



# Business Environment and Financial Performance of Selected Small and Medium Enterprises in Bushenyi-Ishaka Municipality, Uganda

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## Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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## ABSTRACT

Small and medium enterprises (SMEs) globally are facing significant financial challenges, despite various government interventions and support mechanisms. SMEs in Bushenyi are positively influencing the district's economic development and growth, although there is also a significant failure rate. SMEs in Uganda, however, have not yet fully embraced these sectors; thus, immediate action is required. This study examined the influence of the business environment on the financial performance of Small and Medium Enterprises in Bushenyi-Ishaka Municipality, Uganda. The study

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specifically aimed to: establish the relationship between political environment and financial performance; examine the relationship between socio-cultural environment and financial performance; and determine the relationship between technological environment and financial performance of SMEs. Using a quantitative approach and correlational design, the study targeted a population of 140 respondents comprising SME owners and employees, from which a sample of 104 was drawn using stratified random proportionate sampling. The research was guided by Political Risk Theory, Technological Determinism Theory, and Cultural Dimensions Theory. Data was collected using structured questionnaires and analysed using both descriptive statistics and inferential statistics through SPSS version 27, with results presented in tables. The findings revealed varying relationships between business environment factors and financial performance: political environment showed a strong positive correlation ( $\beta = 0.877$ ,  $p = 0.000$ ), socio-cultural environment demonstrated a negative but insignificant relationship ( $\beta = -0.085$ ,  $p = 0.130$ ), and technological environment exhibited a negative insignificant relationship ( $\beta = -0.050$ ,  $p = 0.373$ ). The study recommended establishing formal channels for political engagement, developing culturally sensitive business practices, and implementing strategic technology adoption approaches. Further research was suggested to investigate other factors affecting SME financial performance in the region, including management practices, market conditions, and access to finance.

**Keywords:** *Financial performance; political environment; technological environment; social culture environment.*

## 1. INTRODUCTION

Even though small and medium enterprises (SMEs) play a crucial role in strengthening the financial sector within developing and emerging economies through providing employment opportunities to the rural and urban population, capacity building in the form of skills training and economic empowerment, they still face a plethora of challenges that continue to threaten their existence, performance and growth (Hussein Kakembo et al., 2021). The financial performance of SMEs in the USA has been characterised by significant volatility and resilience. The COVID-19 pandemic in early 2020 caused severe initial disruptions, with many SMEs experiencing sharp revenue declines and increased financial stress (Bartik et al., 2020). Government support programs, particularly the Paycheck Protection Program, helped mitigate some economic damage (Humphries et al., 2022). As the economy rebounded in 2021 and 2022, many SMEs saw improved financial performance, though challenges like supply chain disruptions and labour shortages persisted (Fairlie & Fossen, 2023). The latter half of 2022 and early 2023 brought new headwinds in the form of high inflation and rising interest rates, squeezing profit margins and increasing borrowing costs for many SMEs (National Federation of Independent Business, 2023). Despite these challenges, data through 2024 suggests that a significant portion of SMEs adapted and maintained relatively stable financial performance, with some sectors thriving in the

evolving economic landscape (U.S. Small Business Administration, 2024). For SMEs to maintain liquidity, profitability, and long-term sustainability, mastering financial management is indispensable (Tayebwa et al., 2025). Historical analysis shows that SMEs have consistently played a crucial role in the U.S. economy, contributing significantly to job creation and innovation (Kobe & Schwinn, 2022). The 2020-2024 periods highlighted both the vulnerability and adaptability of SMEs, with those embracing digital transformation and flexible business models generally faring better (McKinsey & Company, 2023). Generally, while facing unprecedented challenges, many SMEs demonstrated remarkable resilience, adapting to new market conditions and leveraging technology to maintain or improve their financial performance (Bohn et al., 2024).

