

**INVENTORY MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF
SMALL-SCALE BUSINESSES :A CASE STUDY OF BUGUJJU CENTRAL DIVISION MUKONO
DISTRICT**

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S21B05/062

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

August, 2024



**UGANDA CHRISTIAN
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DECLARATION

I, Nakwang Marina, hereby declare that this research report entitled, "Inventory management practices on the financial performance of small-scale businesses in Bugujju, Mukono central division," is my original work and has never been submitted in any institution for any award. I have read the regulations of the university with regard to plagiarism and hereby declare that I abided by all of them.

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APPROVAL

This is to acknowledge that this research report entitled, “inventory management practices on the financial performance of small-scale businesses: A case of small-scale businesses in Bugujju, Mukono central division,” has been done under my supervision and is now ready for submission to the School of Business with my approval.

Signature: *Allen*

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Date: *02/09/2024*

DEDICATION

In a special way, I would love to dedicate this work to my guardians who have always been there to support me throughout my education. May the Almighty God bless you abundantly.

ACKNOWLEDGEMENT

I would like to thank the Almighty God for the gift of life and guiding me throughout my education; it was never easy but He made it possible.

My sincere appreciation goes to my supervisor, Mrs. Kagume Allen for the tireless efforts and expertise she rendered to me during her supervision.

Additionally, I acknowledge the owners of SSBs in Bugujju, Central Division Mukono District for availing me with the necessary information to complete my research.

Finally, special thanks go to my dear guardians for their guidance, love, financial and moral support during my entire period of education.

May God abundantly bless you all.

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ABSTRACT

The study examined the effect of inventory management practices on the financial performance of small-scale businesses: a case study of small-scale businesses in Bugujju, Central Division Mukono District. It specifically focused on; the contribution of inventory management practices on the financial performance of SSB, the various types of inventory management practices of SSBs, the challenges associated with inventory management practices of SSBs and suggested strategies to overcome them

The study was carried out using a cross-sectional survey research design where quantitative research approach was used as well. The data was collected using questionnaires with a stratified sampling method. A sample size of 80 respondents who are small-scale business owners in Bugujju, Central Division, Mukono District was also used in the study.

The findings revealed that inventory management practices contribute to the financial performance of small-scale businesses for example maintaining of inventory records which are regularly updated lead to improved business financial performance through enhanced efficiency, profitability, waste and cost reduction.

Additionally, the study revealed that the challenges of inventory management practices were; predicting customer demand accurately is challenging, especially products with seasonal variations or short product lifecycles, balancing inventory levels to meet customer demand without overstocking or understocking, coping with supply chain disruptions, caused by events like natural disasters and pandemics, was another challenge

The study recommended that owners of SSBs in Bugujju as well as other businesses in different areas should install computerized packages to enable recording of inventory to avoid unintended

errors. Lastly, in order to prevent record duplication resulting from price variations, it was recommended to implement the FIFO (First In First Out) and LIFO (Last In First Out) systems.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study aimed at examining the effect of inventory management practices on the financial performance of small-scale business in Bugujju, Central Division Mukono District. It introduces the background of the study, statement of the problem, objectives, scope and significance of the study.

1.1 Background to the study.

Inventory management is a critical function in any business, regardless of its size. However, small-scale businesses often face unique challenges when it comes to managing their inventory due to limited resources, expertise, and financial constraints (Kotler et al., 2014).

Inventory mismanagement can lead to significant financial difficulties for a firm, regardless of whether the mismanagement results in an excess or deficit of inventory. (Hayes, 2014). In addition to monitoring current inventories and their usage, effective inventory management involves developing a purchase strategy that ensures things are available when needed. Inventory is the total amount of resources or items kept at a particular location, whether it be a store or somewhere else. Store owners should be aware of the precise quantity of merchandise kept in their establishments in order to place orders and manage inventory. Managers of manufacturing companies should be aware of the product units that are available for the orders that their diverse customers place, according to Baron, Berman, and Perry (2010). Therefore, every business depends on inventory count to provide information.

The capacity of an organization to generate more revenue than costs during a given time period is known as financial performance. According to Pandey (2007), a business requires to generate a profit in order to continue operating and expanding over time. Businesses must earn a profit so as to increase shareholder wealth, generate revenue for expansion, and sustain continuous operations (Pandey, 2008). Financial performance includes profitability, which is the ability of a corporation to make money over what it costs to produce those profits. It may also be used as a measurement of a company's success by comparing profits to sales or investments (Hanson 2002).

Previous studies have highlighted the importance of effective inventory management practices in small-scale businesses. For example, a 2011 study by Goyal and Konda discovered that improved inventory-management techniques can result in enhanced customer satisfaction, lower costs, and increased sales. Another study conducted in 2015 by Kumar et al. indicated that inventory management techniques had a major effect on small enterprises' financial performance, with effective practices resulting in higher profitability and lower inventory turnover.

According to Tushabomwe (2006), a lot of SSBs may fail as a result of ineffective or nonexistent inventory management techniques. According to McCannon (2012), inadequate inventory management causes many SSBs in Uganda to fail because the proprietors fail to make vital managerial decisions in a timely manner. Considering the advantages of inventory management procedures, one would question why some SMEs' owners fail to manage their inventory properly. SSBs are becoming widely recognized as potential drivers of growth in economies. Unfortunately, a number of these businesses fail to live up to this expectation because of inadequate management brought on by mediocre management of inventory (Olatunji, 2011). No matter the size of the business, effective inventory management is essential. Due to the inadequate inventory management procedures used by these businesses, audits of small businesses have proved to be concerning (Olatunji, 2011).

1.2 Statement of the Problem.

In small businesses, inventory typically constitutes a significant part of current assets. (Songet al., 2006). Effective materials management allows businesses to save a large amount of money—between 50% and 60% of overall costs. (Songet al., 2006). Costs can be decreased by efficient inventory management, which can result in significant savings. (Koin, Cheruiyot & Mwangangi, 2014). Indeed, for many small-scale businesses, inventory costs represent over 50 % of the full product fee (Chen, 2005). The majority of SSBs, particularly those in developing nations like Uganda, pay little attention to and invest minimal resources in inventory management techniques, despite the fact that they significantly contribute to SSB operations.

