

**INVENTORY MANAGEMENT PRACTICES AND THE FINANCIAL
PERFORMANCE OF THE SMALL AND MEDIUM ENTERPRISES IN
BUNGA-KAWUKU MAKINDYE DIVISION KAMPALA CITY**

PATIENCE ASIIMWE

S23B33/062

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF SCIENCE
IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

April, 2026



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

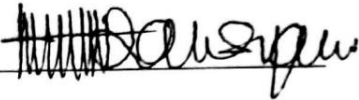
I ASHIMWE PATIENCE declare that this Research report is my original work and to the best of my knowledge, has not been submitted for any award at any academic institution.

Date: 16th APRIL 2026
ASHIMWE PATIENCE
S23B33/062

Sign: 

APPROVAL

This research report was done under my supervision and is now ready for submission with my approval.

Sign: 

Date: 04/05/26

Mr. AGUME ANTHONY

Research Supervisor.

DEDICATION

This Research report is dedicated to my beloved parents and guardians for their financial and moral support.

ACKNOWLEDGEMENT

I would like to say my heartfelt thanks to the Almighty God who gave me life, strength, wisdom, and guidance during the course of this study.

I am grateful to my supervisor, Mr. Agume Anthony, whose guidance, constructive criticism, and constant support throughout the research process were invaluable. His professional advice and encouragement greatly contributed to the successful completion of this research report.

I also owe a lot of debt to the management and employees of the small and medium enterprises that were selected to participate in this study.

I would like to thank my lecturers at Uganda Christian University who taught me the knowledge and skills I have today as I pursued my studies.

I would also like to acknowledge to my parents, guardians, family and friends their financial, moral and emotional support and their encouragement during my studies.

Lastly, I recognize all the people who were directly involved in the completion of this research but may not have been listed separately. Your assistance is very welcome.

TABLE OF CONTENTS

DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGEMENT	i
LIST OF TABLES	v
LIST OF ABBREVIATIONS.....	vi
ABSTRACT.....	vii
INTRODUCTION	1
1.0 Introduction.....	1
1.2 Background of the study	1
1.3 Statement of the problem	4
1.4. Purpose of the study.....	5
1.5. Objectives of the study.....	5
1.6. Research questions.....	5
1.7. Justification of the study	6
1.8. Significance of the study.....	6
1.9. Conceptual framework.....	7
CHAPTER TWO	9

LITERATURE REVIEW	9
2.0 Introduction.....	9
2.1.1 SMEs Inventory Management Practices.....	9
2.1.2. Financial Performance of SMEs:	10
2.2 Empirical Review.....	11
2.3 Literature review.....	20
CHAPTER THREE	21
METHODOLOGY	21
3.0. Introduction.....	21
3.1. Research design	21
3.2. Study population	21
3.3. Sample size and selection	22
3.4. Sampling techniques / methods	23
3.5. Data sources	23
3.6. Data Collection Procedure	24
3.7. Data Collection Methods.	24
3.8. Data Collection Instruments	24
3.9. Data analysis and data processing.....	25
3.10. Validity and reliability of the instrument.....	25
3.11. Ethical considerations	26
3.12. Limitations of the study	26
CHAPTER FOUR.....	27

PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS	27
4.0. Introduction.....	27
4.1 Response Rate.....	27
4.2. Demographic characteristics of respondents	28
4.3. Inventory Management Practices used by SMEs.....	33
4.4. The challenges faced in adopting Inventory Management Practices.....	36
4.5. The Strategies used to overcome Inventory Management Challenges	39
4.6. Overview of the main results.	42
CHAPTER FIVE	44
DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	44
5.1. Introduction.....	44
5.2. Discussion of findings.....	44
5.3. Conclusion	47
5.4. Recommendations.....	48
5.5. Further studies are needed in the following areas.....	50
REFERENCES	52
APPENDIX I: QUESTIONNAIRE	59
Section B: Inventory Control Practices	60
Section C: Challenges in Adopting Inventory Control Practices	60
Section D: Strategies to Overcome Inventory Management Challenges	60

LIST OF TABLES

Table 1: Response Rate	27
Table 2: Gender of Respondents	28
Table 3: Age Bracket.....	29
Table 4: Position in Business	30
Table 5: Type of Business	30
Table 6: Distribution by Years of Business Operation	31
Table 7: Distribution by Number of Employees	32
Table 8: Inventory Management Practices used by SMEs.....	33
Table 9: Challenges Faced in Adopting Inventory Management Practices	36
Table 10: Strategies Used to Overcome Inventory Management Challenges.....	39

LIST OF ABBREVIATIONS

SMEs.....	Small and Medium Enterprises
EOQ	Economic Order Quantity
JIT	Just-In-Time
ABC	Always Better Control (ABC Analysis)
KCCA	Kampala Capital City Authority
UIA	Uganda Investment Authority
UBOS	Uganda Bureau of Statistics
SPSS	Statistical Package for Social Sciences
GDP	Gross Domestic Product
FIFO	First In, First Out
ICT	Information and Communication Technology
ERP	Enterprise Resource Planning
DV	Dependent Variable
IV	Independent Variable

ABSTRACT

The study focused on the effect of inventory management practices on the financial performance of Small and Medium Enterprises (SMEs) in Bunga–Kawuku, Makindye Division, Kampala City. The study was driven by the ongoing problems of SMEs such as low stock, overstocking, lack of records, cash flow, and loss of profitability that negatively impact business sustainability and growth. The study specifically aimed to evaluate the inventory management practices adopted by SMEs, problems encountered in implementing effective inventory control practices and strategies used to overcome the problems.

Both quantitative and qualitative research design was used in a cross-sectional survey research. The target population included SME owners, managers, local business consultants and employees of financial institutions in Bunga–Kawuku. The sample size was calculated by Taro Yamane formula as 108 respondents and data were collected by questionnaire and interview. Descriptive statistics and regression analysis were used for quantitative data analysis, while thematic analysis was used for qualitative data analysis.

The study concluded that SMEs use different inventory management techniques such as Just in Time (JIT), Economic Order Quantity (EOQ), ABC Analysis, periodic review systems and manual stock control techniques. The implementation of good inventory management practices, however, is hindered by lack of financial resources, technical know-how, demand forecasting, record keeping, storage facilities and cash flow problems. The results also showed that SMEs are responding to these challenges by training their employees, implementing cost-effective digital inventory management, strengthening supplier relationships, improving record keeping, adopting better demand forecasting methods, and having access to financial assistance.

The study found that good inventory management practices have a significant impact on the financial performance of the organization, as it helps to increase the profitability, liquidity, and efficiency of operations. The study suggests that SME owners should invest in modern inventory management systems, build the capacity of their employees, and create better inventory planning and control systems to ensure business sustainability and profitability.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Inventory is one of the most significant assets held by small and medium enterprises (SMEs) and plays a critical role in determining their operational efficiency and financial performance. Effective inventory management practices enable firms to minimize holding costs, prevent stock-outs, reduce losses, and improve profitability. Conversely, the lack inventory practices often result in excessive costs, tied-up capital, and declining financial performance. In developing economies such as Uganda, SMEs face persistent challenges in managing inventory due to limited capital, inadequate accounting systems, and low managerial skills. This chapter introduces the study by presenting the background, problem statement, purpose, objectives, scope, justification, significance and conceptual and theoretical framework guiding the study on inventory management practices and financial performance of SMEs in Bunga-Kawuku.

1.2 Background of the study

Globally, it has been established that inventory management is one of the important factors that affect the organizational performance, especially in the retail and manufacturing industries. Inventory is the stock of goods and materials that are held for future use. It is the resources that a company has for resale or manufacturing. It contains raw materials, work-in progress, finished goods and supplies necessary for daily operations (Heizer, Render & Steinitz, 2020). Wild (2017) states that inventory is a significant part of working capital. Working capital is a critical asset and how it is managed can have a major impact on the profitability and liquidity of the firm. Research in both developed and developing countries has demonstrated that companies use structured inventory control methods like Economic Order Quantity (EOQ), Just in Time (JIT) and perpetual inventory. Inventory systems are more likely to be financially successful (Heizer, Render & Munson, 2016). Inventory management is the systematic process of ordering, storing, monitoring and controlling inventory to ensure it is available at the lowest possible cost (Wild, 2017). It is a matter of balancing ordering costs, holding costs and risk of stock-outs. Good inventory

management helps companies not to stock too much and not to miss out on sales because of the lack of inventory.

Small and Medium Enterprises (SMEs) are crucial to the economic development of Asia, contributing significant shares of GDP and employment in countries like China, India and Malaysia. Many SMEs do, however, experience ongoing financial performance issues which are closely related to inventory management inefficiencies. Poor inventory practices, including inadequate stock control, lack of forecasting, and manual tracking, were found to be significant factors in cashflow issues, stockouts and higher holding costs, and consequently lower profitability.

On the other hand, good inventory management techniques such as Economic Order Quantity (EOQ), Just in Time (JIT) and digital stock systems have been proven to improve financial performance by making working capital more efficient and reducing operational waste (Hussain & Al-Mamum, 2020). For instance, in the context of Malaysian manufacturing SMEs, it has been found that the use of inventory management has a positive effect on the return on assets and profit margin, with those that have formal systems recording 10%- 20% higher profitability compared to those with manual systems (Rahman & Noor, 2023). Likewise, a study in the retail industry in India shows that digital inventory management can cut down stock-outs by up to 30%, resulting in improved sales performance (Singh & Sharma, 2024). However, many SMEs in Asia continue to face challenges in implementing structures inventory practices, particularly in the areas of resources and technical capacity, understanding and underscoring, thus the need for more localized studies to gain a deeper understanding of how better inventory management can contribute to financial resilience and growth.

Small and Medium Enterprises (SMEs) play a significant role in employment, income generation and national GDP (UIA, 2022) in Africa and they are key drivers of economic development in Africa. Although they are crucial, many African SMEs face inefficiencies in their operations, especially in inventory management, which directly impact their financial performance such as profitability and liquidity. The study reveals that effective inventory management practices like regular inventory checks, implementing inventory control systems, and maintaining inventory records are positively associated with better financial performance among SMEs (Kasim et al, 2025). For example, research in Ghana and Kenya revealed that good inventory management has

a significant impact on the performance of SMEs by minimizing holding costs and responsiveness to sales (Sigilai et al, 2015). On the other hand, poor inventory management like using manual inventory tracking and insufficient inventory management practices can lead to the opposite situation. Inadequate forecasting resulted in stock outs, overstocking and cash flow issues, which negatively impacted profitability and business sustainability. Since inventory may be a significant part of current assets, in SMEs, effective management plays a crucial role in optimizing working capital and improving financial resilience in the face of the business environment in Africa.

Small and Medium Enterprises (SMEs) play a key role in Kenya's economy, providing a large proportion of employment and economic activity in urban and rural areas. Despite these efforts, many Kenyan SMEs are still facing financial performance issues stemming from inefficiencies in their operations, and inventory management has been cited as a critical factor impacting profitability and sustainability. The findings from the study in Laikipia County show that there is a positive and statistically significant relationship between inventory management practices and financial performance of SMEs, accounting for up to 75% of the variation in profitability measures like ROA and NPM (Wanjira & Njagiru, 2018). In the same way, the study conducted in the South Rift region of Kenya revealed that the financial performance is significantly and positively correlated with inventory holding management practice (Sigilai, Naibei, Obulemire, 2025). The results show that good stock control can minimize the holding costs and match the level of stocks with demand, thereby improving the efficiency of operations.

In Uganda, SMEs account for over 90% of private sector business and contribute significantly to GDP (UIA, 2019). Despite their importance, many SMEs continue to perform poorly financially, with high failure rates reported within the first five years of operation. Empirical studies attribute this poor performance partly to lack of inventory control practices, including poor record keeping, lack of inventory planning and informal stock valuation methods (Mugenda & Mugenda, 2018).

Small and Medium Enterprises SMEs constitute a vital component of Uganda's economy, contributing significantly to employment, income generation, and local market activity. Efficient inventory management a core component of working capital has been shown to influence financial performance outcomes such as profitability and liquidity among Ugandan SMEs (Mohammed, 2018; Akankwasa, 2019). Studies indicate that effective inventory control practices, including planning, stock taking, and forecasting are associated with improved financial indicators in SMEs

operating in urban centers such as Kampala (Mohammed, 2018). The empirical studies conducted in Kampala also indicate that there is a significant positive relationship between inventory management and financial performance of SME operators, which explains the significant variations in profitability measures (Akankwasa, 2019). Furthermore, managerial skills and competence are emphasized as a factor in research and inventory practices jointly influence financial outcomes for small businesses across Uganda (Orobai et al, 2020). Although inventory practices are well known to be important, many SMEs in Uganda have difficulties in implementing formal systems and modern techniques, resulting in irregular stock management, wastage and financial performance (Ayoo, 2023). This highlights the importance of more local research into ways in which inventory management can be improved to Improve financial stability of SMEs in Uganda.

In Bunga-Kawuku, a growing commercial area in Kampala District, SMEs such as retail shops, hardware stores, pharmacies, and small wholesalers rely heavily for daily operations. However, anecdotal evidence and practitioner discussions from SME owners indicate frequent cases of stock losses, overstocking, cash flow constraints, and declining profitability. This study therefore seeks to examine how inventory management practices influence the financial performance of SMEs operating in Bunga- Kawuku (KCCA, 2025).