A streamlined business environment supporting the sustainable development of SMEs may contribute to improving the living conditions of low-income households in terms of employment opportunities (Rocha, 2012). SMEs in Uganda, however, have not yet fully embraced these sectors; thus, immediate action is required. Although Uganda has a high rate of SMEs being started, Kazooba (2016) contends that the country also has a high rate of SMEs being closed and non-performing. The conducted research, however, could not demonstrate how the elements of financial management impact SMEs' total business efficiency. The incapacity of financial managers to effectively plan and

manage the present assets and current obligations of their individual companies has been blamed for a great deal of business failures (Mbaguta, 2012). SMEs in Bushenyi are positively influencing the district's economic development and growth, although there is also a significant failure rate (Kazooba, 2016).

### **1.1 Purpose of the Study**

To assess the relationship between the business environment and the financial performance of small and medium enterprises in Bushenyi District in Uganda

## **2. LITERATURE REVIEW**

### **2.1 Political Environment and Financial Performance of SME'S**

According to Rahman et al. (2023), a country's political climate has a significant impact on how well small and medium-sized businesses function. These academics contend that the political environment is composed of pressures and issues resulting from governmental political actions, which have the power to change the intended result and value of a particular economic action by warping the likelihood of accomplishing corporate objectives. Okoro (2022) clarified that the political climate is influenced by developments in government policies and initiatives, which in turn impact the capacity of economic entities to achieve their objectives. The political climate in which small and medium-sized business managers in Nigeria operate is unstable and full of threats, including multiple taxation, inflation, devaluation of the currency, campaigns against foreign goods, expropriation, confiscation, kidnapping, terrorism, and civil wars (Adebayo, 2021). Government initiatives like new laws, regulations, and political frameworks have the potential to hinder business earnings and discourage foreign investment. Although it has been established that the political environment affects company performance, there is not enough empirical data or literature in Nigeria to support this theory about the relationship between the political environment and small and medium-sized business performance (Ramalho & Silva, 2009).

Businesses are impacted by the political climate, which may increase their risk and result in a loss. The policies and actions of all levels of government, from the local to the federal, have the potential to alter the political climate.

Companies need to budget for the unpredictability of laws and policies. A nation's political climate has an impact on its economic climate. According to Nwosu and Eze (2024), a business organisation's performance is impacted by the economic climate. Getting political risk insurance is one approach to reduce political risk. This kind of insurance is used by multinational corporations to lessen the risk that comes with being affiliated with unstable political environments. In many nations, there are indices that provide a sense of the risk incident that an organisation faces. An index of economic freedom, for example, assigns a grade to each nation according to the degree to which political meddling affects corporate choices there. Political environments have a variety of effects on businesses. It can increase a risk factor and result in a significant loss (Adebayo, 2021).

### **2.2 Cultural Environment and Financial Performance of SMEs**

The performance of small and medium-sized enterprises (SMEs) in Nigeria is significantly shaped by the social and cultural context. Nigeria is a multilingual, ethnically diverse nation with over 250 different ethnic groupings. Nigeria's social and cultural context has an impact on how SMEs function and interact with their clients, partners, and staff (Okonkwo & Eze, 2024). The value placed on interpersonal connections and trust is one Nigerian cultural characteristic that has an impact on SMEs. Contractual agreements are not as common in Nigerian business dealings as personal ties and trust. In their research on SMEs in Nigeria, Okonkwo and Eze (2024) discovered that trust is critical to establishing enduring connections with suppliers and customers, and that SMEs that cultivate trust among their stakeholders have a higher chance of success (Nwosu, 2023). Additionally, Nigerian culture's emphasis on collectivism fosters support from family and community, which is advantageous for SMEs. Small and medium-sized enterprises (SMEs) in Nigeria frequently depend on their family and community members for financial support and operational help. Support from friends and family can lessen SMEs' financial stress and assist them in overcoming obstacles (Adebayo and Oluwatobi, 2022).

