

# Effect of Revenue Management on Financial Sustainability of Sme<sub>s</sub> in Rwanda

(Area of Focus: Small and Medium Enterprises)

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**Abstract:-** This study entitled “Effect of revenue management on financial sustainability of SMEs in Rwanda, a case study of SMEs in MUHANGA district. The study was guided by the following specific objectives: to examine the effect of cash flow forecasting on financial sustainability of SMEs in MUHANGA District, to determine the effect of liquidity management on financial sustainability of SMEs in MUHANGA District, and to determine effects of revenue control on financial sustainability of SMEs in MUHANGA District. Among 32,880 SMEs, the study sampled 100 SMEs as sample size. The primary data was collected through structured questionnaires, whereas secondary data through reading and analysis of relevant books, report and journals. The data collected was edited, coded and fed into SPSS software version 23 for analysis. Regression analysis was done to investigate the relationship between the variables under study. The study found out that revenue management has a contribution on financial sustainability of SMEs as it can be seen on this regression equation: Sustainability of SMEs is measured by  $-3.725 - 0.031 \text{Cash Flow Forecasting control} + 0.017 \text{Liquidity Management} - 0.008 \text{Revenue Control} + 0.371 \text{Profitability} + 0.320 \text{Liquidity Ratio} + 0.374 \text{Debt Management Ratio}$ .

The findings revealed that the level of sustainability of SMEs in Muhanga district in relation to revenue management was very high mean (4.24). The findings indicated that cash flow forecasting control and liquidity management is moderate negatively correlated with  $r = -0.05$ , The cash flow forecasting control and sales growth, liquidity management and revenue control are positively correlated with  $r = 0.02$ . These findings further indicate that sales growth contributes most towards financial sustainability of SMEs.

The researcher brought out the summary based on the findings by demonstrating the effect of revenue management on financial sustainability of SMEs. The research findings revealed that Profitability, Liquidity Ratio and Debt Management Ratio are positively associated with financial sustainability of SMEs in Muhanga district while Cash Flow Forecasting control and Revenue Control are negatively correlated financial sustainability of SMEs. Based on the results, findings and conclusions on the study, the study recommends that the need for SMEs to institute more robust revenue planning practices that will help reduce their effective tax liabilities

and therefore improve their financial sustainability. The study also recommends that the Rwanda Revenue Authority should help SMEs to plan their tax liabilities as this helps to encourage more firms to pay taxes rather than evade or avoid taxes.

## I. INTRODUCTION

According to Effen and Johnson (2011), revenue management is a must for all businesses worldwide and cannot be chosen. Small and medium-sized businesses, or SMEs, are vital to the overall functioning of an economy. They play a crucial role in creating jobs and boosting the economy, which provides opportunities for businesses to make a significant impact on the public and generate profits. SMEs also act as a catalyst for economic growth and development.

Income is a fundamental requirement for every commercial corporation to remain in operation as it allows businesses to concentrate on creating items and services that can be traded, grow, and endure in a cutthroat market.

Since revenue is said to be the lifeblood of every business, revenue management is crucial in any organization. The main objective of revenue management is to generate high-quality income for each activity carried out by a commercial firm.

Accordingly, having too little income is also opulent if businesses are overlooking declines in revenue or possible results owing to lost profits, or they are covertly forfeiting their business by not replenishing their inventory since they are short on funds (Raheman & Nasr, 2007).

For corporate enterprise administrators, the most important task is revenue management procedures.

When a company fails to make the required payments on time, it becomes bankrupt. This is the primary cause of financial failure in small businesses.

The prospect of such a recommendation ought to motivate companies to manage their finances wisely and promptly. Appropriate revenue management is expected to foster the growth of advantageous and manageability of The development of small groups and the offsetting and settlement of dues depend on sound and practical revenue

management techniques. A small business's revenue should be used to pay off risky debts as it handles a variety of challenging clients and makes sure its products are more desirable and in demand than those of its competitors (Marsh, 2009). Revenue management, in accordance with Abioro (2013), is fairly utilized to manage and determine the most appropriate amount of money needed for company activity and the interest on alluring securities, which is consistent with the concept of the enterprise operating cycle. There is no question that successful money management helps businesses operate and survive. Money transformation cycle and benefit have been found to be significantly correlated by Shin and Soonan (2008). After some time, Effen and Johnson (2011) investigated the relationship between the money change cycle and the characteristics of liquidity, capital, and execution in small and medium-sized businesses. Small and medium-sized enterprises (SMEs) are the driving forces behind national economic engines in Africa. They are also productive and efficient job creators and the foundation of large organizations. However, from a partner's financial perspective, SMEs appear to be more than just suppliers—they are also potential clients (Abor & Quartey, 2010).

Small and medium-sized enterprises (SMEs) account for approximately 50% of the GDP, produce more than large corporations with greater initiating power, and have a direct impact on social issues that are more important to address for the long-term growth of an economy (Belinda, 2011).

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John (2014) completed research on how revenue management affects the sustainability and profitability of Nigerian manufacturing companies. Evaluation of correlation and regression was accomplished. The results indicated that while there was no correlation between revenue conversion cycle and ROA, there was one between revenue conversion cycle (RCC) and ROE. As a result, revenue management techniques determine whether a commercial enterprise organization succeeds or fails. In their 2013 study, Velnamby and Kajanathan examined the revenue situation and profitability of Sri Lankan telecommunications companies. They saw profitability as a structured variable and revenue position as an independent variable. Based on the study's descriptive assessment results, it was shown that revenue function ratios affect profitability. Revenue strength and an organization's financial sustainability are typically correlated, but over time, financial sustainability is insufficient on its own. An organization must expand its entire capabilities.

By producing its own income and not relying on donations from funders, contributors, and well-wishers, an organization that is financially sustainable may continue to exist in the long run (Salazar, 2012).

A combination of income, spending, and asset management is commonly thought of as financial sustainability. As per Moore and colleagues (2010), the notion of financial sustainability encompasses many opportunity criteria, such as obtaining funding at market rate and utilizing local resources. Therefore, once a company is able to cover the appropriate revenue prices, revenue self-sustainability is reached.