1.3 Statement of the problem

Small and Medium Enterprises (SMEs) play a crucial role in Uganda's economy, accounting for more than 90% of private sector employment and contributing to job creation (UIA, 2019). Yet, financial performance is a major issue, with Uganda Bureau of Statistics (2021) revealing that 40% of SMEs fail in the first five years of operation because of operational inefficiencies, including inventory control. In Bunga-Kawuku, many SMEs are plagued with challenges like stock outages, overstocking, theft and wastage that result in diminishing margins (15-25% yearly) and liquidity (Nakwang, 2024). These challenges are compounded by poor inventory control, which involves poor record keeping of inventory, insufficient planning of demand and manual recording of stock (Iqbal, 2021; Chen, 2023). Without intervention, SMEs face a further decline in financial performance, growth, competitiveness and high failure rates, which could impact local jobs and economic stability. For example, companies failing to adopt inventory control systems could lose as much as 20% in sales due to stockouts and wastage (Ramadan et al., 2024; Adeyemi, 2021). So,

improving inventory control is crucial to improve SME sustainability, profitability, and competitiveness in peri-urban areas such as Bunga-Kawuku.

1.4. Purpose of the study

The purpose of the study was to examine the relationship between inventory management practices and the financial performance of small and medium enterprises in bunga – Kawuku

1.5. Objectives of the study

1.5.1 General Objective

To determine the effect of inventory management practices on the financial performance of small and medium enterprises in Bunga - Kawuku.

1.5.2. Specific Objectives

- i). To assess the inventory management practices used by SMEs in Bunga–Kawuku.
- ii). To examine the challenges faced by SMEs in adopting inventory control practices.
- iii). To examine the strategies SMES use to overcome the challenges

1.6. Research questions

- i). What inventory management practices are used by SMEs in Bunga–Kawuku?
- ii). What challenges do SMEs face in adopting effective inventory control practices?
- iii). What are the strategies do SMES adopt to overcome the challenges?

1.6. Scope of the study

The study covered the geographical, time and content scope

1.6.1. Geographical scope

The study was carried out in the selected small and medium enterprises located in Bunga – Kawuku Makindye Division. This area was chosen because it provided a suitable and accessible setting for data collection, enabling reliable analysis while controlling for environmental and contextual factors that could influence the study's results.

1.6.2. Subject scope

The study aimed at examining the impact of inventory management practices on the financial performance of small and medium enterprises in Bunga- Kawuku Makindye Division. It focused on the inventory control systems used by the SMES; the challenges faced in adopting the inventory control systems, the strategies SMEs use to overcome the challenges and the effect of the inventory management practices on the financial performance of SMES.

1.6.3. Time Scope

The research covered the period of nine months from August 2025 to April 2026. The research was conducted at that time as it was the time allocated by the University to conduct the research. The study also covered the time frame of 10 years therefore the data collected was from the period 2015 to 2026 since its more relevant.

1.7. Justification of the study

The study was justified on the grounds that poor financial performance remains a major cause of SME failure in Uganda. By examining the role of inventory control practices, the study is to provide empirical evidence on an internal operational factor that SMEs can control to improve performance. The findings also contributed to existing literature by providing localized evidence from Bunga–Kawuku, an area that has received limited academic attention.

1.8. Significance of the study

The findings of this study are to benefit SME owners and managers by providing practical insights on effective inventory management practices that can enhance financial performance. Policy makers and government agencies such as the Uganda investment Authority can use the findings to design training programs aimed at improving SME inventory management practices. Academically, the study is to contribute to existing literature on inventory management and SME performance and serve as a reference for future references.

1.9. Conceptual framework

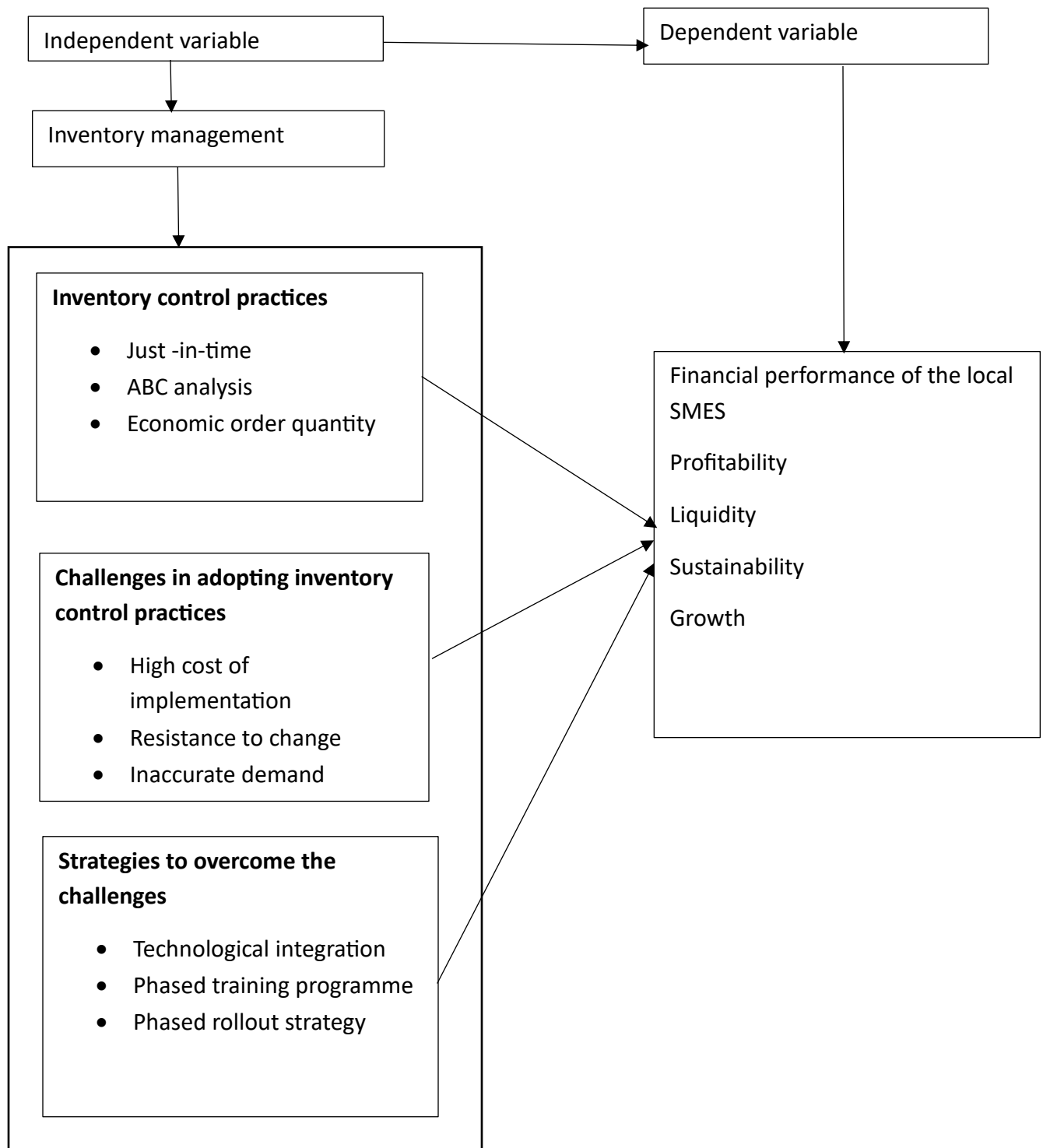


Figure 1: Conceptual framework showing both independent and dependent variables

The conceptual framework shows the relationship between the inventory management practices and the financial performance of SMEs in Bunga–Kawuku. It establishes inventory management practices such as Just-In-Time (JIT), Economic Order Quantity (EOQ), ABC Analysis, and Periodic Review System as independent variables that affect financial performance indicators such as profitability, liquidity, sustainability, and growth as dependent variables. The framework also acknowledges intervening variables like company policies and codes of conduct that may moderate the relationship between inventory practices and financial outcomes. The framework visually and theoretically demonstrates these interactions, giving a structured understanding of how effective inventory management can improve the performance of SMEs, which will be used to guide the research design, data collection and analysis.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter is a literature review of the inventory management practices and the financial performance of small and medium enterprises (SMEs). The financial performance indicators, major inventory control practices, challenges SMEs face in implementing the practices and strategies used to overcome these challenges will be discussed. The studies reviewed provide a foundation to understand how inventory management decisions affect profitability, liquidity and sustainability of SMEs and how they point to gaps in the context of SMEs in Kawuku-Bunga.

2.1.1 SMEs Inventory Management Practices.

Inventory management is an important operational activity to Small and Medium Enterprises (SMEs) due to the limited financial and physical resources. Demand uncertainty, lack of storage facilities, and insufficient technological support are some of the challenges that SMEs usually encounter, and it is necessary to embrace effective inventory management practices. Atrill and McLaney (2018) state that a good inventory management system can help avoid overstocking and stockouts that can negatively affect profitability and customer satisfaction. The Just-in-Time (JIT) system is one of the most popular practices whereby inventory is obtained only when required to be produced or sold. This method saves holding costs and wastage. Nevertheless, Stevenson (2018) notes that JIT demands good relations with suppliers and effective logistics, which can be difficult to achieve by SMEs in less developed markets. The other practice is the Economic order quantity (EDOQ) model which assists in deciding the best order quantity that will reduce the overall cost of ordering and holding inventory. Heizer, Render, and Munson (2020) note that EOQ is especially applicable to SMEs that want to balance the ordering frequency with the cost of storage, but its efficiency relies on the constant demand and proper cost estimation. The inventory control systems are also important in the management of stock. The perpetual inventory system is used to update inventory records in real-time, whereas the periodic inventory system updates inventory records at a certain time. Periodic systems are simple and less expensive, and SMEs frequently use them, but with the development of technology, perpetual systems have become more affordable (Drury,

2018). Also, there is ABC analysis which is a method of classifying inventory in terms of value and significance. A items are high value and low frequency, B items are moderate, and C items are low value and high frequency. This classification enables SMEs to concentrate their resources on the most important inventory items (Baily et al., 2015). Inventory management also requires effective record-keeping and monitoring of stocks. Proper records aid in demand forecasting, minimize losses due to theft or damages, and improve decision-making. Wild (2017) argues that simple digital tools and inventory software can greatly enhance the visibility and control of stock to SMEs.

2.1.2. Financial Performance of SMEs:

Effective inventory control is one of the main drivers of financial health, since it maximizes cash flow by reducing stock turnover and channeling funds into investments that drive growth. Inventory strategies are prudent and aggressive in reducing overhead costs associated with storage, insurance, and taxation to strengthen net profit margins, a correlation that Ramadan et al. (2024) examine in the Hungarian SME business products and services industry. Ndubuisi et al. (2018) have developed a conclusive relationship between strong stock management and improved measures like Return on Sales and Return on Equity by conducting a study of manufacturing companies in Nigeria. According to Kagwisigye and Mulyungi (2018), in Rwanda, the precision of stock management is a precondition to long-term profitability in the manufacturing setting. Moreover, sound financial documentation and inventory records are crucial in enabling businesses to expand by accessing credit, as shown by Wanjira and Njagiru (2018) on SMEs in Kenya. The structured handling procedures are also good predictors of firm liquidity as shown by Orobias et al. (2020) in a survey of 304 small businesses in Uganda. Nevertheless, the inability to learn such asset management practices is one of the reasons why small businesses in Uganda have a high mortality rate, with approximately 40% failing in the first year of operation (Nakwang, 2024). The targeted sales revenue and quarterly profit growth are specifically achieved on the basis of systematic tracking, Chelimo (2023). Although these studies offer a solid base, a major gap is created in the demographic emphasis; the current literature is much more focused on manufacturing and beverage industries, and the informal retail and service-based SMEs that prevail in the particular economic environment of Kawuku-Bunga are largely ignored. Moreover, Turyahebwa et al. (2025) observe that most studies do not compare performance to theories such

as the Resource-Based View that may help to understand how individual predictors such as working capital management have a unique impact on the performance of SMEs in Uganda.

2.2 Empirical Review

2.2.1. The inventory management practices of SMEs.

The most common inventory control models are Economic order quantity (EOQ) model, Just in Time (JIT) model and ABC analysis. According to Schwarz (2022), the EOQ model is a mathematical basis of minimizing the total costs of ordering and carrying inventory.

2.2.1.1. Just-In-Time (JIT) Inventory

Just-in-Time (JIT) inventory management is a method in which SMEs order and receive inventory when required in the production or sales process, minimizing holding costs and minimizing waste. The main benefit of JIT is that it lowers the cost of storage, risk of obsolescence, and enhances cash flow critical aspects of small and medium-sized businesses with limited capital (Anderson and Lee, 2022). Nevertheless, effective JIT implementation requires good relationships with trusted suppliers and effective demand forecasting; any supply chain interruptions may result in stockouts and missed sales (Baker, 2021). JIT is improved with technology like real-time inventory monitoring and automated ordering systems, which offer insight into the stock levels and sales patterns (Chen & Gupta, 2023). Although it has advantages, JIT requires lean nature, and SMEs need to strike the balance between lean and buffer stock during peak demand or supply delays, which makes continuous monitoring a key to the success of the operation (Nguyen, 2024). Critical analysis indicates a mismatch in technology; although global and regional researchers recommend JIT and RFID, little has been done to investigate how low-capital SMEs in peri-urban Uganda can feasibly implement these expensive strategies, which is a major conceptual gap. Recent findings by Cameroon by Ramadan (2025) indicate that the gap may be closed by affordable, computerized EOQ systems, but empirical testing in the local setting of Kawuku-Bunga is lacking.

2.2.1.2. Economic order quantity (EOQ).

Economic order quantity (EOQ) is a mathematical model that assists SMEs to calculate the best order quantity to reduce the total inventory costs such as ordering and holding costs. The EOQ model seeks to find a balance: stock needs to be ordered to avoid frequent re-ordering, but not too

much inventory that ties up working capital (Smith & Torres, 2020). The formula takes into account annual demand, ordering costs, and holding costs, allowing managers to make decisions based on data, instead of using intuition (Ramirez, 2021). EOQ can be beneficial to SMEs, leading to increased profitability and decreased wastage, particularly in companies with comparatively steady demand trends (Freeman and Kim, 2023). Nevertheless, EOQ presupposes the demand and lead time to be constant, which might not be applicable to highly volatile markets; thus, it is sometimes necessary to make adjustments or hybrid models (Omar, 2022). EOQ can be used alongside traditional review systems and sales forecasting tools to enhance operational efficiency and decision-making in inventory management.

