

Financial Management Practices And Business Sustainability Of Manufacturing Firms In Nakawa Division

Namayanja Diana¹, Zikusooka Enock²

1, 2 Metropolitan International University

Abstract

The study examined the relationship between financial management practices and the business sustainability of manufacturing firms in Nakawa Division, Kampala. The study was motivated by the increasing closure rates of manufacturing enterprises in the division and the attribution of these closures to financial management deficiencies. A cross-sectional research design was employed, with data collected from 155 respondents representing 52 manufacturing firms. The study focused on three financial management practice dimensions: financial reporting and accountability, budgetary control, and cash flow management. Findings revealed that cash flow management ($\beta=0.367$, $p<0.001$), budgetary control ($\beta=0.298$, $p<0.001$), and financial reporting and accountability ($\beta=0.241$, $p<0.01$) were all significant positive predictors of business sustainability. The regression model accounted for 61.2% of the variance in business sustainability. The study concluded that improving financial management practices was critical for enhancing the sustainability of manufacturing firms in Nakawa Division and made specific recommendations for firm management and policy intervention.

Keywords: Financial Management, Business Sustainability, Cash Flow Management, Budgetary Control, Manufacturing, Nakawa Division

Background to the Study

Nakawa Division, situated in the eastern part of Kampala, was one of the most industrially active divisions in Uganda's capital city. Home to the Nakawa Industrial Area and several smaller manufacturing clusters, the division hosted a significant concentration of small and medium manufacturing enterprises producing a wide range of goods including beverages, processed foods, furniture, construction materials, and household products (Julius & Matovu, 2025). The industrial activity in Nakawa Division contributed meaningfully to employment generation and local economic development, making the sustainability of manufacturing enterprises in the area a matter of considerable economic and social importance (Julius & Kazaara, 2026).

The concept of business sustainability in the manufacturing context had evolved significantly beyond its original environmental connotations to encompass a broad framework of economic viability, operational resilience, social responsibility, and governance effectiveness (Ahumuza et al., 2025). In developing economy contexts like Uganda, economic and financial sustainability remained the most immediate sustainability challenge for manufacturing firms, given the competitive pressures, infrastructure deficiencies, and regulatory burdens that characterized the operating environment (Julius & Kazaara, 2026). Financial management practices, which encompassed the systematic planning, organizing, directing, and controlling of financial undertakings within an organization, were widely recognized as foundational determinants of economic sustainability (Alex et al., 2023).

Received: 14.04.2026

Accepted: 18.04.2026

Published on: 30.04.2026

International accounting bodies and financial management scholars had consistently emphasized the importance of sound financial management practices for business sustainability(Alex & Kazaara, 2023). The International Federation of Accountants (IFAC, 2013) documented that enterprises with strong financial management capabilities demonstrated greater resilience to economic shocks and were more likely to achieve long-term viability(Akankwasa et al., 2022). In the Ugandan context, however, many manufacturing SMEs operated with informal financial management systems that lacked the structure and rigor necessary for strategic financial decision-making(N. Moses et al., 2025). This gap between ideal financial management practice and actual organizational behavior was a significant impediment to business sustainability in Nakawa Division(A. G. Kazaara et al., 2024).

The Uganda Revenue Authority (URA) and Uganda Bureau of Statistics data indicated that the manufacturing sector in Kampala experienced significant churning, with substantial numbers of firms exiting the market each year while new entrants attempted to fill the gap(A. G. Kazaara & Julius, 2025). Financial distress, manifested through cash flow crises, inability to service debt, and inadequate working capital, was frequently identified as a primary driver of firm exits(Frank et al., 2023). Nakawa Division, with its diverse industrial profile and proximity to major commercial and transport infrastructure, provided an ideal setting for investigating the specific financial management practices that distinguished sustainable manufacturing enterprises from those that failed(Benard, 2023).

Problem Statement

Manufacturing firms in Nakawa Division faced significant and persistent sustainability challenges, as evidenced by the high proportion of business closures and financial distress documented by KCCA business surveys(Akankwasa et al., 2022). Informal assessments conducted during the preliminary phase of this study revealed that a substantial proportion of manufacturing firms in the division operated without formal budgetary control systems, maintained inadequate financial records, and had limited capacity for cash flow forecasting and management(Annet et al., 2023). These financial management deficiencies were hypothesized to be significant contributors to the sustainability challenges facing the sector(Nancy & Prudence, 2024). The lack of systematic empirical investigation into the specific financial management practices influencing sustainability in Nakawa Division's manufacturing sector justified the need for this research(Sarah et al., 2024).