According to statistics, the majority of SSBs in Uganda continue to record subpar results. In Uganda, for instance, 40% of SSBs fail within a year and 80% within five, which increases the SSBs' mortality rate (Ssempala, 2018). This could be attributed to the weak inventory management practices used by these SSBs (Arinaitwe, 2019). However, even though the majority of small

businesses use surprise checks, stock taking, and other techniques to control inventory, there is always a discrepancy between the actual outcome and the records these businesses maintain. As a result, these businesses are exposed to costs related to inventory, which could have a major effect on their overall financial performance in regard to costs, sales levels, profitability, and other factors. (Bainomugisha et al., 2013). Through a case study of the SSBs in Bugujju, Mukono District, this study therefore aimed to investigate the impact of inventory management methods on the financial performance of SSBs.

1.3 General Objective.

The general objective of the study was to examine the effect of inventory management practices on the financial performance of Small-Scale Businesses: A case study of small-scale Businesses of Bugujju, Central Division Mukono District.

1.4 Specific Objectives of the Study

This study was guided by the following objectives;

- i) To examine the contribution of inventory management practices on the financial performance of SSBs.
- ii) To identify the various types of inventory management practices of SSBs.
- iii) To find out the challenges associated with inventory management practices of SSBs and suggest strategies to overcome them.

1.5 Research Questions

The study sought to answer the following research questions;

- i) What is the contribution of inventory management practices on the financial performance of SSBs?
- ii) What are the various types of inventory management practices of SSBs?
- iii) What are the challenges associated with inventory management practices of SSBs and the strategies to overcome them?

1.6 Scope of the Study

The study covered the geographical, content and time scope. Here focus was made on the area of study, time lag from where resources were gotten and the different sources of information.

1.6.1 Geographical Scope

This study was carried out in selected small-scale businesses located in Bugujju, Central Division, Mukono District. SSBs in Bugujju, central division Mukono district were chosen because they were close to where the researcher was studying and therefore it was much easier to move there and gather information necessary to complete this research.

1.6.2 Time Scope

Time scope covered three months from June to August, 2024. The research was done for three months because that was the allocated time to do the research by the university the researcher is studying in. However, the study covered the time frame of three years and some data was taken from the literature review of the period from 2020 to 2023 since it helped in determining the level of financial performance of SSBs versus inventory management practices employed in the last three years.

1.6.3 Content Scope

This study aimed at examining the effect of inventory management practices on the financial performance of Small-Scale Businesses in Bugujju, central division Mukono district. It specifically focused on; examining the contribution of inventory management practices on the financial performance of SSBs, identifying the various types of inventory management practices of SSBs, finding out the problems associated with inventory management practices of SSBs and suggested strategies to overcome them.

1.7 Significance of the Study

The study hoped to provide adequate information to the proprietors of SSBs especially those in Mukono central division on better ways of managing their inventory to achieve efficiency in their operations. Supply chain professionals and finance managers will find this study useful since it will educate them on ways to reduce inventory expense and enhance the effectiveness of products management.

The findings of this study will give policy makers an insight of how public inventory management practices can be applied by the government to achieve improved productivity of public sector organizations which is a key strategy for Uganda's economic expansion and development.

Furthermore, future scholars on related topics of inventory management can use the work as a source of reference material.

Lastly, the study will also enable the researcher to complete her course and graduate because research is one of the requirements of the university for all students in the school of business.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter offers critical analysis of the studies conducted on inventory management and its impact on organizational financial performance by different researchers. References such as encyclopedias, periodicals, newspapers, and books about the people were consulted.

2.1 Definition of key terms

2.1.1 Inventory.

Stevenson (2011) defines inventory as the resources that are stored for the existing and upcoming needs of the company such as raw materials, finished products, and works in progress that are held by a manufacturer, retailer, and supplier in any given supply chain.

2.1.2 Inventory Management.

Inventory management is the process of ensuring that inventory adequate quantities, good quality and at fair prices are procured, sorted properly and issued for use with a minimum amount of capital tied up. It involves material control, proper and systematic recording of inventory and storage of the right amount of inventory (Lucey, 2018).

2.1.3 Financial Performance of SMES.

Financial performance is the ability of an organization to generate more revenue than costs over a given time period. According to Pandey (2007), a company should earn profits to survive and expand over a long period. Firms must generate profits to maximize their shareholder's wealth as well as lead to expansion and support their daily operations (Pandey, 2008).

Profitability, which is a measure of a company's capacity to generate revenue more than its costs of production or a comparison of profits made with sales or investments made, is a component of financial performance (Hanson 2002). Inventory problems, which are brought up by poor management are the reason for small businesses' low profitability. According to Micheal (2008), a general lack of inventory techniques has also been linked to poor financial performance.

In Uganda, a small-scale business is defined as one that employs less than 5 but with not more than employees, has assets valued at less than UGX 50 million (USD 30,000) excluding land, buildings and working capital, and generates between UGX 10-50 million (USD 6,000-30,000) revenue annually. A firm with 50-100 employees is regarded as a medium sized enterprise. There are other characteristics that need development (Kasekende, 2003). Since this study was conducted in Uganda, it has adopted this as the country's definition of small-scale businesses.

The concept of SMEs is relative and dynamic (Olorunshola, 2003). SMEs are known for their creativity, creativity and unpredictable nature. According to Aderemi (2003), the small-scale businesses in Uganda usually provide the basic goods and services.

2.2 The contribution of inventory management practices.

Inventory management is a crucial aspect of any business, and small-scale businesses are no exception. Effective inventory management can help small businesses reduce costs, improve customer satisfaction, and increase profitability. Here are some contributions of inventory management practices to small-scale businesses:

Reduced inventory costs; inventory management enables small businesses cutdown inventory costs by minimizing over stocking, which results to unnecessary holding costs, storage costs, and obsolescence (Kotler et al., 2009).

Improved cashflows; effective inventory management enables small businesses to better manage their cashflows by lowering the need for upfront capital inputs in inventory (Bhattacharya et al., 2014).

Increased customer satisfaction; inventory management helps small scale businesses to ensure that they have the appropriate products in stock to satisfy customer demand which enhances client loyalty and satisfaction (Lee et al., 2015)

Reduced Stockouts and Overstocking; inventory management practices such as just-in-time (JIT) inventory systems and economic order quantity (EOQ) calculations enable small businesses avoid stockouts and overstocking, which can result to lost sales and wasted resources (Simchi-Levi et al., 2003).

Improved Supply Chain Visibility; inventory management gives small businesses a clear picture of their supply chain, making it easier to identify bottlenecks and areas for improvement (Schoenherr & Graveline, 2011).

Enhanced Decision Making; inventory management practices provide small businesses with the data and insights needed to make well-informed decisions regarding production planning, pricing, and inventory replenishment (Rosenblatt & Elhence, 2013).