2.2.1.3. ABC Analysis

ABC Analysis is a classification system for inventory that sorts items by value and usage – A (high value), B (moderate value), and C (low value). ABC Analysis is a technique that SMEs apply to effectively allocate resources, prioritize attention and control A items (high sales or high cost) and C items (easy control) (Jafari and Sadeghi, 2021). This priority helps managers to reduce carrying costs and improve stock accuracy (Lee, 2022). An example is that A-category goods might need to be reviewed and reordered frequently, whereas C-category goods can be replenished in large quantities less frequently. ABC Analysis is often combined with automated inventory systems in many SMEs, which offer real-time information to justify these classifications (Martinez & Zhou, 2024). The method also helps in determining the slow-moving inventory that might need promotion or clearance measures. ABC Analysis, combined with demand forecasting, helps SMEs allocate capital to the highest performing inventory and maximize the overall inventory performance.

2.2.1.4. Periodic Review System

A Periodic Review System is a system where the level of inventory is checked after a set period (e.g. Likely, monthly) and orders are made. The practice helps SMEs to manage their inventory more easily, especially if they do not have monitoring systems or automated triggers (Nguyen and Patel, 2020). Regular stock review enables managers to batch orders, negotiate better terms with suppliers, and align procurement with cash flow cycles (Singh, 2021). Nevertheless, it also has the threat of stockouts between reviews in case of unexpected demand spikes (Alvarez & Gomez, 2022). To reduce this, most SMEs integrate periodic review with safety stock additional inventory

to meet unforeseen demand or delivery delays (Tran, 2023). Periodic system is especially applicable to companies that handle seasonal products or those with predictable demand trends. The practice is both feasible and affordable with digital inventory tools, as the periodic review can be improved with reminders and analytics to predict future needs more accurately.

Lean operations strategies are based on the idea of waste reduction through aligning supply with production demands, which Muchaendepi et al. (2019) found to be practiced by manufacturing SMEs in Zimbabwe. Most businesses use ABC analysis to classify inventory in terms of value in order to allocate scarce resources to priority items, which is a typical practice among SMEs in Ghana as Boateng (2024) notes. In addition to these formal models, a localized purchase strategy in which stock is purchased according to the immediate available cash and not the calculated demand is used by many SMEs, leading to unstable cash flows. Technology like barcode scanning and RFID are being more and more used to enable real-time visibility and reduce human error (Senthilnathan, 2022). In Uganda, the use of computerized tracking systems is slowly replacing the traditional, intuition-based, eye-ball methods (Chelimo, 2023). Nevertheless, absence of strict surprise checks and regular stock taking in most of the small shops results in ghost inventory that consumes liquidity but does not result in sales. Even with these improvements, manual stock counting is still common in smaller organizations in Uganda, which in most cases results in bottlenecks in operations (Nakwang, 2024).

2.2.2. Difficulties encountered by SMEs in implementing inventory control measures.

2.2.2.1. Lack Supplier Relationships

SMEs usually have few suppliers and this decreases their bargaining power and flexibility in the procurement process. The absence of supplier relationships may lead to unreliable delivery times, inconsistent quality of products, and lack of communication on the part of suppliers in order fulfillment. (Miller, 2020). SMEs that have no alternative suppliers are further impacted by supply chain disruptions like delays in transportation, economic instability, and global crises (Ndlovu, 2021). This is a challenge to the implementation of inventory practices like Just-in-Time that demand reliable supplier performance. The ability to negotiate, financial stability, and long-term cooperation are essential to establishing strong supplier networks, and these aspects are not always available to many SMEs (O'Brien, 2023; Patel, 2025).

2.2.2.2. Limited Financial Resources

The challenges that SMEs have to deal with are numerous, including the inaccuracy of demand forecasting and the systemic lack of visibility in the supply chain. High storage expenses and the constant risk of inventory obsolescence are major impediments to financial stability (Upadhyaya, 2024). The high cost of holding excessive stock and the lost opportunities that come with stockouts also contribute to financial strain, which is observed in Hungary by Ramadan et al. (2024). Small and Medium Enterprises (SMEs) are usually constrained in terms of finances to invest in sophisticated inventory management systems like automated tracking systems and enterprise resource planning software. The cost of acquiring, installing and maintaining these technologies is high and many SMEs are unable to cover this cost since they have limited operating capital. (Brown, 2022). Consequently, the majority of SMEs rely on manual inventory management systems that are likely to be inaccurate and inefficient. Their financial capabilities also restrict their capacity to keep safety stock, exposing them to the risk of stock-outs or oversupply (Adeoye, 2021). The lack of access to external financing also exacerbates the situation and limits SMEs to implementing efficient inventory management systems and enhancing the efficiency of their operations (Chen, 2023; Dlamini, 2024).

2.2.2.3. Poor Demand Forecasting

Effective inventory management requires accurate demand forecasting, which is often a challenge to many SMEs because of the lack of historical sales data and the absence of forecasting tools. SMEs are not always based on analytical methods but often on experience or guesswork, which results in poor forecasting of customer demand (Lopez, 2024). Market fluctuations, seasonal changes, and shifting consumer preferences add to the complexity of forecasting (Johnson, 2022). Inadequate demand forecasting can result in overstocking, increased storage costs or Understocking, or lost sales and customer dissatisfaction. Failure to forecast can result in overstocking, higher storage costs, or understocking, which can result in missed sales opportunities and customer dissatisfaction. Lack of forecasting tools makes it challenging for SMEs to match inventory levels with market demand, which impacts profitability and operational efficiency (Iqbal, 2021; Kim, 2023).

2.2.2.4. Poor storage and Infrastructure.

Most SMEs have small storage areas and inadequate infrastructure that has a negative impact on inventory management. Poor shelving and warehousing, as well as environmental control, may result in damage and deterioration of products, loss of stock, and misallocation of stock (Singh, 2023). The poor organization of the storage also makes it harder to count the stocks and track inventory leading to inaccurate records. Moreover, the absence of adequate handling equipment adds to labor expenses and decreases the effectiveness of operations (Ramirez, 2022). This is due to the infrastructural challenges that hinder the adoption of systematic inventory management practices by SMEs that entail the existence of well-organized and accessible storage systems (Qureshi, 2021; Tahir, 2024).

2.2.2.5. Weak Record Keeping and Data Management.

Proper inventory management involves proper documentation and good management of data, yet most SMEs use manual records or simple spreadsheets. Such procedures contribute to the risk of calculation and data loss, inaccurate stock data (Wang, 2023). Lack of data management does not allow SMEs to effectively monitor the movement of stock, determine trends, and make effective decisions when purchasing. Also, there is no real-time monitoring of inventory, which restricts the possibility of responding swiftly to the shortage of stock or surplus inventory. In the absence of sound data systems, SMEs find it difficult to implement automated inventory management systems and streamline their operation (Usman, 2020; Valdez, 2021; Xu, 2025).

2.2.2.6. Expensive to Adopt Technology.

Despite the accuracy, efficiency and decision-making in digital inventory management systems, the cost of adoption can be high to SMEs. Software licensing, hardware installation, system integration and employee training are part of the costs that deterring many SMEs to use modern inventory solutions (Almeida, 2023). Digital inventory systems might be seen as expensive due to its cost and the unpredictability of its financial payoff by smaller businesses according to their financial capacity. (Zafar, 2022). Moreover, the lack of Internet connectivity and electricity are also problems that impede the use of technology in certain areas. As a result, SMEs are still depending on the old-fashioned manual inventory methods that restrict productivity and expansion of the business (Yusuf, 2021; Bhatt, 2024).

2.2.2.7. Cash Flow Constraints

The issue of cash flow has a great impact on how SMEs can maintain optimum levels of inventory. Inventory purchases entail financial investments that might not be available because of intermittent revenues, customer late payments, and limited access to credit facilities (Faruqi, 2025). SMEs can lower inventory to save cash at the cost of lost sales and dissatisfaction or lower inventory to save cash at the expense of excessive inventory clogging working capital and raising storage expenses (Chang, 2020). Without the appropriate financial planning tools, it is hard to balance cash flow and inventory requirements. Lack of liquidity also does not allow SMEs to invest in the safety stock or use more flexible inventory management measures to address the fluctuations in demand (Dawson, 2022; Eriksen, 2023;).

This is because the lack of formal tracking systems and high costs of regulatory compliance is a formidable barrier to advanced practices as Wanjira and Njagiru (2018) demonstrate in Kenya. Theft, damage or spoilage-induced inventory shrinkage is an all-encompassing bottom-line imperative in the small-scale retailers in Uganda (Nakwang, 2024). The absence of historical records and information opaqueness are among the fundamental elements of imprecise predictions by managers in Nigeria (Akinyemi and Adebayo, 2019). I would say that these are usually signs of bad business planning in which managers do not realize the indirect costs of holding stock, either through spoilage or lost interest on tied-up capital. The problem of the inconsistent data entry and errors of the manual record-keeping still worsens the quality of the stock data in Uganda (Chelimo, 2023).

2.2.2.8. Insufficient Technical Knowledge and Skills.

Lack of proper technical knowhow and untrained skilled human resource in the latest inventory management practices like Just-in-Time, Economic order quantity and digital stock tracking systems are some of the challenges faced by many SMEs. The owners of the business and employees are not properly trained so, it is hard to install and sustain good inventory practices. (Hassan, 2025). Inadequate digital literacy and apprehension of technological sophistication are other factors that deter the use of inventory management software. Furthermore, affordable training programs are not readily available particularly in developing economies. Such technical incompetence diminishes the capacity of the SMEs to make decisions based on data and optimize inventory performance (Eze, 2020; Fernandez, 2021).

Moreover, lack of adequate skills of technical personnel hinders the successful application of automated software packages in Uganda by many firms (Kagaya & Nabeta, 2023). Most importantly, the literature targets internal organizational failures, and there is lack of literature that would look at how external infrastructural problems, in particular the adoption of digital inventory tools, in a place such as Kawuku-Bunga, would be. Moreover, the changing business dynamics in the peri-urban regions, which are marked by the swift shifts in the consumer preferences are usually not considered in the general SME literature, which contributes to the further reduction of the profitability of the latter in the long term (Eicker, 2025).

2.2.4 How SMES are trying to overcome the challenges.

2.2.4.1. Introduction of Affordable Digital Inventory Systems.

SMEs are moving towards the use of more affordable digital and cloud-based inventory systems to improve their inventory management and minimize manual error. Such systems enable stocks to be tracked in real-time, automate reordering, and create reports to make informed decisions (Adeyemi, 2021; Chen, 2023; Farah, 2024). Cloud solutions are also very handy owing to the fact that they need limited hardware and can be subscribed to using flexible plans that fit well in small businesses. Mobile-based applications also facilitate remote tracking equipment on inventory to enhance responsiveness to changes in supply and demand. Digital systems also increase the accuracy, minimize losses, and enable SMEs to streamline procurement and storage practices effectively (Kumar, 2025).

2.2.4.2. Capacity Building and staff training.

SMEs are filling the knowledge gap by investing in training of employees in inventory techniques like Economic order quantity, Just-in-time, and demand forecasting. Partnerships with business development agencies, government agencies, and industry associations give access to low-cost training programs (Fernandez, 2021; Hassan, 2025; Lin, 2023). Experienced personnel can correctly interpret inventory information, keep the correct stock records and use modern systems appropriately. Constant capacity building will enhance digital literacy, confidence in utilizing technology, and enhance decision-making. Professional staff is essential towards embracing new tools and techniques, improving inventory efficiency and minimizing operational losses (Eze, 2020).

2.2.4.3. Enhancing Supplier Relationships and Diversification.

The strategies that SMEs have used to address the supply chain issues are establishing good rapport with their suppliers and diversification of the sourcing. Supplier alliances over the long term are beneficial to negotiate superior delivery and pricing conditions, as well as credit arrangements (Miller, 2020; O'Brien, 2023; Patel, 2025). These supplier networks decrease reliance on a single supplier, and it lessens risks related to delays in delivery or stockouts. It is better to share demand forecasts and procurement plans to enhance communication and reliability. Good supplier relations contribute to inventory strategies such as Just-in-Time by facilitating the delivery of goods on time, keeping a good stock, and business continuity in the face of a supply chain interruption (Ndlovu, 2021).

2.2.4.4. Enhancing Demand Forecasting Methods.

One-way companies can improve inventory efficiency is through implementing data-driven forecasting, studying past sales and seasonality, as well as customer behavior (Iqbal, 2021; Kim, 2023; Lopez, 2024). Other SMEs use software-assisted or spreadsheet-based models to forecast demand in the future. Tracking market trends and feedbacks also improve forecasts, minimizing the risks of stockout and overstocking. Effective forecasting helps SMEs to match the inventory to changes in demand, schedule procurement, and working capital optimization. By increasing the precision of forecasting, SMEs optimize their operations, reduce holding costs, and fulfill the needs of customers more efficiently (Johnson, 2022).

2.2.4.5. Improving Data Management and Record Keeping.

SMEs to overcoming their inventory control challenges implement computerized record-keeping systems instead of manually-created logs and spreadsheets (Usman, 2020; Wang, 2023; Xu, 2025). Digital systems enable real time stock monitoring, minimize errors and give actionable information on how to make decisions. Barcode scanning and automatic stock registers, centralized databases, etc. are used to enhance product and location visibility of inventory. Structured data management will enable SMEs to know the slow-moving items, reorder point, and the performance of stock. The better record keeping facilitates financial reporting and audit proceedings, thereby improving transparency and efficiency of operations (Valdez, 2021).