The term "social cultural environment" describes the socioeconomic and cultural elements that influence people's attitudes, values, and conduct, both individually and collectively. Socioeconomic

position, race and ethnicity, gender, religion, language, and education are a few of the variables that are included. "Socioeconomic status affects children's access to education, healthcare, and other important resources, which ultimately influence their development and life chances" (Okoro, 2023) and "Race and ethnicity influence the way people experience discrimination in society and can impact their mental and physical health outcomes" (Nnamani & Umeh, 2024) are some examples of social and cultural environments with citations that support them. Cultural differences in gender roles and expectations can affect men's and women's experiences and opportunities in both their personal and professional lives (Eze & Okoli, 2022); religious practices and beliefs can affect people's values, attitudes, and behaviors as well as their social and political engagement (Okafor & Nwosu, 2023); and language barriers can lead to social isolation and limit opportunities for people and groups, especially in the areas of civic engagement, healthcare, and education (Mutua & Chilaka, 2024).

### **2.3 Technological Environment and Financial Performance of SMEs**

A lot more focus needs to be spent on anticipating and setting the company up for technological change that is required in other industries due to the demands of higher-technology corporations. The need to employ the greatest technology, which is frequently available outside the company, and the demand for control, which is undermined by reliance on outside sources, are fundamentally at odds when it comes to the acquisition of technology. Enterprises possessing an advanced comprehension of technology dynamics are more advantageous in terms of cultivating competencies that enable them to respond suitably to shifts in the market and environment. Thus, a thorough understanding of the nature of technological growth is necessary when anticipating or responding to technological change (Okonkwo and Nwosu, 2023).

Global attention has turned to technological progress and how it affects the workforce. On the other hand, opinions on how employment would be affected by technological advancements differ. According to some analysts, the rate of technological advancement is quickening, and as labour-saving innovations spread more broadly, thousands of employees in factories and offices may be impacted. Others, however, argue that

methods for preserving job stability were crucial and that current advancements mark a dramatic divergence from past modifications. All groups in a society benefit from technological progress, and in the end, it's thought that technology creates more employment than it destroys, particularly in small and medium-sized businesses. Over the course of human history, worries about evolving technology have consistently existed. They often peak at times of higher-than-average unemployment before gradually declining (Adebayo and Oluwatobi, 2022).

Global attention has turned to technological progress and how it affects the workforce. Advanced communication technologies, industrial robots, computer-aided design (CAD), computer-assisted manufacturing (CAM), and flexible manufacturing systems are some of the developments. These cutting-edge technologies include potent and reasonably priced microelectronic gadgets that could boost output in manufacturing and office settings (Eze and Okoli, 2024). Executives must set an example for their subordinates by modelling their behaviour toward issues, clients, workers, and stakeholders before they can successfully implement the required change. This needs to be handled methodically and progressively. SMEs that invest in technology were able to handle change as it arises in a dynamic business environment by combining human, technological, and conceptual talents to tackle production-related difficulties.

Technological innovation and careful control perspectives are necessary for sustainable growth and profitability. Innovation through new products and technologies has a significant impact on the growth of organisations. According to Okoro et al. (2022), "small and medium-sized enterprises (SMEs) furnish a strong increase to employment and economic growth specifically due to their innovative activities, which become a main force of explaining competitive advantage and firm performance." Managers' inability to fully utilise the potential of new technologies can actually work against them.

## **3. MATERIALS AND METHODS**

### **3.1 Research Design**

A research design, according to Orodho (2000), is a strategy, blueprint, or system used to produce solutions to research challenges. This study used a correlational research design. This

design helped the researcher to determine the relationships between the study variables and draw conclusions accordingly. As such, the correlational research design enabled the study to determine the relationship that exists between the business environment (political, technological and socio-cultural environment) and performance of selected SMEs in Bushenyi- Ishaka, Uganda.

### 3.2 Study Population

The study included owners and employees of Small and medium-sized enterprises selected in Bushenyi-Ishaka Municipality. The total population under study is 140 respondents.

**Table 1. Target Population**

S/No.	Group Name	Target Population
1	Small and medium-sized owners	50
2	Small and medium-sized employees	90
<b>Total</b>		<b>140</b>

Source: Chambers of Commerce, 2024

### 3.3 Sample Size

A sample, according to Amin (2005), is a collection of certain demographic elements. It is a member of the accessible or target audience that has been chosen through a selection process to represent it.