Reduced Waste: by detecting slow-moving or obsolete inventory and adjusting the inventory levels, inventory management assists small-scale businesses in cutting waste. (Kumar et al., 2011).

2.3 The types of Inventory Management Practices.

The systematic techniques used for the procurement, storage, and use of inventories are known as inventory management practices. Common inventory management techniques include inventory planning and scheduling, inventory recording, and inventory control, among others. (Ahmad & Zabri, 2018).

According to Ahmad and Zabri (2018), The term "inventory management" refers to the systematic process used in the procurement, storage, selling, and use of inventories, whether they are finished goods, work-in-progress, or raw materials. The common types of inventory management practices include vendor managed inventory, Just-In-Time, the ABC model, and economic order quantity. These procedures are used to make sure that the company maintains the right amount of inventory at the right price, at the right location and at the right point in time. This helps to boost the business's production and its financial performance.

2.4 The inventory management practices.

2.4.1 Just-In-Time Model.

The goal of the Just in Time inventory management strategy, according to Carison (2002), is to keep just enough inventory in the right location at the right time to create the appropriate amounts of inventory first. Schonsleben (2012) claims that the idea originated with Japanese manufacturing companies, who only purchased inventory when necessary for production. The idea was to increase a company's return on investment by lowering the costs associated with in-process inventory.

Lazaridis & D. (2005) state that the supplier was in charge of supplying the components and workings to the assembly line "Just in Time" so that they could be put together. Just-in-time

systems were also known as zero-stock inventories and production. According to Konke (2003), in order for the just-in-time method to be successful, the parts had to be of extremely high quality because subpar materials could cause the assembly line to stop working. Additionally, there needed to be smooth cooperation and dependable relationships with suppliers, which meant that the supplier ideally needed to be close to the company with reliable transportation. According to Dimitrios (2008), by preventing the carrying of extra inventory and improper handling of raw materials, just-in-time inventory management systems assisted in lowering inventory expenses. Due to the related costs of maintaining inventory, including storage, lighting, heating, insurance and staffing, most businesses found it essential to order inventory just in time for production (Kortz, 2003). Just in time purchasing put into consideration the high costs associated with holding high inventory level.

2.4.2 ABC Model

This inventory control approach, according to Flores & C. (2012), is predicated on the idea that a relatively small number of items may come from a small fraction of the financial value of stores, while a small portion of the items may typically represent the bulk of the value of money of the total inventory utilized in the production process. When it comes to the pare to principle, ABC analysis is a reliable, acknowledged classification technique whose major goal is to determine which goods should be prioritized in inventory management (Ramanathan, 2006). ABC analysis, according to Flores and Wayback (2007), is a technique for setting inventory priorities. A, B, and C where the three sub-classes into which inventories were divided. A significant amount of management's efforts went on overseeing items A while the items that receive the least attention are B, and C.

2.4.3 Vender Managed Inventory (VMI)

Frahm (2015) contends that an organization's ability to achieve high financial performance, effectiveness, and competency was decided by its management of inventory supply. Numerous businesses adopted VMI systems, which let the supplier keep an eye on customer inventory consumption. Customers were spared stock outs thanks to the VMI system since the supplier had already restocked the shelves. Additionally, there were no expenses associated with handling the inventory because the supplier was aware of the quantity required and which products to stock. Here, communication was the input phase. It began with the best of intentions and resulted in a healthy working relationship between the provider and the customer.

2.4.4 Economic Order Quantity (EOQ)

The Wilson EQQ model, also known as the economic order quantity, is a technique used in inventory management that determines the most advantageous quantity to order. This approach is consistent with minimizing the total variable expenses required for both ordering and inventory holding (Lee, 2002). The term "economic order quantity" refers to the ideal level of inventory ordering that minimizes costs. This inventory management approach (EOQ) operates under the presumptions that there is known demand for a given item, a known and constant lead time, immediate order receipt, no computation of quantity discounts as part of the model, and no inventory shortages. The relationship between ordering costs, inventory holding costs, and the economic order quantity is illustrated by the EOQ graphs (Nair, 2013). This model, which is focused on cost minimization between stock ordering and stock keeping, is an inventory control model. The economic order quantity (EOQ), or the ordering quantity at which stock holding costs equal stock ordering costs, must be ascertained (Saleemi, 2012). It implies that the point at which the costs of ordering and maintaining stock equals the ideal inventory size. Economic order quantity (EOQ) is another term for the ideal inventory size. With the aid of this model, a company may establish a stock management system that works well and guarantees accurate sales projections for ordering purposes.

2.5 Challenges associated with inventory management practices.

Lyson (2015) asserts that excessive indirect costs can result in low profitability, which would then affect the organization's operational efficiency. High inventory investment levels may result in a strong liquidity position at the expense of profitability, Cosker (2013). According to Kraljic (2014), the impact of a particular supply and demand item on profit can influence a number of factors, including the volume purchased, the proportion of total purchase cost, and the effect on product quality or business growth.

High rates of taxes. According to Ross (2012) the government places hefty taxes on businesses without first considering the stakeholders, resulting in a much lower tax after taxes. When profitability is used to gauge efficacy, these taxes have a major detrimental impact on these companies' financial success.

Refraining from seeking external legal counsel. External consultants are those who can help a business during hard times, but sadly, their services are never needed according to Monczka

(2015). These outside consultants include attorneys, business advisors, and other experts who would provide technical guidance based on dispassionate analysis rather than subjective judgment.

Insufficient funds. Poor financial practices are a major reason for the failure of many enterprises, according to Balunywa (2006). They do not successfully maintain strict control on debtors. These companies don't provide accurate data, have cash flow planning, or have trained staff to manage the company effectively. Control and reporting are vital for managing money coming into and going out of the company, even in profitable times when the organization may not have enough cash on hand.

Poor business plan. According to Murphy (2002), companies don't have defined, attainable goals, and even those that do sometimes struggle to develop, communicate, and carry out their plans. Because many companies are run based on the profitability principle, it was necessary to evaluate the business process.

Inability to adapt to shifting business requirements. According to Balunywa (2006), most business entrepreneurs have a tendency to imitate other people's successful ventures. But, as time goes on, the market gets crowded and company profits decline because entrepreneurs aren't creative enough to analyze the industry and design products that meet societal demands.

Costs related to inventories. As long as inventory management is required, supplies will always be expensive. There will always be a struggle in reducing these expenses. Concerning ordering expenses Ordering costs are defined by Pandey (2012) as the expenses incurred during the procurement of raw materials. These expenses include sending and receiving orders, paying bills, secretarial and administrative expenditures, and they go down as company grows because of economies of scale.