2.2.4.6. Maximizing Storage and Warehouse Management.

SMEs enhance the efficiency of inventory by adopting organized storage facilities, effective shelving, labeling, and stock rotation systems such as FIFO (Ramirez, 2022; Singh, 2023; Tahir, 2024). Optimized layouts enhance access, minimize handling time, and eliminate damage or loss of goods. Racks, pallets, and protective wrappings are the basic warehouse equipment that helps in maintaining efficient storage practices. An efficient warehouse management enables SMEs to have proper stock records, minimize labor expenses and enhance operational efficiency. Proper infrastructure guarantees more efficient flow of inventory, timely procurement, and loss reduction caused by subpar storage practices (Qureshi, 2021).

2.2.4.7. Getting Financial Support and Credit Facilities.

To resolve financial limitations, SMEs use credit facilities, government grants, and microfinance programs to invest in inventory systems and keep sufficient stocks (Adeoye, 2021; Dawson, 2022). Funding means that it can purchase in bulk, negotiate with suppliers to get a discount and invest in technology. Finance will help SMEs to have safety stock, react to changes in demand and implement strategic inventory management. Financial literacy training through government programs and initiatives also give SMEs the ability to make sound investment choices, and financial interventions enhance cash flow, operational efficiency, and inventory reliability (Eriksen, 2023; Faruqi, 2025).

2.2.4.8. Adopting Cash Flow Management Strategies.

The cash flow challenges associated with inventory management in SMEs are handled with the help of a well-thought financial planning, tracking incomes and expenses, and negotiating conditions of suppliers and customers in terms of payments (Chang, 2020; Dawson, 2022). Budgeting and cash flow forecasting assists in deciding the best level of stock keeping in terms of maintaining liquidity and operation needs. Periodically monitoring inventory turnover will make sure that capital is not tied in slow moving items. By matching inventory choices to cash resources at hand, SMEs minimize the chances of stockouts or excess stock. Managing cash flow efficiently enhances financial stability and ensures adequate inventory levels to supply the customer with products whenever needed (Farah, 2024; Lin, 2023).

2.3 Literature review.

The literature review shows how important the practices of inventory management are in determining the financial performance of SMEs. Research indicates that appropriate inventory management strategies like Just-in-Time (JIT), Economic order quantity (EDO), ABC Analysis, and Periodic Review Systems improve profitability, liquidity and general sustainability of the business (Anderson and Lee, 2022; Smith and Torres, 2020; Jafari and Sadeghi, 2021; Nguyen and Patel, 2022). Nevertheless, the major difficulties SMEs have with the implementation of these practices are lack of financial resources, poor technical competence, poor demand forecasting, Lack of supplier relationships, insufficient infrastructure, high technology costs, and cash flow constraints (Adeoye, 2021; Iqbal, 2021; Singh, 2023; Hassan, 2025). Some of the effective interventions have been found to be strategies like implementing lower cost digital inventory systems, building staff capacity, enhancing supplier networks, boosting demand forecasting, enhancing record keeping, optimizing storage, accessing credit facilities, and cash flow management (Adeyemi, 2021; Farah, 2024; Lin, 2023; Patel, 2025). Nevertheless, in spite of these revelations, the review shows a lack of localized empirical research on the relationship between inventory management practices and financial performance of peri-urban SMEs, especially in regions such as Bunga–Kawuku where most of the businesses are informal retail and service-based businesses. The gap will be addressed and this will offer some context-specific evidence that will inform SMEs to enhance the efficiency of operations and financial sustainability.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter presents the methodology that was used to conduct the research and how data was collected from the field. It comprises of the research design, the study population, the sample size, sampling techniques, data sources, data collection methods and instruments, the data collection procedure, as well as data processing and analysis.

3.1. Research design

This study used a cross-sectional survey design which involves collection of data from respondents at a single point in time without repetition from representative population. This design was chosen because it was used to describe characteristics, behavior, or opinions within a specific group and it analyzed the relationships between variables, and thus quantitative and qualitative research approaches were employed in the study. The quantitative approach was more reliable and objective, it was used to gather statistical data from the selected SMEs in Bunga – Kawuku Kampala. On the other hand, the qualitative approach was used to determine the relationship between inventory management practices and the financial performance of SMEs in Bunga – Kawuku.

3.2. Study population

This study was carried out amongst registered SMEs in Bunga – Kawuku Parish. Local business consultants, employees of financial institutions, owners and managers of these SMEs are the target population. The total population include all SMEs operating in Bunga–Kawuku across retail, services, and small-scale wholesale sectors. According to local business records and previous studies, peri-urban areas like Bunga–Kawuku typically about 1206 active SMEs (UIA, 2023; Nakwang, 2024). For practicality and accessibility, a population of approximately 1,000 SMEs was suitable for this study. This figure captures the diversity of small enterprises, including shops, boutiques, pharmacies, hardware stores, salons, and food outlets.

3.3. Sample size and selection

A sample is a section of the wider population that is engaged in the survey (Stuart, 2016). A sample can mean a subgroup which is representative of the target population from whom findings can be generalized about the population. Therefore, the sample size for this study was calculated using the scientific method of Taro Yamane approach/formula (1967).

$$\text{That is: } n = \frac{N}{1+N(e)^2}$$

Where n = sample size, N = total population,

n = 148 and e = error (0.05) or the level of confidence

$$\frac{148}{1+148(0.05)^2}$$

$$\frac{148}{1+0.37}$$

$$\frac{148}{1.37}$$

$$\underline{\underline{n = 108}}$$

3.4. Sampling techniques / methods

The study used a combination of probability and non-probability sampling techniques to ensure a balanced and representative sample.

3.4.1. Probability sampling techniques

These methods were used in order to minimize bias and enhance generalization. Simple random sampling technique was used to select SMEs because every member of the population has an equal chance of being selected. Stratified sampling was used also since SMEs vary by size, sector, the population was divided into strata for example micro, small, and medium enterprises.

3.4.2. Non- probability sampling

Under the non- probability sampling, the purposive sampling technique was used where SMEs are selected to have specific characteristics, knowledge about the topic of the study, or expertise relevant to the study.

3.5. Data sources

The researchers used both primary and secondary sources of data to carry out this study.

3.5.1. Primary Source

Under the primary source, data was originally collected by the researcher for a specific purpose its firsthand information gathered directly from sources through surveys, interviews, and observations. Primary data was collected using structured questionnaires and interviews. The questionnaires contained both closed and open-ended questions. This helped to gather both numerical data and detailed explanations from respondents such as managers, employees of these SMEs

3.5.2. Secondary Source

Secondary data refers to handling, collecting and processing data by people other than the researcher himself. It was data that had already been collected, processed and published by someone else for different purpose. It included sources like journal articles, government reports, company records, e-books etc.

3.6. Data Collection Procedure

After the approval of the proposal by the research supervisor, a letter of introduction which was taken to Bunga – Kawuku council to seek permission so as to study the selected SMEs in Bunga - Kawuku. The letter was then presented to seek consent to the respondents, after which questionnaires were distributed. The respondents were given time within which they should have returned the fully filled questionnaires. After the questionnaires were filled, they were returned, sorted and coded.

3.7. Data Collection Methods.

In conducting this study on inventory management, data was systematically collected by first defining the specific information required, such as tax compliance rates and economic indicators. The appropriate sources were then identified such as administrative records from the Uganda Revenue Authority, national statistics and targeted surveys. Data quality was verified by ensuring completeness, accuracy, and consistency through techniques such as using official records and sending out structured questionnaires. Throughout this process, strict ethical standards were upheld, maintained confidentiality and obtained informed consent from all participants. Lastly, the collected data was handled and stored, with strong backup measures in place to ensure the integrity of the data.

3.8. Data Collection Instruments

Two types of data collection instruments were used which are the questionnaire survey and interviews.

3.8.1 Questionnaire survey

A questionnaire survey is a research method for collecting information from respondents using standardized questions. The questionnaire was used because it provides a high level of general capability in representing a large population; it enabled the researchers to reach a large number of respondents in a relatively short time.

3.8.2 Interviews

Interviews were used as a qualitative data collection method to gain in depth insights into the impact of inventory management practices on the financial performance of SMEs in Bunga - Kawuku. Semi structured interviews were conducted with SME owners and managers in Bunga – Kawuku Parish. This approach allowed flexibility in getting the participants experiences and the challenges they have faced relating to the tax compliance and financial management.

3.9. Data analysis and data processing

3.9.1 Quantitative data analysis

After the data was collected, data processing followed which involved two sub-processes, namely, editing and coding. These are done to ensure that the data collected would drive logical meaning before entering it into the SPSS data editor to process and derive the acquired descriptive statistics. Descriptive statistics such as means, frequencies, and percentages were used to summarize the findings. Regression analysis was conducted to measure the relationship between inventory management practices and the financial performance of SMEs in Bunga – Kawuku, Kampala.

3.9.2 Qualitative data analysis

Thematic analysis was used to analyze text-based responses from the respondents. This involves identifying common themes and patterns in the responses, which helped to explain the effect of inventory management practices on the financial performance of the local SMEs in Bunga – Kawuku, Kampala.

3.10. Validity and reliability of the instrument.

To achieve validity, the research instruments (questionnaires and interviews) were checked by academic supervisors and experts in inventory management to ensure that they measure what they are designed to measure. A pilot test was done with a small sample of 10 SMEs in a neighboring area to identify ambiguous or misleading questions, after which necessary revisions was done. Construct validity was achieved by ensuring that all questions were in line with the study objectives and conceptual framework. The reliability was determined using a Cronbach's alpha test, with a coefficient of 0.7 or more being acceptable as internal consistency of the questionnaire items. Moreover, the standard procedures of administering questionnaires and interviews were

used to minimize measurement errors and provide consistent and repeatable results across respondents (Sekaran and Bougie, 2020; Creswell and Creswell, 2018).

3.11. Ethical considerations

The research followed rigorous ethical principles to safeguard the participants and ensure integrity of the research. All respondents gave informed consent, clearly stating the purpose of the study, the voluntary nature of participation, and the right to withdraw at any time without penalty. Anonymity of data and the fact that personal or business identifiers are not revealed in any reports ensured confidentiality.

The study also adhered to the ethical standards of Uganda Christian University and other national research ethics. No harm to the participants was done and the data obtained was utilized only academically. Data collection will be preceded by seeking ethical approval of the research ethics committee of the university (Israel and Hay, 2020; Bryman, 2016).

3.12. Limitations of the study

The study had a number of limitations.

To begin with, the sample size was limited by time and resource constraints, which may have an impact on the generalizability of the findings.

Second, certain respondents gave prejudiced or incorrect information because of the fear of revealing business performance information or lack of understanding of the questions.

Third, the study focused on SMEs in Bunga–Kawuku, which limited the applicability of results to other regions of Uganda or other African countries.

To address these limitations, the study adopted triangulation, whereby both questionnaires and interviews were used, and the study focused on confidentiality to promote honesty in the responses. Pilot testing of instruments reduced ambiguities, and purposive sampling ensured respondents have adequate knowledge of inventory management practices (Creswell & Creswell, 2018; Sekaran & Bougie, 2020).

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0. Introduction

This chapter presents the analysis, interpretation, and discussion of findings from the field study on inventory management practices and the financial performance of small and medium enterprises in Bunga-Kawuku, Makindye Division, Kampala City. The findings are presented based on the study objectives which are: to assess the inventory management practices used by SMEs in Bunga-Kawuku, to examine the challenges faced by SMEs in adopting inventory control practices, and to examine the strategies SMEs use to overcome the challenges. Both quantitative and qualitative data are collected using questionnaires with SME owners, managers, and storekeepers. The findings are presented using tables showing frequencies and percentages of participant responses, followed by a summary of key findings after each table. The background characteristics of respondents provide important insights into the demographic and business profiles of the participants involved in the study. These characteristics influence respondents' experience, decision-making capacity, and understanding of inventory management practices among SMEs in Bunga-Kawuku.

4.1 Response Rate

Table 1

Table 1: Response Rate

Category	Frequency	Percent
Questionnaires distributed	108	100%
Questionnaires returned	80	74.07%
Questionnaires not returned	26	25.93%

Source: Primary data, (2026).

The study distributed 108 questionnaires to respondents drawn from SMEs operating in Bunga-Kawuku. Out of these, 80 questionnaires are fully completed and returned, representing a response

rate of 74.07%. According to Creswell and Creswell (2018), a response rate above 70% is considered excellent for survey research. Therefore, the response rate of 74.07% was adequate and representative of the target population.

4.2. Demographic characteristics of respondents

Table 2

Table 2: Gender of Respondents

Gender	Frequency	Percent
Male	43	54.0%
Female	37	46.0%
Total	80	100%

Source: Primary data, (2026).

The findings on gender distribution indicate that out of the 80 respondents, 43 (54.0%) are male while 37 (46.0%) are female. This indicates that men and women are actively involved in SME operations. The male respondents slightly outnumbered the female respondents in SME operations in terms of business ownership and management. The high percentage of female respondents (46.0%) is significant because of the growing participation of women in entrepreneurial activities in the study area. This can be explained by the increased economic empowerment programs and diversified household income. income sources. The near-balanced representation also increases the trustworthiness of the results, since both genders are represented. The findings indicate that a wide range of business operators affect the inventory management practices in SMEs, but men still have an impact. A slight majority in decision-making positions.

Table 3*Table 3: Age Bracket*

Age Bracket	Frequency	Percent
18–25 years	15	19.0%
26–35 years	29	35.8%
36–45 years	25	30.7%
46+ years	11	14.6%
Total	80	100%

Source: Primary data, (2026).

The age distribution indicates that most of the respondents are in the economically active age groups. Specifically, 29 respondents (35.8%) are aged between 26–35 years, followed by 25 (30.7%) aged 36–45 years. The respondents between the ages of 18 and 25 years (younger) constituted 15 (19.0%), and the respondents aged 46 years and above (old) constituted 11 (14.6%). These results show that the majority of SME operators are young and in their working age. The 26–45 age group is generally more active, business-minded and willing to embrace new practices such as better inventory management methods. The reduced number of older respondents could indicate that the activities of the SMEs in the region are dominated by younger entrepreneurs who are vigorously pursuing income-generating opportunities. This population composition is beneficial to innovation and flexibility, but it can also mean the lack of experience in some operators.

