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**CORPORATE GOVERNANCE AND FINAN  
CIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN UGANDA  
A CASE STUDY OF NAMUTUMBA TOWN COUNCIL**

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**BU/UP/2020/2374**

**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT  
SCIENCE IN PARTIAL FULFILMENT OF REQUIREMENTS FOR THE  
AWARD OF A BACHELOR'S DEGREE IN BUSINESS  
ADMINISTRATION (ACCOUNTING)  
AT BUSITEMA UNIVERSITY**

**JANUARY, 2024**

**DECLARATION**

I **KIBUMBA JONATHAN** do ratify that this research report is my own work which has never been submitted for examination in this university for academic qualification.

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**APPROVAL**

This report is submitted to Busitema University as a partial fulfillment for the award of Bachelors of Business Administration in Accounting and Finance with my approval as the internal supervisor.

Mr. Emojong Ronald

Signature.....

Date .....

## **DEDICATION**

I warmly dedicate this report to my beloved parents Mr. and Mrs. Kibumba, my brother and sisters, my dearest grand Byampola Christopher and all my classmates most especially Kyobe Jonathan, Musoke Maitham and Namanya Annita for the support and encouragement.

## **ACKNOWLEDGEMENTS**

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## **LIST OF ACROYMNS**

SMEs	Small and Medium Enterprise
ROA	Return on Assets
ROI	Return on Investments
NTC	Namutumba Town Council
ICT	Information and Communication Technology
GDP	Gross Domestic Product
CGPI	Cumulative Grade Point Index

## **ABSTRACT**

This study examined the effect of corporate governance on financial performance. The study was guided by the following objectives notably; to establish the relationship between firm size and financial performance; to establish the relationship between firm age and financial performance and to establish the relationship between firm growth and financial performance. The study used a cross sectional research design, and a quantitative approach. Data was collected from 40 businesses as a target population consisting of financial services, wholesale and retail shops, ICT, stationary shops, agriculture and drug shops. Data were collected with the aid of closed ended questionnaire and analyzed using Statistical Packages for Social Sciences. Frequency tables, descriptive statistics (mean and standard deviation), reliability, validity, correlation, and regression results were obtained using SPSS v20. The study findings revealed that there is a positive and a significant effect of firm size on financial performance, firm age on financial performance, and firm growth on financial performance. To ensure improvement in the financial performance of Small and Medium Enterprises, the study recommended that managers in SMEs should identify and assess potential risks to the business, both internal and external by implementing risk mitigation strategies and contingency plans. This would also equip them with the ability to analyze complex situations and effectively utilize available resources to solve eminent problems. Finally, the research concludes that among the studied variables of which all have got a positive significance, more is realized in firm size and firm age compared to firm growth therefore more efforts are needed in the identified areas by SMEs.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter consists of the background to the study, statement of the problem, objectives of the study, research questions, and scope of the study, conceptual framework and significance of the study

### **1.1 Background of the Study**

According to (Fatihudin & Mochklas, 2018), financial performance is the achievement of the company's financial goals or a certain period covering the collection and allocation of finance measured by capital adequacy, liquidity, solvency, efficiency, leverage and profitability.

According to studies, the SMEs contribute to about 51% of the GDP and about 57% of the employment in the high-income countries such as Canada, Britain, and USA among other developed countries. On the other hand, in the low-income countries, SMEs have contributed to about 20% of their GDP and employment and such countries may include Liberia, Mali, Chad, Burundi, Sudan, Somalia among others (Eton et al., 2021). According to (Thu & Xuan, 2023), despite the SMEs large contribution to the economy, they have always faced great difficulties in their financial performance due to their restricted access to resources.

According to (Tajer et al., 2022) the biggest factor hindering financial performance of small enterprises has been lack of adequate finance, limited credit, in addition rapid technological changes affect their production. New laws, regulations and high interest rates are amidst the numerous challenges that hinder small enterprises from experiencing increased financial performance. This is best put forward by Antony (2012) stated that small enterprises development is hindered by a interplay of many factors such as lack of managerial skills, limited equipment and technology, regulatory issues and inability to access international markets greatly hampers the financial performance of small enterprises. According to Simon (2018), this consistently leaves small enterprises