And in order to build on its success, it is essential to continuously analyze its financial sustainability management in order to keep the business moving forward and achieving its goals. Organizations' attempts to increase their revenue soundness are typically hampered by the way they respond to internal and external events, innovate, and have strong leadership. As stated by William (2010) Small and Medium-Sized Enterprises (SMEs) are a vital source of innovation, dynamism, and adaptability in highly developed countries. They may also be distinguished as the progenitors of large SMEs and efficient task creators in developing nations therefore the gas of national financial technique. Even inside the advanced commercial economies, it is the SMEs quarter instead of the multinationals that is engaging more people (Abioro, 2013).

In line with John (2014), management of revenue is very important for the revenue health of all businesses, no matter kind and size. Specifically, this study sought to establish the impact of revenue management practices on the financial sustainability of SMEs.

In Rwanda, Rwanda has seen a variety of initiatives to support Rwandan SMEs from the government, Development Partners (DPs), financial and non-governmental organization (NGO) sectors. However, these initiatives have suffered from a lack of resources, coordination and capacity. Limited and disparate implementation of the majority of these projects makes it difficult to adequately assess their success or failure. The government of Rwanda has put in place PSF-Chamber of Women Entrepreneurs to support women's initiatives. This institution helps women entrepreneurs to build competitive, profitable and sustainable businesses with a mission of empowering Rwandan women entrepreneurs by facilitating them to access tailor-made business development services for competitiveness.

Its goals are to support women by networking and offering advocacy, capacity building, connections to both domestic and foreign markets, and experience sharing. The Rwanda Private Sector Federation consists of nine chambers, one of which being the Chamber of Women Entrepreneurs. The Chamber of Women Entrepreneurs was founded in 2008 with the goal of promoting women's entrepreneurship at the national, regional, and worldwide levels via training, inventiveness, and competitiveness. Additionally, there is the former Centre d'Appui aux Petites et Moyennes Entreprises (CAPMER), a public/private organization tasked with giving SMEs technical help, guidance, and training. Nevertheless, this organization lacked the ability and means to offer the assistance required to grow the SME sector. Through funding

arrangements, the financial industry is also assisting Rwandan small and medium-sized enterprises.

A significant amount of the Rwanda Development Bank's (BRD) lending activities include equipment leasing through loan funds for agriculture and other purposes, equity financing, refinancing to microfinance institutions, and direct financing to SMEs and cooperatives. The primary purpose of these loans is to finance agricultural production activities, including marketing and processing, as well as non-agricultural ones like tourism, information and communication technology, social infrastructure, manufacturing, and services. Women, cooperatives, youth, and agro-business are the focus of other loan programs that are overseen by commercial banks and Micro-finance Institutions (MFI).

## II. METHODOLOGY

### A. Data Collection Methods and Instruments/ Tools

Data collection is the process of obtaining information through defined processes in response to the predefined research subject of the study. The researcher employed a mixed technique (qualitative and quantitative) and looked at secondary data for this investigation.

#### ➤ Primary Data

Primary data are those that have been gathered especially to support the current inquiry. The managers and staff of the women-owned small and medium-sized enterprises (SMEs) in Muhanga District provided the primary data for this study. Through interviews and questionnaires, the researcher was able to gather this data.

#### • Questionnaires

A questionnaire, according to Kakooza (1996), is a tool that consists of pre-formulated questions to which respondents provide responses. You can do this by mail, verbally, in writing, or in another way. Data was gathered from the employees of certain SMEs in the Muhanga District using this tool. The following are the reasons the researcher used the questionnaire method: it prompted respondents to be candid and direct while answering delicate questions, which enabled the researcher to get crucial data. Analyzing written data was less complicated than vocal data. The targeted responders can read and write, therefore it saved time.

#### ➤ Secondary Data

Secondary data were obtained from historical record. The **secondary data** were collected through wide reading or and documentary review from text books, internet, magazines, power point presentations and especially reports and financial statements concerning the subject matter of the study (Kothari, 2004). The current study obtained secondary data from SMEs and Cooperative Development office in Muhanga District.

#### • Documentation

According to Bickhanan, (2004) **documentation** is the process of searching information from different documents and records in the institutional archive.

The primary data were collected using administered questionnaire and interview which were complimented by data from documents. There were two types of documents; the primary and secondary. Primary documents are eye-witness accounts written by people who was experienced the particular event or behavior (Kendall, 1992).

**Secondary documents** were written by those who were not present on the scene but who received the information by reading primary documents (Kendall, 1992). These include books, reports and records made by those entities. Under documentation method as a process of searching secondary data, the researcher got it mainly from books, work reports and journals related to the subject.

#### ➤ Validity and Reliability Instruments

#### • Validity of the Instrument

Expert opinions, particularly those of the study supervisor who possesses extensive experience in this topic, were used to measure the validity of this research instrument. In the pilot research, it was put to the test. Before the questionnaire was brought into the field to gather data, any ambiguity or lack of clarity in the items was made evident. The pilot research was conducted at Muhanga District's female SMEs.

#### • Reliability of the Instrument

According to Nassiuma (2000), reliability is the ability to produce consistent results when practiced measurements are conducted for the same problem in indistinguishable situations. Pre-testing improved the reliability. The pilot study's findings were used to the main research project in order to evaluate the survey's accuracy, enhance its overall quality, and establish its reliability. Ten percent of the population underwent pilot testing as part of the pretesting in Bomet County. Furthermore, the dependability of internal consistency was determined using Cronbach's Coefficient Alpha. Every variable has a Cronbach's Coefficient Alpha of more than 0.7, indicating its reliability. Kombo and Tromp (2006) state that an alpha value of 0.7 or above denotes poor internal consistency and dependability.

The calculated Cronbach's Alpha for the first 31 entries was 0.883. When this value is higher than 0.7, it indicates that the scale's items have a higher level of internal consistency and that the research tool was extremely dependable.

