Sort No.____________

REG No: KS12M15/040

UGANDA CHRISTIAN UNIVERSITY (UCU)

MASTERS DEGREE THESIS

DOES WORKING CAPITAL MANAGEMENT AFFECT GROWTH OF SMEs: A CASE STUDY SELECTED SMEs IN MUKONO DISTRICT

FACULTY	**: BUSINESS ADMINISTRATION**
DISCIPLINE/ SPECIALISATION	**: ACCOUNTING AND FINANCE**
NAME OF CADIDATE	**: KIVERENGE BRENDA MBONE**
NAME OF SUPERVISOR	**: DR. AWIO GODWIN**
DISSERTATION SUBMISSION DATE	**: ………………………….**
DISSERTATION DEFENSE DATE	**: ………………………….**

Chairperson of Dissertation Defense Committee : ________________________

Evaluators : ________________________

: ________________________

: ________________________

: ________________________

Date: ______________

ORIGINAL CREATION STATEMENT

I hold to the truth of the following statement: the dissertation brought forward is the result of original research work carried out by me under the supervision of my supervisor ……………………………………, and is not reporting any previously published material that have been used to obtain degrees or certificates at Uganda Christian University (UCU) or any other education institutions, except those that have been appropriately referenced and acknowledged. All contribution offered by my colleagues and associates in this research has been distinguished clearly in the thesis, and I have articulated my gratitude.

Signature of Candidate: ___________________

Date : ___________________

Explanation on the Authorization of Dissertation Application

I clearly understand the rules and regulations of Uganda Christian University (UCU) concerning record and use of thesis materials. I understand that Uganda Christian University (UCU) holds the right of possession of the thesis in record and the right of lending and referring it. Uganda Christian University (UCU) also holds the right to publish the whole content of the thesis and can photocopy, micro photocopy or replicate in any other ways and store it.

Signature of Candidate : _______________________

Signature of Supervisor : _______________________

Date : _______________________

DECLARATION

I hereby declare that this research study has never been presented for any academic award in any institution or university. All sources used in this research study have been rightfully acknowledged.

Signature: Date

……………………………….. …………………………………..

Kiverenge Brenda Mbone

KS12M15/040.

APPROVAL

I acknowledge that this dissertation titled: “Does Working Capital Management affect growth of SMEs, a case study selected SMEs in Mukono District.” has been under my supervision and is ready for submission.

Signed   Date

……………………………………   ……………………………….

Dr. Awio Godwin

ACKNOWLEGMENT

My appreciation to our Almighty God for his grace through this journey and granting me Courage, good health and inspiration that was essential for the study so demanding as this. I wish to express my sincere gratitude and appreciation to my supervisor, Dr. Godwin Awio, whose guidance, suggestions, and patience was enormous and inspirational despite his busy schedule.

My sincere gratitude goes to my parents Mr and Mrs Kiverenge’s and my brother and sisters, Samson, Esther, Eunice, Suzan, Meblo, Maureen and Cynthia. My deepest gratitude goes to all the staff members of Faculty of Business and Administration for their selfless support in both my academic and social life. Many thanks also go to my wonderful friends, Dorcus, Celia, Jean, Mackline, Ronald, Eddie, Florence, Franceas and Ronah, for their relentless support in a variety of ways.

To my colleagues for sharing their enthusiasm for and comments on my work: Walter, Sandra Sammy, Mella, Mercy, Sheila. I also want to thank my esteemed respondents for their generosity in giving time and support with remarkable dedication during data collection May God bless you all.

COPY RIGHT

No part of this exertion should be reproduced by any means without transcribed permission of the author or Uganda Christian University (UCU) on behalf of the author.

TABLE OF CONTENTS

List of Tables

ACRYOMNS

SME's	**-** Small and Medium Enterprises
WCM	- Working Capital Management
WC	- Working Capital
UNIDO	- United Nations Industrial Development Organization
ADB	- African Development Bank
NWC	- Net Working Capital
WIP	- Work in Progress
SD	- Standard Deviation
NBSSI	-National Board of Small Scale Industries
OLS	-Ordinary Least Square Method
VIF	-Variance Inflation Factor

ABSTRACT

Management of working capital which aims at maintaining an optimal balance between each of the working capital components, cash, receivables, inventory and payables is a fundamental part of the overall strategy to create value and competitive advantage in businesses. The study focused on effects of the working capital practices utilized by the SMEs on the growth. The study employed a quantitative research design approach to achieve its objectives. A sample of 94 SMEs was studied. In addition, questionnaire was used to collect primary data from the field. The data collected was analyzed using descriptive statistics to determine the various variables. The study employed a regression analysis and the Pearson's correlation analysis was used to test the significant of the relationship between WCM and growth of SMEs in Uganda. The study found that an effective managing working capital will associate with improvement in SME growth. The findings also revealed that most of the SMEs to a moderate are motivated to utilize WCM practices to keep track of their business activities. This finding was based on the regression and correlation analysis. The study also found out that firms face serious challenges as they move along with working capital management. With these findings the study makes a contribution of providing empirical evidence that has been widely missing to channel the presently passionate discussion surrounding the issues of WCM and growth of SMEs in the study context.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the background of the study, statement of the problem, general objective of the study, specific objectives, research questions, conceptual framework, and scope of the study, justification of the study and significance of the study.

1.2 Background of the study

SMEs has attracted a lot of attention internationally in past few years due to their significant contributions to the economies of both the developed and developing countries (Asiedu, 2006). In Europe, SMEs are the backbone and engine of the European economy. In the European Union, almost 85% of net new jobs from 2002-2010 were created by SMEs (European Union, 2012 European Commission, 2011; Abouzeedan, 2011; and Muhammad et al, 2010).

In the United States, the effect of globalization on SMEs has received a lot of attention in international circles in the past few years. In 2004, SMEs in the U.S. employed about 25 million people and their gross product was about 20 percent of the gross domestic product of private industries in the U.S (Kozlow, 2006; BEA, 2006).

In Africa SMEs are efficient and prolific job creators, the seeds of big businesses, and the fuel of national economic engines. From an economic perspective, however, SMEs are not just suppliers, but also consumers (Abor and Quartey, 2010). SMEs make up approximately

50% of the gross domestic product; have a higher production output than large companies, greater capacity to innovate, a more direct impact on cultural and social issues, and a greater role to play in the future growth of an economy (Belinda, 2011).

In the East African Community, SMEs play a much bigger role in developing national economy by alleviating poverty and participating in the global economy. For example, in Kenya SMEs, make up well over 90% of the country’s private sector. For the government, SMEs are a source of employment opportunities particularly for the low skilled workers, as well as women and young people, wealth creation, contribute to stability and generate tax revenues. They also contribute to local supply and service provision to larger corporations (EAC, 2009).

In Uganda, SMEs are viewed as the engine for growth as they contribute to reduction of poverty through job creation, paying taxes for national progress and a basis for developing new ideas, contribute to economic growth and sustainable development (Ssendaula, 2002). Uganda SMEs are vital drivers of growth, innovation and a source of government revenues that target poverty reduction (COMSEC, 2011). More so, they account for over 70 percent of the country’s dominant economic force, employing more man 2.5 million people, constitute 70 to 90 percent of the private sectors and contributes over 70% to total GDP (Kakista and Baguma, 2011; Ssempijja, 2011). Reports by UI A, (2011) revealed about 24,505 SMEs, employing over 90% of the private sector workers and contribute substantially to the provision of basic goods and services. In 2011, the small-medium size enterprises contribute 14% to 18% of the total revenue to the government respectively (Mugabe, 2012).

According to Percat, (2012), around 90% of SMEs failures are due to inadequate management of working capital. SMEs are especially vulnerable to cash flow problems since they operate with inadequate cash reserves or none at all, worse, tends to miss the implications of a negative cash flow until it is too late (Peng and Jiahai, 2005).

Working capital management deals with the management of all aspects of both current assets and current liabilities to minimize the risk of going bankrupt and at the same time increasing returns on assets (FTC Foulks Lynch, 2005). It involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet short term obligations as they fall due and avoiding excessive investment in the current assets (Eljelly, 2004). This requires a combination of techniques which include cash management, inventory management, payables management and receivables management. According to Filbeck and Krueger (2005), the main objective of working capital management is to maintain an optimal balance between each of the working capital components, but even with all the above evidence it is still not clear in Mukono district on how working capital management impacts on the performance of SME's, it is on this ground that this study seeks to examine the effect of working capital management on the performance of SME's in Mukono district.

1.3 Statement of the problem

Proper working capital management plays a vital and key role for any business to prosper. Although it is of great importance a number of small and medium scale businesses cannot afford its complexity even if they would have. Due to this most of the SME's tend to use the simple and at times in efficient means of managing all aspects of both current assets and current liabilities to minimize the risk of going bankrupt and at the same time increasing returns to capital. In this they use simple means like single entries in their books and in some cases incomplete records (Wood, 1979; Onaolapo, et al., 2011). Professional accountants have found audits of small and medium scale enterprises in Uganda problematic mainly because of poor working capital management. Small and medium scale enterprises hardly give serious thoughts to the process of working capital management, they only do it when they are legally required to do so, yet the inadequacy and ineffectiveness of accounting processes have been responsible for untimely collapse of a host of them (Mukaila and Adeyemi, 2011) even Kazooba, (2006) and Keough, (2002) supported this by revealing that most of the Uganda businesses never celebrate their first anniversary. It's on this ground therefore that this research will examine how working capital management affect the growth of SME's in Uganda.

1.4 General Objectives

The general objective of the study is to investigate the effect of working capital management on growth of SMEs in Uganda.

1.5 Specific objectives of the study

i.) To establish the working capital management practices of SMEs in Mukono.

ii.) To establish the relationship between working capital management and growth of SMEs in Mukono.

iii.) To establish challenges of working capital management and coping mechanisms SMEs use.