Table 4*Table 4: Position in Business*

Position	Frequency	Percent
Owner	33	40.9%
Manager	23	28.5%
Store Keeper	15	19.0%
Accountant	6	7.7%
Other	3	4.0%
Total	80	100%

Source: Primary data, (2026).

The findings on the position of respondents in their businesses indicate that 33 respondents (40.9) are owners, and hence the largest group. This is then succeeded by 23 managers (28.5%), 15 storekeepers (19.0%), 6 accountants (7.7%), and 3 respondents (4.0%) in other positions like sales attendants. The prevalence of owners and managers (69.4% combined) is noteworthy since these people are directly engaged in the decision-making processes, such as inventory control and financial management. Their answers are thus likely to be based on real business practices and challenges. Storekeepers and accountants are not as common, but they are also important to the study as they are directly involved in the day-to-day inventory and record keeping. Their inclusion offers a more detailed insight into the operations in SMEs.

Table 5*Table 5: Type of Business*

Type of Business	Frequency	Percent
Retail shop	33	40.9%
Food outlet	17	21.2%
Hardware	12	15.3%

Pharmacy	9	11.7%
Supermarket	5	6.6%
Other	4	4.4%
Total	80	100%

Source: Primary data, (2026).

The respondents by type of business are distributed with the retail shops being the dominant with 33 respondents (40.9%). This is followed by food outlets (17, 21.2%), hardware businesses (12, 15.3%), pharmacies (9, 11.7%), supermarket (5, 6.6%) and other businesses (including salon and boutiques) (4, 4.4%). This distribution is characteristic of the typical organization of SMEs in peri-urban locations such as Bunga-Kawuku, where retail trade is the most widespread because of the low start-up capital and high demand of daily consumer products. The fact that there are various types of businesses is significant since the practice of inventory management can be different in different industries. As an example, food stores and pharmacies have perishable or sensitive goods, and more stringent inventory control techniques like FIFO are needed, whereas hardware companies can be more concerned with bulk inventory. Thus, the variety of business types contributes to the breadth of the research as it encompasses a broad scope of inventory management experiences and issues.

Table 6

Table 6: Distribution by Years of Business Operation

Years in Operation	Frequency	Percent
Less than 1 year	8	10.2%
1–3 years	25	31.4%
4–6 years	30	37.2%
Above 6 years	17	21.2%
Total	80	100%

Source: Primary data, (2026).

Table 6 indicates the number of respondents according to the years of business operation. The results show that most of the businesses 30 (37.2%) had been in operation between 4-6 years and

25 (31.4) years. Those with a business life span of over 6 years constituted 17 (21.2%), whereas those with less than 1 year are the least at 8 (10.2%). These findings indicate that the majority of SMEs in Bunga-Kawuku have already passed the start-up stage and attained a moderate degree of stability, which can have a positive effect on the capacity to adopt inventory management practices.

Table 7

Table 7: Distribution by Number of Employees

Number of Employees	Frequency	Percent
1–5 employees	46	56.9%
6–10 employees	23	28.5%
11–20 employees	8	10.2%
Above 20 employees	3	4.4%
Total	80	100%

Source: Primary data, (2026).

Table 7 presents the distribution of respondents by number of employees. The results reveal that the majority of SMEs 46 (56.9%) employ between 1 and 5 workers, classifying them as micro-enterprises. Those employing 6–10 workers are 23 (28.5%), while 8 (10.2%) had 11–20 employees. Only 3 (4.4%) businesses employed above 20 workers. This confirms that most SMEs in Bunga-Kawuku are small-scale enterprises, which often operate with limited resources and simplified inventory systems.

4.3. Inventory Management Practices used by SMEs

Table 8

Table 8: Inventory Management Practices used by SMEs

No.	Statement	SA Freq (%)	A Freq (%)	NS Freq (%)	D Freq (%)	SD Freq (%)
1	Maintaining accurate inventory records helps track sales and detect theft	41 (51.8%)	32 (39.4%)	02 (2.9%)	04 (4.4%)	01 (1.5%)
2	Regular stock taking helps verify records and identify missing items	37 (46.7%)	33 (40.9%)	03 (3.6%)	05 (5.8%)	02 (2.9%)
3	Using computerized systems makes tracking easier	05 (6.6%)	09 (11.7%)	07 (8.8%)	33 (40.9%)	26 (32.1%)
4	Having clear reorder levels helps avoid stock issues	25 (31.4%)	36 (45.3%)	5 (6.6%)	9 (11.7%)	05 (5.1%)
5	EOQ helps reduce ordering and holding costs	4 (4.4%)	8 (10.2%)	6 (8.0%)	36 (45.3%)	26 (32.1%)
6	JIT helps reduce storage costs and waste	5 (5.8%)	10 (12.4%)	8 (9.5%)	34 (43.1%)	23 [*] (29.2%)
7	ABC analysis helps focus on important stock	3 (3.6%)	6 (8.0%)	6 (7.3%)	37 (46.0%)	28 [*] (35.0%)
8	Reviewing inventory regularly helps planning	34 (43.1%)	36 (44.5%)	4 (4.4%)	4 (5.1%)	02 (2.9%)
9	Using past sales helps predict demand	17 (21.2%)	28 (35.0%)	12 (15.3%)	15 (19.0%)	08 (9.5%)
10	FIFO and labeling reduce spoilage	27 (33.6%)	34 (43.1%)	7 (8.8%)	8 (10.2%)	04 (4.4%)
11	Inventory reports help track performance	20 (24.8%)	33 (40.9%)	11 (13.9%)	12 (15.3%)	04 (5.1%)

Source: Primary data, (2026).

Table 8 shows the analysis of the inventory management practices used by small and medium enterprises (SMEs) in Bunga-Kawuku, as per the responses of 80 participants. The results give valuable information on the degree to which SMEs are using both simple and sophisticated methods of inventory control, as well as the overall level of awareness and use of these methods in their daily activities.

The findings show that most of the respondents attach a lot of importance to keeping proper inventory records. In particular, 41 (51.8) respondents strongly agreed and 32 (39.4) agreed that proper record keeping assists in monitoring sales and theft in the business. This implies that 73

The majority of the respondents (91.2) know the importance of good record management. Very few people disagreed or were unsure. This observation suggests that most of the SMEs are cognizant of the fact that proper records are essential in stock flow, Identifying and disciplining irregularities. It also reflects a good knowledge of the importance of record keeping to minimize losses from theft or mismanagement.

Similarly, regular stock taking was another common inventory control technique. Thirty-seven (46.7) strongly agreed and 33 (40.9) agreed that regular stock counts are beneficial in verifying records and detecting missing items. This is the same as 70 respondents (87.6) who agreed. The level of consensus indicates that SMEs are eager to carry out frequent stock inspections as a way of managing their physical stock and records. This is especially essential in the environment where manual systems prevail as it assists in identifying mistakes at the initial stage and makes sure that business owners are well aware of the quantity of their stock at any particular moment.

Moreover, the results indicate that frequent assessment of inventory levels is a widespread practice among SMEs. A total of 70 respondents (87.6) indicated that a review of inventory assists in determining slow moving items and aids in making better purchasing decisions. This implies that a large number of business owners are not just interested in tracking stock, but also in analyzing its movement and performance. Through the identification of products that are not selling fast, SMEs can make a wise decision on how to reduce the number of orders of such products or how to promote them to clear the stock.

Although these simple practices were widely used, the research revealed extremely low usage of modern and formal inventory management practices. As an example, only 14 respondents (18.3%), said that computerized or digital systems simplified and made inventory tracking more precise, with a large majority of 59 respondents (73.0%), disagreeing. This implies that majority of SMEs continue to use manual record-keeping systems like notebooks and paper-based systems. The reason why digital tools are not widely adopted could be due to the high cost, technical incompetence, or ignorance of the existing technologies.

A similar trend is observed in the use of advanced inventory models. Only 12 respondents (14.6%), supported the use of Economic order Quantity (EDQ) model which is aimed at identifying the optimal order size that will result in minimal costs, and 62 (77.4) opposed its use. Similarly, Just-in-Time (JIT) that tries to lower the cost of storage by ordering stock only when required was

accepted by only 15 respondents (18.2%), with 57 (72.3) disagreeing. ABC analysis, where inventory is classified according to value and importance, had the least adoption with only 9 respondents (11.6) agreeing and a big majority of 65 (81.0) disagreeing. These results are a clear indication that the majority of SMEs are not using structured inventory management models, which may be explained by their perceived complexity or the lack of awareness on the benefits of the models.

On a more positive note, many respondents recognized the significance of clear reorder levels. Sixty-one respondents (76.7%) said that reorder point setting is useful in preventing stockouts and overstocking. This implies that although SMEs do not necessarily employ formal models such as EOQ, they still employ practical and experience-based methods to decide when to replenish inventory. These non-formal methods are not as precise, but can be effective in achieving a balance between supply and demand

Moreover, the application of First-In-First-Out (FIFO) and appropriate labeling systems became well known as well. About 61 respondents (76.7) agreed that the practices can help to reduce the losses and spoilage particularly of perishable products. This implies that SMEs are aware of the importance of stock organisation and rotation in minimising waste and product quality.

The results also indicate moderate usage of demand forecasting methods. Forty-five respondents (56.2) said that past sales data is useful in forecasting future demand and 23 (28.5) said it was not. This implies that even though some SMEs strive to make their purchasing decisions based on past trends, a considerable number of them make their decisions based on intuition or guesswork. This can result in inefficiencies like overstocking or stockouts particularly during times of unstable demand.

Lastly, inventory reports preparation and review Are fairly practiced, with 53 respondents (65.7) agreeing that inventory reports assist in monitoring business performance. This means that a decent proportion of SMEs are striving to keep track of their activities and assess performance using documented records, but there is still room to enhance it.

Overall, the results of Table 8 indicate that SMEs in Bunga-Kawuku use simple and unstructured inventory management systems like record keeping, stock taking, and inventory reviews. Although these practices are common and used extensively, there is little use of sophisticated methods and

computerized systems. This implies that there is disconnect between the knowledge of simple practices and adoption of more advanced practices that may improve efficiency and profitability. Training, capacity building, and better access to affordable technology can help in bridging this gap to enhance inventory management practices among SMEs.

4.4. The challenges faced in adopting Inventory Management Practices

Table 9

Table 9: Challenges Faced in Adopting Inventory Management Practices

No.	Statement	SA Freq (%)	A Freq (%)	NS Freq (%)	D Freq (%)	SD Freq (%)
1	Lack of enough money limits stock and systems	49 (61.3%)	24 (29.9%)	02 (2.9%)	04 (4.4%)	01 (1.5%)
2	Inventory software is too expensive	44 (55.5%)	27 (34.3%)	04 (4.4%)	03 (3.6%)	02 (2.2%)
3	Lack of knowledge affects inventory management	40 (50.4%)	29 (35.8%)	05 (5.8%)	04 (5.1%)	02 (2.9%)
4	Difficulty predicting demand	36 (45.3%)	31 (38.7%)	05 (6.6%)	5 (5.8%)	3 (3.6%)
5	Unreliable suppliers cause stockouts	29 (35.8%)	36 (44.5%)	06 (8.0%)	6 (7.3%)	3 (4.4%)
6	Irregular cash flow affects stock purchase	47 (59.1%)	25 (31.4%)	03 (3.6%)	03 (3.6%)	02 (2.2%)
7	Poor storage leads to stock damage	26 (32.1%)	34 (43.1%)	07 (8.8%)	08 (10.2%)	5 (5.8%)
8	Manual records lead to errors	39 (48.2%)	28 (35.0%)	6 (7.3%)	5 (6.6%)	02 (2.9%)
9	Theft causes stock losses	32 (39.4%)	33 (40.9%)	7 (8.8%)	5 (6.6%)	3 (4.4%)
10	Poor electricity/internet affects systems	23 (28.5%)	29 (35.8%)	12 (15.3%)	10 (13.1%)	06 (7.3%)
11	Seasonal demand changes affect inventory	34 (43.1%)	33 (40.9%)	05 (6.6%)	05 (5.8%)	03 (3.6%)
12	Lack of training opportunities	43 (53.3%)	27 (33.6%)	05 (5.8%)	04 (4.4%)	02 (2.9%)

Source: Primary data, (2026).

Table 9 shows the key problems that small and medium enterprises (SMEs) in Bunga-Kawuku have in implementing effective inventory management practices, according to the answers of 80

participants. The results indicate that SMEs are subjected to various limitations, which greatly affect their capacity to adopt effective and contemporary inventory management systems.

Limited financial capacity is the most notable challenge that has been found in the study. Forty-nine respondents (61.3) strongly agreed and 24 (29.9) agreed that insufficient money makes it hard to buy sufficient stock and invest in inventory management systems. This is an agreement of 73 respondents (91.2) which means that the most important barrier to SMEs is financial constraints. Having little capital, companies cannot afford to purchase stock in large quantities, invest in more efficient storage systems, or use technological solutions like inventory software. This scenario compels most of the SMEs to work on a hand to mouth basis, whereby they buy small volumes of stock at a high price which ultimately lowers the profitability.