## III. DATA ANALYSIS

Various strategies are used to turn raw data into a meaningful report that can be comprehended. Generally speaking, standard verification is necessary to obtain high-quality facts that accurately reflect the scenario that is being portrayed. Excel and the Statistical Package for the Social Sciences (SPSS version 23) will be used in this study to process and analyze data, which will then inform the findings, analysis, and interpretation that are presented. The research questions were the main topic of the presentation. The nature of the problem—particularly its specifics and the type of data collected. chooses the kind of statistical method

that will be applied. Tables and related discussions were used to display the results. Multiple linear regressions are employed when there are more than one independent variable, according to Cooper & Schindler (2009). Quantifying the impact of several simultaneous variables on a single dependent variable is another useful use of regression analysis. According to Faraway, merging numerous predictor variables into a single regression equation is the process of doing multiple regression analysis. Instead of focusing on a single predictor variable, multiple regression analysis allows us to evaluate the impact of several predictor factors on the dependent measure. The relevance of the independent factors' impact on the dependent variable was examined using a multiple regression model. In light of additional models that have been used to test the effect of revenue management on sustainability of SMEs in Muhanga district, the present study adopted the following model:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$

Where:

Y = Sustainability of SMEs

{ $\beta_i$ ;  $i=1,2,3$ } = The coefficients representing the various independent variables.

$\beta_0$  = the Y intercept

{ $X_i$ ;  $i=1,2,3$ } = Values of the various independent (covariates) variables.

e = the error term which is assumed to be normally distributed with mean zero and constant variance

Y = Sustainability of SMEs

X1= Cash flow Forecasting Control

X2 = Liquidity management

X3= Revenue control

#### ➤ *Research Design*

A research design is a strategy or blueprint that outlines the steps involved in gathering and analyzing the data needed to address the research questions and solve the problem the researcher was focusing on. This research employed explanatory research design. The main purpose of this research design is to gain familiarity in unknown (Akhtar Inaam, 2016). Another purpose of Explanatory Research is to increase the researcher's understanding of a particular topic. It does not give solid results because of its lack of mathematical power, but it does cause the researcher to decide how and why things happen. Explanatory research design always starts with a theory or hypothesis and after gathering evidences it approves or disapproves a theory. It always carries with a set of concept that guides the researcher to look for the facts (Akhtar Inaam, 2016).

It is actually a type of research design that focuses on explaining the features of your research in a detailed way. The researcher begins with a common view and uses research as a tool that can lead to future studies. It is intended to provide information where a limited amount of information is

available for a particular product in the mind of that researcher. Explanatory design enables the researcher to explain the relationship between variables.

It involves collecting and analyzing data conducting experiments and using statistical analysis techniques to analyze the data. It helps to provide a full understanding of a specific research question.

## IV. RESEARCH FINDINGS

The data presentation, interpretation, and discussion of the results are included in this section. Tables displaying the results of the analysis were created using percentages and mean scores. The profile of study participants who operated SMEs in the MUHANGA district was provided in the first section, and the presentation of the other parts followed the goals of the research. This section involved presenting the research findings in relation to the three main research objectives: evaluating the factors that SMEs in MUHANGA district use to plan their revenue; assessing the degree of sustainability of SMEs in MUHANGA district; and determining the relationship between revenue planning and sustainability of SMEs in MUHANGA district. The main and secondary data sources were used to arrive at the conclusions. The owners of SMEs in the MUHANGA district were given a properly constructed questionnaire to complete in order to obtain the main data. A total of one hundred questionnaires were distributed to SMEs in the MUHANGA area with the intention of gathering their opinions about the impact of revenue planning on the sustainability of SMEs in the district. Eventually, every questionnaire was returned fully functional. In order to present the findings of our research in a way that the reader can easily comprehend, the data were gathered, edited, coded, and put into SPSS. The data were analyzed by using frequency tables, percentages, mean and standard deviations to make the presentation and analysis of gathered data. This chapter presents the data analysis, as well as discussions of results. The secondary data was collected from financial statements of SMEs in MUHANGA district. First, the results are presented using descriptive statistics, correlation and regression analysis. Then, a discussion of findings is carried out.

### A. *Profile of Respondents*

The researcher sought some personal information about the respondents who participated in the study. This data was important in enabling the researcher to ascertain whether the respondents had the capability to provide relevant and reliable information that could be beneficial to this study. The respondents were required to provide their responses concerning various questions relating to personal information. The responses obtained were subjected to Descriptive statistics and the frequency and percentage obtained. The aspects which are considered in this study are gender, age of respondents, educational attainment and number of years in doing business. The findings are presented in Table 1.

Table 1 Profile of Respondents

Variables	Responses	Frequency (n)	Percent (%)
Gender	Female	36	36.0
	Male	64	64.0
Education level	Primary level	12	12.0
	Secondary level	58	58.0
	University level	30	30.0
Age group	20-30	28	28.0
	31-40	41	41.0
	41-50	20	20.0
	Above 50 Years	11	11.0
Working Experience	q	36	36.0
	Between 5 and 8 years	49	49.0
	Above 8 years	15	15.0

Source: Primary Data, 2023

The demographic characteristics of the respondents according to gender, the research findings showed that the majority of study participants were males 64.0% who owned SMEs in MUHANGA district while 36.0% of respondents were found to be females. These results imply that males were dominant and involved in SMEs due to the fact that most households in MUHANGA district are male headed and the males are economically secured compared to women in Rwandan situation and other reason is due to women in Rwandan still hesitated to take risk in engaging in SMEs by using loan from financial institutions. The same has been found by other researchers like Goldmark *et al.* (1998) who conducted his research in Indonesia and found 60% of owners of SMEs were males.

The table above shows that the majority of the respondents had secondary level with 58.0%, followed by 30.0% of respondents who had university level, 12.0% of respondents had primary level of education. The information about educational level indicates that owners of SMEs in MUHANGA district have sufficient knowledge to lead and influence their employees in direction of goals of their SMEs for sustainable development. These results suggest that most of the entrepreneurs consulted by the researcher were found to have secondary level of education. These findings revealed the situation in Rwanda where SMEs is viewed as a resort to those who have enough capital for starting business.

According to the age group of respondents, the research findings in Table 1 shows that the majority 41.0% of respondents was aged between 31 and 40 years, 28.0% of respondents were aged between 20 and 30 years, 20.0% of respondents were aged between 41 and 50 years and the remaining 11.0% of respondents were aged above 50 years.

The implication is that the age between 31 and 40 is the most active working time. It is also evident that during this period many people are ready to take risk of venturing on different projects for the purpose of generating profits.

According to the working experience in table 1, the study findings revealed that out of 100 study participants; the majority has between 5 and 8 years of working as the entrepreneurs by 49.0%, less than 5 years by 36.0% and those who have working experience of above 8 years by 15.0% in doing business in MUHANGA district. This was in agreement with the findings by Braxton (2008) who asserts that respondents with a high membership experience assist in providing reliable data on the sought problem since they have technical experience on the problem being studied.