1.6 Research Questions.

i.) What determines the working capital management practice of SMEs?

ii.) What is the relationship between working capital management practice and growth of SMEs in Mukono?

iii.) What are the challenges of working capital management and coping mechanisms SMEs use?

1.7 Scope of the study

1.7.1 Geographical scope

The study was carried out in Mukono district. This study was chosen due to the diversity of businesses in the area hence providing the best hybrid of options among various informed and experienced entrepreneurs.

1.7.2 Content scope

This research will study how working capital management affects growth of small and medium enterprises in Uganda taking a case of Mukono district. This area is taken because of the un deniable importance and relevance of working capital management to Small and medium enterprises.

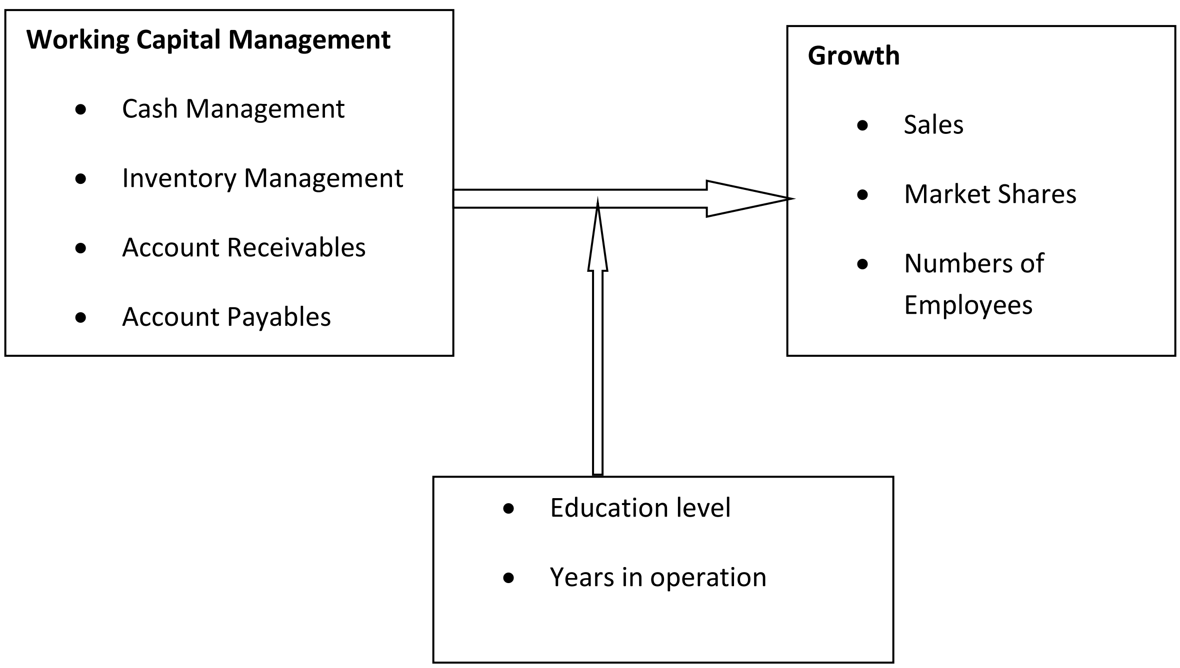
1.7.3 Time scope

The period between 2016-2014 was the mostly considered for as the context of understanding the phenomenon under study.

1.8 Conceptual Framework

According to Kotler (2000) a conceptual framework is a basic structure that consists of certain abstract blocks which represent the independent variables and the dependent variable of the phenomenon under study. The interconnection of these blocks completes the framework for certain expected outcomes.

INDEPENDENT VARIABLE **DEPENDENT VARIABLE**



Source: Author 2016: Onaolapo and Adekunle (2014); Musah and Muazu (2014); and Akande(2011).

In the conceptual framework the existing research studies indicate that if working capital management practices are managed and utilized properly, it should support a reasonable level of growth among the SMEs (Abdul and Onaolapo, (2014). In the framework, it is argued that effective working capital management would deliver higher level of firm growth among SMEs.

1.9 Significance of the study

The purpose of this research is to study how working capital management affects growth of small and medium enterprises in Uganda. This research will help owners of SMEs in understanding the proper working capital management and how they can use them to increase growth of their enterprises. The research will also be useful to business managers in understanding funds maintenance and setting standards for efficient working capital levels. Prospective researchers will also gain useful information from the findings of this research in that it will provide relevant data that can be used in further studies in the area. The outcome of this research will also be resourceful to the government agents and policy makers within Small and Medium Enterprises in Uganda, which will assist in better resource allocation in the SME sector. The research will also add knowledge to the existing literature on Working Capital Management in Small and Medium Enterprises in Uganda and form basis for future research.

1.10 Justification

This study is justified because majority of the SMEs in Uganda fail few months after they are established as mentioned earlier. One of the reasons for the failure is due to the intensity of working capital management practices (Tushabomwe, 2006). One would be eager to find out the extent to which the owners and managers of SMEs utilize these working capital management practices and the extent to which they influence the growth of the firm.

The study is also important in the Ugandan context given the important role SMEs play in the economic development since there is need to explore the working capital management practices of SMEs in Uganda and to ascertain whether they are able to meet the information expectations of owners or managers and finance providers (Lalin & Sabir, 2004; Maseko & Manyani, 2011). This will effectively improve SMEs working capital management and improve the growth of these firms in the study context.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of literature as presented by various authors and scholars based on the objectives of the study. The literature review provides an explanation of theoretical rationale of the problem being studied as well as what research has already been done and how the findings relate to the problem at hand.

2.2 Theoretical review

There are several theories that relate to the management of working capital especially in firms operating in highly volatile business environments. In the context of developing country, many researchers have utilized theories such as systematic approach of control and decision usefulness theory in their attempt to address issues in working capital management in relation to SMEs operations growth. These theories are elaborated more in detail below.

2.2.1 Systematic Approach of Control

Working capital management originally started as a systematic approach also known as the traditional approach of controlling the cash inflow, cash outflow and remaining balances of cash, receivables and inventories (According to Scherr 1989). The main objective was to ensure working capital is not misappropriated for personal benefits of those who are entrusted with its management. In addition, researchers developed various control measures over the receipts and collections of cash, receipts and issuance of inventories as well as the increase of receivables through credit sales and decrease of receivables through cash collection.

2.2.2 Decision usefulness theory

The decision usefulness is an approach to the preparation of financial reports emphasizing accuracy of information on which effective decisions can be made by the owners of the firm (Williams, 2009). This theory emphasizes the recording of business transaction for the purpose of effective decision making in business that influences growth levels of the firm. (Chiappetta, Shaw, & Wild, 2009) and Williams (2009),focused heavily on the concept of decision usefulness which has become the agreed guide for judging the effectiveness of working capital management in the past decades.

According to researchers, majority of SMEs in Uganda has not put enough emphasis on working capital management. This therefore, limits their chances of having reliable financial information from which accurate decisions can be made by the owners of the firm Tushabomwe (2006). Failure to have reliable financial information about the firm's business activities might lead to uninformed decisions being made hence affect the growth of the firm.

Founded on the theoretical perceptions given in the decision usefulness theory, in this study the effectively working capital management practices will enable SMEs to have reliable information that can enable businesses make informed financial decisions that enhances the growth level of the firm.

2.3 Definition of working capital

The extensive literature on the subject reveals the component of working capital as consisting of current assets less current liabilities. The working capital is affected by a number of factors, including the nature of the business, credit policy, conditions of supply, price level changes.

A firm must be able to generate sufficient cash to be able to meet its immediate obligations and therefore continue trading. Inadequate working capital decisions and accounting information have been referenced consistently as causes of small and medium enterprises failure. According to (Barrow 2001: p56), there is enough evidence which point to small and medium enterprises being inefficient users of working capital.

Kirk man (1997) argues that in recent years there have been many arguments about the precise definition of working capital although in balance sheet terms it has generally been considered to be made up of the difference between current assets and current liabilities. The difference between current assets and current liabilities is termed net working capital which indicates the liquidity of the firms and the extent to which working needs may be financed by permanent sources of funds. Srinivas (1999) also defines, " Working capital'' as the capital invested in different items of current assets needed for the business, that is, inventory, debtors, cash and other current assets such as loans and advances to third parties.

2.3.1 Working capital management

WCM is a highly essential component in the management of daily activities of the firms. The continuous challenging economic and financial market environment has caused companies around the world to intensify efforts to extract efficiencies and eliminate risks in the management of their working capital.

WCM involves planning and controlling current assets and liabilities in a manner that eliminates the risk of inability to meet short term obligations and avoid excessive investment in these assets (Eljelly, 2004). WCM aims at maintaining an optimal balance between each of the working capital components, that is, cash, receivables, inventory and payables (Guthmann and Dougall, 1948). The goal of WCM therefore, is to ensure that the firm is able to continue in its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses (Brigham & Houston, 2007).

WCM is a therefore a fundamental part of any firm's overall corporate strategy to create value, to ensure financial health and provide competitive advantage (Deloof, 2003). WCM is also vital for the success and survival of businesses and for enhanced performance and contribution to economic growth (Padachi, 2006). In this sense, it is possible to regard working capital as the lifeblood of a firm (Padachi et al. 2008). The goal of WCM therefore, is to ensure that the firm is able to continue in its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses (Brigham and Houston, 2007).

According to Machiraju (1999), working capital management involves administration of current assets and current liabilities which consists of optimizing the level of current assets in partial equilibrium context. Working capital management involves the relationship between a firms's short –term assets and its short- term liabilities.

Osisioma (1977) also describe working capital as regulation, adjustment, and control of the balance of current asset. In order to manage working capital efficiently, he notes that there must exist two elements as necessary components and desirable quantities. He further demonstrated that good working capital management must ensure acceptable relationship between components of a firm so as to make an efficient mix, which guarantee capital adequacy. Thus, working capital management should make sure that the desirable quantities of each component of working capital are available for management.