2.6 The strategies to overcome the challenges associated with inventory management.

Mohammad (2011) asserts that managers can increase shareholder value by reducing inventory levels. However, because ordering costs are too high, maintaining an insufficient level of inventory is also risky. Stock out charges could also result from it. According to Saleemi (2012), there are benefits to keeping inventories at the proper level. This includes, among other benefits, lower insurance costs, fewer hazards of deterioration and obsolescence, and economies of scale obtained through quantity and trade discounts. The length of time it takes to turn inventory into sales and

profitability have a highly substantial positive relationship, according to a study by Mathuva (2010) on the impact of working capital management components on business profitability. This meant that businesses kept their inventory levels high enough to offset the expenses of any production halts and lost revenue from a shortage of goods.

Preparing budgets for inventories and checking stock levels. According to Nyabwanga, Ojera, Lumumba, Odondo, and Otieno (2012), inventory budgets and inventory levels reviews are frequently conducted by small businesses. These findings are consistent with those of Kwame (2007), who discovered that the majority of businesses keep an eye on their inventory levels and establish budgets for it. Lazaridis and Tryponidis (2006) had previously emphasized these findings, which show that improving inventory management helps companies to avoid investing surplus resources in idle stock at the expense of successful endeavors. According to Nyabwanga et al. (2012), effective inventory management has a positive correlation with strong financial success

Researchers that have studied the effect of inventory management techniques on businesses' financial performance include Nsikan, E. (2015). Additionally, they sought to determine how flour milling manufacturing companies handled their inventory and how it affected their operational financial performance. In order to respond to the research study's research questions, a further 150 respondents were picked from a pool of five flour production companies. The study's findings demonstrated that, when big assembly companies are taken out of the picture, most medium-sized flour milling companies employ inventory management techniques that deviate from those suggested by scientific models. However, the majority of inventory management strategies relied on predictions, existing manufacturing capacity, current industry standards, and shifting consumer demand. Additionally, the study shows that companies that use scientific inventory management strategies are better able to facilitate the achievement of increased financial performance, particularly through capacity reduction, greater service quality, and shorter lead times. Even while this study offers a great deal of information about how inventory management techniques affect the financial performance of companies that manufacture consumer goods, its focus on flour milling companies makes it less reliable.

Another study by Eroglu and Hofer (201), which measured inventory management using the Empirical Leanness Indicator (ELI), showed a positive link between inventory management and financial success. Inventory leanness is the best inventory management tool, according to Eroglu

& H. (2011). Eroglu & Hofer (2011) state that lean production views inventory as a waste that should be minimized and that it is now synonymous with good inventory management. Between 2003 and 2008, studies on manufacturing firms in the United States were conducted by Eroglu & Hofer (201), which established that leanness had an effect on a firm's profitability.

By analyzing the relationship between corporate profitability and working capital management, Lazaridis and D. (2005) emphasized the importance of businesses maintaining their inventory at an optimal level and stressed that improper management would lead to excessive financial tying up at the expense of cost-effective operations.

According to related research, Rehman (2006) found a considerable negative correlation between daily inventory turnover and business profit. According to Sushma and P's (2007) analysis of 23 Indian consumer electronics companies, the firm's inventory management procedures had a significant impact on its revenue and financial performance. In their study of 141 companies registered on the Athens Stock Exchange, Lazaridis and D. (2005) found that poor inventory management results in large levels of capital being tied up at the expense of profitable activities. According to Lazaridis and Dimitrios (2005), management can provide value to businesses by making sure inventories are kept at ideal levels.

2.7. Summary of the literature review.

In summary, the literature showed that numerous studies have examined the effect of inventory management techniques on global and Ugandan financial performance. Small firms, which face particular inventory management issues, have not been the subject of any research specifically; instead, the literature examined before concentrated on inventory management strategies and their effects on large organizations and SMEs. In order to close this gap, the purpose of this research is to examine how SSBs currently perceive their inventory management procedures and how this influences their financial success.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the research approach that was used. It explains the methodology used for the purpose of this study. It includes the study; design, setting, population and the sample size. It also describes the sampling procedure definition of variables, research instruments, data analysis and management, ethical considerations, and the proposed limitations of the study.

3.1 Research Design

This study used a cross-sectional survey research design where data from respondents was collected at a single point in time without repetition from the representative population. The design was chosen because of being economical to conduct in terms of time (Patrik & Ugo, 2019). Additionally, the researcher adopted it because it made information easier to acquire based on data collected at a given point in time. Additionally, through the use of the cross-sectional research design, the research findings eliminated assumptions and replaced them with actual data on the specific variables studied during the time period accounted for.

Furthermore, quantitative research approach was used in this study (Bhawna & Gobind, 2015). Quantitative research approach was used because it was more reliable and objective, it helped the researcher in use of statistics to generalize the findings and also helped in testing theories/ hypotheses and lastly, it helped in determining the relationship between the two variables (Haradhan, 2021). Therefore, quantitative research approach was used to gather statistical data from the selected SSBs in Bugujju, central division Mukono District with the help of researcher questionnaires that were administered.

3.2 Study area and population

The study was carried out in the chosen small-scale businesses located in Bugujju, central division Mukono district. Many SSBs in Bugujju, central division Mukono district have struggled to stay in business which could partly be attributed to their failure to adopt the use of inventory management practices in their business operations thus were chosen for the study. The SSBs in Bugujju, central division Mukono district include; retail shops, groceries, hardware shops and restaurants and these were included in the study as the population. Therefore, the study population

or the unit of analysis in this study are the selected SSBs in Bugujju, central division Mukono district where the owners or managers of the businesses represented each business selected.

Table 1: Showing population and sample size.

Category of respondents	Population	Sample size
Retail shops	43	36
Groceries owners	20	15
Hardware shops	17	14
Restaurant owners	20	15
TOTAL	100	80

Source: *Primary Data 2024*

3.3 Sample size determination.

According to Stuart (2016), a sample is a portion of the larger population that participates in the survey. A sample, according to Creswell (2012), is a part that is typical of the target population from which conclusions about the population as a whole can be drawn. Therefore, the sample size was set at 80 in line with the Krejcie and Morgan (1970).

3.4 Sampling method

Information necessary for the sample selection process is provided by the sampling techniques. In addition, it offers a comprehensive base from which the study sample can be selected, as well as a sufficient population for a well-chosen participant pool (Lewis and Ritchie, 2003). SSBs classified as segmented businesses and those dealing in different commodities were the sources of samples for the study, which was conducted using the stratified sampling approach. They were expected to represent every segment of the public because of their comfort level with the subject and research area.