#### B. Analysis of the Research Findings

##### ➤ *The Effect of Cash flow Forecasting Control on Financial Sustainability for SMEs in Muhanga District.*

The study sought to assess the effects of cash flow forecasting control on financial sustainability for SMEs in MUHANGA district. The respondents were asked to indicate to what extent to which owners of SMEs has adopted revenue planning strategies in order to improve the success of their business in MUHANGA district. The respondents were required to rate the extent to which their SMEs used different revenue planning strategies such as cash flow forecasting control, liquidity management and revenue control. The responses obtained were subjected to Descriptive statistics such as percent, mean and standard deviation obtained.

Table 2 Cash Flow Forecasting Control

Cash flow forecasting control	SD		D		U		A		SA		Mean	δ
	n	%	n	%	n	%	n	%	n	%		
Cash inflows and outflows helps businesses understand and plan for their cash need	0	0.0	17	17.0	0	0.0	46	46.0	37	37.0	<b>4.03</b>	1.029
Account receivable is essential to maintain cash flow stability	0	0.0	13	13.0	0	0.0	44	44.0	43	43.0	<b>4.17</b>	0.965
Cash flow forecasting helps for identify financial gaps and planning.	0	0.0	12	12.0	0	0.0	48	48.0	40	40.0	<b>4.16</b>	0.929
Cash flow help to show a potential firm accurate forecasting.	0	0.0	19	19.0	4	4.0	54	54.0	23	23.0	3.81	1.002
Business should forecast and control their fixed and variable cost	0	0.0	20	20.0	0	0.0	42	42.0	38	38.0	3.98	1.092
<b>Weighted Average/ Overall Mean</b>											<b>4.03</b>	<b>1.003</b>

Source: Primary Data, 2023

- Note: N=100, SD=Strongly Disagree, D=Disagree, U=Uncertain, A=Agree SA=Strongly Agree, δ=Standard Deviation.

According to the table 2, showing the cash flow forecasting control, the majority of respondents reported that they agreed by 46%, strongly agreed by 37% and disagreed by 17% that cash inflows and outflows helps businesses understand and plan for their cash need with mean score of 4.03 and standard deviation of 1.029. This implies that there is enough evidence that Cash inflows and outflows helps businesses understand and plan for their cash need by as we are looking at the same value of the overall mean and the mean score for this item which is equal to 4.03 in table 2.

Results in table 2, also revealed that many respondents reported that they agreed by 44%, strongly agreed by 43% and disagreed by 13% that account receivable is essential to maintain cash flow stability with mean score of 4.17 and standard deviation of 0.965, this implies that there is enough evidence that account receivable is essential to maintain cash flow stability by comparing the overall mean (4.03) and the mean score for this item (4.17).

The research findings showed that majority of respondents agreed by 48%, strongly agreed by 40% and disagreed by 12% that cash flow forecasting helps for identify financial gaps and planning with 4.16 and standard

deviation of 0.929, this result indicated that there is enough evidence that cash flow forecasting helps for identify financial gaps and planning.

On the other hand, the research findings revealed that majority of respondents agreed by 54%, strongly agreed by 23%, and disagreed by 19% that Cash flow help to show a potential firm accurate forecasting with mean score of 3.81 and standard deviation of 1.002, this result indicated that there is not enough evidence that Cash flow help to show a potential firm accurate forecasting. The findings revealed that majority of respondents agreed by 42%, strongly agreed by 38% and disagreed by 20% that Business should forecast and control their fixed and variable cost with mean score of 3.98 and standard deviation of 1.092, this result indicated that there is not enough evidence that business should forecast and control their fixed and variable cost, this is from the comparison between the overall mean of 4.03 and mean score for this statement of 3.98.

➤ *The Effect of Liquidity Management on Financial Sustainability for SMEs in Muhanga District*

The study sought to assess the effects of liquidity management on financial sustainability for SMEs in MUHANGA district. The following notes were used to identify the modalities of Responses: SD=Strongly Disagree, D=Disagree, U=Uncertain, A=Agree SA=Strongly Agree.

Table 3 Liquidity Management on Financial Sustainability for SMEs

Liquidity Management	SD		D		U		A		SA		Mean	δ
	N	%	n	%	n	%	n	%	n	%		
Cash flow forecasting help to estimate future cash inflow and outflow to plan for any potential shortfalls	0	0.0	15	15.0	0	0.0	49	49.0	36	36.0	4.06	0.983
Working capital management helps to managing current assets and current liabilities such as inventory, and account payable	0	0.0	14	14.0	0	0.0	46	46.0	40	40.0	4.12	0.977
Cash flow hedging help to protect against potential losses caused by fluctuation in interest rate	0	0.0	17	17.0	0	0.0	30	30.0	53	53.0	4.19	1.089
Cash reserves maintain cushion of cash reserve to cover any unexpected	0	0.0	7	7.0	0	0.0	32	32.0	61	61.0	4.47	0.822

Cash conversion cycle helps to minimize the time it takes to convert inventory into sales, collect receivables and pay liabilities	0	0.0	8	8.0	0	0.0	38	38.0	54	54.0	4.38	0.85
<b>Weighted Average/ Overall Mean</b>											<b>4.24</b>	<b>0.943</b>

Source: Primary Data, 2023

According to the table 3, the showing the liquidity management of MSEs in Muhanga district, many respondents responded that they agreed by 49%, strongly agreed by 36%, and disagreed by 15% that Cash flow forecasting help to estimate future cash inflow and outflow to plan for any potential shortfalls with mean score of 4.06 and standard deviation of ( $\delta = 0.983$ ). The respondents reported that they agreed by 46%, strongly agreed by 40% and disagreed by 14% that Working capital management helps to managing current assets and current liabilities such as inventory, and account payable with mean score of 4.12 and standard deviation of 0.977.

The research findings showed that many respondents reported that they strongly agreed by 53%, agreed by 30% and disagreed by 17% that Cash flow hedging help to protect against potential losses caused by fluctuation in interest rate with mean score of 4.19 and standard deviation of 1.089.