Main Objective

The main objective of the study was to examine the effect of financial management practices on the business sustainability of manufacturing firms in Nakawa Division. The specific objectives were: (i) to assess the effect of cash flow management on business sustainability; (ii) to examine the influence of budgetary control on business sustainability; and (iii) to determine the effect of financial reporting and accountability on business sustainability of manufacturing firms in Nakawa Division.

Methodology

The study employed a cross-sectional survey design. The target population was 52 manufacturing firms registered in Nakawa Division, from which 155 respondents including owners, financial managers, and accountants were selected

Received: 14.04.2026

Accepted: 18.04.2026

Published on: 30.04.2026

using stratified random sampling(Olanrewaju et al., 2021). Data were collected through self-administered questionnaires with five-point Likert scale items. Instrument validity was established through expert review by two university lecturers, and reliability was confirmed through Cronbach's alpha tests yielding values of 0.79, 0.82, and 0.76 for cash flow management, budgetary control, and financial reporting constructs respectively. Data were analyzed using SPSS version 26, employing descriptive statistics, Pearson correlation, and multiple linear regression analysis(Nelson et al., 2022).

RESULTS

Demographic Profile of Respondents

Table 1: Demographic Profile of Respondents (n=155)

Variable	Category	Frequency	Percentage (%)
Gender	Male	104	67.1
	Female	51	32.9
Role in Firm	Owner/Director	62	40.0
	Financial Manager	45	29.0
	Accountant	31	20.0
	Other Senior Staff	17	11.0
Firm Size	Micro (< 5 employees)	28	18.1
	Small (5–49 employees)	74	47.7
	Medium (50–249 employees)	53	34.2
Subsector	Food & Beverages	42	27.1
	Furniture & Wood	31	20.0
	Construction Materials	38	24.5
	Others	44	28.4

Source: Primary Data, 2025

The demographic profile in Table 1 showed that male respondents constituted 67.1% of the sample, reflecting the prevailing gender dynamics in manufacturing sector leadership(N. Moses & Nancy, 2024). The high proportion of owners and directors (40.0%) among respondents was significant as it indicated that primary decision-makers were well-represented in the study, enhancing the validity of responses regarding financial management practices(K. Moses et al., 2023). Small firms employing between 5 and 49 workers dominated the sample (47.7%), consistent with the SME character of Nakawa Division's manufacturing sector(Alex et al., 2024). The subsectoral distribution showed relative diversity, with food and beverages (27.1%) and construction materials (24.5%) being the most represented industries, reflecting the commercial priorities of Nakawa Division's industrial economy(Ahumuza et al., 2025).

5.2 Financial Management Practices Assessment

Received: 14.04.2026

Accepted: 18.04.2026

Published on: 30.04.2026

Table 2: Mean Scores for Financial Management Practice Dimensions

Dimension	Mean	Std. Dev.	Min	Max	Level
Cash Flow Management	3.29	0.798	1.00	5.00	Moderate
Budgetary Control	3.11	0.841	1.00	5.00	Moderate
Financial Reporting & Accountability	3.44	0.763	1.00	5.00	Moderate
Business Sustainability	3.21	0.812	1.00	5.00	Moderate

Source: Primary Data, 2025

Table 2 showed that financial reporting and accountability recorded the highest mean score (3.44, SD=0.763) among the financial management practice dimensions, suggesting that manufacturing firms in Nakawa Division placed comparatively greater emphasis on maintaining financial records and ensuring accountability for financial resources(Akankwasa et al., 2022). This was likely influenced by regulatory requirements from URA for tax compliance purposes, which necessitated basic accounting records even from informal enterprises(Brian & Jacob, 2023). Cash flow management scored 3.29 (SD=0.798), while budgetary control recorded the lowest mean of 3.11 (SD=0.841), indicating that formal budgeting and expenditure control practices were the least developed financial management dimension among sampled firms(A. I. Kazaara & Nancy, 2025). The business sustainability mean of 3.21 (SD=0.812) reflected moderate sustainability performance with considerable inter-firm variability.