Intimately connected with financial constraints is the problem of the uneven cash flow. The results indicate that 47 (59.1) respondents strongly agreed and 25 (31.4) agreed that inconsistent cash flow influences their purchasing power to buy stock when required. This amounts to 72 respondents (90.5) in agreement. The instability in cash flow is usually caused by the slow payment of the customers, seasonal changes in sales and the high operational costs. This causes SMEs to have irregular inventory levels, which causes stockouts or missed opportunities in cases where demand is high. Another significant challenge was the high price of inventory management software. Of the 71 respondents (89.8%), 44 (55.5) strongly agreed and 27 (34.3) agreed that inventory software is too costly to small businesses. This means that despite the fact that digital systems may enhance accuracy and efficiency, majority of SMEs cannot afford them. As a result, they still use manual systems, which are more likely to be error-prone and inefficient. The other major problem is ignorance and technical incompetencies to handle inventory. The research established that 40 respondents (50.4%), strongly agreed and 29 (35.8%), agreed that lack of knowledge influences their capacity to adopt appropriate inventory practices, amounting to 69 respondents (86.2%). This implies that a large number of SME owners and employees are not trained on the techniques of inventory management, such as the use of modern tools and analytical methods. This skills gap hinders them from implementing advanced practices like demand forecasting, stock optimization, and the like. and digital monitoring systems.

In addition to knowledge gaps, lack of training opportunities was also mentioned as a major challenge. Of the 70 respondents (86.9%), 43 (53.3) strongly agreed and 27 (33.6) agreed that

access to training is restricted, thus limiting the development of skills. This implies that although SMEs might be willing to change their practices, they might lack access to cheap or applicable training programs to advance their skills.

The findings also show demand-related problems. 67 (84.0%) of the respondents strongly agreed and 31 (38.7%) agreed that it is challenging to forecast customer demand and that it affects inventory decisions. The problem is further complicated by the seasonal demand fluctuations, and another 67 respondents (84.0%) agreed that demand fluctuation in different seasons is a challenge for inventory management. Such uncertainties complicate the ability of SMEs to know the right stock levels and this usually leads to overstocking or understocking.

Another significant factor that hampers efficient inventory management is the operational problems. Manual record-keeping systems are reported as a major problem, with 39 (48.2) strongly agreeing and 28 (35.0) agreeing that manual record-keeping systems result in frequent errors and information loss. 67 respondents (83.2) agree. Manual systems are time consuming besides being prone to inaccuracies that may result to poor decision making and loss of money. Theft and inventory shrinkage were also cited as a big concern. Sixty-five respondents (65) strongly agreed and 33 (39.4) agreed that theft by employees or customers leads to losses in stock. This means that the lack of internal controls and lack of monitoring systems puts SMEs at risk of losses that can have a direct impact on their profitability. Challenges related to suppliers are also significant. The results indicate that 29 (35.8) and 36 (44.5) respondents strongly agreed and agreed respectively that unreliable suppliers lead to delays and stockouts, respectively, and 65 respondents (80.3) agreed. Reliance on unreliable suppliers interferes with inventory movement, and SMEs can hardly satisfy the customer demand regularly.

Poor storage facilities also became an issue with 26 respondents (32.1) strongly agreeing and 34 (43.1) agreeing that poor storage facilities result in stock damage and losses. This represents 60 respondents (75.2%). The small storage area and inadequate equipment may lead to spoilage, particularly of perishable products, which will further lower the efficiency of the business.

Finally, there are infrastructure issues like poor electricity and Internet connectivity, which are mentioned with both positive and negative feedback. A total of 23 respondents (28.5%) strongly agreed and 29 (35.8%) agreed, representing 52 respondents (64.3%). Nonetheless, not all respondents agreed or were neutral, and it might be that this challenge might be different depending

on location and business. To sum up, Table 9 results indicate that SMEs in Bunga-Kawuku are confronted with a multifaceted, interconnected problem of implementing effective inventory management practices. The most important barriers are financial constraints, ignorance, inadequate training opportunities, and inefficiencies in operations. These issues not only slow down the implementation of modern inventory systems but also restrict the overall performance and financial results of SMEs. To solve these problems, there should be a holistic solution that entails financial assistance, capacity building and better access to affordable technologies.

4.5. The Strategies used to overcome Inventory Management Challenges

Table 10

Table 10: Strategies Used to Overcome Inventory Management Challenges

No.	Statement	SA Freq (%)	A Freq (%)	NS Freq (%)	D Freq (%)	SD Freq (%)
1	Using affordable digital tools improves tracking	05 (6.6%)	10 (12.4%)	08 (10.2%)	36 (44.5%)	21 (26.3%)
2	Training staff reduces inventory mistakes	06 (8.0%)	12 (15.3%)	10 (13.1%)	34 (43.1%)	18 (20.4%)
3	Buying from multiple suppliers reduces stockouts	26 (32.1%)	36 (45.3%)	6 (8.0%)	8 (10.2%)	4 (4.4%)
4	Using past sales improves ordering decisions	14 (17.5%)	28 (35.0%)	15 (19.0%)	15 (19.0%)	08 (9.5%)
5	Improving record keeping enhances accuracy	33 (40.9%)	32 (39.4%)	05 (6.6%)	7 (8.8%)	03 (4.4%)
6	Proper cash flow planning ensures stock availability	20 (24.8%)	30 (38.0%)	12 (15.3%)	12 (15.3%)	06 (6.6%)
7	Keeping extra stock avoids stockouts	30 (37.2%)	34 (43.1%)	06 (7.3%)	6 (8.0%)	04 (4.4%)
8	Good supplier relationships ensure timely delivery	39 (48.2%)	32 (39.4%)	04 (5.1%)	3 (4.4%)	02 (2.9%)
9	Regular stock audits detect errors early	25 (31.4%)	33 (40.9%)	08 (10.2%)	9 (11.7%)	05 (5.8%)
10	Improved storage reduces damage and losses	18 (22.6%)	32 (39.4%)	11 (13.9%)	13 (16.1%)	06 (8.0%)
11	Use of POS/barcoding improves accuracy	4 (4.4%)	07 (8.8%)	06 (8.0%)	36 (45.3%)	27 (33.6%)
12	Access to loans helps increase stock levels	05 (6.6%)	12 (15.3%)	09 (11.7%)	34 (43.1%)	20 (23.4%)

Source: Primary data, (2026).

Table 10 shows the different strategies that small and medium enterprises (SMEs) in Bungakawuku have implemented to address the challenges related to inventory management. According to the answers of 80 respondents, the results suggest that, although SMEs have elaborated a number of coping strategies, majority of the strategies are rudimentary, experience-based and informal as opposed to systematic or technology-based.

Among the most outstanding strategies that have been identified is the building and sustaining of good relations with suppliers. The results indicate that 39 respondents (48.2) strongly agreed and 32 (39.4) agreed that establishing good relationships with suppliers is a sure way of delivery of goods on time and access to credit facilities. This is a total of 71 respondents (87.6) who are in agreement. Good supplier relations help the SMEs to get stock even when they do not have cash at hand, get better prices and have a steady supply. This approach is especially significant in the setting where financial limitations and ineffective supply chains are prevalent.

Closely related to this is the strategy of supplier diversification. Sixty-two respondents (77.4) strongly agreed and 36 (45.3) agreed that purchasing through more than one supplier minimizes the risk of stockouts, which is 26 respondents (32.1%). Through the involvement of multiple suppliers, SMEs can reduce the risk of supply shocks, price competition, and ensure a continuous supply of inventory. This strategy improves business resilience, particularly when a single supplier is not able to deliver on time. The other strategy that has been widely implemented is the maintenance of safety stock especially of fast-moving goods. The results show that 30 (37.2) respondents strongly agreed and 34 (43.1) agreed that maintaining additional stock is beneficial in preventing stockouts, which is a total of 64 respondents (80.3). The practice enables businesses to keep up with customer demand even in cases where there is delay in supply or unforeseen rise in demand. It also needs to be balanced, though, to prevent overstocking and higher holding costs.

Another strategy that was of great importance among SMEs was the improvement of record-keeping systems. Sixty-five respondents (80.3) strongly agreed and 32 (39.4) agreed that improved record keeping improves inventory accuracy. This implies that most SMEs have made efforts to better organize their records like separating sales, purchases, and expenses into various books. Better record keeping will help business owners to monitor the movement of stock more precisely and make effective decisions.

Moreover, frequent stock audits are also recognized as a valuable approach. The results indicate that 25 (31.4) and 33 (40.9) strongly agreed and agreed respectively that a periodic stock count is beneficial in identifying discrepancies early, which is 58 respondents (72.3%). Frequent audits enable SMEs to detect any mistakes, theft, or mismanagement early enough and take appropriate measures before the losses run out of control. Moderate adoption of cash flow planning as a strategy to deal with inventory issues was also observed. Twenty respondents (24.8) strongly agreed and 30 (38.0) agreed that planning cash flow assists in ensuring that funds are available to purchase stock, a total of 50 respondents (62.8). This shows that there are SMEs that are starting to appreciate the need to match inventory purchases with financial resources but this is not yet a common practice.

On the same note, 50 respondents (62.0%), found the idea of enhancing storage facilities helpful. Adequate storage can minimize damages, spoilage, and losses particularly in perishable goods. With improved storage systems, SMEs can maintain the quality of products and minimize unwarranted wastage.

Adoption should be moderated by the use of past sales data to inform purchasing decisions. Forty - two respondents (52.5) said that past sales analysis enhances ordering decisions. This implies that there are SMEs that are trying to integrate simple demand forecasting in their operations, yet there are still a lot of SMEs that base their forecasting on intuition instead of systematic analysis. In spite of these good initiatives, the results show extremely low usage of modern and technology-strategies. The 5 respondents (6.6) strongly agreed and 10 (12.4) agreed that inventory tracking is enhanced by the use of affordable digital tools like mobile applications, which is only 15 respondents (19.0%). Most of them, 57 respondents (70.8%), did not agree with this statement. This implies that a majority of the SMEs have not adopted digital transformation in inventory management, probably because of cost, skills, or awareness.

Likewise, the adoption of sophisticated technologies like barcoding or Point of Sale (POS) systems is very minimal. Only 11 respondents (13.2) said that such technologies enhance accuracy, and 63 respondents (78.9) said that they do not. This also shows the technological disparity in inventory management practices among SMEs.

Another strategy that was not embraced was staff training. Only 18 respondents (23.3) agreed that training employees will decrease inventory management errors, with a majority of 52 respondents

(63.5) disagreeing. This implies that SMEs are not making enough investments in capacity Limited ability to improve operational efficiencies, due to the building. Another area that had low uptake was access to credit facilities. Fewer than one in five (17, 21.9) respondents agreed that loans help to boost stock levels, while 54 respondents (66.5) disagreed. This means that a good number of SMEs are either unable to access financial services or are reluctant to borrow money because of high interest rates or risk of default.

Finally, Table 10 results indicate that SMEs in Bunga-Kawuku are dependent on practical and experience-based approaches like supplier relationships, safety stock, and enhanced record keeping to address inventory issues. Although these strategies offer certain degree of resilience, they are mostly reactive and fail to deal with the root causes of the problems in inventory management. The fact that there is low uptake of digital tools, staff training and financial support mechanisms implies that SMEs are not maximizing the opportunities available to them to improve efficiency. Thus, more awareness, training, and access to affordable technologies and financial services are needed to allow SMEs to implement more strategic and sustainable inventory management practices.

4.6. Overview of the main results.

The research investigated the inventory management practices and their impact on the financial performance of small and medium enterprises (SMEs) in Bunga-Kawuku. The results indicate that the majority of SMEs use simple inventory management techniques, but the degree of sophistication is low. The findings reveal that a significant percentage of the respondents 73 (91.2) admitted the significance of keeping proper inventory records in monitoring the sales and theft. In the same way, 70 respondents (87.6%), said that they do regular stock taking and another 70 (87.6%), said that they regularly check the inventory levels to determine slow moving stock and make purchases. These results indicate that SMEs are aware and implement basic inventory management practices. Nevertheless, the use of sophisticated inventory management methods is extremely low. Only 12 respondents (14.6) used Economic order Quantity (EDOQ), 15 (18.2) used Just-in-time (JIT) and only 9 (11.6) used ABC analysis. Moreover, computerized or digital inventory systems were not widely used, and only 14 respondents (18.3%) used them. This means that the majority of SMEs continue to be very manual and informal in decision-making.

The research also determined that SMEs are confronted with a number of critical issues when it comes to effective inventory management. The most important one is financial constraints, where 73 respondents (91.2) said that they are limited by capital to buy sufficient stock and invest in inventory systems. On the same note, 72 respondents (90.5) indicated that abnormal cash flow interferes with the stock buying. High costs of inventory software 71 (89.8%), deficiency of technical knowledge 69 (86.2%), and limited training opportunities 70 (86.9%), were other significant challenges. Demand-related issues Are also noticeable, as 67 respondents (84.0%) have indicated that they have challenges in forecasting customer demand and seasonal changes. Other operational issues like manual record keeping errors 67 (83.2%), theft 65 (80.3%), unreliable suppliers 65 (80.3%), and inadequate storage facilities 60 (75.2%) also contribute to poor inventory management.

SMEs have embraced a number of strategies in order to deal with these challenges. The most widespread approach was to have good relations with suppliers, 71 respondents (87.6%), which contributes to the delivery of materials on time and access to credit. There was also widespread supplier diversification with 62 respondents (77.4) saying that it mitigates the risk of stockouts. Also, 64 respondents (80.3%) had safety stock to prevent shortages, and 65 (80.3) had better record-keeping systems to increase inventory accuracy. 58 respondents (72.3%) practice frequent stock audits, which enables discrepancies to be discovered in time. However, these efforts are not reflected in the use of modern solutions. The number of respondents who used digital tools was only 15 (19.0%), 18 (23.3) invested in staff training, and 17 (21.9) used credit facilities to facilitate inventory management. This implies that the majority of the strategies employed are simple and reactive as opposed to being strategic and technology-oriented. Therefore, the results indicate that SMEs in Bunga-Kawuku recognize the necessity of inventory management but their practices are mostly informal and limited by financial, technical, and infrastructural factors. Increasing capacity in digital adoption, financial management, and skills development would greatly enhance inventory management practices and financial performance of SMEs.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter gives the summary of the study findings, conclusions made out of the research and recommendations made based on the findings. The aim of the study was to investigate the relationship between inventory management practices and financial performance of Small and Medium Enterprises (SMEs) in Bunga–Kawuku, Makindye Division, Kampala City.