Khan and Jain (2007) also explain further that, working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exists between them. Working Capital Management involves the relationship between a firms' short –term assets and short –term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. (Brigham and Houston, 2007).

2.3.1.1 Cash Management

Cash refers to the proportion of currency that a firm has in hand and that in its bank accounts that enables the operations of a firm by acting as a medium of exchange (Olowe, 1998). Cash is the most liquid asset of the various components of working capital and it reflects on the ability of a firm to settle bills as they fall due especially the short term obligations (Moyer, McGuigan & Kretlo, 1992). Firms hold cash to cater for the duration of incurring trade costs and receiving proceeds from trade hence helps in paying for the day-to-day expenses. Despite the importance of holding cash, excess liquidity is not beneficial to the firm, as it does not generate any returns.

According to (Gill and Shah ,2012) note that an optimal level of cash based on firm's needs is important for a firm's survival and prosperity hence a positive cash flow situation should be developed through proper timing of cash movements. Holding cash also allow for optimal timing of an investment and helps in avoiding any under-pricing problem (Cossin & Hricko, 2004). Cash is also very vulnerable to misappropriations and embezzlement (Isshaq, Bokpin & Onumah, 2009) hence proper cash management is inevitable. To control the risk associated with cash, all issues of its management should be documented in a procedural manual (Teigen, 2001). For a firm to remain liquid enough to pay for its bills then the control of cash flow is important and can only be achieved through efficient management of cash receipts and payments, cash balances and cash transfers of the firm (Olowe, 1998). This is normally a challenge thus a firm should employ the best cash budgeting and forecasting practices to ensure smooth inflow and outflow of cash (Ekwere, 1993). The significance of cash management to the firms' growth has been proved through several studies (Shin & Soenen, 1998).

The Miller-Orr model determines the desired firm cash level and the other extreme limits at which it takes action to correct any deficit (Jarrad, 2000). When the cash balance reaches the upper limit, it implies an excess cash in the firm and hence the firm buys securities so as to bring the cash balance back to the desired level (Marsh, 2009). When the firm cash balance reaches the lower level, it implies a shortage in the available cash hence the firm sells securities so as to bring back the balance to the desired level (Marsh, 2009). The Miller Orr model incorporates uncertainty hence is more practical given the volatility of the actual business environment.

2.3.1.2 Inventory Management

Ballou (2004) refers to inventories as stocks of raw materials, components, supplies, work in process, and finished goods that existing a firm's production and logistics channels. Chase, Jacob and Aquilano (2004) define inventory as the stock of any item or resource used in an organisation.

Inventory determines the level of production, purchasing and marketing in a firm and as (Hill and Sartoris 1992) state, managing inventory strategically contributes to profitability of the firm which leads to growth as it determines the level of activities. Inventory may be needed to take advantage of the economic feature of a certain technology; to coordinate human tasks or regulate production process to meet rising demand in a perfectly predictable economy but in an environment of uncertainty then inventory protects the firm against the risk of stock being out (Moyer, McGuigan, & Kretlow, 2009). To enable firms, deal with uncertainties of consumer demand then proper considerations should be put in supplier selection process and inventory management.

Hugo, Badenhorst-Weiss and Rooyen (2002) stated that holding inventories at the lowest possible costs is the main aim of inventory management. According to Joshi (2000), stated that reducing the cost of holding stock to ensure smooth operations and reducing the level of stock are the main objectives of inventory management. Inventory management therefore involves a compromise between the cost of supplying inventory, cost of holding inventory and the opportunity cost because of insufficient stock.

2.3.1.3 Accounts Receivable

Accounts receivable refers to the unpaid claims from a firm's customers at a given time, usually due within a relatively short period (up to one year), and indicates the firm's supply of trade credit (Joshi, 2000). Accounts receivable consist of the credit a business grants its customers when selling goods or services as per the trade policy and volume supplied (Moyer et al., 1992). The main objective of offering trade credits is the increase the growth and profitability because of attracting more customers and more sales (Joshi, 2000). A firm also dominates over its competitors in that it constantly increases sales hence an increase in its value.

The management of receivables revolves around three aspects namely credit policy, credit analysis and the control of receivables (Hill & Sartoris, 1992). Credit policy is a trade-off between the increased sales due to the credit terms extended and the cost of maintaining the debtors and bad debts. This involves the determination of the credit period and any discounts therein. Credit analysis is the process of determining the risks involved in advancing credit to a given party by analysing their credit worth. Controlling of receivables on the other hand involves following up debtors, formulation of the best credit collection policy and its execution.

The efficient management of accounts receivable depends to a greater extend on the credit policy and collection procedure. A credit policy specifies requirements to value the worthiness of customers and a collection procedure provides guidelines to collect unpaid invoices that will reduce delays in outstanding receivables (Hill et al., 1992).

This study sought to find out if the SMEs provided trade credits to their customers and establish the practises put in place to optimise the receivables in a developing economy especially in periods of economic uncertainty. Asselbergh (1999) suggest that firms prefer using account receivables rather than cash for a number of motives including operating, financial, transaction, price and tax. The study examined the motives of the use of accounts receivable instead of cash, the bad debt level and the procedures of determining credit worthiness.

2.3.1.4 Accounts Payable

Accounts payable refers to a firm's obligation arising from trade credit or short-term unsecured borrowing that has to be settled within one year (Gitman, 2009). Pandey (1999) identifies trade credit and bank borrowing (bank overdrafts) as two major sources of financing for working capital. Trade credit is usually easy to obtain, varies with the amount granted, and is an informal source of finance without any negations or formal agreements.

Firms normally try to tie up as little cash as possible in disbursement so as not to have more than the minimum amount required settling bills. An increasing net working capital leads to firms utilizing and tying up more money that decrease the flow of cash. However, the buildup of unnecessary working capital fails and is harmful to the firm as it has a negative impact on the shareholder's wealth maximization objective. Delaying the payment of the accounts payable is also harmful as it leads to high penalties charged by the suppliers and hurts any future relations (Michalski, 2008).

The management influences the settlement of accounts payables and is able to defer the average payment though for a limited period as the suppliers can take legal actions and worse stop providing credit to the firm. Therefore, firms must have policies on those who authorize purchasing and how purchasing is geared to demand which leads to proper accounts payable management (Belt, 1979). SMEs face financing challenges and are offered trade credits by their suppliers. This study sought to establish the practices employed by these SMEs in managing accounts payables. This involved a focus on the working capital financing preferences of the SMEs and the factors considered in debt financing, merits and limitations.

2.4 Definition of SME's

Over the years there have been many attempts at defining what constitute small and medium scale enterprises. Researchers and policy makers have used a variety of criteria including; total worth, relative size within industry, number of employee, value of products, annual sales or receipts, and net worth. (Cochran 1981).

The definition of small and medium enterprises therefore varies from country to country. The classification can be based on firm's assets, number of employees, or annual sales. In Ghana, the National Board for Small Scale Industries (NBSSI), defines SMEs as an enterprise which employs not more than 29 workers with an investment (excluding land, building and vehicles) not exceeding 10million Ghana.

However, Osei et al (1993) use an employment cut-off point to categorize SMEs. They classify small-scale enterprise into three categories which includes: micro-employing less than 6 people, very small- employing 6-9 people and small-between 10 and 29 employees. For the sake of emphasis, the Ghana Statistical Service (GSS) considers firms with fewer than 10 employees as small-scale enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SMEs. (Kayanuala & Quartey 2000).

The United Nations Industrial Developmental Organization (UNIDO) also use number of employees to define SMEs by giving different classifications for industrialized and developing countries (Elaian 1996). The definitions for industrialized countries are given as follows: Large – firms with 500 or more workers; Medium- firms with 100-499 workers and small firms with 99 or less workers.

In Australia, the Wiltshire Committee (1971) defines SMEs as a business in which one or two persons are required to make all the critical management decisions: finance, accounting, personnel, purchasing, processing or service, marketing, selling, without the aid of internal specialist and with specific knowledge in only one or two functional areas.

The 1985 UK Companies Act defines small company in respect of financial disclosure as companies employing 50 or less employees. Whatever the definition and regardless of the size of the economy, the growth of the SMEs throughout the country is crucial to its economic growth. From the various definition above it can be said that there is no unique definition for small and medium –scale enterprises.

2.5 Importance of SME's in developing countries.

In the world today, Nwosu, (1981), stresses that there is widespread acceptance that the ability of any national economy to adapt to change and to continue economic progress is greatly enhanced if there is a continuing growth of new products and new job creation by small-scale enterprises. Owners of small- scale have been in existence all over the world, ever since trade by barter began. They have been accommodating themselves to their circumstances and opportunities of their times and places, carrying over the broad thread of their business affairs from century to century. In the advanced countries it was essentially the craftsman who gave purebred to today's manufacturer.

Allal and Chuta (1982) stress that given the large number of small- scale enterprises in both the rural and urban areas, it is clear that the small-scale industrial sector provides substantial employment opportunities for the benefit of the rural and urban area. There is clear and undisputed evidence that a strong and broadly based small industrial sector is an essential ingredient for the economic prosperity, resilience and innovative growth (McCarthy, 1989:24). Small-scale enterprises are a good source of private employment and even for some public employees as they provide useful income supplement as a second job (Sowa et al .1992). The small–scale enterprise provide the large scale sector with goods and services at very low prices, which makes it possible for large scale sectors to make high profits.

According to Abor and Quartey (2010), small and medium enterprises provides 85 percent of manufacturing employment, contributes about 70 percent to Uganda's Gross Domestic Product and accounts for about 92 percent of businesses in Uganda. The importance of finance in promoting the growth of small business has been acknowledged in prior studies on small business growth and development (Abor & Biekpe 2006, Kasakende, 2001). Other studies have identified finance as the most important constraint to the growth in the small business sector (Aryeetey et al, 1994, Steel and Webster 1992, and Sowa et al, 1992).