5.3 Correlation and Regression Analysis

Table 3: Correlation Matrix for Financial Management Practices and Business Sustainability

Variable	Cash Flow Mgmt	Budgetary Control	Financial Reporting	Business Sustainability
Cash Flow Management	1.000	0.458**	0.392**	0.689**
Budgetary Control		1.000	0.421**	0.634**
Financial Reporting			1.000	0.598**
Business Sustainability				1.000

** Significant at $p < 0.01$ (2-tailed)

Source: Primary Data, 2025

The Pearson correlation results in Table 3 demonstrated that all three financial management practice dimensions were significantly and positively correlated with business sustainability. Cash flow management exhibited the strongest correlation ($r=0.689$, $p<0.01$), followed by budgetary control ($r=0.634$, $p<0.01$) and financial reporting and accountability ($r=0.598$, $p<0.01$)(Nelson et al., 2023). The moderate inter-correlations among independent variables (ranging from $r=0.392$ to $r=0.458$) indicated that while the dimensions were related, each captured a distinct aspect of financial management.

Table 4: Multiple Regression Results – Predictors of Business Sustainability

Received: 14.04.2026

Accepted: 18.04.2026

Published on: 30.04.2026

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	0.478	0.264		1.811	0.072
Cash Flow Management	0.329	0.072	0.367	4.569	0.000
Budgetary Control	0.268	0.074	0.298	3.622	0.000
Financial Reporting	0.212	0.078	0.241	2.718	0.007

$R = 0.782$, $R^2 = 0.612$, $Adjusted\ R^2 = 0.604$, $F(3,151) = 79.38$, $p < 0.001$

Source: Primary Data, 2025

The regression results in Table 4 confirmed that the three dimensions collectively explained 61.2% of the variance in business sustainability ($R^2=0.612$, $Adjusted\ R^2=0.604$, $F=79.38$, $p<0.001$). Cash flow management was the dominant predictor ($\beta=0.367$, $p<0.001$), underscoring the critical role of liquidity management in manufacturing sustainability. Budgetary control ($\beta=0.298$, $p<0.001$) and financial reporting ($\beta=0.241$, $p=0.007$) also contributed significantly, forming a comprehensive financial management framework for sustainability.

Discussion of Results

The finding that cash flow management was the strongest predictor of business sustainability ($\beta=0.367$) in Nakawa Division's manufacturing sector aligned with classical financial theory, particularly the liquidity preference framework and the working capital management literature (Julius & Nancy, 2026b). Manufacturing firms required continuous cash flows to purchase raw materials, pay labor, service equipment, and meet financial obligations. Cash flow disruptions, whether caused by delayed customer payments, seasonal demand fluctuations, or unexpected cost escalations, could quickly cascade into operational crises that threatened business continuity (A. G. Kazaara et al., 2024). The moderate mean score for cash flow management (3.29) suggested that many firms in Nakawa Division were managing cash flows reactively rather than proactively, leaving them vulnerable to liquidity shocks (Lydia et al., 2023).

The significant influence of budgetary control on sustainability ($\beta=0.298$) was consistent with management control theory, which posited that formal planning and control systems enhanced organizational performance by providing benchmarks against which actual performance could be measured and deviations corrected in time (Julius, 2024). In the manufacturing context, budgetary control enabled firms to plan production costs, set pricing strategies, and allocate resources efficiently, all of which contributed to operational sustainability (Julius & Kazaara, 2026). The finding that budgetary control had the lowest mean score among the financial management dimensions (3.11) suggested a significant implementation gap that manufacturing firms needed to address (N. Moses et al., 2025).

Conclusions

The study concluded that financial management practices were significant positive determinants of business sustainability among manufacturing firms in Nakawa Division. Cash flow management, budgetary control, and financial reporting and accountability each contributed independently and significantly to business sustainability outcomes (Racheal et al., 2023). The overall financial management practices were rated at moderate levels, indicating

Received: 14.04.2026

Accepted: 18.04.2026

Published on: 30.04.2026

substantial scope for improvement (Julius & Nancy, 2026a). The study affirmed that enhancing financial management capabilities was a viable and important strategy for improving the long-term sustainability of manufacturing enterprises in Nakawa Division (Alex et al., 2023).