A sample of 104 from the population of 140 was established by utilising the sample size determination formulae. As computed below

$$n = N / (1 + N(e)^2)$$

$$n = 140 / (1 + 140(0.05)^2)$$

$$n = 140 / (1 + 140(0.0025))$$

$$n = 140 / (1 + 0.35)$$

$$n = 140 / 1.35$$

$$n = 103.7$$

$$\text{\`n} = 104$$

### 3.4 Data Collection Methods and Instruments

Primary data was gathered with the help of both researcher and self-administered structured questionnaires. The Researcher-Administered Questionnaire, which was used to collect data from SMEs owners or employees, while Self-Administered Questionnaires were used to collect data through the drop-pick later method

(Mugenda and Mugenda, 2003) from entrepreneurs or employees. These questionnaires contained closed-ended questions. Quantitative data was collected using closed-ended questions on a Likert scale of 1 to 5 to ensure research objectivity. The questionnaires were designed based on the study objectives. Secondary data was obtained from published journals, reports and other existing sources about the study variables to gain a broader understanding of the relationship between the business environment and performance of selected SMEs with the specific context of Bushenyi- Ishaka municipality.

### 3.5 Data Analysis

Dibekulu (2020), defined data analysis as a process of transforming, cleaning, and modelling the collected data with the aim of discovering the required information. Data collected was coded, organised and cleaned for data analysis. Quantitative data was analysed using both descriptive statistics and inferential statistics. Descriptive statistics involved the use of percentages, frequencies and measures of central tendency. This helped the researcher to analyse responses from each research objective. Pearson's moment correlation analysis was used to establish the relationship and strength of the relationship between independent and dependent variables. A multiple regression model was used to analyse the extent to which independent variables explain dependent variables. This took the form of the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Statistical Package for Social Sciences (SPSS) Software version 27.0 was used to process, clean, transform, and model the collected data.

A multiple regression model was used to test the hypotheses at a 5% confidence level as follows; The regression model is given below

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where: Y = Financial Performance

X<sub>1</sub> = Political Environment

X<sub>2</sub> = Socio-Cultural Environment

X<sub>3</sub> = Technological Environment

α = constant

β<sub>0</sub>β<sub>1</sub>β<sub>2</sub>β<sub>3</sub> = Coefficients

e = Margin of error (5%)

The null hypothesis was tested at a 0.05 confidence level, where  $p < 0.05$ . The results of the analysis were presented in tables, graphs, and charts, and were discussed in the context of the research hypotheses.

## 4. RESULTS

### 4.1 Response Rate

According to research guidelines by Wagner and Wick (2022), this study evaluated its response rate by tracking questionnaire distribution, return, and usability. Table 3 outlines these results, confirming the data's reliability and validity.

The table shows the distribution and return rates of questionnaires for a study. Out of 104 distributed questionnaires, 83 were returned, indicating an initial return rate of 79.8%. However, 7 of these returned questionnaires were excluded, leaving 76 usable questionnaires. These results in a final response rate of 73%. This response rate can be considered quite good when compared to scholarly thresholds. Nulty (2008) proposes that a response rate of 50% is adequate for face-to-face surveys. The 73% response rate in this study exceeds both of these

benchmarks, indicating a successful data collection process with a good level of participation from the intended sample.

### 4.2 Descriptive Statistics

#### 4.2.1 Political environment and financial performance of SMEs

This study sought to establish the relationship between the political environment and the financial performance of SMEs in Bushenyi-Ishaka Municipality in Uganda, using measures of central tendency as shown in Table 3.

The statement "Government actions might impact an organisation's demand trends" has the lowest mean of 1.46, indicating the strongest agreement among respondents. This suggests that SMEs perceive a significant link between government actions and market demand for their products or services. This aligns with research by Zhang et al. (2023), who found that government policies, particularly those related to fiscal stimulus and regulatory changes, can substantially influence consumer spending patterns and business-to-business transactions, directly affecting SME demand.