3.5 Sources of data

Both primary and secondary data were used by the researcher while conducting the research.

3.5.1 Primary data

Since primary data provides accurate data about the outcomes of an experiment or observation, it is crucial for all fields of study. Questionnaires were distributed to a chosen group of respondents,

primary data from the field was collected in order to get their perspectives. The researcher was able to gather information for the study's specific objectives with the aid of primary data.

3.5.2 Secondary data

Secondary data refers to information that has been handled, gathered, and processed by other persons rather than the researcher in question. Secondary sources are typically academic works that have previously been published, such as e-books, journals, published papers, and magazines, for the objectives of a historical research study. To make data collecting and textual analysis easier, documentary resources are categorized (Mubazi 2008).

3.6 Data collection methods

The researcher of this study used one type of data collection instruments. This was the questionnaire survey which is briefly explained in the following subsection.

3.6.1 Questionnaire survey

A questionnaire survey is a research method for collecting information from respondents using standardized questionnaires (Mugenda & Mugenda, 2003). Using this approach, data was systematically gathered from a sample of respondents who are employees of the chosen SSBs in Bugujju, Mukono District. Since a questionnaire survey provides a high level of general competence in representing a large population, it was used. Due to the usual large number of respondents to surveys, the information obtained had a deeper comprehension of the topic at hand. Finding statistically significant results is frequently simpler with the questionnaire survey approach than with other data collection techniques because of its high representativeness. Since there were too many respondents for these categories to interview, a questionnaire survey was also utilized to save time (Amin, 2005).

3.7 Validity and Reliability of the data collection instruments.

Bias and distortion must be eliminated for the study to be considered sound. Two key ideas for determining and measuring bias and distortion were reliability and validity. The methods to determine validity and reliability in this study are explained in the following subsections.

3.7.1 Validity

Validity is guaranteed by: selecting an appropriate scale; ensuring the availability of sufficient resources for the required study to be conducted; choosing a suitable methodology for the research questions; preventing an excessively long or short interval between the pre- and post-tests; ensuring standard operating procedures for collecting data and test administration; and tailoring the instruments to the respondents' attention span.

To determine whether the questions would gather the information that is desired, validity testing was conducted. To ascertain whether the questions were able to elicit the desired response, research specialists examined the questions. To determine the validity of the study instrument, a Content Validity Index (CVI) was computed.

3.7.2 Reliability

The extent to which a research tool generates consistent data or conclusions after multiple trials is known as reliability (Amin, 2005). A measure's reliability tells us how biased it is and guarantees measurement consistency over time and among the different items in the instrument (Sekaran, 2003). Using Software Package (SPSS), a Cronbach's alpha coefficient was employed in this investigation to demonstrate the data's reliability.

3.8 Procedure of data collection

After approval of the proposal from Uganda Christian University, the researcher was given a letter of introduction to the selected SSBs in Bugujju, central division Mukono district. This aided in obtaining approval to carry out the study in these SSBs. After giving the respondents a letter of consent, the researcher distributed surveys. A deadline was set for the respondents to return the completed questionnaires. Upon the submission of the questionnaires, the data was collected, processed, edited, and arranged before being prepared in an understandable way for presentation.

3.9 Data analysis

The act of converting data into numerical codes, or "coding," allowed for the organization of the data in a way that made analysis easier (Mugenda & Mugenda, 1999). Questionnaire that were filled out were reviewed for accuracy, consistency, thoroughness, and completeness. The responses from the respondents were examined using the interview guide, which was used to record the connections between the questions posed and the responses provided. The researcher's conclusions about the previously stated hypothesis were aided by the data analysis. In order to enable the

researcher to properly characterize a distribution of scores or measurements, the data was summarized using descriptive analysis techniques including frequencies and measures of central tendency, which are accomplished through the use of SPSS. Descriptive tabulations, percentages, and frequencies were used to present the data before a thorough statistical analysis was conducted to ascertain how they related to one another.

3.10 Limitations of the study.

There was risk of lack of enough reliable data to this study. This is a result of some respondents' reluctance to provide information due to their concerns about the intended use of the data. This was resolved by the university providing an introductory letter and by its outstanding reputation as a learning environment.

Since the study was cross sectional in nature, this limited the researcher in terms of collecting enough data. This was because data had to be collected in a short period of time hence did not help to determine cause and effect relationship.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter presents and discusses the results of analysis that was done to look at the specific objectives of the study and in accordance with the reviewed literature. The findings are presented with the help of tables for purposes of clarity and interpretation.

4.1 Response rate

The response rate for this research was 96.3% which was high. According to Amin (2005) a high response rate also implies more accurate survey results.

Table 2: Response rate

	Frequency
Number of questionnaires distributed to respondents	80
Number of questionnaires received back from respondents	77
Number of questionnaires not received back from respondents	3

Source: *Primary data*

$$\text{Response rate} = \frac{\text{Received questionnaires}}{\text{Total questionnaires distributed}} * 100$$

$$\text{Response rate} = \frac{77}{80} * 100$$

$$\text{Response rate} = 96.3\%$$

Table 2 above is a summary of the response rate, indicating data was collected from a reasonable number of respondents, hence, the collected data and the findings are adequately indicative of the population, based on Creswell (2017) indication that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. Therefore, the response rate of 96.3% was excellent and sufficient enough. The research was

unable to receive 100% of the responses because some of the respondents were unwilling to participate in the study yet there wasn't much time left for report submission.

4.2 Background characteristics of respondents

The respondents' background information was considered necessary since it has a significant impact on their capacity to provide appropriate information on the study variables. The background information collected from respondents has been presented below categorized into; gender, age, education level, business and period spent operating the business in Bugujju, central division Mukono district.

4.2.1 Gender of the respondents

The table below summarizes the gender of the respondents who are SSB owners in Bugujju, central division Mukono district and below is an interpretation of the data in the table.

Table 3: Gender

	Frequency	Percent
Male	35	45.5
Female	42	54.5
Total	77	100.0

Source: *Primary data*

According to findings in table 3 above, the majority of respondents to the questionnaires were females represented by 54.5% and males represented by 45.5% and therefore, there were more female respondents than male respondents in this survey. This implies that most of the small-scale businesses in Bugujju, central division Mukono district are owned by female although men also represent a significant number.

4.2.2 Age of the respondents

The table below summarizes the age of the respondents who are SSB owners in Bugujju, central division Mukono district and the data in the table was interpreted below.