The study findings revealed that majority of respondents reported that they strongly agreed by 61%, agreed by 30% and disagreed by 17% that Cash reserves maintain cushion of cash reserve to cover any unexpected with mean score of 4.47 and standard deviation of 0.822. The respondents responded that they strongly agreed by 54%,

agreed by 38% and disagreed by 8% that Cash conversion cycle helps to minimize the time it takes to convert inventory into sales, collect receivables and pay liabilities with a mean score of 4.38 and standard deviation of 0.850.

Considering the overall mean and standard (Mean=4.24 and  $\delta=0.943$ ) with comparison of mean score and standard deviation for each item in table 3, there are enough evidences to say that Cash reserves maintain cushion of cash reserve to cover any unexpected issue and Cash conversion cycle helps to minimize the time it takes to convert inventory into sales, collect receivables and pay liabilities.

➤ *The Effect of Revenue Control on Financial Sustainability for SMEs in Muhanga District*

This section aims at examining the perceptions of respondents on the effects of revenue control on financial sustainability for SMEs in Muhanga district.

The study participants were asked to indicate to what extent to which owners of SMEs has perceived revenue control on financial sustainability for small and medium enterprise in order to improve the success of their business in MUHANGA district.

Table 4 Revenue Control on Financial Sustainability

Revenue control	SD		D		U		A		SA		Mean	$\delta$
	n	%	n	%	n	%	n	%	n	%		
Sales and Billing helps insure accurate and timely	0	0.0	10	10.0	0	0.0	46	46.0	44	44.0	4.24	0.889
Internal control help helps to minimize the risk of revenue	0	0.0	14	14.0	0	0.0	42	42.0	44	44.0	4.16	0.992
Monitoring and analysis of revenue provide insight into revenue performance	0	0.0	16	16.0	0	0.0	50	50.0	34	34.0	4.02	0.995
Revenue control involves to maximize revenue potential with market demand and competition	0	0.0	13	13.0	0	0.0	52	52.0	35	35.0	4.09	0.933
Revenue control helps businesses maintain financial stability	0	0.0	10	10.0	0	0.0	57	57.0	33	33.0	4.13	0.849
<b>Weighted Average/ Overall Mean</b>											<b>4.13</b>	<b>0.932</b>

Source: Primary Data, 2023

- Note: N=100, SD=Strongly Disagree, D=Disagree, U=Uncertain, A=Agree SA=Strongly Agree,  $\delta$ =Standard Deviation

According to the table 4, showing the revenue control for MSEs in Muhanga district, the majority of study participants responded that they agreed by 46%, strongly agreed by 44% and disagreed by 10% that Sales and Billing help insure accurate and timely revenue control on financial sustainability for SMEs in Muhanga district with a mean score of 4.24 and standard deviation of 0.889. The majority

of respondents also reported that they strongly agreed by 44%, agreed by 42% and disagreed by 14% that internal control help helps to minimize the risk of revenue with mean score of 4.16 and standard deviation of 0.992.

From table 4, it can be seen that monitoring and analysis of revenue provide insight into revenue performance, since many respondents reported that they agreed by 50%, strongly agreed by 34% and disagreed by 16% with this statement where the mean score and standard deviation are 4.02 and 0.995 respectively. The results showed

that majority of respondents agreed 52%, strongly agreed 35% and disagreed that revenue control involves to maximize revenue potential with market demand and competition with a mean score of 4.09 and standard deviation of 0.933.

Based on the results in table 4, majority of study participants responded that they agreed 57%, strongly agreed 33% and disagreed 10% that revenue control helps businesses maintain financial stability of SMEs in Muhanga district with mean score of 4.13 and standard deviation of 0.849.

*C. Level of Financial Sustainability of SMEs in Muhanga District*

The researcher sought to analyze the level of sustainability of SMEs in MUHANGA district. The researcher was interested on assessing the level of sustainability of SMEs in MUHANGA district in term of profitability, market share and sales growth. The different statements were development by researcher to asked respondents whether agreed or disagreed with those statements regarding to the level of sustainability of SMEs in MUHANGA district.

Table 5 Level of Financial Sustainability of SMEs in Muhanga District

Profitability	SD		D		U		A		SA		Mean	δ
	n	%	n	%	n	%	n	%	n	%		
The net income went increasing year by year in the last 3 years	0	0.0	21	21.0	1	1.0	51	51.0	27	27.0	3.84	1.051
Revenue planning decisions improves performance and maximizes shareholders' wealth	0	0.0	29	29.0	3	3.0	40	40.0	28	28.0	3.67	1.173
Return on equity or shareholders wealth increases when a firm they have various strategies and actions	0	0.0	28	28.0	3	3.0	39	39.0	30	30.0	3.71	1.175
Invested in earn higher returns for its shareholders is common goal for many businesses	1	1.0	2	2.0	3	3.0	38	38.0	31	31.0	3.71	1.200
A firm's profit margin is measured by the return on sales	1	1.0	27	27.0	4	4.0	35	35.0	33	33.0	3.72	1.215
<b>Overall Mean</b>											<b>3.73</b>	<b>1.163</b>
Liquidity Ratio	n	%	n	%	n	%	n	%	n	%	Mean	δ
Revenue planning impacts the firm's share price performance	0	0.0	0	0.0	0	0.0	36	36.0	64	64.0	4.64	0.482
Higher profits mean better share price	0	0.0	0	0.0	0	0.0	39	39.0	61	61.0	4.61	0.490
Higher the retained earnings, the potential for the firm to grow is increased thus stock price also increases	0	0.0	0	0.0	0	0.0	55	55.0	45	45.0	4.45	0.500
Dividends paid to equity holders reduces a firm's profits and may have a negative effect on the firm's stock prices	0	0.0	1	1.0	0	0.0	57	57.0	42	42.0	4.4	0.550
The relationship between retained earnings and share price is mixed	0	0.0	3	3.0	0	0.0	65	65.0	32	32.0	4.26	0.613
<b>Overall Mean</b>											<b>4.47</b>	<b>0.527</b>
Debt Management Ratio	n	%	n	%	n	%	n	%	n	%	Mean	δ
Sales volume of my SMEs has been increased over the last three years	0	0.0	6	6.0	0	0.0	54	54.0	40	40.0	4.28	0.753
Number of customers of my business has been increased over the last three years	0	0.0	18	18.0	0	0.0	39	39.0	43	43.0	4.07	1.075
Sales growth revenue management	0	0.0	4	4.0	0	0.0	60	60.0	36	36.0	4.28	0.668
Sales revenue increases its market share	0	0.0	8	8.0	0	0.0	52	52.0	40	40.0	4.24	0.818
Sales growth attracting more customers	0	0.0	7	7.0	0	0.0	44	44.0	49	49.0	4.35	0.809
<b>Overall Mean</b>											<b>4.24</b>	<b>0.825</b>

Source: Primary Data, 2023

- Note: N=100, SD=Strongly Disagree, D=Disagree, U=Uncertain, A=Agree SA=Strongly Agree, δ=Standard Deviation.