**Table 2. Response Rate**

Response	Frequency
Number of distributed Questionnaires	104
Returned Questionnaires	83
Returned and excluded questionnaires	7
Returned and usable questionnaires	76
Response rate	73%

Source: Field Data, 2025

**Table 3. Political Environment and Financial Performance of SMEs**

Statement	N	Min	Max	Mean	SD
The political climate has a significant impact on the financial performance of SMEs.	76	1	4	1.80	.966
The political environment affects innovations in government policies and programs	76	1	4	1.71	.892
Government initiatives have the potential to hinder business earnings	76	1	4	1.64	.934
The political climate has an impact on businesses	76	1	4	1.57	.806
Government actions might impact an organisation's demand trends.	76	1	4	1.46	.807
<b>Valid N (listwise)</b>	<b>76</b>			<b>1.64</b>	<b>0.881</b>

Source: Field Data, 2025

Respondents strongly agree that "The political climate has an impact on businesses," with a mean of 1.57. This demonstrates a clear perception among SME leaders that political factors play a crucial role in their business environment. Guo et al. (2022) support this finding, showing that political stability, policy consistency, and government-business relationships significantly influence SME performance and decision-making processes across various sectors.

The statement "Government initiatives have the potential to hinder business earnings" received strong agreement with a mean of 1.64. This suggests that SMEs are concerned about the potential negative impacts of government policies on their profitability. Korsgaard et al. (2021) corroborate this sentiment, finding that while some government initiatives aim to support SMEs, poorly designed or implemented policies can create unintended barriers, increase compliance costs, and ultimately reduce earnings for small businesses.

Respondents strongly agree that "The political environment affects innovations in government policies and programs," as indicated by a mean of 1.71. This implies that SME leaders recognise the dynamic relationship between political factors and policy innovation. Audretsch and Moog (2020) support this finding, demonstrating that political ideologies, power structures, and public opinion significantly influence the development and implementation of innovative government programs targeting SME growth and sustainability.

The statement "The political climate has a significant impact on the financial performance of SMEs" has the highest mean of 1.80, still indicating strong agreement but with slightly

more variation in responses. This suggests that while SMEs generally perceive a strong link between political factors and their financial outcomes, there may be some nuances in this relationship. Lee and Wang (2024) provide supporting evidence, showing that the impact of political climate on SME financial performance can vary based on factors such as industry sector, firm size, and the specific nature of political changes, explaining the slightly higher variability in responses.

The average mean is 1.64 across all statements; the findings strongly indicate that SMEs perceive the political environment as a critical factor influencing various aspects of their operations and performance. This aligns with the broader literature on SME management and policy, emphasising the need for policymakers to carefully consider the impacts of political decisions on the SME sector, which are often more vulnerable to external shocks and policy changes compared to larger enterprises.

#### 4.2.2 Socio-cultural environment and financial performance of SMEs

This study sought to examine the relationship between socio-cultural environment and financial performance of SME's in Bushenyi-Ishaka Municipality in Uganda, using measures of central tendency as shown in Table 4.

The study's findings reveal a complex interplay between socio-cultural factors and the financial performance of SMEs. Respondents strongly agreed that business transactions are frequently founded on relationships of trust, with a mean of 1.80 and a standard deviation of 0.938. This aligns with Alonso-Dos-Santos et al.'s (2022) research, which emphasised the crucial role of trust-based relationships for SMEs, particularly in

**Table 4. Socio-Cultural Environment and Financial Performance of SMEs**

Statement	N	Min	Max	Mean	SD
Business transactions are frequently founded on relationships of trust.	76	1	4	1.80	.938
Culture fosters community and family support	76	1	4	3.04	1.301
Religion has a significant influence on society and culture	76	1	4	3.09	1.035
Social and political problems can be greatly influenced by ethnicity.	76	1	4	1.62	.799
Ethnicity has a significant impact on a number of social and political issues	76	1	4	1.51	.739
<b>Valid N (listwise)</b>	<b>76</b>			<b>2.21</b>	<b>0.96</b>

Source: Field Data, 2025

uncertain environments. Their work highlighted how trust facilitates information sharing and reduces transaction costs, ultimately enhancing SME performance. This underscores the importance of fostering trust within business networks and communities to support SME growth and resilience.