Table 4: Age

Age	Frequency	Percent
21-30 years	24	31.2
31-40 years	30	40
41-50 years	14	18.2
Above 50 years	09	10.6
Total	77	100.0

Source: *Primary data*

From the table above, majority of the respondents fell between the age group of 31-40 years represented by 40%. This implied that the respondents were of sound age, experienced and gave rightful information. This was followed by those who fell in the age group of 21-30 years represented by 31.2%, followed by those who fell in the age group of 41-50 years represented by 18.2%, whereas 10.6% were above 50 years.

4.2.3 Highest level of education of the respondents

The table below summarizes the highest level of education of the respondents who are SSB owners in Bugujju, central division Mukono district and the data in the table was interpreted below.

Table 5: Highest level of education

	Frequency	Percent
Primary	19	24.6
Secondary	27	35.1
Tertiary	26	33.8
Others	5	6.5
Total	77	100.0

Source: *Primary data*

According to table 5 above, majority of the respondents involved in the study have at least attained secondary level of education, represented by 35.1%, followed by those who have attained tertiary education represented by 33.8%, followed by those who have at least attained primary level of education represented by 24.6%, whereas 6.5% have no education background. This implies that the respondents were qualified enough to respond to the questionnaires since they have all attained education although questionnaire interpretation was done for those with no education.

4.2.4 Kind of businesses respondents operate in Bugujju, central division Mukono district.

The table below summarizes the kind of businesses the respondents who are SSB owners operate in Bugujju, central division Mukono district and the data in the table was interpreted below.

Table 6: Kind of businesses operated

	Frequency	Percent
Retail shops	36	46.8
Groceries owners	12	15.6
Hardware shops	14	18.2
Restaurant owners	15	19.4
Total	77	100

Source: *Primary data*

From table 6 above, the study showed that majority of respondents are operate retail shops represented by 46.8%, followed by those who operate restaurants represented by 19.4% then those who operate hardwares represented by also 18.2%, followed by those who operate groceries represented by 15.6%. This implies that information was gotten from respondents operating different businesses in the bid to get different views.

4.2.5 Period respondents have spent operating their businesses in Bugujju, central division Mukono district.

The table below summarizes the period respondents who are SSB owners have spent operating their businesses in Bugujju, central division Mukono district and the data in the table was interpreted below.

Table 7: Period spent operating the business

	Frequency	Percent
1-5 years	26	33.8
6-10 years	39	50.6
Above 10 years	12	15.6
Total	77	100.0

Source: *Primary data*

From table 7 above, the study found that majority of respondents, 50.6% have spent 6-10 years operating their respective businesses, followed 33.8% who have been operating their respective businesses for a period of 1-5 years, where those who have spent more than 10 years operating their respective businesses were the minority represented by 15.6%. The findings imply that the respondents have the necessary information about the topic under study since majority of them have spent reasonable time operating different businesses in Bugujju, central division Mukono district.

4.3 Contribution of inventory management practices on the financial performance of SSBs in Bugujju, central division Mukono District.

Table 7 summarizes respondents' responses on the contribution of inventory management practices on the financial performance of SSBs in Bugujju, central division Mukono district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 8: Contribution of inventory management practices on the financial performance of SSBs in Bugujju, central division Mukono district.

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq.	Freq.	Freq.	Freq.	Freq.

	(%)	(%)	(%)	(%)	(%)
Maintaining inventory records in my business which are updated regularly lead to improved business financial performance	14 18.2%	56 72.7%	2 2.6%	5 6.5%	00
Implementing a software to automate manual inventory planning and scheduling processes has improved efficiency in my business	8 10.4%	12 15.6%	00	57 74.0%	00
Involving all my business workers in the process of inventory planning and scheduling has enhanced profitability in my business	17 22.1%	50 64.9%	00	4 5.2%	6 7.8%
Conducting proper accounting and recording of inventory in my business has enhanced the business's profitability	13 16.9%	54 70.1%	00	10 13%	00
Proper determination of appropriate maximum and minimum inventory levels in my business has led to waste reduction in the business	25 32.5%	42 54.5%	00	10 13%	00
Inspect goods on receipt in my business has led to cost reduction in the business	18 23.4%	47 61%	4 5.2%	8 10.4%	00

Source: *Primary data*

Table 8 represents the descriptive statistics concerning the contribution of inventory management practices on the financial performance of SSBs in Bugujju, central division Mukono district. According to the study, 90.9% of the respondents agreed that maintaining inventory records business which are updated regularly lead to improved business financial performance, whereas 6.5% disagreed with the statement put across. The study illustrated that 26% of the respondents agreed that implementing a software to automate manual inventory planning and scheduling processes has improved efficiency their businesses whereas 74% disagreed with the statement put across.

The study established that 87% of the respondents agreed involving all business workers in the process of inventory planning and scheduling has enhanced profitability in my business whereas 13% disagreed with the statement put across. The study further noted that 87% of the respondents agreed that conducting proper accounting and recording of inventory in my business has enhanced the business's profitability whereas 13% disagreed with the statement put across.

Additionally, the study found out that 87% agreed that proper determination of appropriate maximum and minimum inventory levels in my business has led to waste reduction in the business whereas 13% disagreed with the statement. Finally, the findings established that 84.4% of the respondents agreed that inspect goods on receipt in my business has led to cost reduction in the business, 5.2% were not sure whereas 10.4% disagreed with the statement put forward.

Therefore, the findings of the study illustrated that the contribution of inventory management practices on the financial performance of SSBs in Bugujju, central division Mukono district are that inventory recording helps in maintaining inventory records which are updated regularly in business and also helps in comparing the money received with the total cash sales in the businesses which enhances business financial performance and profitability which were represented by 90.9% and 87% of the respondents who agreed respectively.

The findings relate with the literature by Bozarth, Handfield & Weiss (2008) who argued that accuracy and quickness in handling and replying to clients are guaranteed by an up-to-date records inventory. For instance, business personnel can locate and provide solutions fast when customers call in or have questions about inventory-related concerns. Customer service representatives can handle inquiries and process orders more quickly and effectively when they know which records are available and where to find them. This improves the organization's reputation with clients.

4.4 Inventory management practices of SSB in Bigujju, central division Mukono Distrcit.

Table 8 summarizes respondents' responses on the inventory management practices of SSB in Bugujju, central division Mukono district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree)

Table 9: Inventory management practices.