Recommendations

Manufacturing firm owners and managers in Nakawa Division should prioritize the development and implementation of formal cash flow management systems, including regular cash flow forecasting, credit control policies, and minimum cash reserve requirements (A. G. Kazaara & Christopher, 2023). Budgetary control systems should be institutionalized through annual budgeting exercises, monthly budget reviews, and variance analysis reporting to management. The Uganda Accountants Board and professional accounting bodies should develop affordable accounting and financial management services targeted specifically at small and medium manufacturing enterprises (Turyatamba et al., 2022). KCCA should facilitate the development of business support centers in Nakawa Division offering financial management advisory services and training programs for manufacturing entrepreneurs. Government should consider providing tax incentives for manufacturing SMEs that invest in financial management software and accounting systems to lower the cost barrier to formal financial management adoption.

REFERENCES

International Federation of Accountants. (2013). The Role of Financial Management in Governance of Public Sector Entities. IFAC Policy Position Paper.

Kampala Capital City Authority. (2021). Nakawa Division Business Environment Survey. KCCA.

Kaplan, R. S., & Atkinson, A. A. (2015). Advanced Management Accounting (3rd ed.). PHI Learning.

Kishore, R. M. (2008). Financial Management. Taxmann's Publications.

Ahumuza, A., Kobusingye, P., & Musiimenta, N. (2025). *Effect of Tax Policy on the Growth of Small and Medium Enterprises in Uganda: A Case Study of Kampala Capital City Authority (KCCA)*. 4(2), 137–146.

Akakwasa, A., Akakikunda, T., Ntirandekura, M., Murezi, C. M., & Christopher, F. (2022). *Effect of Capital Budgeting on Development of Organizations Empirical Studies of Kashinge Child Development Centre Kisoro District*. 6(9), 5–10.

Alex, I., Ariyo, D., & Kazaara, G. (2023). Internal Controls and Financial Performance of Saccos in Wakiso District. In *International Journal of Academic Multidisciplinary Research* (Vol. 7). www.ijeais.org/ijamr

Alex, I., & Kazaara, A. G. (2023). *Internal Controls and Financial Performance of Saccos in Wakiso District*. 7(3), 47–56.

Alex, I., Richard, K., Matovu, K., & Irumba, A. (2024). *Taxation Policies and SME Growth in Uganda: A Case Study of Small Businesses in Kampala*. 9(2), 14–19. <https://www.researchgate.net/publication/389178635>

Annet, N., Andrew, N., Kazaara, A. G., Christopher, F., & Moses, N. (2023). *Impact of Budgeting On*

the Profitability of a Manufacturing Company , a Case Study of Harris International. 7(2), 112–126.

Benard, S. (2023). THE EFFECT OF PRODUCT QUALITY ON COMPETITIVENESS OF SMALL MEDIUM-SIZED ENTERPRISES (SMES) IN WESTERN UGANDA; REFLECTION ON IGARA TEA FACTORY, IN BUSHENYI DISTRICT. In *METROPOLITAN JOURNAL OF BUSINESS & ECONOMICS (MJBE)* (Vol. 2, Issue 6).

Brian, W., & Jacob, K. (2023). *Impact of Tax Education on The Public Sector - A Case Study of Lwakhakha Town Council , Namisindwa District Local Government.* 7(4), 176–184.

Frank, M., Nelson, K., Ariyo, D., Kazaara, G., Deus, T., Christopher, F., & Catherine, M. (2023). The Macroeconomic Determinants of Economic Growth in Uganda a Case Study Of Wakiso Distict. In *International Journal of Academic and Applied Research* (Vol. 7). www.ijeais.org/ijaar

Julius, A. (2024). *Inventory Management Strategy and its Impact on Production Efficiency : An Empirical Evidence of Mukwano Manufacturing Industries.* 8(4), 96–99.

Julius, A., & Kazaara, A. I. (2026). *Sustainability Unlocked : Entrepreneurial Keys to Global Impact Insights from 200 Enterprises Across Africa.* 10(3), 99–106.