According to the table 5, on the side of profitability, the research findings revealed that majority of respondents reported that they agreed by 51.0%, strongly agreed by 27.0%, disagreed by 21.0% and only one percent were remaining neutral that the net income went increasing year



by year in the last 3 years with mean score of 3.84 and standard deviation of 1.051, which implies that there is existing facts that the net income went increasing year by year in the last 3 years. The research findings also revealed that majority of the respondents agreed by 40.0%, disagreed by 29.0%, strongly disagreed by 28.0% whereas 3.0% were remaining neutral that revenue planning decisions improves performance and maximizes shareholders' wealth with mean score of 3.67 and standard deviation of 1.173 which implies that there is strong evidence that revenue planning decisions improves performance and maximizes shareholders' wealth.

The study findings revealed that the majority of respondents 69.0% (39.0% agreed and 30.0% strongly agreed), 28.0% disagreed and only 3% of respondents were neutral that return on equity or shareholders wealth increases when a firm they have various strategies and actions with mean score of 3.71 and standard deviation of 1.175, which implies that 69.0% there is strong evidence that there are facts that return on equity or shareholders wealth increases when a firm they have invested in earn higher returns for its shareholders.

Regarding on the table 5, the research findings revealed that majority of respondents reported that 69.0% agreed (38.0% agreed and 31.0% strongly agreed), 27.0% disagreed, 3.0% neutral and only 1.0% strongly disagreed that invested in earn higher returns for its shareholders is common goal for many businesses with mean score of 3.71 and standard deviation of 1.200.

The results indicated that the majority of study participants reported that they agreed by 68.0% (35.0% agreed and 33.0% strongly agreed), 27.0% disagreed, whereas 4.0% remaining neutral and only 1.0% strongly agreed that a firm's profit margin is measured by the return on sales with mean score of 3.72 and standard deviation of 1.215, which implies that that there is strong evidence of existing of fact that firm's profit margin is measured by the return on sales.

From the results in table 5, by looking at the liquidity ratio, the results indicated that majority of respondents responded that they strongly agreed by 64.0% and agreed by 36.0% that revenue planning impacts the firm's share price performance with mean score of 4.64 and standard deviation of 0.482, which implies that there is strong evidence that revenue planning impacts the firm's share performance.

The research findings in table 5, also indicated that majority of respondents responded that they strongly agreed 61.0% and agreed 39.0% that Higher profits mean better share price with mean score of 4.61 and standard deviation of 0.490.

By looking at the level of sustainability of SMEs in Muhanga district, the research findings showed that higher the retained earnings, the potential for the firm to grow is increased thus stock price also increases, as it was seen in table 5, that majority of respondents agreed by 55.0%

and strongly agreed by 45.0% with this statement compared to the mean score 4.45 and standard of 0.500.

According to the table 5, majority of respondents reported that they agreed 57.0% and strongly agreed 42.0% and only 1.0% disagreed that Dividends paid to equity holders reduces a firm's profits and may have a negative effect on the firm's stock prices with mean score of 4.40 and standard of 0.550. The majority of respondents reported that they agreed by 65.0% and strong agreed by 32.0% that relationship between retained earnings and share price is mixed with a mean score of 4.26 and standard deviation of 0.613.

According to the table 5, on the side of Debt Management Ratio, The results showed that the majority of study participants 54% agreed, and 40% strongly agreed, while only 6% of respondents disagreed that their Sales volume of my SMEs has been increased over the last three years with mean score of 4.28 and standard deviation of 0.753 which implies that there is enough evidence that there are Sales volume of my SMEs has been increased over the last three years. The research findings in table 5, also revealed that Number of customers of the study participants' businesses have been increased over the last three years with a mean score of 4.07 and standard deviation of 1.075 which implies that there is heterogeneity response.

The respondents reported that they agreed by 60%, strongly agreed by 36%, and disagreed that revenue management with mean score of 4.28 and standard deviation of 0.668. The study participants responded that they agreed by 52%, strongly agreed by 40%, and disagreed by 8% that sales revenue increases its market share with mean score of 4.24 and standard deviation of 0.818. From the table 5, the research findings revealed that majority of respondents reported that they strongly agreed by 49%, agreed by 44% and only 7% disagreed that Debt Management Ratio attracting more customers with mean score of 4.35 and standard deviation of 0.809.

#### *D. Correlation Analysis of Cash Flow Forecasting Control and Sustainability of SMEs in Muhanga District.*

Table 6 shows the relationship between cash flow forecasting control and sustainability of SMEs in Muhanga district. Pearson correlation was development which is known as a statistical technique to measure the relationship between variables. Simply it is said that if the correlation value is positive the relationship between variables is said to be positive and vice-versa. After that, the following task is to confirm whether the correlation is statistically significant or not.

To this, the p-value of 0.05 was used where the calculated or tabulated p-value is compared to its value. If the tabulated p-value is below to the p-value of 0.05, then the relationship is said to be statistically significant and if it above the relationship is said to be not statistically significant. The results were presented and summarized in the table 6 below.

Table 6 Correlation Analysis of Cash Flow Forecasting Control and Sustainability of SMEs in Muhanga District.