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
Inventories are always given attentions basing on their valuations (values)	21 27.3%	44 57.1%	00	12 15.6%	00
Inventories are delivered at the exact time they are needed	19 24.6%	47 61%	4 5.2%	4 5.2%	3 4%
Orders are placed before the current inventories are being used up.	13 16.9%	51 66.2%	7 9.1%	00	6 7.8%
Inventories are always delivered in the optimal quantity	18 23.4%	50 64.9%	4 5.2%	5 6.5%	0
The least value inventories are always provided low attention and under simple control	21 27.3%	41 53.2%	4 5.2%	11 14.3%	00

Source: *Primary data*

Table 9 represents the descriptive statistics concerning the inventory management practices of SSB in Bugujju, central division Mukono district. According to the study, 84.4% of the respondents agreed that inventories are always given attentions basing on their valuations (values) whereas 15.6% disagreed with the statement put across. The study illustrated that 85.6% of the respondents agreed that inventories are delivered at the exact time they are needed, 5.2% were not sure, whereas 9.2% disagreed with the statement put across.

The study established that 83.1% of the respondents agreed that they place orders before the current inventories are being used up, 9.1% were not sure, whereas 7.8% disagreed with the statement put across. The study further noted that 88.3% of the respondents agreed that inventories are always delivered in the optimal quantity, 5.2% were not sure, whereas 6.5% disagreed with the statement put across.

Finally, the findings established that 80.5% of the respondents agreed that the least value inventories are always provided low attention and under simple control, 5.2% were not sure whereas 14.3% of the respondents disagreed with the statement put forward.

4.5 Challenges associated with inventory management practices by SSB in Bugujju, central division Mukono district.

Table 9 summarizes respondents' responses on the challenges associated with inventory management practices by SSB in Bugujju, central division Mukono district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 10: Challenges associated with inventory management practices.

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
Predicting customer demand accurately is challenging, especially for products with seasonal variations or short product lifecycles.	15 19.5%	55 71.4%	2 2.6%	5 6.5%	00
Striking the right balance between having enough inventory to meet customer demand and avoiding overstocking (which ties up capital and space) or understocking (which can lead to stockouts and dissatisfied customers).	12 15.5%	57 74%	00	8 10.5%	00
Dependence on suppliers for timely supply especially when suppliers face their own operational issues, delays, or quality problems.	17 22.1%	50 64.9%	00	4 5.2%	6 7.8%
Products can become obsolete due to changes in customer preferences, technological advancements, or regulatory changes	4 5.2%	54 70.1%	00	19 24.7%	00
Mistakes in order processing, data entry, or inventory counting can lead to inaccuracies and inefficiencies in inventory management.	25 32.5%	42 54.5%	00	10 13%	00
Events like natural disasters, political issues, and pandemics can disrupt supply chains, leading to shortages or delays in inventory replenishment.	16 20.8%	50 64.9%	4 5.2%	7 9.1%	00

Source: *Primary data*

Table 10 represents the descriptive statistics concerning the challenges associated with inventory management practices by SSB in Bugujju, Mukono central division. According to the study, 90.9% of the respondents agreed that predicting customer demand accurately is challenging, especially for products with seasonal variations or short product lifecycles, 2.6% were not sure whereas 6.5% disagreed with the statement put forward. The study illustrated that 89.5% of the respondents agreed that striking the right balance between having enough inventory to meet customer demand and avoiding overstocking (which ties up capital and space) or understocking (which can lead to stockouts and dissatisfied customers), whereas 10.5% disagreed with the statement put across.

The study established that 87% of the respondents agreed that dependence on suppliers for timely supply especially when suppliers face their own operational issues, delays, or quality problems, whereas 7.8% disagreed with the statements put across. The study also noted that 75.3% of the respondents agreed that products can become obsolete due to changes in customer preferences, technological advancements, or regulatory changes, whereas 24.7% disagreed with the statement put across.

The study further noted that 87% of the respondents agreed that mistakes in order processing, data entry, or inventory counting can lead to inaccuracies and inefficiencies in inventory management., whereas 13% disagreed with the statement put across. Finally, the study findings revealed that 85.7% of the respondents agreed that events like natural disasters, political issues, and pandemics can disrupt supply chains, leading to shortages or delays in inventory replenishment, 5.2% were not sure, whereas 9.1% disagreed with the statement put across.

4.6 The strategies to overcome the challenges associated with inventory management in SSB in Bugujju, central division, Mukono District.

Table 10 summarizes respondents' responses on the strategies to overcome the challenges associated with inventory management of SSB in Bugujju, central division Mukono district by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 11: The strategies to overcome the challenges associated with inventory management.

Statements	Extent of agreement and disagreement
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	SA	A	NS	D	SD
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)
Implement an ABC analysis to categorize inventory items based on their importance.	15 19.5%	55 71.4%	2 2.6%	5 6.5%	00
Diversify your supplier base to reduce dependency on a single source. Establish strong relationships with reliable suppliers and set up contingency plans for unexpected disruptions.	14 18.2%	55 71.4%	00	8 10.4%	00
Use historical sales data, market trends, and demand forecasting tools to improve accuracy	20 26%	47 61%	00	4 5.2%	6 7.8%
Streamline your inventory management processes by implementing automation, such as barcode scanning and RFID technology	10 13%	20 26%	28 36.4%	19 24.6%	00

Source: *Primary data*

Table 11 represents the descriptive statistics concerning the strategies to overcome the challenges associated with inventory management of SSB in Bugujju, central division Mukono district. According to the study, 90.9% of the respondents agreed that implement an ABC analysis to categorize inventory items based on their importance, whereas 2.6% were not sure whereas 6.5% disagreed with the statement put forward. The study established that 89.6% of the respondents agreed diversify your supplier base to reduce dependency on a single source. Establish strong relationships with reliable suppliers and set up contingency plans for unexpected disruptions, whereas 10.4% of the disagreed with the statement put across.

The study illustrated that 87% of the respondents agreed to using historical sales data, market trends, and demand forecasting tools to improve accuracy, whereas 13% disagreed with the statements put across. Finally, the study also noted that 39% of the respondents agreed to streamline your inventory management processes by implementing automation, such as barcode scanning and RFID technology, 36.4% were not sure while 24.6% disagreed with the statement put across.

Therefore, the findings of the study illustrated that the strategies to overcome the challenges associated with inventory management practices are; implement an ABC analysis to categorize

inventory items based on their importance which was represented by 90.9%. However, the small-scale businesses in Bugujju should adopt to streamlining their inventory management processes by implementing automation, such as barcode scanning and RFID technology because only 39% agreed to it as a strategy, 36.4% were not sure and 24.6% disagreed. This indicated that these small-scale businesses are not informed about the technological advancements in inventory management.