5.2. Discussion of findings

5.2.1. Results of the demographic profile of respondents.

The research examined the demographic aspects of the respondents to understand their background and how it can affect inventory management practices among Small and Medium Enterprises (SMEs) in Bunga–Kawuku. The results showed that most of the respondents are male (54%), whereas females were 46%. This means that despite the active involvement of both sexes in the operations of SMEs, males slightly outnumber the ownership and management positions of businesses. The relatively high percentage of female respondents however, is indicative of the growing participation of women in entrepreneurial activities in the study area.

In terms of age distribution, most respondents are within the economically active age group of 26–35 years (35.8%) and 36–45 years (30.7%). This indicates that the SMEs in Bunga-Kawuku are mostly run by young and middle-aged people who are energetic, innovative and more inclined to adopt modern business practices like better inventory management systems. The respondents aged 18–25 years constitute 19.0% and those aged 46 years and above are the least represented (14.6%).

In terms of business position, most of the respondents are business owners (40.9%), followed by managers (28.5%), storekeepers (19.0%), and accountants (7.7%). This means that the bulk of the information gathered was through the key decision-makers who are directly involved in inventory control and financial management, which enhances the reliability of the data. The results on the type of business showed that the most common type of business is retail shops (40.9%), followed by food outlets (21.2%), hardware businesses (15.3%), pharmacies (11.7%), supermarkets (6.6%),

and other businesses (4.4%). This is an indication of the prevalence of retail trade in the region that necessitates effective inventory control because of the high rate of stock turnover.

Most SMEs had been in business 4-6 years (37.2) and 1-3 years (31.4) indicating that many enterprises have passed the start-up stage and have acquired some stability in their operations. Businesses that have been in operation more than 6 years constituted 21.2, and those that have been in operation less than one year are 10.2.

Lastly, most SMEs had 1-5 workers (56.9%), which validates the fact that most businesses are micro-enterprises with limited resources. The number of those employing 6-10 workers was 28.5% and only a few had over 10 workers. Thus, these results indicate that SMEs in Bunga-Kawuku are mostly small-scale, owner-managed enterprises run by relatively young and active people. These properties have significant implications on adoption of inventory management practices since limited resources and managerial capacity can affect the effectiveness of inventory control systems.

5.2.2. Results on the inventory management strategies employed by SMEs in Bunga-Kawuku.

The results of the inventory management practices among SMEs in Bunga-Kawuku are in line with the existing literature, which highlights the significance of effective inventory management in improving business performance. The research found that the majority of SMEs keep inventory records and perform frequent stock taking. This is in accordance with the study conducted by Donald Waters (2003) which stated that proper record keeping and periodic stock checking is essential in controlling the level of stock and reducing losses in organizations.

Similarly, the reorder levels used by SMEs in the study area corroborates the findings of Martin Christopher (2011) who noted that having reorder points helps SMEs to prevent business disruption and stock out. These practices among SMEs are indicators that SMEs are aware of the basic principles of inventory management, even in small businesses. However, the limited use of computerized inventory system in the study was similar to the findings of Prempeh Kwadwo Boateng (2015) who found out that many SMEs in developing countries are greatly dependent on manual systems because of financial constraints and lack of technical expertise. Such reliance on manual processes can result in inefficiencies, errors, and bad inventory decisions.

Furthermore, the partial use of the inventory techniques, such as First-In, First-Out (FIFO) and Economic order Quantity (EOQ) is in line with the results of John T. Mentzer (2001) who stated that inventory techniques may be known to SMEs but are not always applied because of the lack of managerial capacity and training. Moreover, the results support the research by Lysons Kenneth and Brian Farrington (2012) who emphasized that effective inventory management practices such as stock monitoring, proper storage, and timely replenishment are critical in enhancing efficiency and financial performance in businesses.

Thus, the findings of the research can be said to be consistent with the findings of other researchers, who have found that although SMEs recognize and practice basic inventory control, there is a low level of adoption of advanced and technology-driven inventory control systems. This disparity highlights the importance of capacity development and investment in modern inventory management systems to improve efficiency and competitiveness of SMEs.

5.2.3. Results on the barriers that SMEs encounter when implementing inventory control measures.

The findings of the research showed that SMEs in Bunga–Kawuku face a number of challenges which have hindered the effective implementation of inventory control practices. The financial, technical and managerial problems are the major causes of these issues that affect the efficiency of stock management and business operations in general.

Limited financial resources were one of the key issues that were identified. The majority of the respondents said they lack the capital to invest in modern inventory management systems such as computerized software and storage facilities. Consequently, the majority of SMEs use manual processes, which are less efficient and are prone to errors. This finding corroborates the findings of Prempeh Kwadwo Boateng (2015), which indicates that financial constraints are one of the significant challenges for the implementation of advanced inventory systems in SMEs in developing countries.

The researchers also found that SMEs conduct informal training of their employees on inventory handling and control processes. To ensure that the employees are aware of the documentation of stocks and how to treat goods, and how to check the stock levels, business owners usually offer on-the-job training. This assists in overcoming the issue of the lack of technical knowledge and enhances the efficiency of operations. Moreover, a number of SMEs have embraced the habit of

keeping minimum stocks and establishing simple reorder points. This helps them to react better to the changes in demand and prevent stockouts. With the close tracking of fast-moving goods, businesses can focus on replenishing stocks and maintaining product availability.

Enhancement of internal controls was also found to be a significant strategy. The measures that SMEs take include limiting access to storage facilities, delegating certain duties to the employees, and closely monitoring the processes of handling stock. The practices assist in minimizing theft, pilferage, and misuse of inventory.

Moreover, a few SMEs have begun to gradually embrace simple technology, including mobile applications and simple inventory software, to enhance the accuracy and efficiency of records. Even though the level of adoption remains low, this is a pointer to the fact that there is a shift towards the modern inventory management practices. Finally, SMEs establish good relations with their suppliers to be able to deliver goods in time and in some cases, to be able to pay their suppliers in a flexible way. This assists them to operate with limited financial resources and have sufficient stock levels without straining their cash flow.

5.3. Conclusion

The aim of the study was to investigate the relationship between the practice of inventory management and the financial performance of the Small and Medium Enterprises (SMEs) in Bunga-Kawuku, Makindye Division, Kampala. According to the results, it can be concluded that inventory management practices are important in determining the performance and sustainability of SMEs. The research found out that the majority of SMEs use simple inventory management techniques that include record-keeping, stock taking, and reorder level. These practices have a positive effect on business operations as they enhance accuracy of stock, minimize losses and increase customer satisfaction due to availability of goods. Nevertheless, the research also found out that the implementation of advanced inventory management systems is not widespread, and many SMEs use manual methods because of financial limitations and the absence of technical skills. This restricts efficiency and the chances of mistakes in inventory management are high.

Moreover, the research established that SMEs are faced with several challenges, which include; lack of capital, knowledge and skills, poor record keeping practices, uncertainty in demand, and inadequate storage facilities. These issues make it difficult to effectively apply the inventory

management practices and have a negative impact on the business performance. In spite of these limitations, SMEs have been resilient by implementing practical strategies like regular stock taking, use of simple record-keeping tools, informal staff training, and enhancing internal controls to manage inventory in a more effective manner.

In summary, although SMEs in Bunga–Kawuku have realized the need to control their inventory, there is still a gap in the application of the modern and efficient inventory management systems. The identified challenges should be tackled through capacity building, financial support and technological adoption to enhance the inventory management practices. This will lead to better financial performance, competitiveness and long-term sustainability of SMEs in the study area in the long run.

5.4. Recommendations

The following practical and feasible recommendations are proposed based on the findings and conclusions of the study to improve the inventory management practices and improve the financial performance of SMEs in Bunga–Kawuku:

Simple and Affordable Digital Inventory Management Tools: SMEs are encouraged to use simple and affordable digital inventory management tools such as mobile applications or simple spreadsheets (such as Microsoft Excel or Google Sheets). These tools are affordable, enhance accuracy in record-keeping, minimise errors, and allow real-time monitoring of stock without the need to have advanced technical skills. More advanced inventory software should be phased in and adopted as resources allow.

Capacity Building and Training: Basic training should be given to the business owners and employees about the practice of inventory management. Short workshops, peer learning and online tutorials on stock recording, reorder levels and simple stock taking methods can help to improve efficiency significantly. Such training programmes may be implemented at a very low cost by working in partnership with local business development service providers and NGOs.

Frequent Stock Taking and Reconciling: SMEs are expected to conduct a physical stock taking regularly and compare the physical stock with the recorded data. The practice will help identify early on any discrepancies, minimise losses due to theft, damage or spoilage, and improve accountability in the business. Maintain clear inventory control policies and procedures:

Companies should have and follow clear inventory control policies and procedures, including minimum and maximum stock levels, reorder points, and standard operating procedures for inventory control. This guarantees effective and systematic control of stock.

Improving Internal Controls: SMEs are encouraged to assign some tasks to inventory to employees, ensure that only authorized personnel have access to inventory areas and track the movement of inventory. Stock audit logs and separation of duties are examples of accountability measures that reduce the risks of pilferage and mismanagement.

Supplier Relationship Management: SMEs are advised to establish a good relationship with suppliers who are reliable to deliver goods on time. Flexible payment terms and bulk discounts can be negotiated to manage cash flow and ensure the optimal level of stock.

Financial and Technical Support: SMEs are encouraged to seek government programs, microfinance institutions, or development partners to provide financial support to invest in storage facilities, technology, and training. Business development services can provide technical support to SMEs to adopt effective inventory systems.

Basic Inventory Techniques: Although advanced systems are not used, SMEs can adopt simple inventory techniques like First-In, First-Out (FIFO) in perishable goods and monitor slow- and fast-moving goods. This increases the stock turnover and reduces losses.

Networking and Peer Learning: SMEs can join local business associations to exchange knowledge, strategies and experiences on inventory management. Peer learning has the potential to offer innovative solutions at low cost and reinforce business practices.

Gradual Modernization: SMEs are advised to plan to gradually upgrade their manual inventory systems to semi-automated or fully automated inventory systems as they expand. Small steps that can be achieved can help to prevent disruption and improve efficiency in the long run.

Monitoring and Evaluation: SMEs should regularly review their inventory management practices and evaluate performance indicators like stock turnover, wastage and financial effects. Constant monitoring will assist in recognizing Lacking areas and changing strategies in time.

With these suggestions in place, the SMEs in Bunga-Kawuku will be able to overcome the overcome stock management issues, optimize operations, reduce losses, and enhance financial performance and thus their competitiveness and sustainability in local market.

5.5. Further studies are needed in the following areas

This study provided a good understanding of the practices of inventory management and its impact on the financial performance of SMEs in Bunga–Kawuku, however, some areas have not been explored and should be explored.

First, future studies could examine the impact of the use of advanced technology on inventory control of SMEs. This involves the assessment of the impact of the use of automated inventory systems, mobile applications and Enterprise Resource Planning (ERP) software on efficiency, cost reduction, and profitability. This type of study could help to determine the feasibility and benefits of digital transformation for small businesses in developing countries.

Secondly, future research can be carried out on the role of human resource capacity in inventory management and the use of staff training, skills development and management expertise to improve the efficiency of inventory management practices. This may give clues on how to design specific capacity-building programs to SMEs.

Third, the research might be further developed to include other areas or cities in Uganda and compare inventory practices and challenges in various contexts. This would help to identify regional variations and help policy makers and development agencies to better plan support programs.

Fourth, the researchers would be able to explore the link between inventory management practices and other business performance indicators, including customer satisfaction, operational efficiency, and competitiveness. This would give a more holistic picture of the overall effect of inventory management on more than just financial measures.

Finally, future studies could explore other ways to address resource limitations in SMEs, including access to low-cost financing, joint sourcing, and supplier relationships. Research in this area can guide interventions that can enhance the operational sustainability of SMEs. The areas highlighted

in this study can be used to gain a better understanding of the challenges and solutions to inventory management in developing countries like Uganda, in future research.

REFERENCES

- Adeoye, A. (2021). Financial barriers to technology adoption in SMEs. *Journal of Small Business Finance*, 12(1), 33–47.
- Adeyemi, T. (2021). Adoption of cloud-based inventory systems in SMEs. *Journal of Small Business Technology*, 15(2), 45–59.
- Akankwasa, G. (2019). Working capital management practices and financial performance of small and medium enterprises in Makindye Division: A case study of Nsambya Parish. Kampala International University.
- Alvarez, E., & Gomez, R. (2022). Risks and mitigation in periodic inventory systems. *International Journal of Supply Chain Risk*.
- Anderson, P., & Lee, H. (2022). Lean inventory practices in SMEs. *Journal of Small Business Management*.
- Arinda, C. (2025). *Effect of financial literacy on financial performance of SMEs in Uganda* [Unpublished dissertation]. Kyambogo University.
- Ayoo, I. O. (2023). Inventory management at Makerere University Business School and its impact on revenue performance of SMEs. *IDOSR Journal of Current Issues in Arts and Humanities*.
- Baker, L. (2021). Supply chain vulnerabilities and SME resilience. *International Business Review*.
- Betts, A., Bloom, L., & Omata, N. (2019). Refugee economies in Uganda: Self-reliance models. *Journal of Development Studies*, 55(1), 43–59.
- Boateng, S. (2024). Assessing the effects of inventory management practices on performance of SMEs in Accra. *European Journal of Logistics, Purchasing and Supply Chain Management*, 12(1), 33–44.
- Carrier, N., & Lochery, E. (2019). Somali traders and Eastleigh's transformation. *African Affairs*, 118(471), 583–606.
- Castelli, F. (2018). Drivers of migration: Why do people move? *Journal of Travel Medicine*, 25(1), 1–7.
- Chang, T. (2020). Cash flow and inventory dilemmas in small enterprises. *Journal of Small Business Finance*, 11(3), 21–36.

