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**THE IMPACT OF CAPITAL BUDGETING TECHNIQUES ON FINANCIAL  
PERFORMANCE OF MICRO AND SMALL BUSINESS ENTERPRISE  
A CASE STUDY OF PALLISA TOWN COUNCIL**

**BY  
MIREMBE FLORENCE  
REGISTRATION BU/UP/2020/0920**

**A RESEARCH PROPOSAL SUBMITTED TO THE FACULTY OF MANAGEMENT  
SCIENCES FOR THE FULFILMENT OF THE AWARD OF DIPLOMA IN BUSINESS  
ADMINISTRATION OF BUSITEMA UNIVERSITY  
MARCH 2023.**


## DECLARATION

### DECLARATION

I MIREMBE FLORENCE do ratify that this research proposal is my own work which has never been submitted for examination in this university for academic qualification.

Student Name: MIREMBE FLORENCE

Registration number: BU/UP/2020/0920

Date 10<sup>th</sup> . 03 . 2023 

## APPROVAL

### APPROVAL

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

Mr. EMOJONG RONALD.

Signature:  .....

Date: 14/05/23 .....

## **DEDICATION**

This work is dedicated to the family of Ms MIREMBE FLORENCE for their moral support, encouragement and understanding. To all my friends, course mates, lecturers, and the Almighty God for his unceasing blessings without which it is impossible to ensure the proposal submission a reality.

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## ACRONMY

### List of abbreviations

**DBA**.....Diploma of Business Administration

**RBV**.....Resource based view

**MSES**..... micro and small enterprises.

**IRS**..... internal revenue services

**URA**..... Uganda revenue authority

**IV**.....Independent variable.

**DV**.....dependent variable.

**SMEs**.....Small and medium enterprise.

**PAYE**.....pay as you earn.

**GDP**.....growth domestic product

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## **ABSTRACT**

The purpose of the study is to investigate the impact of capital budgeting techniques on financial performance of SMES in Pallisa town council. The study is basing on the following 3 objectives ;(a) to determine the effect of financial management on financial performance of SMES in Pallisa town council ;(b) to determine the effects of investment appraisal techniques on financial performance of SMES in Pallisa town council and (c) to establish the relationship between financial planning and financial performance of SMES in Pallisa town council. The study was 30SMES selected from 60 registered SMES in Pallisa town council. The sample size of the target population gave 100% response that a concrete result for the study and this helps the researcher to make meaningful conclusions of the study. In regard to capital budgeting techniques towards financial performance of SMES in Pallisa town council, the study found out that capital budgeting techniques in Pallisa town council has a positive correlation of 1.000 towards financial performance of 0.958 of SMEs

## **CHAPTER ONE: INTRODUCTION**

### **1.0 Introduction**

This chapter will look at background of the study, problem statement, purpose of the study, research objectives, and research questions, scope of the study, significance of the study, conceptual framework and definitions of key terms

### **1.1 Background of study**

Micro and small enterprise (MSES) are considered as the pillar of economic growth of many developed and developing countries across the globe, (Al Sakakiny & Taqui Syed, 2019). The significance of MSEs of providing employment opportunities that ultimately minimizes poverty has motivated various governments to offer them funds at subsidized interest rates (Obuya, 2017). Those Micro and Small Enterprises which do not receive funds from the governments resort for trade credit, short-term loans and long-term loans from suppliers, relatives, friends, commercial banks and Microfinance institutions (Matarirano, 2022).

Financial performance is the ability of the MSEs to operate efficiently, generate effective income, survive, and expand by observing environmental opportunities and threats (Matarirano, 2022). Financial performance gauges the proper use of enterprises' resources to maximize profit and wealth (Sollenberg& Anderson 1995). The monetary financial tasks are performed periodically from the accounts, profit and loss statements or the balance sheets of the Enterprises to measure the extent of their business success (Matarirano, 2022).

There are 420 to 510 million micro and small enterprises worldwide as estimated by the international finance corporation (IFC) and the McKinsey global institute( MGI) based on the study conducted by the different organizations in 2010 in about 130 countries in the world. Only 9% of the enterprises are formal and 85% to 91% are informal emerging business (Kushnir 2010). According to world bank MSEs contributes about 89% to the GDP of china economy, about 85% to the economic growth in united states of America and according to the report the mentioned countries have been successful due to the value they attached to medium and small enterprises and the government gives a lot of support in form of reduced profit loans and sometimes donation to small business in the country. (Bayisenge et al., 2020).

In Kenya, the SMEs have been of great benefit not only to the economy but also to the society at large. The sector employs over 4.6 million people who were over 30% of all employment and accounts for approximately 75% of all businesses. The sector also contributes 18.4% of the GDP

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