2.6 Measures of growth.

Generally, the term “business growth” is used to refer to various things, such as increase in total sales volume, increase in production capacity, increase in employment, increase in production volume, increase in the use of raw material and power. These factors indicate growth, but do not provide a specific meaning of growth. Business growth is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. Delmar, Davidson and Gartner (2003) noted that various scholars use growth indicators such as assets, market share, physical output and profits to measure business performance. Yet they argued these indicators are usually not used as sales and employment, because their applicability is limited; thus, market share and physical output vary within different industries and are therefore difficult to compare; total assets value depends on industrial capital intensity and is sensitive to change over time; and, lastly, profits are simply appropriate in measuring size over a long period of time.

Furthermore, Delmar et al. (2003) requested that sales and employment are two important indicators when measuring firm growth. Employment is often used, because it is comparatively easy to access and measure as well as because it lies within interest for policy makers (Barkham et al., 1996). Sales are also commonly used to measure firm growth, though sales are susceptible to inflation and exchange rates. Besides, it can be difficult to compare sales figures in unlike industries. Therefore, Delmar et al. (2003) concluded that researcher should use multiple growth indicators when studying firm growth.

In addition, different authors argue that SMEs differ from larger enterprises, because they do have dissimilar growth possibilities. They intimated that large firms witness expansion during recessions/recoveries, whilst SMEs often seems to grow in booms. According to Huynh and Petrunia (2010), firms with a growth objective tend to have higher debt levels than firms that have lower growth inclination. The desire for business growth is the only medium through which SMEs can become larger organizations; business growth is closely linked to employment creation (Davidsson, Achtenhagen & Naldi, 2010). With regards to the factors influencing SME growth, Levratto, Tessier and Zouikri (2010) identified factors such as the firm's resources, human capital (age, experience), environmental and market characteristics as key influences on SME's growth.

In developing countries like Uganda SME's are usually competing with price over added value. On the other hand, SMEs in developing countries have generally a lower productivity than in developed countries and because a country's productivity level is a major indicator of improved living standards, added value should be seen as one of the important indicators of growth (Lind, 2005).

2.7 Relationship Between Working Capital and growth of SMEs

In this context, an efficient working capital management plays a significant role in overall strategy in order to increase shareholder value (Dong and Su, 2010) by determining the Composition and level of investments on current assets, the level, sources and mix of short term debts (Nwankwo and Osho, 2010). Especially an efficient working capital management can enable a firm to react quickly and genuinely to unexpected changes in economic environment and gain competitive advantages over its rivals (Alshubiri, 2011). WCM has significant impact on both profitability, liquidity and growth of firms (Shin and

Soenen, 1998). WCM seeks to ensure that the investment in working capital components are neither too little nor too great. The former could give rise to stock outs, and lost sales, whereas the latter amounts to waste (Tully, 1994). With regards to growth, the level of investment in working capital and the financing of this investment, at any particular level of output, involve a risk-return tradeoff (Madura and Veit, 1988). Generally, the higher the risk the higher the return demanded by management and shareholders in order to finance any investment in working capital (Cooper et al. 1998, Gitman, 1997).

Therefore, for WCM to be effective there is need for clear specification of any firm's objectives. According to the mainstream economic theory, it is generally accepted that the main objective of any firm is to maximize profits. The dilemma is that increasing profits at the cost of liquidity can bring grave problems to the firm. Therefore, there must be a tradeoff between these objectives (growth, liquidity and profitability) of firms (Falope and Ajilore, 2009).

Ultimately, WCM is a very crucial element in analyzing the firm's performance whilst performing day to day operations and achieving balance between liquidity and profitability. All individual components of working capital including cash, marketable securities, account receivables and inventory management play a vital role in the performance of any firm (Brigham

& Hauston, 2007).

2.8 Summary of Literature Review

The empirical studies show that WCM has an impact on the growth of firms and is of particular importance to small firms. However, some researchers (Nyabwaga et. al. 2012) have found a positive relationship while others have found a negative relationship (Deloof 2003; Eljelly 2004;

Falope and Ajilore 2009). For other researchers (Mathuva 2009), different components of WCM have different impact on growth of firms. Therefore, this study attempted to cover the gap which exists in defining the kind of relationship between WCM and growth of firms. The study therefore, concentrated on SMEs in Uganda since only a few studies have been carried out in regards to the effect of WCM on the growth of SMEs in Uganda.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This part presents the methods that were used to carry out the study. It outlines the research design, sampling procedure, measurements, data collection, data management and analysis as well as quality control measures and ethical considerations.

3.2 Research Design

This study was descriptive in nature seeking and in this it determined the state of working capital management on the growth of SME's. It was quantitative in nature where primary data was used through the questionnaire. This study employed descriptive research design. A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003). Kombo and Tromp (2006) notes that the choice of descriptive survey research design is made in a study when the research is interested on the state of affairs already existing in the field and no variable would be manipulated. It focused on determining the effect of working capital management on growth of SME's.

3.2 Population for the Study

The population for this study includes SME's in Mukono district. However, owing to the anticipated constraints like time and monitory resources and in order to properly carry out the study, the researcher will limit the scope to all SME's in Mukono Municipality areas of Mukono town. In consultation with the central division office, it is apparent that there was no readily available registry of the firms of interest in this study. On this basis, a database will be developed from which a sample of the study will be drawn.

3.3 Sample size and sampling procedure

The sample of the study was 94 SME's. This constituted 17 SME's in the Agriculture, 41 retail shops, 11 whole sales, 13 under manufacturing and 12 under accommodation and catering. The study utilized purposive sampling in this the selection of study respondents was done basing on the number of SME's of interest in the selected category. A total of 94 questionnaires were hand delivered and filled in a face to face interaction with the respondent, all these questionnaires were successfully filled.

3.4 Data Collection Techniques

The data used in this study was collected through the use of the questionnaire technique from the primary source of data. This technique was used to collect data from primary sources because the researcher wanted to find out from the respondents their knowledge, attitude, believes, future and past behavior towards the subject of the study.

3.9 Procedures of data collection

The researcher got approval from the School of post graduate Uganda Christian University faculty of business and administration through the university supervisor to ensure that the ethical guidelines were followed throughout the data collection process.

In conducting the study, a letter from the university was shared with the respondents requesting for their cooperation in the study. The respondents were further assured of confidentiality of the information provided and that the study findings were used for academic purposes only.

3.7 Data analysis

Detailed descriptive and statistical analyses was used on the data gathered for this study. Statistical tests were carried out to confirm the difference between various categories of SME's. Descriptive statistical summaries were assembled for the variables of the study. The analysis was conducted to examine the contribution of working capital management towards growth of SME's in Mukono district.

3.9 Reliability of research instrument

The reliability of the self-developed measuring instrument was evaluated using Cronbach's Coefficient Alpha; the Cronbach's Coefficient Alpha was 0.73. This value was high and close to one and this meant higher reliability or inter-item consistency. This therefore means that the tools used produced consistent and stable result.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF THE RESULTS

4.0 Introduction

This chapter presents findings from a study conducted in Mukono district on the effect of working capital management on growth of SMEs, the analysis is presented in a chronological order of the research questions which were the guiding fabric of the entire research process.

4.1 Descriptive analysis of the sampled study.

The study relied on variables like age-which was categorically distributed, sex- defined as either male or female, position in the firm and line of business, level of education, year of operation, Age and gender were important in finding the effect of working capital management on growth of SME's.

Table 1: Descriptive results from the back ground information

Age		Frequency	Percent
Valid	Less than 25 years	17	18.1
	26-35 years	44	46.8
	36-45 years	19	20.2
	46-55 years	6	6.4
	Total	86	91.5
Missing	System	8	8.5
Total		94	100
Sex			
Valid	Female	49	52.1
	Male	43	45.7
	Total	92	97.9
Missing	System	2	2.1
Total		94	100
Position in the firm			
Valid	Owners	62	66
	Manager	24	25.5
	Accountant	4	4.3
	Support staff	2	2.1
	Total	92	97.9
Missing	System	2	2.1
Total		94	100
Level of education			
Valid	Primary	14	14.9
	UCE O/A levels	47	50
	Diploma	21	22.3
	Degree	8	8.5
	Others(Specify)	1	1.1
	Total	91	96.8
Missing	System	3	3.2
Total		94	100

Years of operation			
Valid	Up to 1 year	9	9.6
	1-5 years	58	61.7
	6-10 years	17	18.1
	11years % above	7	7.4
	Total	91	96.8
Missing	System	3	3.2
Total		94	100
Line of business			
Valid	Agriculture	17	18.1
	Retail shop	41	43.6
	Whole sale	11	11.7
	Manufacturing	13	13.8
	Accommodation & catering	10	10.6
	Total	92	97.9
Missing	System	2	2.1
Total		94	100

Source: primary data

The findings in the table above 1 revealed the age range of the respondents, it was noted that 46.8% of the respondents that took part in the study were between 26-35 years, this was then followed by 20.2% who were between the age of 36-45 years, while 18.1% of the respondents were between the age of less than 25 years and only 6.4% of the respondents were between 46-55 years, this implies that all age groups took part in the study but the majority were less than 35 years, hence providing relevant information on the topic of study.

Of the 92 respondents, the analyses in Figure 2 portrays further that 49 (52.1%) were Female, while 43 (45.7%) were Male. This implies that the majority of the respondents that took part in the study were female. This also indicates that the research was gender sensitive since both male and female fully took part in the study hence providing relevant information.

