUESTIONAIRE

RESEARCH INSTRUMENT

Section A: Demographic characteristics of Respondents

1. **Age**

a) ____18-30 years, b)____31-40 years, c)____41-50 years and d)___51 years and above

2. Gender

a) Male_______

b) Female_____

3. **Level of education qualification**

a) Primary________________

b) Secondary ________

c) Post secondary__________

4. **Number of years experience**

a) 2 years and below_________

b) 3-5 years_____________

c) 6-8 years_____________

d) 9 years and above______

SECTION B: DEBT MANAGEMENT POLICIES

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of **Debt management policies** in your business. Kindly use the scoring system below:

Response Mode	Rating	Description
Strongly Agree	(4)	You agree with no doubt at all.
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree with no doubt at all

No	Debt management policies	1	2	3	4
	Reviewing interest rates				
1	If the interest rate on your small-business loan is significantly higher than current rates, you always consider refinancing to obtain a loan with lower monthly payments				
2	Before meeting with a lender, you always review your credit report to make sure there are no blemishes				
3	A higher credit score is always an indication of successful financial management				
4	Generating capital through credit systems has become a necessity for the growth of your business				
5	Debt servicing has become imperative due to insufficient capital in the running of many small scale businesses				
6					
	Negotiating with suppliers				
1	You always hesitate to ask suppliers for discounts, especially if you order in bulk				
2	You always draw on your good payment history or on quotes from other suppliers when negotiating flexible or extended payment terms with suppliers				
3	You always consider partnering with other small-business owners to make bulk purchases at lower prices				
4	If you are not using all of your square footage, you always consider subleasing unused space				

5	Support structures are always provided for the growth of the small scale firms' including funding and concessional loans, usually at concessionary rates				

SECTION C: PERFORMANCE OF SMALL SCALE BUSINESSES

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of **performance** in your business. Kindly use the scoring system below:

Response Mode	**Rating**	**Description**
Strongly Agree	(4)	You agree with no doubt at all.
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree with no doubt at all

No	Performance	1	2	3	4
	Profitability				
1	You always plan and meet the desired profits				
2	Survival of this business has been due to the profits you always earn.				
3	The returns on capital employed is appropriate to the expectations of the owner(s)				
4	You always plan to increase profitability in the business.				
5	Your business revenue have always exceeded the expenditure				
	Sales growth				
1	You always give discounts to clients to encourage more purchases				
2	Your business has enough stock to meet the customer demands				
3	Your sales have steadily been increasing in past periods.				
4	Your business always sells in bulk to its customers				
5	Your business always carries out sales forecasting to meet the targets.				

JINJA MUNICIPAL COUNCIL
WALUKUBA/MASESE DIVISION

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FINANCE DEPARTMENT,
P.O.Box 720,
Jinja

REF. NO. WMD/214/4.

Date: 22nd May, 2018

Head of Department
Kampala International University

RE: MUKISA IVAN

This is to confirm that the above mentioned student from your University undertook his research in our Division in the area of Debt Management policies and performance of small scale Businesses.

During his research he interacted with several stakeholders in this Division who gave him the necessary information for this research.

JINJA MUNICIPAL COUNCIL
22 MAY 2018
Walukuba / Masese Division
FINANCE OFFICER

Kiwanuka Alex
DIVISION FINANCE OFFICER