- Charman, A., & Piper, L. (2021). Migrant entrepreneurs and spaza shops in South Africa. *Journal of Southern African Studies*, 47(4), 673–689.
- Chelimo, A. (2023). *Effect of inventory management on financial performance: A case of Crown Beverages Limited Kampala* [Unpublished dissertation]. Uganda Christian University.
- Chen, R., & Gupta, S. (2023). Technology adoption in inventory control. *Operations Management Journal*.
- Chen, Y. (2023). Costs and benefits of digital inventory management systems. *International Journal of Operations Management*, 28(1), 12–29.
- Dawson, E. (2022). Liquidity challenges and inventory management in SMEs. *Business Finance Review*, 19(2), 58–73.
- Eicker, A. (2025). Inventory decision-making by small Sultan retailers. *Journal of Transport and Supply Chain Management*, 19(1).
- Eriksen, L. (2023). Capital constraints and stock levels in small enterprises. *Journal of Corporate Finance*, 30(1), 66–80.
- Eze, J. (2020). Skills development and technology uptake in SMEs. *Journal of Business Education*, 14(3), 77–92.
- Fairlie, R., & Lofstrom, M. (2020). Immigrant entrepreneurship in the US. *Small Business Economics*, 55(4), 839–856.
- Farah, S. (2024). Mobile-based inventory applications for small businesses. *International Journal of Business Technology*, 21(2), 101–115.
- Fernandez, M. (2021). Human capital development and inventory practices in SMEs. *Operations and Training Journal*, 17(1), 34–50.
- Freeman, D., & Kim, Y. (2023). Inventory cost control practices. *Business Analytics Review*.
- Hassan, R. (2025). Training deficits and their impact on SME performance. *Journal of Applied Management*, 18(2), 59–74.
- Hussain, M., & Al-Mamun, A. (2020). Inventory management practices and financial performance of SMEs: Evidence from Asia. *Asian Journal of Business and Management*.
- Inventory Management and Performance of SMEs in the Manufacturing Sector of Harare. *Procedia Manufacturing*. 2019.

- Iqbal, N. (2021). Demand forecasting challenges in small and medium enterprises. *Journal of Supply Chain Science*, 23(1), 44–58.
- Jafari, B., & Sadeghi, M. (2021). Effective inventory categorization for SMEs. *Journal of Supply Chain Management*.
- Johnson, P. (2022). Data gaps and prediction errors in SME inventory planning. *Business Analytics Journal*, 16(3), 12–27.
- Kabera, J., & Mukanyangezi, M. F. (2024). Pharmaceutical management practices and maternal health outcomes in Rwanda. *Journal of Pharmaceutical Policy and Practice*, 17(1).
- Kagwisagye, J., & Mulyungi, P. (2018). Effect of inventory management practices on financial performance of Skol Rwanda Limited. *International Journal of Management and Commerce Innovations*, 6(1), 1626-1635.
- Kasim, H., Zubieru, M., & Antwi, S. K. (2015). An assessment of the Inventory Management Practices of SMEs in Northern Region of Ghana. *European Journal of Business and Management*.
- Khalid, R., & Ali, S. (2021). Inventory management and working capital optimization in Asian SMEs. *Journal of Operations and Supply Chain Management*.
- Kim, S. (2023). Forecasting tools and adoption barriers in SMEs. *International Operations Review*, 31(2), 77–91.
- Kloosterman, R. (2019). Migrant entrepreneurship and the city. *Urban Studies*, 56(5), 975–990.
- Kumar, R. (2025). Cloud-based solutions for small enterprise inventory management. *Journal of Digital Business Systems*, 20(1), 88–104.
- Lee, C. (2022). Priority-based inventory strategies. *Journal of Business Logistics*.
- Lee, J., Tan, B., & Mohan, V. (2022). Just-In-Time inventory practices and SME performance in Southeast Asia. *International Journal of Production Economics*.
- Lin, N. (2017). Social capital theory and migration studies. *Annual Review of Sociology*, 43(1), 473–492.
- Lin, W. (2023). Financial planning and inventory control strategies for SMEs. *Journal of Small Enterprise Management*, 27(2), 56–70.
- Lopez, R. (2024). Seasonal demand variations and inventory risk in SMEs. *Journal of Market Dynamics*, 22(1), 33–47.

- Lwanga, M., & Sserwanga, A. (2021). Inventory management practices and SME competitiveness in Kampala. *Makerere Business Journal*, 7(2), 55–70.
- Martinez, P., & Zhou, Q. (2024). Real-time data applications in inventory classification. *Operations Technology Journal*.
- Miller, J. (2020). Supplier dependency and inventory risk in SMEs. *International Business Journal*, 18(2), 45–60.
- Mohammed, A. (2018). Working capital management and financial performance of SMEs in Kampala Central Division, Uganda. Kampala International University.
- Muchaendepi, W., et al. (2019). Inventory management and performance of SMEs in the manufacturing sector of Harare. *Procedia Manufacturing*, 33, 454-461.
- Muhumuza, H. (2020). Entrepreneurship and migrant businesses in Kampala. *Journal of African Business*, 21(3), 310–328.
- Nakwang, M. (2024). *Inventory management practices on the financial performance of small-scale businesses: A case study of Bugujju Central Division Mukono District* [Unpublished dissertation]. Uganda Christian University.
- Nathan, M. (2020). The economic impacts of migrant businesses. *International Migration Review*, 54(3), 745–772.
- Ndlovu, K. (2021). Supply chain resilience and small enterprise performance. *African Journal of Logistics*, 12(3), 29–44.
- Ndubuisi, A. N., et al. (2018). The effect of inventory management on financial performance of beverage firms listed on the Nigeria Stock Exchange. *International Journal for Multidisciplinary Research*, 6(3), 20-21.
- Nguyen, H., & Patel, R. (2020). Inventory review systems in small enterprises. *Journal of Inventory Control*.
- Nguyen, T. (2024). Managing risk in JIT systems. *Journal of Business Logistics*.
- Nkurunziza, J. (2022). Local–migrant business interactions in Uganda. *African Journal of Economic Policy*, 29(1), 112–130.
- Nyamnjoh, F. (2019). Migrant businesses and xenophobia in Africa. *Journal of Contemporary African Studies*, 37(2), 139–156.
- O’Brien, S. (2023). Sourcing strategies for small and medium enterprises. *Journal of Procurement Practice*, 15(1), 67–82.

- OECD. (2021). Entrepreneurship and migrant integration: Policy insights. Paris: OECD.
- Okeke, C. (2018). Coping strategies of indigenous traders under competitive pressure. *African Journal of Business Management*, 12(9), 201–212.
- Omar, A. (2022). Limitations of classical inventory models. *International Journal of Production Economics*.
- Orobia, L. A., Nakibuuka, J., Bananuka, J., & Akisimire, R. (2020). Inventory management, managerial competence and financial performance of small businesses in Uganda. *Journal of Accounting in Emerging Economies*.
- Orobia, L. A., Nakibuuka, J., Bananuka, J., & Akisimire, R. (2020). Inventory management, managerial competence and financial performance of small businesses. *Journal of Accounting in Emerging Economies*, 10(3), 12-25.
- Patel, T. (2025). Supplier networks and business continuity in SMEs. *Business Networks Review*, 14(2), 55–70.
- Qureshi, A. (2021). Storage challenges in small enterprises. *Journal of Facilities Management*, 19(1), 38–52.
- Rahman, A., & Noor, H. (2023). Impact of inventory management on profitability in Malaysian manufacturing SMEs. *Journal of Small Business Research*.
- Ramadan, A. (2025). The effect of inventory control on the performance of small and medium-sized enterprises in Douala. *International Journal on Recent Trends in Business and Tourism*, 9(4).
- Ramadan, A., et al. (2024). Managerial competence and inventory management in SME financial performance: A Hungarian perspective. *Journal of Statistics Applications & Probability*, 13(3), 859-870.
- Ramirez, L. (2021). Quantitative models in inventory systems. *Journal of Operations Research*.
- Ramirez, L. (2022). Infrastructure gaps and operational efficiency in SMEs. *Business Systems Research*, 20(2), 41–56.
- Sigilai, E. K., Naibei, I., & Obulemire, A. T. (2025). Inventory holding management practice and financial performance of SMEs in the South Rift region, Kenya. *EPRA International Journal of Economic and Business Review*.

- Sigilai, E. K., Naibei, I., & Obulemire, A. T. (2025). Inventory holding management practice and financial performance of SMEs in South Rift, Kenya. *EPRA International Journal of Economic and Business Review*.
- Singh, A. (2021). Procurement cycles and cash flow management. *Small Business Finance Journal*.
- Singh, A. (2023). Warehousing issues and inventory control in SMEs. *Journal of Logistics Development*, 17(1), 22–36.
- Singh, P., & Sharma, R. (2024). Digital inventory systems and sales performance in Indian retail SMEs. *Indian Journal of Business Analytics*.
- Smith, J., & Torres, M. (2020). Inventory optimization techniques for SMEs. *Small Enterprise Journal*.
- Tahir, M. (2024). Facility constraints and stock management in small enterprises. *Operations Infrastructure Journal*, 16(2), 45–59.
- Tran, D. (2023). Integrating safety stock with review systems. *Journal of Business Forecasting*.
- Turyahebwa, A., et al. (2025). Financial management practices and business performance of small and medium enterprises in Eastern Uganda. *KIU Journal of Social Sciences*, 11(1).
- Uganda Investment Authority. (2023). SME performance and foreign participation. Kampala: UIA.
- Upadhyaya, K. S. M. (2024). A comprehensive analysis of inventory management and its potential implications on financial reports. *International Journal for Multidisciplinary Research*, 6(3), 1-22.
- Usman, B. (2020). Manual systems and inventory errors in SMEs. *Journal of Business Information*, 15(3), 30–46.
- Valdez, P. (2021). Data management challenges in small enterprises. *Data Management Journal*, 14(2), 33–49.
- Wang, Q. (2023). Real-time inventory visibility and SME performance. *Journal of Future Operations*, 21(1), 61–75.
- Wanjira, J. N., & Njagiru, J. M. (2018). Inventory management practices and financial performance of small and medium scale enterprises in Laikipia County, Kenya. *International Academic Journal of Economics and Finance*.

- Wanjira, J. N., & Njagiru, J. M. (2018). Inventory management practices and financial performance of SMEs in Laikipia County, Kenya. *International Academic Journal of Economics and Finance*, 3(2), 117-132.
- Xu, D. (2025). Data integrity and inventory control in SMEs. *Technology and Business Review*, 18(2), 28–44.

APPENDICES

APPENDIX I: QUESTIONNAIRE

Title of the Study: *Inventory management practices and Financial Performance of SMEs in Bunga–Kawuku, Makindye Division, Kampala*

Instructions:

This questionnaire is designed to collect information about inventory control practices, challenges, and strategies used by SMEs. All responses will be treated confidentially and used solely for academic purposes. Please answer all questions as accurately as possible.

Section A: Demographic Information

1. **Gender:**
 - ☐ Male
 - ☐ Female
2. **Age:**
 - ☐ 18–25 years
 - ☐ 26–35 years
 - ☐ 36–45 years
 - ☐ 46 years and above
3. **Position in the Business:**
 - ☐ Owner
 - ☐ Manager
 - ☐ Storekeeper
 - ☐ Accountant
 - ☐ Other (specify) _____
4. **Type of Business:**
 - ☐ Retail shop
 - ☐ Food outlet
 - ☐ Hardware
 - ☐ Pharmacy
 - ☐ Supermarket
 - ☐ Other (specify) _____
5. **Years of Business Operation:**
 - ☐ Less than 1 year
 - ☐ 1–3 years
 - ☐ 4–6 years
 - ☐ Above 6 years

6. Number of Employees:

- ☐ 1–5
☐ 6–10
☐ 11–20
☐ Above 20

Section B: Inventory Control Practices

No	Statement	SA	A	NS	D	SD
1	Maintaining accurate inventory records helps track sales and detect theft					
2	Regular stock taking helps verify records and identify missing items					
3	Using computerized systems makes tracking easier					
4	Having clear reorder levels helps avoid stock issues					
5	EOQ (Economic Order Quantity) helps reduce ordering and holding costs					
6	JIT (Just-In-Time) helps reduce storage costs and waste					
7	ABC analysis helps focus on important stock items					
8	Reviewing inventory regularly helps in planning and decision-making					
9	Using past sales data helps predict demand					
10	FIFO and labeling reduce spoilage					
11	Inventory reports help track business performance					

Section C: Challenges in Adopting Inventory Control Practices

No	Statement	SA	A	NS	D	SD
1	Lack of sufficient funds limits inventory and systems					
2	Inventory software is too expensive					
3	Lack of knowledge affects inventory management					
4	Difficulty predicting customer demand					
5	Unreliable suppliers cause stockouts					
6	Irregular cash flow affects stock purchase					
7	Poor storage facilities lead to stock damage					
8	Manual records lead to errors					
9	Theft causes stock losses					
10	Poor electricity/internet affects computerized systems					
11	Seasonal demand changes affect inventory levels					
12	Lack of training opportunities affects inventory management					

Section D: Strategies to Overcome Inventory Management Challenges

No	Statement	SA	A	NS	D	SD
1	Using affordable digital tools improves inventory tracking					
2	Training staff reduces inventory mistakes					
3	Buying from multiple suppliers reduces stockouts					

4	Using past sales data improves ordering decisions					
5	Improving record-keeping enhances accuracy					
6	Proper cash flow planning ensures stock availability					
7	Keeping extra stock avoids stockouts					
8	Good supplier relationships ensure timely delivery					
9	Regular stock audits detect errors early					
10	Improved storage reduces damage and losses					
11	Use of POS/barcoding improves accuracy					
12	Access to loans helps increase stock levels					

Thank you for your response