The findings in the table above showed that 66% (62) of the respondents hold the position of owner, 25.5% (24) managers and the rest are 4.3% (4) accountants and 2.1% (2). This implies that the majority of the decisions made in the SMEs are the owners of the business hence being able to provide the relevant information on the topic of study**.**

As regard to the level of education of the respondents, it was noted that 50% of the respondents were UCE 0/A holders, this was then followed by 22.3% of the respondents who were diploma holder, 14.9% were primary level, 8% were degree holders and only 1% had other qualifications, this implies that respondents who took part in the study had attained some level of education although the majority were UCE 0/A level holders as shown in the table above. The observation got from the above analysis there for is that, most of the people within these firms that were responsible for the management of working capital management practices did not have enough qualification to deal with the day to day liquidity of the firm.

The results in Table 5 above revealed that almost a half of the service sectors of SMEs 58 (61.7%) of the firms surveyed have been in establishment for less than 5 years, 17 (18.7%) of the firms have been in existence between 6 to 10 years with in the study area, 9 (9.6%) of the firm have been there for 1 years and only 7 (7.4%) have been in existence for eleven years and above. This analysis therefore indicates that, many of the firms that fail and die out due to poor management of WC are those firms that have just started up for example those that have been in existence for 1 to 5 years.

Also according to the above table majority of SMEs (41) 43.6% were retail shops followed by agriculture (17) 18.1%, (13)13.8%manufacturers, (11) 11.7 % whole sale, (10) 10.6% accommodation and catering as their line of business. This result is in line with the business reports by Sanya, (2012) that the majority of SMEs are retain shop, which are managed by individuals, easing the decision-making

4.3 Working capital management practices of SMEs in Mukono.

Respondents were asked to establish the existence of the various working capital management practices in Mukono, in this they showed how they move along with practices like inventory control, cash management, account receivable and account payable. Their responses are summarized in the table below, on a scale of 5, that is to say never, hardly ever, sometimes, mostly and always. These range from 1 to 5 respectively.

Table 2: Results showing frequencies and percentages of responses on inventory control.

	Never		Hardly ever		Sometimes		Mostly		Always	
	Freq	% age	Freq	% age	Freq	% age	Freq	% age	Freq	% age
Does the firm have adequate stock to meet demand at all times	5	5.60%	7	7.80%	44	48.90%	25	27.80%	9	10.00%
Are there times when the firm is under stocked	4	4.50%	28	31.50%	38	42.70%	10	11.20%	9	10.10%
Are there times when the firm is over stocked	11	12.60%	37	42.50%	33	37.90%	5	5.70%	1	1.10%
Does the firm maintain safety stock	1	1.10%	4	4.40%	13	14.40%	31	34.40%	41	45.60%
Does the firm offer quantity discounts	2	2.30%	12	13.60%	49	55.70%	12	13.60%	13	14.80%
Does the firm maintain up to date stock records	3	3.30%	6	6.70%	13	14.40%	38	42.20%	30	33.30%
Is the system used in controlling stock movement effective?	5	5.60%	5	5.60%	12	13.30%	38	42.20%	30	33.30%

Source: Primary Data

According to the results in the table above majority of the respondents 44 (48.9%) reported that sometimes their firms have adequate stock to meet demand at all times. In regards to the same 25 (27.8%) reported that mostly their firms have adequate stock to meet demand at all times, 9 (10%) reported that their firms always have adequate stock to meet demand at all times, 7 (7.8%) reported that their firms hardly ever have adequate stock to meet demand at all time and only 5 (5.6%) reported that their firms never have adequate stock to meet demand at all time.

According to the results in the table above majority of the respondents 38 (42.7%) reported that sometimes their firm is under stocked. In regards to the same 28 (31/5%) reported that there hardly times when the firm is under stocked, 10 (11.2%) reported that most times their firm is under stocked, and only 9 (10.1%) reported that their firms are always under stocked.

According to the results in the table above majority of the respondents 38 (42.7%) reported that sometimes their firm is under stocked. In regards to the same 28 (31/5%) reported that there hardly times when the firm is under stocked, 10 (11.2%) reported that most times their firm is under stocked, and only 9 (10.1%) reported that their firms are always under stocked.

Also according to the results in the table above majority of the respondents 37 (42.7%) reported that they hardly ever get times when their firms are over stocked. These were followed by 33 (37.9%) who reported that sometimes their firm is over stocked. In regards to the same 11(12.6%) reported that they never get times when their firm is over stocked, 5 (5.7%) reported that most of the time their firm is over stocked and only 1 (1.1%) reported that their firms are always over stocked.

Table 3: Results showing frequencies and percentages of responses on cash management

	Never		Hardly ever		Sometimes		Mostly		Always	
	Freq	% age	Freq	% age	Freq	% age	Freq	% age	Freq	% age
Does the firm budget its cash	1	1.10%	1	1.10%	8	8.80%	29	31.90%	52	57.10%
Does the firm control receipts of cash	31	34.10%	6	6.60%	8	8.80%	16	17.60%	30	33.00%
Does the firm invest any excess cash	2	2.30%	14	16.10%	21	24.10%	20	23.00%	30	34.50%
Does the firm keep proper books of accounts	2	2.20%	3	3.30%	16	17.60%	30	33.00%	40	44.00%
Does the firm keep track of cash payment	3	3.30%	2	2.20%	16	17.60%	31	34.10%	39	42.90%

According to the results in the table above majority of the respondents 52 (57.1%) reported that there firm always budget its cash, these were followed by those who said that they do it mostly 29 (31.9%), only 1 (1.1%) reported that their firms never budget cash. In regards to the firm controlling receipts majority of the respondents 31 (34.1%) reported that they never do it however this was not too different from those who reported to always do it 30 (33%), 16

(17.6%) reported that they mostly control receipts and 6 (6.6%) said that they hardly ever. Majority of the respondents 30 (33%) stated that their firms always invest any excess cash, these were followed by those who said to mostly do the same (23%), only 2 (2.3%) reported never to do it, this shows that most firms realize the importance of investing their excess cash.

It can also be noted from the table above that majority of the respondents 40 (44%) reported that their firms always keep proper books of account, 30 (33%) do it mostly and only 2 (2.2%) never do it, 16 (17.6%) do it sometimes. The above means that most of the firms keep proper books of account. Majority of the firms also recorded that they always keep track of cash payment.

Table 4: Results showing frequencies and percentages of responses on Account receivable

	Never		**Hardly ever**		**Sometimes**		**Mostly**		**Always**	
	Freq	**% age**	**Freq**	**% age**	**Freq**	**% age**	**Freq**	**% age**	**Freq**	**% age**
Does the firm offer some goods on credit	3	3.30%	8	8.90%	53	58.90%	24	26.70%	2	2.20%
Does the firm offer cash discount	4	4.40%	32	35.60%	28	31.10%	21	23.30%	5	5.60%
Do most debtors stick to the credit period	3	3.40%	5	5.70%	71	81.60%	3	3.40%	5	5.70%
Do some of the debtors default in payment	1	1.10%	4	4.60%	76	87.40%	3	3.40%	3	3.40%

Does the firm monitor receivables	1	1.20%	9	10.50%	27	31.40%	34	39.50%	15	17.40%
Does the firm factor debtors	0	0.00%	0	0.00%	2	66.70%	1	33.30%	0	0.00%
Is there a credit collection deadline	30	34.10%	5	5.70%	16	18.20%	26	29.50%	11	12.50%

Source: Primary data

According to the results in the table above, Majority of the firm 53 (58.9%) reported that sometimes they offer some goods on credit, 24 (26.7%) mostly offer some sales on credit, and only 8 (8.9%) hardly ever offer goods on credit. In regards to offering cash discounts majority of the respondents 32 (35.6%) reported to hardly ever do it, 28 (31.1%) reported to do it sometimes and 32 (35.6%) testified to hardly ever do it. Majority of the respondents 71 (81.6%) reported that sometimes their debtors stick to the credit period, only 3 (3.4%) stated that debtors never stick to the credit period. Related to the above 76 (87.4%) of the respondents reported that sometimes debtors default in payment only 1 (1.1%) stated that they never default. Majority of the respondents reported that mostly their firm monitors receivables, 27 (31.4%) reported that sometimes they monitor receivables and only 1 (1.2%) reported never to do it. In regards to factoring debtors 2 (66.7%) of those who responded to it reported to do it sometimes and 1 (33.3%) said that they do it mostly and non-reported never to do it. Majority of the respondents reported that they never put in place a credit collection deadline.

Table 5: Results showing frequencies and percentages of responses on Accounts Payable

	Never		Hardly ever		Sometimes		Mostly		Always	
	Freq	**% age**	**Freq**	**% age**	**Freq**	**% age**	**Freq**	**% age**	**Freq**	**% age**
Does the firm obtain service/product on credit	3	3.30%	21	23.30%	34	37.80%	30	33.30%	2	2.20%
Does the firm suppliers offers cash discounts	5	5.60%	37	41.10%	13	14.40%	22	24.40%	13	14.40%
Do they also offer quantity discount	9	10.00%	6	6.70%	44	48.90%	18	20.00%	13	14.40%
Are all creditors paid in time	1	1.10%	0	0.00%	38	43.70%	8	9.20%	40	46.00%
Does the firm use ratios in monitoring trade credit	2	7.70%	2	7.70%	11	42.30%	10	38.50%	1	3.80%
Does the firm exploit trade credit as much as possible	26	28.90%	21	23.30%	13	14.40%	22	24.40%	8	8.90%

According to results in the table above majority of the respondents 34 (37.8%) reported that sometimes they obtain services and products on credit, 30 (33.3%) reported that mostly they do the same, 21 (23.3%) stated that they hardly ever obtain services on credit. In regards to firm's suppliers offering cash discount 37 (41.1%) reported that it hardly ever exists, 22

(24.4%) reported that suppliers mostly do it and only 5 (5.6%) reported that they never. In regards to the firm's suppliers offering quantity discount 44 (48.9%) stated that it sometimes happens, 18 (20%) reported that mostly their suppliers offer quantity discount. Majority of the respondents 40 (46%) reported that always all creditors are paid in time, 38 (43.7) reported that sometimes all creditors are paid in time. In regards to whether firms use ratios in monitoring trade credit majority of the respondents 11 (42.3%) reported that they do it sometimes, and 10 (38.5%) reported that mostly their firm uses ratios in monitoring trade credit. Majority of the respondents 26 (28.9%) reported that their firms never exploit trade credit.