		Cash Flow	Liquidity management	Revenue control	Profitability	Liquidity Ratio	Debt management Ratio
Cash Flow	Pearson Correlation	1	-0.05**	-0.12	-0.09	-0.06	0.02**
Liquidity management	Pearson Correlation	-0.05**	1	0.02**	0.02**	-0.14	0.05**
Revenue control	Pearson Correlation	-0.12	0.02**	1	0.1	0.07	0.07
Profitability	Pearson Correlation	-0.09	0.02**	0.1	1	-0.06	0.12
Liquidity Ratio	Pearson Correlation	-0.06	-0.14	0.07	-0.06	1	-0.03**
Debt management Ratio	Pearson Correlation	0.02**	0.05**	0.07	0.12	-0.03**	1

\*\*Correlation is significant at the 0.05 level (2-tailed)

Source: Primary Data, 2023

The Pearson’s r for the correlation between the cash flow forecasting control and liquidity variables is -0.05. This means that there is a moderate negative correlation between the two variables and statistically significance since the Sig (2-Tailed) value is equal to p-value (0 .05). The Pearson’s r for the correlation between the cash flow forecasting control and Debt management Ratio variables is 0.02, this means that there is weak positive correlation between the two variables and statistically significance since the Sig (2-Tailed) value is less than p-value (0 .05).

The Pearson correlation r between liquidity management and revenue control variables is 0.02. This means that there is weak positive correlation between the two variables and statistically significance since the Sig (2-Tailed) value is less than 0.05. The Pearson’s r for the correlation between the liquidity management and profitability is 0.02. This means that there is weak positive correlation between the two variables and statistically significance since the Sig (2-Tailed) value is less than 0 .05.

The Pearson’s r for the correlation between the liquidity management and sales growth is 0.05. This means that there is moderate positive correlation between the two variables and statistically significance since the Sig (2-Tailed) value is equal to 0 .05.

The Pearson’s r for the correlation between the liquidity management and profitability is 0.02. This means that there is weak positive correlation between the two variables and statistically significance since the Sig (2-Tailed) value is less than 0 .05. The Pearson’s r for the correlation between the Liquidity Ratio and Debt management Ratio is -0.03. This means that there is weak negative correlation between the two variables and statistically significance since the Sig (2-Tailed) value is less than 0 .05.

➤ *Multiple Linear Regressions between Cash Flow Forecasting Control and Sustainability of SMEs in Muhanga District.*

The regression coefficients are analysed the independent and dependent variables and identify both magnitude and the direction of impact. The analyses have been done by case to case and determine the effect of cash flow forecasting control on sustainability of SMEs in Muhanga district.

• *Model Summary*

Determination coefficients (R<sup>2</sup>) were also carried out to determine the strength of the relationship between independent and dependent variables as shown in table D.1 below.

Table 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.865 <sup>a</sup>	.748	.732	.25593	2.135

a. Predictors: (Constant), Debt Management Ratio, Cash Flow forecasting control, Liquidity Ratio, Revenue control, Profitability  
 b. Dependent Variable: Sustainability of SMEs

Source: Primary Data, 2023

R-Squared is a commonly used statistics to evaluate the model fit. Adjusted R-Square is called the coefficient of determination and tells us how sustainability of SMEs was affected by revenue management such as Revenue Control, Liquidity Management, and Cash Flow Forecasting control. The coefficient of determination is a number that indicates how well data fit a statistical model. It is a measure of how well observed outcomes are replicated by the model. From the analysis, the six indicators of revenue planning strategies contribute 74.8% towards sustainability of SMEs as

represented by the coefficient of determination (R<sup>2</sup>). Other factors contribute 25.2% towards sustainability of SMEs.

• *Analysis of Variance*

Analysis of variance is established to show if there is significance difference between the means of the variable under study and also to examine the overall significance of the model. Overall significance of the model is important in establishing whether the model is fit to giving true estimate of the variables.

Table 8 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	18.099	6	3.016	46.053	.000 <sup>b</sup>
	Residual	6.091	93	.065		
	Total	24.190	99			

a. Dependent Variable: Sustainability of SMEs

b. Predictors: (Constant), Cash Flow forecasting control, Debt Management Ratio, Revenue control , Liquidity Management, Profitability

Source: Primary Data, 2023

The ANOVA results are presented in table 3. As shown in the table, the P-value obtained is 0.000 which is less than 0.05. This implies that the model developed can be relied for prediction. At 95% confidence level therefore, the relationship between revenue planning and sustainability of SMEs is statistically significant.

➤ *Regression Coefficients*

Multiple linear regression analysis is used to determine whether there is an influence of Cash flow forecasting control, Revenue control and Liquidity management to sustainability of SMEs in MUHANGA district. The regression models were run to test whether the model is significant or not. The statistical significance was verified by the Coefficient (β), t-statistic and Prob. In additional, statistically significant relationship between the dependent variable (Sustainability of SMEs) and independent variables (Cash flow forecasting control, Revenue control and Liquidity management) from the model were accepted at 5% significance level. The analysis applied the statistical package

for social sciences (SPSS) to compute the measurements of the multiple regressions for the study. Model relationship with the revenue planning strategies of these variables can be arranged in a function or equation as follow:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$$

Y = Sustainability of SMEs of SMEs, β<sub>0</sub> = Constant, β<sub>1</sub> = regression coefficient of variable X<sub>1</sub>, β<sub>2</sub> = regression coefficient of variable X<sub>2</sub> β<sub>3</sub> = regression coefficient of variable X<sub>3</sub>, β<sub>4</sub> = regression coefficient of variable X<sub>4</sub>, β<sub>5</sub>= regression coefficient of variable X<sub>5</sub>, β<sub>6</sub>= regression coefficient of variable X<sub>6</sub>, where X<sub>1</sub>=Cash Flow Forecasting control, X<sub>2</sub>= Liquidity Management, X<sub>3</sub>= Revenue Control, X<sub>4</sub>= Profitability, X<sub>5</sub>=Liquidity Ratio, X<sub>6</sub>= Debt Management Ratio and e = error / confounding variables.

Table 9 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-3.725	.582		-6.400	.000
Cash Flow Forecasting control	-.031	.041	-.040	-.764	.147
Liquidity Management	.017	.053	.017	.323	.542
Revenue Control	-.008	.038	-.011	-.214	.631
Profitability	.371	.025	.772	14.561	.004
Liquidity Ratio	.320	.076	.223	4.205	.003
Debt Management Ratio	.374	.073	.270	5.134	.001

a. Dependent Variable: Sustainability of SMEs

Source: Primary Data, 2023

From the research findings, the following values were obtained: β<sub>0</sub>=-3.725, β<sub>1</sub>=-0.031, β<sub>2</sub>=0.017, β<sub>3</sub>=-0.008, β<sub>4</sub>=0.371, β<sub>5</sub>=0.320 and β<sub>6</sub>=0.374. The regression model can therefore be expressed as follows:

$$Y = -3.725 - 0.031X_1 + 0.017X_2 - 0.008X_3 + 0.371X_4 + 0.320X_5 + 0.374X_6$$

Therefore, Sustainability of SMEs is measured by **3.725-0.031**Cash Flow Forecasting control+**0.017**Liquidity Management-**0.008**Revenue Control +**0.371** Profitability +**0.320** Liquidity Ratio +**0.374** Debt Management Ratio.

