



**ICT AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SCALE
ENTERPRISES: A CASE STUDY OF KIBUKU DISTRICT**

BY

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**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT
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THE AWARD OF A DEGREE OF BACHELORS OF
BUSINESS ADMINISTRATION OF
BUSITEMA UNIVERSITY**

AUGUST, 2024

DECLARATION

DECLARATION

I certify that this research report titled "ICT and Financial Performance of Small and Medium Scale Enterprises: A Case Study of Kibuku District" is my own work. The work has not been presented elsewhere for assessment. Where material has been used from other sources it has been properly acknowledged / referred.

Signature:
[Handwritten Signature]



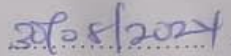
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APPROVAL

APPROVAL

This research report titled "ICT and Financial Performance of Small and Medium Scale Enterprises: A Case Study of Kibuku District" has been submitted for examination with my approval as a university supervisor and is for the award of a Bachelor's Degree of Business Administration of Busitema University.

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Supervisor:

Signature

Date

Mr. Brian Wadambisha

DEDICATION

This research report is dedicated to my parents, whose love inspires me and whose tuition has enabled me to study.

I also dedicate it to my brothers and sisters who have given me all the support both morally and spiritually during this demanding time of study.

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I appreciate God, the most gracious, the Most Merciful, for what He has done for me: giving me wisdom, strength to always be courageous for the far I have gone with this research report. I am also thankful to my family because they have given so much inspiration and support to me that I am short of words in expressing my gratitude.

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While preparing this report, if any error of fact, omission or emphasis occurs, those are solely my responsibilities.

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LIST OF ABBREVIATIONS AND ACRONYMS

CRM:	Customer Relationship Management
ICT:	Information Communication Technology
RBV:	Resource-Based View
ROI	Return on investment
SMEs:	Small and Medium Enterprises
UBOS	Uganda Bureau of Statistics
VRIN:	Valuable, Rare, Inimitable, and Non-Substitutable

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ABSTRACT

The study assessed the relationship between ICT and the financial performance of small and medium-sized enterprises located in Kibuku district. The study utilized a descriptive quantitative design to assess the relationship between ICT and the financial performance of SMEs. Descriptive research design is flexible and allows for a comprehensive exploration of the problem while capturing the characteristics of the target population. Quantitative methods were employed as they offer objectivity and facilitate the investigation of relationships between identified variables. 86 SMEs were considered for the study using nonprobability sampling (purposive). The analysis indicates a positive significant relationship between ICT and SME financial performance. Further research and analysis with a larger sample size or the inclusion of additional variables may be necessary to gain a more comprehensive understanding of the relationship between ICT and SME financial performance. Recommendations were made for SMEs managers to sensitize, educate and train their employees on ICT and the role of individual owner-manager in learning how to use and adopt ICT to enhance value and improve on financial performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers the background of the study, statement of problem, purpose of the study, objectives, scope of the study, significance, conceptual framework and definition of the terms.

1.1 Background of the Study

Small and Medium Scale Enterprises (SMEs) are recognized globally as crucial drivers of economic growth, innovation, and employment. Despite their significant potential, many SMEs face persistent challenges that hinder their financial performance. This is particularly evident in Uganda, where SMEs grapple with low profit margins, stagnant revenue growth, and suboptimal return on investment (ROI). This study aims to explore the impact of Information and Communication Technology (ICT) adoption on the financial performance of SMEs, focusing specifically on those in the Kibuku district of Uganda.

Globally, SMEs contribute significantly to economic development. They account for approximately 90% of businesses and more than 50% of employment worldwide (World Bank, 2020). However, SMEs often struggle with financial performance due to various challenges, including limited access to finance, high operating costs, and inadequate technological adoption. Studies indicate that SMEs often operate with thin profit margins due to high operational costs and limited access to finance (Beck et al., 2018). For instance, research shows that SMEs in various contexts report average profit margins as low as 5% (Beck et al., 2018). Still on the global stage, SMEs struggle with stagnant revenue growth rates, limiting their ability to expand and innovate (Joshua Abor & Quartey, 2016).

In Africa, SMEs play a vital role in economic development, contributing about 80% of jobs across the continent and representing about 90% of all businesses (African Development Bank Group, 2019). However, African SMEs often face greater challenges compared to their counterparts in other regions, including poor infrastructure, limited access to finance, and inadequate use of modern technologies. SMEs struggle with low profit margins, stagnant revenue growth, and suboptimal ROI due to factors such as inadequate infrastructure and high costs of borrowing (Adegbite et al., 2020).

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