QUALITY OF WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF SMALL SCALE MANUFACTURING FIRMS IN UGANDA.

THE CASE OF SMALL MANUFACTURERS IN KAMPALA

BY

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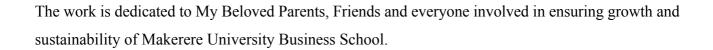
DECLARATION

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DEDICATION



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LIST OF ACRONYMS

ACCA Associated chartered certified Accountants

ANOVA Analysis of Variance

CVI Content validity index

EBITDA Earning before interest, taxes, depreciation and amortization

FOA Food and Agriculture organization

GDP Gross domestic product

GEM Global Entrepreneurship Monitor

SMEs Small and Medium enterprises

SPSS Statistical Package for Scientific Research

UBOS Uganda bureau of statistics

USSIA Uganda small scale industries association

ABSTRACT

The study aimed at establishing the relationship between perceived quality of working capital management and perceived financial performance of small scale manufacturing firms in Uganda with a case study of Kampala district. Despite the continuous management of working capital by owners/Managers or Managing directors, there were reported failures of SMEs due to unbalanced capital structure and inability to manage working capital, thus the question whether perceived quality of working capital management had any impact on the perceived financial performance of small manufacturing firms in Uganda.

The research adopted a blend of cross-sectional and descriptive research designs and a stratified random sampling of small scale manufacturing firms was done. Owners/Managers and Managing directors were chosen because they participate in the management of working capital of their firms. A research questionnaire that addressed the quality attributes of working capital management was tested for validity and reliability and administered to collect primary data.

It was discovered that efficiency of payment routines, appropriateness of stock levels, and appropriateness of credit terms were true measures of quality of working capital management in that order and the research also revealed that profitability and liquidity were true measures of financial performance in that order through a factor analysis. According to descriptive analysis, it was discovered that SMEs had poor working capital management. This revealed that management was not taking into account some aspects of efficient payment routines, appropriateness credit terms and appropriateness stock levels that enhance the quality of working capital management.

Descriptive analysis further revealed that the financial performance of SMEs was poor. That is to say some aspects of profitability and liquidity were not being catered for. In the carrying out of regression analysis, an observation was noted that quality of working capital management significantly predicted 41.8% of financial performance of small scale manufacturing firms. It was recommended among others that efforts must be directed towards provision of high quality working capital management by improving on some aspects of the component of working capital management and financial performance.