4.2 Correlation Analysis

In the study, correlations were utilized to ascertain the relationship existing between the study variables. The correlation was typically helpful in order to get introductory understandings of the link between performance of SME's and the various independent variables like cash management, account receivable and account payable. The control variables were also involved in the relationship to show how they are correlated with the vital variables of interest before insertion in to the regression analysis. Table below shows the relationships between the variables based on Pearson coefficient statistic.

Table 6: Results of the correlation analysis

		Cash management	Account payable	Inventory control	Account Receivable	EDUCATION	YEARS OF OPERATION
Cash Management	Pearson Correlation	1	.264	.639**	.397**	.234	-.041
	Sig. (2-tailed)		.290	.000	.001	.064	.749
	N	64	18	64	62	63	63
Account payable	Pearson Correlation	.264	1	.206	.353	.151	.004
	Sig. (2-tailed)	.290		.358	.117	.502	.987
	N	18	22	22	21	22	22
Inventory control	Pearson Correlation	.639**	.206	1	.354**	.014	-.037
	Sig. (2-tailed)	.000	.358		.004	.913	.763
	N	64	22	68	66	67	67
Account receivable	Pearson Correlation	.397**	.353	.354**	1	.001	-.048
	Sig. (2-tailed)	.001	.117	.004		.996	.705
	N	62	21	66	66	65	65
EDUCATION	Pearson Correlation	.234	.151	.014	.001	1	.325**
	Sig. (2-tailed)	.064	.502	.913	.996		.008
	N	63	22	67	65	67	66
YEARS OF OPERATION	Pearson Correlation	-.041	.004	-.037	-.048	.325**	1
	Sig. (2-tailed)	.749	.987	.763	.705	.008	
	N	63	22	67	65	66	67

**. Correlation is significant at the 0.01 level (2-tailed).

According to the results in the table above there was a positive but insignificant relationship between cash management and account payable. A positive relationship was found between cash management and inventory control the relationship was significant at 1% level of confidence. The coefficient of 0.397 means that a unit change in cash management leads to a 0.639 positive change in inventory control. There was also a positive and significant relationship between cash management and account receivable, the coefficient of 0.397 means that a unit change in cash management leads to 0.397 positive change in account receivable. The relationship between cash management and education was insignificant but positive, the positive aspect means that as the business owner's education level increase even their knowledge on cash management increases, in support of this Kretlo (1992) stresses the importance of having proper skills in settling bills for the business to grow, something which is best portrayed by the educated. Account payable has no significant relationship with any of the variables in the correlation matrix, thus such relationships could be by chance. A positive and significant relationship at 1% level was found between inventory control and account receivable, the coefficient of 0.354 means that a unit change in inventory control leads to 0.354 change in account receivable.

4.3 Regression analysis of the link between working capital management practices and growth of SMEs

In order to determine the extent to which the various elements of working capital management (that is to say; cash management, account receivable, account payable and inventory control can influence the growth of SMEs in the study area. In this analysis Ordinary Least Square Method (OLS) of estimation was used and all the variables: control and crucial variables were entered in the model at the same time. But for the regression analysis to give binding results some key assumptions have to be satisfied. In this analysis, Variance Inflation Factor (VIF) was used to ensure that the assumption of reasonable differences of the independent variables was satisfied. These were all below the threshold of 10 as shown in table below.

Table 7: Results of regression analysis

Variables	**Model**		
	B	***T***	***VIF***
Control variables			
Sex of the business owner	-.627	-.106	1.330
Positon held by the respondent	6.094	1.355	1.330
Education of the respondent	8.822**	2.527	1.545
Years of operation	9.579**	2.067	1.207
Independent Variables			
Cash management	.503	-.509	2.025
Account Receivable	.208**	.585	1.244
Account Payable	5.839***	3.883	1.064
Inventory Control	-.512	-.475	1.793
R^2	**.432**		
Adjusted R^2	**.358**		
F value	**5.666*** **		

N=94, **P<0.05, ***P<0.01, [a] dependent variable: Growth of SME's

In the model above, the contribution of the various determinants to the growth of SME's is presented. The overall model is significant (F= 5.666 P<0.01). The adjusted $\mathbf{R^2}$ of the model is 0.358, this means that only 35.8% variance in the growth of SMEs is explained by the given variables. Starting with the dependent variables account payable recorded a significant relationship with growth of SMEs (B = 5.839, P<0.01), the relationship was positive meaning that proper management of account payable leads to an increase in growth of the SME's. This is supported by Michalski (2008) who stresses that improper management of account payable is dangerous for example he stresses that delaying the payment of the accounts payable is harmful as it leads to high penalties charged by the suppliers and hurts any future relations. In support of the above Belt (1979) states that firms must have policies on those who authorize purchasing and how purchasing is geared to demand which leads to proper accounts payable management and growth as a result.

Account receivable also reported a positive and significant relationship (B =0.208, P<0.05) with growth of the SMEs, this positive relationship means increased proper management of accounts receivable leads to increased growth of the SME's, Asselbergh (1999) highlight this positive relationship when he suggests that firms prefer using account receivables rather than cash for a number of motives including operating, financial, transaction, price and tax. The relationship between cash management and growth was not supported (B = 0.503, P> 0.05) this means that the reported positive relationship could be by chance, however the positive relationship means that improvement in cash management leads to increased growth of the business, this is supported by Gill and Shah (2012) who noted that an optimal level of cash based on firm's needs is important for a firm's survival and prosperity hence a positive cash flow situation should be developed through proper timing of cash movements adding on this Cossin & Hricko (2004) notes that holding cash allows for optimal timing of an investment and helps in avoiding any under-pricing problem.

This was also the case with Inventory control ($B = -0.512$, $P>0.05$), the negative relationship is however surprising given that increase in inventory control is expected to increase on growth

As stated reported by a number of researchers like Hill and Sartoris (1992) who reported that inventory determines the level of production, purchasing and marketing in a firm and thus managing inventory strategically contributes to profitability of the firm which leads to growth as it determines the level of activities. Kretlow (2009) supported the same by stating that proper inventory control enables firms to deal with uncertainties of consumer demand which leads to growth.

In the other variables education was found to have a positive and significant relationship with growth ($B =8.822$, $P< 0.05$) the positive relationship means that an increase in education leads to increased growth of the firm, this could probably be due to the fact that the educated have more skills of running the business. Years of operation also had a positive and significant relationship ($B = 9.579$, $P<0.05$) the positive relationship means that an increase in years in operation leads to an increase in growth of the firm, this portrays the significant of experience in management of businesses.

4.4 Challenges of working capital management

Respondents were requested to show whether their firms face a challenge of differentiating clearly between their working capital and profits due to absence of proper accounting records and information. They were also requested to show whether there is a challenge of the personnel responsible not knowing how much working capital the firm should maintain.

Table 8 : Results challenges of working capital management

	YES		NO	
	Count	Row N %	Count	Row N %
Challenge of differentiating clearly between their working capital and profits.	29	42.6%	39	57.4%
Challenge of the personnel responsible not knowing how much working capital the firm should maintain.	16	24.6%	49	75.4%

Source: Primary data

According to the table above, majority of the respondents 39(57.4%) reported that they do not face a challenge of differentiating clearly between their working capital and profits, 29 (42.6%) however agreed to the same. In regards to whether there is a challenge of the personnel responsible not knowing how much working capital the firm should maintain majority of the respondents 49 (75.4%) disagreed with only 16 (24.6%) agreed to this. The above means that the firms do no face serious challenges as they move along with working capital management.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUTIONS

5.0 Introduction

This chapter discusses the findings with respect to the objectives, makes conclusions based on the findings and recommendations for possible improvements with regard to the study investigating the effects of the working capital management on the growth of SME's in Mukono district.

5.1 Summary of findings.

5.1.1 General Working Capital Management

It was established that all the SME's understood the importance of managing working capital in the business environment and had adopted various policies in managing the same. Majority of the SME's indicated that they adopted an aggressive working capital policy that meant that they held minimal levels of net current assets. This meant that most of the SME's were risk takers. In the Uganda turbulent business environment, an aggressive policy if not well managed can be disastrous as short-term debt is more expensive and riskier since it is continually renewed.

5.1.2 The impact of cash management practices on SME's growth

Research objective one sought to analyze the impact of cash management practices on SME growth. Using both descriptive and inferential analyses, the study found out that SME's usually use proper and petty cashbooks in budgeting cash before expenditure and that optimum cash balance is always maintained. Further the study established that cash management practices have a positive and significant effect on SME's growth. This showed that the SME's working capital management is too important to the growth of SME's.

5.1.3 The impact of accounts receivable practices on SME's growth

Using multiple regressions, the study established that SME's offered some credit to their customers and had a receivables policy in days to help control the accounts receivable. Account receivable reported a positive and significant relationship with growth of the SME's, this positive relationship means increased proper management of accounts receivable leads to increased growth of the SME's and thus managing well account receivable is to vital for growth of SME's.

5.1.4 The impact of inventory management practices on SME's growth

Research variable three sought to assess the impact of Inventory management practices on SME's growth. Using descriptive statistics, the study found out that SME's usually maintain optimum inventory levels to meet demand at all times. Further, using multiple regression analysis, the study revealed that inventory management was one of the predictors of SME's growth however its relationship with growth was surprisingly negative meaning that increased inventory management practices lead to reduced growth.