At 5% level of significance three variables which are Profitability, Liquidity Ratio and Debt Management Ratio were find to be positive and statistically significance since

their p-values were below the acceptable threshold of 0.05 while Cash Flow Forecasting control, Liquidity management and Revenue Control were negatively associated with sustainability of SMEs in MUHANGA district and not statistically significance since its P-value was above at 0.05 (5%) of level of significance.

From the research findings, positive effect was found on three variables i.e. are Liquidity Management, Profitability, Liquidity Ratio, Debt Management Ratio with regression coefficients of 0.017, 0.371, 0.320 and 0.374 respectively while Cash Flow Forecasting control and Revenue Control are negatively with regression coefficient of -0.031Cash and -0.008.

These findings suggest that a unit increase in income tax ratio, taking all the other variables constant at zero would result to a 3.725 decrease on sustainability of SMEs in MUHANGA district. Similarly, a unit change in increase in Cash Flow Forecasting control would result to a 0.031 decrease in sustainability of SMEs, a unit change in increase in Liquidity Management would result to a 0.017 increase in sustainability of SMEs, a unit increase in Revenue Control would result to 0.008 decreases in sustainability of SMEs, a unit increase in Profitability would also result to a 0.371 increase in sustainability of SMEs, a unit increase in Liquidity Ratio would result to a 0.320 increase in sustainability of SMEs, a unit increase in Debt Management Ratio contributes would result to a 0.374 increase in sustainability of SMEs. These findings further indicate that debt management ratio contributes most towards sustainability of SMEs.

## V. CONCLUSION AND RECOMMENDATIONS

### ➤ Introduction

This section presents the study's findings, which looked at how revenue management affected SMEs' capacity to maintain their financial stability. Certain hypotheses and aims guided the research. This leads to the inclusion of a summary of the research effort, study results, recommendations for policy and practice, study limitations, and suggestions for future research on data analysis in this part.

### ➤ Summary of the Findings

It was discovered from the data that men made up 64.0% of the respondents. The findings also revealed that 58.0% of respondents had completed secondary education, and 41.0% of respondents were between the ages of 31 and 40. Additionally, it was discovered that the majority of respondents had five to eight years of experience owning small and medium-sized firms.

- *The Effect of Cash Flow Forecasting Control on Financial Sustainability of SMEs in Muhanga District.*

First, the study looked at how cash flow forecasting control affected the financial sustainability of SMEs in Muhanga District. The statistical results showed that a large number of respondents (83%), with a mean score of 4.03 and a standard deviation of 1.029, agreed that understanding and planning for cash needs is facilitated by cash inflows and outflows. With a mean score of 4.16 and a standard deviation of 0.929, the research findings revealed that 88% of respondents agreed that cash flow forecasting helps for identifying financial gaps and planning. This suggests that there is sufficient evidence to support the claim that cash flow forecasting helps for financial gap and planning identification.

- *The Effect of Liquidity Management on Financial Sustainability of Women SMEs in Muhanga District*

The second objective of the study examined the effect of liquidity management on financial sustainability for SMEs in Muhanga District where the statistical findings demonstrates that many respondents reported that they agreed

at 92% that Cash conversion cycle helps to minimize the time it takes to convert inventory into sales, collect receivables and pay liabilities with a mean score of 4.38 and standard deviation of 0.850.

- *The Relationship between Revenue Management and Financial Sustainability of Women SMEs in Muhanga District*

The 3<sup>rd</sup> objective of the study determined the relationship between revenue management and financial sustainability of SMEs in Muhanga District.

From the analysis, the research findings revealed that revenue management contribute 74.8% towards financial sustainability of SMEs as represented by the coefficient of determination (R<sup>2</sup>) while other factors contribute 25.2% towards financial sustainability of SMEs in Muhanga district.

### ➤ Conclusion

In conclusion, the researcher brought out the summary based on the findings by demonstrating the effect of revenue management on financial sustainability of SMEs in Muhanga district. The research findings revealed that Profitability, Liquidity Ratio and Debt Management Ratio are positively associated with financial sustainability of SMEs in Muhanga district while Cash-Flow Forecasting control and Revenue Control are negatively correlated financial sustainability of SMEs in MUHANGA district.

### ➤ Recommendations

Based on the results, findings and conclusions on the study, the outlines of recommendations were determined. The study makes a number of recommendations.

First, the study recommends that the need for SMEs to institute more robust revenue planning practices that will help reduce their effective tax liabilities and therefore improve their financial sustainability.

The study also recommends that the Rwanda Revenue Authority should help SMEs to plan their tax liabilities as this helps to encourage more firms to pay taxes rather than evade or avoid taxes.

This way, the national funds are filled up through more revenue collections as more firms register as taxpayers and comply while firms also feel less burdened by the tax liabilities.

The study further recommends that other SMEs that wish to improve their firm values should seek to use the ingredients in this study. These include better revenue management that help reduce their tax liabilities, striving to expand and be large in terms of their asset base. The tax authorities should address the lack of formal revenue planning as this may be a way of evading taxation in the name of tax avoidance. The small scale enterprises should also be ready to open up to advice on revenue planning to make savings rather than playing a hide and seek game with tax authorities.

➤ *Suggestion for Further Researcher*

A replica of this study can be carried out with a wide scope to include other districts and see whether the findings hold true. Future studies should apply different research instruments like Interview guide and Focus Group Discussions to involve respondents in conferences, which will generate detailed information. The outcome will demonstrate how revenue management contributes to financial sustainability of small and medium enterprises in Rwanda.

This study was restricted to investigate the influence of revenue management on financial performance of small scale enterprises which it has done successfully. However, there is need to investigate the extent to which the respondents are aware of the provision in the tax act so as to take advantage of it. The study would also suggest a study on the influence of revenue management on financial performance of medium scale enterprises so as to establish if revenue management reflects the level of operation Rwanda.

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