Cash Flow Management Practices and Financial Performance of Small and Medium Enterprises in Lira City, Uganda

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Background: This study examines the impact of cash flow management practices on the financial performance of small and medium Enterprises (SMEs) in Lira City, Uganda. SMEs splay a crucial role in economic growth and development, contributing to job creation, innovation, and poverty reduction. However, they often face challenges that hinder their financial performance and sustainability. Effective cash flow management practices are essentials for SMEs survivals and growth, enabling them to meet financial obligations, invest in opportunities, and mitigate risks. Despite this, there is a significant gap in research on the cash flow management practices adopted by SMEs in Lira City and their impact on financial performance.

Methods: To address this gap, this study employs a quantitative cross-sectional design and encompasses SMEs from diverse sectors. The study aims to achieve three specific objectives: 1. Assess the cash flow management practices adopted by SMEs in Lira City. 2. Measure the financial performance of SMEs in Lira City using relevant financial metric. 3. Investigate the relationship between the cash flow management practices and financial performance among SMEs in Lira City.

Results: The study revealed that the SMEs in Lira City prioritize cash flow management practices, particularly in cash flow forecasting, working capital management, and receivables/payables management albeit with varying adoption levels. Financially the SMEs exhibit healthy profit margins and efficient expense management. However, there are opportunities for enhancing investment in innovation and growth initiatives. Notably, the study establishes a significant relationship between cash flow management practices and financial performance with these practices explaining 47.2%of the variation in financial performance. These findings underscore the critical role of effective cash flow management in influencing SMEs' financial wellbeing.

Conclusions: The study recommends strengthening cash flow management, fostering innovation, and providing tailored financial literacy programs for SMEs. Policy makers are encouraged to facilitate access to external funding sources and promote networking among SMEs. Future research avenues encompass qualitative studies, cross-regional comparisons, and analyses of external factors impacting cash flow management and financial performance in SMEs.

Keywords: *Cash flow management practices, Financial Performance, Small and Medium Enterprises.*