5.1.5 The impact of accounts payable practices on SME's growth

Using descriptive statistics, the study established that SME's received some goods on credit from their suppliers and had a payable policy in days to help control the accounts receivable. Account receivable reported a positive and significant relationship with growth of the SME's, this positive relationship means increased proper management of accounts receivable leads to increased growth of the SME's and thus managing well account receivable is to vital for growth of SME's.

5.2 Challenges to working capital management.

It was reported by majority of the respondents that differentiating clearly between their working capital and profits is not a challenge. It was the same case with personnel responsible not knowing how much working capital the firm should maintain. The above means that the firms do no face serious challenges as they move along with working capital management.

5.2 Recommendations of the study

Based on the study's findings, the following recommendations were made on the effects of WCM on growth of SME's in the study context.

Managers and owners of SME's should undertake basic training in working capital management or hire support staffs that are knowledgeable in these areas of study. Specifically, the owners and managers should pay much attention because these activities are done daily in a business. This will help to avail accurate information on which decisions such as whether to continue with business or not, whether to borrow or not and whether to invest or save the proceeds can be made effectively. This will enable the SME's owners and managers have effective control of their business activities effectively and efficiently.

The study found that working capital management practices in most of the SME's in the study context is not programmed. This exposes the business to human errors and inaccuracies which would otherwise be corrected. Therefore, the owners and managers should make use of technology to increase working capital management efficiency in activities. This will help in more accurate recording and forecasting so as to ease decision making and enhance their performance.

The study established that SME's who utilize working capital management practices in the study context review their practices on weekly basis. This period is too short for the business to evaluate its performance. Thus to deal with this problem, it is recommended that reviews be done on at least quarterly or semi-annually basis to relieve the business from making short-term decisions without considering the broader impact.

Lastly, the study found that managers and owners should assign someone responsibility to deal with the account receivables whereby to have contact with the customers even before the debts are due to resolve any misunderstanding that may have occurred and show some concern that the customer is still valued. It is recommended that businesses should not focus on speeding up collection periods and delaying payments to creditors as the study has shown. This means delaying payments may create bad relations between the owners and suppliers which in the long will affect the financial gain.

5.3 Recommendations for further research

This research study was limited to data collected from the sampled population. However, there are many other registered SME's spread throughout the country. Hence there is need for other researchers to consider larger and different sample sets so to take into consideration the different environment in which some of them operate. This will allow for comparison between the results of the different studies.

Due to the limited time period, it was not possible to collect comprehensive data needed to measure the relationship between WCM and growth of SME's in Uganda. In this regard, there is need for other researchers to widen the study by including collecting secondary data covering a wider period of time, for instance 10 years. Compared to the three years used for this study, different results may be arrived at by use of a wider time period.

This study was limited by the reluctant responses to the questionnaire as a data collection technique. In this regard, there is need for researchers to explore the use of different data collection techniques which will enhance the response rate. With an enhance response rate, the researchers may come up with different findings.

The study was also restricted to the SME's sector in Mukono District. This can cause limitations in regards to the generalization of results to the Uganda economy. In this regard, further studies can be performed on other sectors of the economy which may result in different findings.

Furthermore, the current study did not put into consideration the confounding influence of intervening variables such economic conditions and others on the relationship between working capital management practices and SME's growth. It is recommended that a similar study be conducted to check for the moderating influence of these variables.

REFERENCES

Abor, J. and Quartey, P. (2010) „ Issues in SME Development in Ghana and South Africa International Research Journal of Finance and Economics, issue.

Archeier, H. and Seibel, H. (1987), *Small Scale Industries and Economic Development in Ghana*, ‟ Business Behaviour and Strategies in Informal Sector Economics, Verlag Breitenbech, Saarbruck, Germany.

Akoto, R.K., Awunyo-Vitor, D., &Angmor, P.L. (2013) *Working capital management and Profitability: Evidence from Ghanaian listed manufacturing firms. Journal of Economics and International Finance, 5(9), 373-379.*

Almazari, A.A. (2013). *The Relationship between Working Capital Management and Profitability*: Evidence from Saudi Cement Companies. *British Journal of Economics, Management & Trade,4*(1).

Atrill, P. (2006). *Financial Management for Decision Makers,* London: Pearson Education LtdS.

(1999). *Cash and Working Capital Management,* Vikas Publishing House P.V.T. Ltd Blinder

Ballon R. (2004). *Business Logistics/Supply Chain Management*. Planning, Organizing and Controlling the Supply Chain 5th Ed., Pearsons-Prentice Hall. USA.

Ben – Horim, M and Levy, H. (1983). *Management of Accounts Receivable under inflation,* Financial Management, Vol. 12, NO. 1 pp 42-48.

Brian, B. (1979), “*Working Capital Policy and Liquidity in the Small Business”.* Journal of Small Business Management, Vol. 17, Issue 3.

Bowen Michael (2009). *Management of business challenges among small and micro enterprises in Nairobi Kenya. KCA journal of business mangementVol2Issue No.1*

Brennan M., V. Maksimovic and J. Zechner (1988): "*Vendor financing‖, Journal ofFinance43, 1127-1141*

Buame, S. (1996). *Entrepreneurship: A Contextual Perspective*. Lund Sweden; Lund University press.

Carolel Kimberlin and Almut G. Winterstein (2008); *Am J Health-System Pharm journal— Vol 65 Dec 1, 2008*

Chase, R. Jacob F. & Aquilano N. (2004). *Operations Management for Competitive Advantage*.10th ed. International ed, MC Graw Hill. NY.

Chandra, P. (2008). *Financial Management*: *Theory and Practice*. New Delhi: Tata McGraw Hill Education Private Ltd.

Cook. P. and Nixon, F. (2000). *"Finance and Small and Medium-Sized Enterprise Development,"* IDPM, University of Manchester, Finance and Development Research Programme Working Paper Services, Paper No. 14.

Cooper, D. and Schlindler, P. (2001). *Business Research Methods*. Bosten: Irwin MC Graw Hill.

Cronbach LJ. *Coefficient alpha and the internal structure of tests, Psychometrika* Deloof M. (2003). "*Does Working Capital Management Affect Profitability of Belgian firms, Journal of Business, Finance and Accounting 30, 573-587.*

Eljelly, A. (2004). Liquidity-profitability tradeoff: an empirical investigation in an emerging market. International Journal of Commerce and Management, 48- 61.

Emery G. W.(1987). "*An Optimal Financial Response to Variable Demand‖, Journal of Financial and Quantitative Analysis 22, 209-225.*

Gakure, R., Cheluget, K.J. Onyango, J.A, &*Keraro, V.(2012) Working capital management and profitability of manufacturing firms listed at the Nairobi stock exchange. Prime Journal of Business Administration and Management (BAM), 2(9), 680-686.*

Garcia-Teruel, J.P. & Martinez-Solano, P. (2007).*Effects of Working Capital on SME profitability. Journal of Managerial Finance, 3(2).pp. 164 – 177*

Gibson .T and van der Vaart H.J (2008*), Small Enterprise Assistance Funds journal September*

2008 Gill, A., Biger,N.&Mathur, N. (2010). *The relationship between working capital management and profitability: Evidence from the United States. Business and Economics Journal, 4 (2), 1-9.* 46

Gray, L. (1987). *Educational Research Competencies for Analysis and Application*. Columbus:

Ohio, Merril Publication Company.

Gitman, J.(1979). "*An Assessment of Corporate Cash Management Practice". Financial Management*. Spring, pg. 32-41.

Gourdin , K. (2001). *Global Logistics Management*. A competitive advantage for the new millennium. Blackwell Business. USA.

Gunningham, R. Nikolai, L. and Bazley, J. (2000) *Accounting information Business Decisions*

for. New York: Harcourt College Publishers. Guthman, H. G., & Dougall, H. E. (1948).

Gul, S., Khan, M. B., Raheman, S.U., Khan, M.T., Khan, M., &Khan,W. (2013)*Working capital Management and performance of SME sector; European Journal of Business and management, 5(1), 60-68*

Handschuh, Martin (2011): *What we can learn from self-made billionaires? WHU Otto Beisheim School of Management lecture.*

Haswell, S. & Holmes, S. (1989). *Estimating the Small Business Failure Rate*: A Reappraisal Journal of Small Business Managrment, 14-35.

Handschuh, Martin; Loesch, Hannes (2011): *Optimal Growth – Does it exist and if so how to Realize it? Mannheim Business School lecture* Henn et al., 2006: *DELİCE / The Sampling Issues in Quantitative Research 2013*

Helmsing A. and Kolstee T. H(eds), *Structural Adjustment, Financial Policy and Assistance Programmes in Africa*, IT Publications.

Hugo, W. Badenhorst-Weiss J. and Rooyen D. (2002). *Purchasing and Supply*. *Management*. 4th ed, Pretorial: J. Vanschaik Publishers.

Hunt, P. (1980). *Basic Business Finance* (Tex and Cases) (IRWIN, 1972) http://www.baraza.com

Higgins, Robert (1997): *How much growth can a firm afford, Financial Management 6(3) p.7-16*

Ittner and Larcker2000,. Mastering *Management series,Financial Times accounting journalon Oct. 16, 2000, Julie King: co-founder and publisher of CanadaOne.com.*

Joshi, R. (2000). *Cash Management Perspective Principles and Practices,* Newage, International (P) Ltd.

Karaduman, H.A., Akbas, H.E., Caliskan, A.O. & Durer, S. (2011). *The Relationship between Working Capital Management and Profitability: Evidence from an Emerging Market. International Research Journal of Finance and Economics, 62(2011), pp. 61-67.*

Karasar *(1999), DELİCE / The Sampling Issues in Quantitative Research 2013* Khan and Jain (2007) "*Review of current and financial management reporting*"

Kiiru, W. K. (1991). *A Review Of The Institutional Lending To The Jua Kali And Small Enterprise Sector In Kenya, Geneva: International Labour Organization.*

King, K. & McGrath S. (2002) *Globalization, Enterprise and Knowledge: Educational Training*

and Development, International Review of Education*, Vol. 50(1), 74-76(3)*

Kirkman, P. (1977). Modern Credit Management: A study of The Management of Trade Credit Under Inflationary Conditions. London: George Allen and Unwin Ltd.

