

## Abstract

In Rwanda, 78.5% of Small and medium-sized enterprises (SMEs) face significant challenges due to poor working capital management, which subsequently affects their financial sustainability. Limited access to finance, inadequate financial planning, and a lack of clarity in marketing strategies contribute to cash flow problems and liquidity issues. Insufficient working capital prevents SMEs from meeting operational expenses and hampers their ability to sustain and grow their businesses.

The objective of this study was to determine the effect of debtors management on financial sustainability of the small and medium enterprises in Nyarugenge district, Rwanda. This study was guided by Financing advantage Theory, Cash conversion cycle theory and Transaction cost Theory. The study population consisted of 4900 employees working in Nyarugenge district and a sample size of 370 respondents determined using Yamane's formula. Simple random sampling technique was used to access respondents. Results revealed ( $R^2 = 0.524$ ) to debtors management, implying that debtors management accounted for 52.4% of variation in financial sustainability. Results of regression analysis show that debtors management  $\beta = 0.181$ ,  $p$