

Debt Management Behavior and Growth Sustainability Among SMEs in Uganda: A Qualitative Perspective from Lira City Entrepreneurs

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Abstract

Background: Small and medium-sized firms (SMEs) are essential for economic development, especially in emerging economies. Many Ugandan SMEs are encountering sustainability challenges, which are intensified by inadequate debt management methods. This study emphasizes behavioral factors, specifically lifestyle orientation, religion, and financial self-efficacy, on debt management and SME growth, in contrast to past studies that emphasized on structural variables.

Methods: This qualitative study employed Interpretative Phenomenological Analysis (IPA) to examine how SME owners in Lira City manage business debt and sustain growth. Semi-structured interviews were conducted with purposely selected small and medium-sized enterprise owners from various industries to collect data. The six-step methodology established by Braun and Clarke was employed for thematic analysis, with NVivo 12 software to facilitate data coding and organization.

Key Results: The findings indicated that behavioral traits significantly influence individuals' debt management practices. Financial self-efficacy, religious convictions, and lifestyle patterns were identified as significant enablers of prudent debt decisions. To address financial constraints, SME proprietors implemented structured repayment plans, managed expenditures, selectively engaged lenders, and diversified their revenue streams. These actions positively influenced firm outcomes, resulting in increased revenue, consistent profitability, and job preservation. Conversely, insufficient debt management correlated with diminished corporate performance and liquidity challenges.

Conclusions: Behavioral traits significantly influence debt management behavior and directly affect the sustainable growth of SMEs. Incorporating behavioral finance components into SME development initiatives, lender evaluation instruments, and national policies can improve the financial resilience and scalability of enterprises in Uganda and comparable settings.