Keynes, J. (1973). "The Collected Writings of John Maynard Keynes-vol.7. The general theory employment interest and money", 14th ed, London Macmillan. Enthoven, A. (1977).

Kombo D.K and Delno L.A Tromp (2006): *Proposal and thesis writing*, Paulines. Africa Lazaridis,

Machiraju H. (2001). *Introduction to Project Finance and an Analytical Perspective*. Vikas Publishing House P. Ltd.

Marfo – Yiadom , E.(1996). *An Empirical Study of Working Capital Management Practice of Selected Firms In Ghana*, Unpublished MBA Thesis, University of Ghana.

Marsh, C. (2009). Mastering Financial Management: A Step- by- Step guide to strategies, applications and skills. Harlow: Pearson Education Limited.

Mclaney, E. (2000). *Business Finance, Theory and Practice* 5th ed, University of Plymouth Business School. Financial Times Pitman Publishing.

Millinuex, A. (1997). The Finding of Non-Financial Corporation (NFCs) in the EU (1971-1993): Evidence of Convergence, Mineo, Department of Economics, University of Birmingham.

Nunn, K. Jr. (1981). “The strategic Determinants of Working Capital: A Product – Line Perspective,” *The Journal of Financial Research*, Fall, 207-219. Birmingham.

Olatunji, T. (September. 2013‖). *The Impact Of Accounting System On The Performance Of Small And Medium Scale Enterprises In Nigeria* – A Survey Of SME’s In Oyo State-Nigeria. . PP.13-17 .

Olatunji, T. (September. 2013‖ PP.13-17). *The Impact Of Accounting System On The Performance Of Small And Medium Scale Enterprises In Nigeria* – A Survey Of SME’s In Oyo State-Nigeria.

Onaolapo Adekunle Abdul-Rahamon, P. (January 2014, Vol. 4, No. 1). *The Analysis of the impact of Accounting Records Keeping on the Performance of the Small Scale Enterprises.*

Prased, S. and V. Murinde (2001).*Corporate Financial Structures in Developing Economies*. Evidence from a Comparative Analysis of Thai Malay Corporations. Working paper Services, Paper No. 35. Finance and Development Research Programme. University of Manchester, Manchester.

Quayyum, S. T. (July 17, 2011). *Relationship between Working Capital Management and Profitability in Context of Manufacturing Industries in Bangladesh.*

Scherr, F.C., (1989). Modern working capital management: text and cases. Prentice-Hall: Englewood Cliffs.

Shin, H. H., & Soenen , L. (1998). Efficiency of working capital management and corporate profitability. Financial Practice and Education, 37-45.

Sushma, V., & Bhupesh, S. (2012). Effect of Working Capital Management Policies on Corporate Performance an Empirical Study. Sage journals, 8-267.

Tagoe, N. Anawa- A and Nyarko , E. (2008) SME Access To Bank Finance In An Emerging Economy: *The Role Of Information Management Practices*. *International Journal Of Financial Services Management,* Vol. 3, No. 2 pp.148-170.

Tryfonidis, D. (2006): *Relationship between Working Capital Management and Profitability of Listed Companies in the Athens Stock Exchange. Journal of Financial Management and Analysis, 19(1), pp. 26-35.*

Van der Wijst, N, & Thurik, R. (1993). Determinants of Small Firm Debt Ratios: *An analysis of Retail Panel Data. Small Business Economics,* (1), 55-65.

Van Horne, J. (2000). *Financial Management and Policy* 11th ed Prentice Hall of India Ltd

Wijst, D. (1989). *Financial Structure in Small Business*. Theory, Tests and Application, Lecture Notes in Economics and Mathematical systems, Vol. 320, New York: Springer-Verlag.

Waweru, C.G. (2011). The relationship between working capital Management and Value of Companies quoted at the NSE. Unpublished MBA Research project, University of Nairobi.

Weinraub, H.J., & Visscher, S. (1998). *Industry Practice relating to Aggressive Conservative Working Capital Policies*. Journal of Financial and Strategic Decision, 11(12), 11-18.

Zariyawati, M., Taufiq, A. M., & Sazali,A., (2009). *Determinants of Working Capital Management*: Evidence from Malaysia. International Conference on Financial Theory and Engineering, 190-194. Dubay

APPENDIX: QUESTIONNAIRE

Dear respondent,

I am KIVERENGE BRENDA MBONE, a student of Uganda Christian University. As part of the academic requirements for the award of Executive Masters of Business Administration, students are required to conduct field research and present their findings. I am therefore conducting a research entitled, "**DOES WORKING CAPITAL MANAGEMENT AFFECT GROWTH OF SMEs**." The importance of this letter is to kindly request you to provide information regarding the study. All your views will be kept confidential and every part of your response will be used only for academic purposes.

SECTION A: BACKGROUND INFORMATION FOR RESPONDENTS

Please tick or circle the appropriate number

1	**Age (Years)**				
	Less than 25 years	26 – 35 years	36 – 45 years	46 -55 years	56yrs and above
	1	2	3	4	5

2	**Sex**	
	Female	Male
	1	2

3	**Position held in the firm**			
	Owner	Manager	Accountant	Support Staff
	1	2	3	4

4	**Education qualification**				
	Primary	UCE O/A Level	Diploma	Degree	Others (Specify)
	1	2	3	4	5

5	**Years of operation**			
	Up to 1 year	1– 5 years	6 – 10 years	11 years and above
	1	2	3	4

6	**Line of business**				
	Agriculture	Retail shop	Whole sale	Manufacturing	Accommodation &Catering
	1	2	3	4	5

- **CASH MANAGEMENT**

Rate your response using the scale provided where 5= Always, 4= Mostly,

3= Sometimes, 2=Hardly ever, 1=Never.

	Questions	*Never*	*Hardly ever*	*Some times*	*Mostly*	*Always*
7	Does the firm budget its cash?					
8	Does the firm control receipts of cash?					
9	Does the firm invest any excess cash?					
10	Does the firm keep proper books accounts?					
11	Does the firm keep track of cash payment?					

ACCOUNTS RECEIVABLE (Debtors)

Rate your response using the scale provided where 5= Always, 4= Mostly,

3= Sometimes, 2=Hardly ever, 1=Never.

	Questions	*Never*	*Hardly ever*	*Some times*	*Mostly*	*Always*
12	Does the firm offer some sales on credit?					
13	Does the firm offer cash discounts?					
14	Do most debtors stick to the credit period?					
15	Do some of the debtors default in payment?					
16	Does the firm monitor receivables?					
17	Does the firm factor debtors?					
18	Is there a credit collection deadlines?					

19. What is your accounts receivable payment policy?

1-15 days ☐ 16-30 days ☐ over 30 days ☐

ACCOUNTS PAYABLE (Creditors)

Rate your response using the scale provided where 5= Always, 4= Mostly,

3= Sometimes, 2=Hardly ever, 1=Never.

	Questions	*Never*	*Hardly ever*	*Some times*	*Mostly*	*Always*
20	Does the firm obtain services/product on credit?					
21	Does the firm's suppliers offer cash discounts?					
22	Do they also offer quantity discounts?					
23	Are all creditors paid in time?					
24	Does the firm use ratios in monitoring trade credit?					
25	Does the firm exploit trade credit as much as possible?					

26. What is your accounts payable payment policy?

1-15 days ☐ 16-30 days ☐ over 30 days ☐

27. What motivates u to pay your creditors in good time?

Discounts ☐ Reduced price ☐ after sales service ☐ Any other …….

INVENTORY CONTROL (Stock Control)

Rate your response using the scale provided where 5= Always, 4= Mostly,

3= Sometimes, 2=Hardly ever, 1=Never.

	Questions	*Never*	*Hardly ever*	*Some times*	*Mostly*	*Always*
28	Does the firm have adequate stock to meet demand at all times?					
29	Are there times when the firm is under stocked?					
30	Are there times when the firm is over stocked?					
31	Does the firm maintain safety stock?					
32	Does the firm offer quantity discounts?					
33	Does the firm maintain up to date stock records?					
34	Is the system used in controlling stock movement effective?					

35. How often do you do stock taking?

Daily ☐ Monthly ☐ Yearly ☐ when necessary ☐

36. What is your inventory turnover period?

1-15 days ☐ 16-30 days ☐ over 30 days ☐

Section B

To what extent does your firm utilize the following factors that determine the growth of SMEs.

(Sales)

37. Which of the following estimate change in sale volume over the years?

Percentage sale volume	**2016**	**2015**	**2014**
1% -20%			
21% -40%			
41% -60%			
61% -80%			
81% -100%			

Market share

38. Which one of the following estimate change in customer based over the years?

Percentage of customer based	**2016**	**2015**	**2014**
1% -20%			
21%- 40%			
41% - 60%			
61% - 80%			
81%-100%			

Numbers of Employees

39.How many employees do you have in this period of years?

Number of Employees	**2016**	**2015**	**2014**
Full time			
Part - time			

Section C

Examine the challenges to the appropriate management of working capital by SME's in Mukono.

You are to respond to the following statements in relation impediments obstructing the appropriate management of working capital by SME's in Mukono.

40.What are the challenges to effective working capital management practices?

…………………………………………………………………………………………………

………………………………………………………………………………………………

41.The firm faces the problem of differentiating clearly between their working capital and profits due to absence of proper accounting records and information?

…………………………………………………………………………………………………

………………………………………………………………………………………………

42.The personnel responsible know how much working capital the firm should maintain?

…………………………………………………………………………………………………

………………………………………………………………………………………………

Thank you for taking your time to fill in the above questionnaire. Your efforts are highly appreciated