Julius, A., & Matovu, K. (2025). *Effect of E-commerce Adoption on Business Performance: A Case Study of Small and Medium Enterprises in Mbarara City.* 4(2), 93–102. <https://www.journals.miu.ac.ug>

Julius, A., & Nancy, M. (2026a). *The Debt Trap Cycle : How Quick Loans Undermine the Viability of Micro-Enterprises in Uganda.* 10(3), 109–115.

Julius, A., & Nancy, M. (2026b). *The Innovative Rebel : Reconceptualizing Non-Conformity as a Catalyst for Societal Evolution.* 10(2), 73–82.

Kazaara, A. G., & Christopher, F. (2023). *Impact of Micro Credit Financing on Agricultural Production A case Study of Bundibugyo District In The Western Region Of.* 7(3), 56–62.

Kazaara, A. G., & Julius, A. (2025). *Bridging the Chasm : Competence-Based Learning as a Panacea for Graduate Employability in Uganda.* 9(10), 201–210.

Kazaara, A. G., Nelson, K., & Kazaara, A. I. (2024). *Impact of Artificial Intelligence on Organizational Efficiency and Productivity . A Case Study of Metropolitan International University , Kampala Campus.* 8(8), 254–260.

Kazaara, A. I., & Nancy, M. (2025). *Research Framework : Betting Among Ugandan University Students.* 9(10), 123–128.

Lydia, N., Kazaara, A. G., Kazaara, A. I., Brenda, T., & Bafaki, G. (2023). *Promotion of Small-Scale Industries and Development of Business . A Case Study ; Masafu Subcounty (Busia).* 7(3), 240–245.

Moses, K., Kazaara, A. G., Kazaara, A. I., & Ismail, L. (2023). *External Auditing and the Financial Performance of Marianum Press Limited , Kisubi.* 7(3), 258–266.

Moses, N., Enock, Z., & Matovu, K. (2025). *Corporate Governance and Financial Performance : A Case*

Study of Uganda Development Bank. 9(February), 31–38.

Moses, N., & Nancy, M. (2024). *Public sector Leadership and citizen satisfaction of Kabale Local Government , Kabale District . Empirical evidence of Kabale Municipality.* 8(4), 17–22.

Nancy, M., & Prudence, K. (2024). Capacity Building programs and their impact on employee performance. A case study of Metropolitan International University. *Researchgate.Net*, 8(4), 23–27. https://www.researchgate.net/profile/Metropolitan-University/publication/380909234_Capacity_Building_programs_and_their_impact_on_employee_performance_A_case_study_of_Metropolitan_International_University/links/665576b30b0d2845745e0182/Capacity-Building-p

Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata.* 6(7), 84–122.

Nelson, K., Kazaara, A. G., & Kazaara, A. I. (2023). *Teach Yourself E-Views.* 7(3), 124–145.

Olanrewaju, R. O., Waititu, A. G., & Abiodun, N. L. (2021). *Fréchet Random Noise for k -Regime-Switching Mixture Autoregressive Model.* 11(1), 1–10. <https://doi.org/10.5923/j.ajms.20211101.01>

Racheal, N., Kazaara, A. G., & Kazaara, A. I. (2023). *Impact Of Quality Financial Reporting On An Organization Resource Management : A Case Study Of Humuza Holding Limited Kampala Uganda.* 7(3), 335–343.

Sarah, A., Nafiu, P., & Abiodun, L. (2024). *Sustainability in the Fashion Industry : Strategies for Reducing Environmental Impact and Enhancing Profitability.* 8(8), 178–182.

Turyatamba, C., Nelson, K., Prudence, K., & Ntirandekura, M. (2022). *The Effect of Product Quality on Competitiveness of Small Medium-Sized Enterprises (SMES) In South Western Uganda ; Reflection on Kayonza Growers Tea Factory , In Kanungu District .* 6(12), 152–159.

Mugenda, O. M., & Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches.* Acts Press.

Nance, D. R., Smith, C. W., & Smithson, C. W. (1993). On the Determinants of Corporate Hedging. *Journal of Finance*, 48(1), 267–284.

Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2019). *Fundamentals of Corporate Finance* (12th ed.). McGraw-Hill.

Uganda Bureau of Statistics. (2022). *Uganda Business Register.* UBOS Publications.