

ABSTRACT

Globally, Small scale enterprises (SSEs) are acknowledged as vital and significant contributors to economic development through their critical role in providing job opportunities, nurturing the culture of entrepreneurship and are a vital link in the economy through their supply chain and intermediary role in trade. In Kenya, SSEs contribute over 50% of new jobs created in the year 2016 and over 20% to the GDP of the country. In recognition of this indispensable role, the government of Kenya has increased funding to the enterprise support programmes such as Uwezo Fund introduced in the year 2014 to fuel the development of these enterprises. Despite their significance and the increased efforts by the government of Kenya and other stakeholders to ensure the success of small scale enterprises, past statistics indicate that they exhibit high birthrates and high death rates with 40% of the startups failing by year two and at least 60% closing their doors by year four. Previous studies have mainly focused on working capital management practices and descriptively studied the cash management practices. None has investigated the influence of business record keeping, cash budgeting and cash conversion cycle on performance of SSEs. Therefore the purpose of this study was to analyze the influence of cash management practices on performance of SSEs in Mbale town, Kenya. Specific objectives of the study are to: determine the effect of maintaining business records on performance; establish the effect of preparing cash budget on performance and determine the effect of management of cash conversion cycle on performance. The study was anchored on the monetary theory and operating cycle theory of cash management. The study employed the correlation study design. A population of 150 SSEs was used. Reliability of questionnaires was tested on pilot data from 10 respondents which yielded alpha coefficients greater than .701 implying internal consistency. Content validity test was done using expert reviewers. Primary data was obtained using semi-structured questionnaire self-administered to the owners of the SSEs in Mbale town and secondary data from records in relevant offices. Data was analysed using Pearson correlation and multiple regression analyses to establish relationship and magnitude between cash management practices and performance of SSEs. The findings were that business record keeping was a positive significant predictor of performance ($\beta = .353$ ($p = .000$)); cash budgeting was a positive significant predictor of performance ($\beta = .215$ ($p = .018$)) and that management of cash conversion cycle was a positive significant predictor of performance ($\beta = .449$ ($p = .000$)). The study concludes that embracing business record keeping practice by SSEs leads to improved performance; use cash budgeting leads to better performance and that managing cash conversion cycle leads to improved performance. Recommendations of the study are that; SSEs should intensify the practice of business record keeping; continue enhancing application of cash budgeting and SSEs should intensify practice of managing cash conversion cycle as this was found to enhance performance. The data collected was presented in tables, graphs and charts. The findings of this study will provide insight to owners/managers of SSEs, various policy-making and support organizations on how to minimize the trend of high business failures as a result of poor cash management.