However, respondents expressed uncertainty regarding the role of culture in fostering community and family support, as well as the influence of religion on society and culture. The mean scores of 3.04 and 3.09, respectively, with relatively high standard deviations, indicate a wide range of opinions on these matters. This uncertainty contrasts with findings by Wang et al. (2021) and Nurrachmi et al. (2023), who observed significant impacts of cultural and religious factors on SME success in various contexts. The discrepancy might suggest a changing cultural landscape, regional differences in the study population, or perhaps a secularisation trend in the business environment. It highlights the need for more nuanced research into how cultural and religious factors influence SME performance across different regions and sectors.

Interestingly, respondents strongly agreed that ethnicity significantly influences social and political issues, as well as problems. With mean scores of 1.51 and 1.62, respectively, and relatively low standard deviations, there was a clear consensus on the impact of ethnicity. This aligns with recent research by Lim et al. (2024) and Chen and Tan (2023), who explored the multifaceted effects of ethnic diversity on SME performance. Their findings suggest that while ethnic diversity can drive innovation and market expansion, it can also present challenges in communication and resource allocation. The strong agreement among respondents on this

issue underscores the importance of developing inclusive policies and management strategies that can harness the benefits of ethnic diversity while mitigating potential conflicts.

In conclusion, the overall mean of 2.21 with a standard deviation of 0.96 indicates a general agreement among respondents about the significant impact of socio-cultural factors on SMEs. However, the varying levels of agreement across different factors highlight the complexity of this relationship. The strong consensus on the importance of trust and the impact of ethnicity, contrasted with uncertainty about cultural and religious influences, suggests a need for tailored approaches in understanding and supporting SMEs. These findings emphasise the necessity for policymakers and business leaders to consider the nuanced interplay of socio-cultural factors when developing strategies to support SME growth and performance in diverse cultural contexts.

#### 4.2.3 Technological environment and financial performance of SMEs

This study sought to determine the relationship between technological environment and the financial performance of SMEs in Bushenyi-Ishaka Municipality in Uganda, using measures of central tendency as shown in Table 5.

Respondents strongly agreed that SMEs with a deep comprehension of technology dynamics are better positioned to acquire necessary skills (mean = 1.93, SD = 0.622). This finding aligns with recent research emphasising the crucial role of technological understanding in SME performance. Li et al. (2022) found that SMEs with better technological comprehension were more likely to successfully adopt and implement new technologies, leading to improved

**Table 5. Technological Environment and Financial Performance of SMEs**

Statement	N	Min	Max	Mean	SD
SMEs that have developed a deep comprehension of technology dynamics are better positioned to acquire the skills	76	1	4	1.93	.622
Technology is beneficial to all groups in any community	76	1	4	2.04	.414
SMEs can combine human, technical, and conceptual skills to handle change	76	2	4	2.36	.743
Technological innovation and careful management are necessary for sustainable growth and profitability.	76	1	4	1.87	.885
Customers can make purchases using information technology from any location	76	1	4	1.61	.865
<b>Valid N (listwise)</b>	<b>76</b>			<b>1.96</b>	<b>0.71</b>

Source: Field Data, 2024

performance. Similarly, Khattak et al. (2023) highlighted how technological understanding enhances SMEs' ability to acquire and utilise digital skills effectively, ultimately contributing to their competitive advantage in the market.

The statement "Technology is beneficial to all groups in any community" received general agreement (mean = 2.04, SD = 0.414), with the lowest standard deviation indicating high consensus among respondents. This perception of technology's universal benefit is supported by Ullah et al. (2021), who found that technology adoption in SMEs led to improved productivity and economic growth across various community segments. However, it's important to note that some researchers, such as Sinha and Srivastava (2023), caution against assuming uniform benefits, emphasising the need for inclusive technological strategies to ensure all community groups benefit equally from technological advancements.

Respondents moderately agreed that SMEs can combine human, technical, and conceptual skills to handle change (mean = 2.36, SD = 0.743). This finding reflects the growing recognition of the importance of integrating various skill sets in SMEs to navigate change effectively. Abed (2022) emphasised the critical role of combining human, technical, and conceptual skills in enhancing SMEs' adaptability and resilience. Furthermore, Nguyen et al. (2024) found that SMEs successfully integrating these skill sets demonstrated higher change management capabilities and overall performance, highlighting the importance of a holistic approach to skill development in SMEs.

The statement "Technological innovation and careful management are necessary for sustainable growth and profitability" received strong agreement (mean = 1.87, SD = 0.885). This finding is consistent with recent research emphasising the dual importance of technological innovation and effective management in SMEs. Ratnasingham and Chan (2023) found that SMEs balancing technological innovation with strategic management practices achieved higher levels of sustainable growth. Additionally, Gomes et al. (2022) highlighted how careful management of technological innovations led to improved profitability in SMEs across various sectors, underscoring the need for a balanced approach to technology adoption and management.

The strongest agreement was observed for the statement "Customers can make purchases using information technology from any location" (mean = 1.61, SD = 0.865). This finding reflects the growing prevalence and acceptance of e-commerce and mobile commerce technologies. Recent research by Kumar and Sharma (2021) demonstrated the increasing adoption of omnichannel purchasing behaviours among consumers, enabled by advancements in information technology. Furthermore, Oliveira et al. (2024) found that SMEs leveraging location-independent purchasing technologies experienced significant growth in customer reach and sales volumes, highlighting the importance of embracing these technologies for SME success.

The findings from Table 5 provide valuable insights into the technological environment and financial performance of SMEs. The Overall, respondents showed strong agreement with the statements presented, as evidenced by the overall mean of 1.96 across all items. This suggests a general recognition of the importance of technology in the success and growth of SMEs.

### 4.3 Correlation Analysis

This study adopted the conventional approach of interpreting the correlation coefficient as suggested by Mukaka (2012) where: 0.00–0.10 represents negligible correlation; 0.10–0.39, weak correlation; 0.40–0.69, moderate correlation; 0.70–0.89, strong correlation; and 0.90–1.00, very strong correlation. Correlation coefficients among the factors obtained in the analysis are presented in the correlation matrix shown in Table 6.

The political environment shows a strong positive correlation with financial performance ( $r = 0.879$ ,  $p < 0.001$ ), indicating a significant and robust relationship between these two factors. The socio-cultural environment exhibits a weak negative correlation with financial performance ( $r = -0.174$ ,  $p = 0.067$ ), although this relationship is not statistically significant at the conventional 0.05 level. The technological environment demonstrates a negligible positive correlation with financial performance ( $r = 0.058$ ,  $p = 0.310$ ), which is also not statistically significant. Interestingly, there are weak or negligible correlations among the independent variables themselves: political environment has a negligible negative correlation with socio-cultural

**Table 6. Correlation Matrix**

		<b>Political environment</b>	<b>Socio-Cultural Environment</b>	<b>Technological Environment</b>	<b>Financial Performance</b>
Political Environment	Pearson Correlation	1			
	Sig. (1-tailed)				
Socio-Cultural Environment	N	76			
	Pearson Correlation	-.096	1		
Technological Environment	Sig. (1-tailed)	.204			
	N	76	76		
Financial Performance	Pearson Correlation	.124	.009	1	
	Sig. (1-tailed)	.145	.470		
Political Environment	N	76	76	76	
	Pearson Correlation	.879**	-.174	.058	1
Socio-Cultural Environment	Sig. (1-tailed)	.000	.067	.310	
	N	76	76	76	76

Source: Field Data (2024)

environment ( $r = -0.096$ ,  $p = 0.204$ ) and a weak positive correlation with technological environment ( $r = 0.124$ ,  $p = 0.145$ ), while socio-cultural and technological environments show a negligible positive correlation ( $r = 0.009$ ,  $p = 0.470$ ). These results suggest that the political environment has the strongest and most significant relationship with financial performance among the factors studied.

## 5. FINDINGS

### 5.1 Effect of Political Environment on Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The Political Environment shows a strong positive and statistically significant effect on the financial performance of SMEs ( $\beta = 0.877$ ,  $t = 15.756$ ,  $p = 0.000 < 0.05$ ), indicating that it is a crucial factor influencing the financial performance of SMEs. Hence, the null hypothesis was rejected and the alternative was adopted. One additional unit of 1.123 units can influence the financial performance of SMEs in Bushenyi-Ishaka Municipality in Uganda.

### 5.2 Effect of Socio-Cultural Environment on Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The Socio-Cultural Environment demonstrate a negative and statistically insignificant effect on the financial performance of SMEs ( $\beta = -0.085$ ,  $t = -1.533$ ,  $p = 0.130 > 0.05$ ), indicating that it is not a very crucial factor influencing the financial performance of SMEs. Hence, the null hypothesis was accepted. The findings show additional unit of -0.122 units can influence the financial performance of SMEs in Bushenyi-Ishaka Municipality in Uganda.

### 5.3 Effect of Technological Environment on Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The Technological Environment reveal a negative and statistically insignificant effect on the financial performance of SMEs ( $\beta = -0.050$ ,  $t = -0.896$ ,  $p = 0.373 > 0.05$ ), indicating that it is not a very crucial factor influencing the financial performance of SMEs. Hence, the null hypothesis was accepted. The findings show additional unit of -0.093 units can influence the

financial performance of SMEs in Bushenyi-Ishaka Municipality in Uganda.

## 6. CONCLUSIONS

### 6.1 Political Environment and Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The analysis revealed a remarkably strong and statistically significant positive relationship between Political Environment and Financial Performance. This demonstrates that more favourable political environment conditions are substantially associated with enhanced financial performance. The robust correlation suggests that improvements in political environment conditions are strongly linked to corresponding improvements in financial performance. The high statistical significance indicates this relationship is virtually certain to represent a genuine pattern rather than occurring by chance. In contrast to cash management, which showed minimal influence, the strong correlation here indicates that the political environment serves as a reliable predictor of financial performance, suggesting political factors are instrumental in determining financial outcomes. This finding underscores the critical importance of monitoring and considering political environmental conditions when evaluating or planning for financial performance.

### 6.2 Socio-Cultural Environment and Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The study revealed a weak negative relationship between the socio-cultural environment and financial performance, suggesting that stronger socio-cultural factors tend to be associated with slightly lower financial performance. However, this relationship was not statistically significant, meaning we cannot confidently conclude that this observed pattern represents a genuine connection rather than occurring by chance. The weakness of this relationship indicates that socio-cultural environmental factors by themselves may not be a meaningful predictor of financial performance. Given these findings, any apparent negative influence of socio-cultural factors on financial outcomes should be interpreted very cautiously. This suggests that other variables or combinations of factors might be more important in explaining variations in financial performance, and decision-makers should not place undue emphasis on socio-

cultural considerations alone when evaluating financial outcomes.

### 6.3 Technological Environment and Financial Performance of SMEs in Bushenyi-Ishaka Municipality in Uganda

The study found a negligible positive relationship between the technological environment and financial performance, indicating that stronger technological environmental factors are associated with only very slightly increased financial performance. However, this relationship was not statistically significant, meaning we cannot reliably conclude that even this minimal connection represents a genuine relationship rather than occurring by chance. The negligible correlation strongly suggests that technological environmental factors by themselves do not serve as a meaningful predictor of financial performance. Unlike stronger relationships that might guide decision-making, this finding indicates that the technological environment, at least as measured in this study, appears to have virtually no discernible impact on financial outcomes. This suggests that other variables or combinations of factors would likely be more valuable in understanding and predicting variations in financial performance.

The study recommended establishing formal channels for political engagement, developing culturally sensitive business practices, and implementing strategic technology adoption approaches. Further research was suggested to investigate other factors affecting SME financial performance in the region, including management practices, market conditions, and access to finance.

#### DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of this manuscript.

#### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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