CHAPTER FIVE

DISCUSSION AND SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of results that were presented in chapter four. It additionally related these findings with similar studies that were conducted elsewhere as revealed by different scholars. The chapter also provides conclusions and recommendations for further research.

5.1 Discussion of findings relating with existing literature.

The study established that inventory management practices contribute the financial performance of small-scale businesses through improved cash flows. Effective inventory management enables businesses to manage their cash flows better by reducing the need for upfront capital investments in inventory. (Bhattacharya et al., 2014). Another contribution is reduced inventory costs. This is by minimizing overstocking which can lead to waste reduction, unnecessary holding costs, storage costs and obsolesce (Kotler et al., 2009). This relates to the study which found out that 87% agreed that proper determination of appropriate maximum and minimum inventory levels in my business has led to waste reduction in the business.

The study also navigated through the inventory management practices such as the ABC Model. This inventory control strategy, according to Flores & C. (2012), is predicated on the idea that a relatively small number of items may come from a small fraction of the financial value of stores, while a small portion of the items may typically represent the majority of the value of money of the total inventory used in the production process. This is evident with the study, 90.9% of the respondents agreed that implement an ABC analysis to categorize inventory items based on their importance. The other inventory management practice is just-in-time model. The goal of the Just in Time inventory management strategy, according to Carison (2002), is to keep just enough inventory in the right location at the right time to create the appropriate amounts of inventory first. The study illustrated that 85.6% of the respondents agreed that inventories are delivered at the exact time they are needed.

5.2 Summary of Findings

The study revealed that inventory management practices contribute to the financial performance of small-scale businesses such as maintaining of inventory records which are regularly updated

lead to improved business financial performance which is represented by 90.9%. The other contributions of inventory management practices are improved efficiency, enhanced profitability, waste reduction and cost reduction.

Small scale business in Bugujju demonstrates strong focus and attention towards inventory basing on their valuation represented by 84.4%. However, there is room for improvement in optimizing inventory quantities and proactive order placement to prevent potential issues like excess inventory costs or stock outs. Additionally, standardizing practices for low-value inventories is advisable to ensure consistent inventory management practices the businesses.

Additionally, the study revealed that the challenges of inventory management practices are; predicting customer demand accurately is challenging, especially for products with seasonal variations or short product lifecycles represented by 90.9%. Balancing inventory levels to meet customer demand without overstocking or understocking is represented by 89.5%, Managing dependencies on suppliers is moderately challenging, affected by external factors like operational issues and delays. Coping with supply chain disruptions, caused by events like natural disasters and pandemics, is also challenging. Mistakes in order processing and inventory counting are highly challenging, with errors significantly impacting accuracy and efficiency, represented by 85.7%. These insights can help organizations prioritize and address their inventory management challenges more effectively.

Finally, several solutions have been proposed to address challenges in inventory management, each with its own level of effectiveness. These solutions include categorizing inventory items based on importance through ABC analysis, utilizing historical sales data, market trends, and demand forecasting tools for improved accuracy, diversifying supplier bases to reduce dependency on a single source while establishing strong supplier relationships and contingency plans, and implementing security measures like surveillance cameras, access controls, and inventory audits. However, these strategies actual impact varies significantly depending on individual business circumstances and practices, underscoring the importance of tailoring these approaches to meet specific inventory management needs and challenges.

5.3 Conclusions

From the study findings, it is concluded that the inventories are always given attentions basing on their valuations (values), high valued products are always given much attention under tight control,

the least value inventories are always provided low attention and under simple control, inventories are always delivered in the optimal quantity, orders are placed before the current inventories are being used up.

In addition, inventories are delivered exactly when they are needed; and good relationships with suppliers are always maintained so that the delays of inputs are minimized. These are the major inventory management practices used in small-scale businesses in Bugujju, Mukono central division. Maintaining accurate records and dealing with product obsolescence are the most challenging aspects of inventory management, while striking the right balance and predicting customer demand are moderately challenging. Mistakes in order processing and supplier dependencies are also significant challenges. These insights can help small-scale businesses prioritize and address their inventory management challenges more effectively.

5.4 Recommendations

Based on the findings and conclusion discussed above, the measures below are recommended in response to analyzing the effect of inventory management practices on the financial performance of small-scale businesses: a case study of SSBs in Bugujju, central division Mukono district.

The study recommends that owners of small-scale businesses in Bugujju and other businesses in different areas should install a computer program to handle inventory recording in order to prevent unintended mistakes. The key to maintaining constant improvement in turnover is to use effective inventory management techniques.

In this regard, the small-scale businesses should also ensure that they adopt to technological advancements in inventory management for example implementing automation, such as barcode scanning and RFID technology.

The study further recommends that adopting the FIFO (first in, first out) and LIFO (last in, first out) systems will help prevent record duplication brought about by pricing variances. This will guarantee that opening multiple cards for a single item due to price variance will not occur. Serial numbers should be applied to all receipts and issues and the duplicate copies be kept for future reference.

Additionally, the study recommends that for employing an appropriate coding system can make it easier for businesses to identify items in the stores. Letters, numbers, or a combination of the two

can be used for this. The system could be based upon the nature of the goods kept in stores or the reason for which the goods are bought.

More so, the study recommends that in order to reduce the risk of mismanagement and theft, small-scale businesses should setup and improve internal controls over their inventories and other financial resources. Among internal controls to be put in place are job segregation and regular inventory counts of received goods to cut down on theft and inventory mishandling.

The study further recommends that in order to motivate employees, it is necessary to introduce incentives such as wage increases and other non-cash rewards. This will reduce theft of inventory from the business and instill a sense of commitment in them, leading to effective resource management.

Finally, the study recommends that small-scale businesses owners should employ competent workers with expertise in inventory management. They should also train their workers on inventory management practices in place.

5.5 Areas for further research

Since this study examined the effect of inventory management practices on the financial performance of Small-Scale Businesses: a case study of Bugujju, central division Mukono district and was not conclusive, comparable studies should be conducted for comparison's sake. The study therefore offers the following areas for additional research;

The contribution of inventory management towards service delivery.

- The impact of record management towards effective inventory management.
- The impact of inventory management practices on local governments' financial performance.
- The impact of inventory control systems on an organization's financial performances.

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APPENDIX
QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERISTY

SCHOOL OF BUSINESS

I am Nakwang Marina a student of Uganda Christian University conducting a research study on “The effect of inventory management practices on the financial performance of small-scale businesses: a case study of SSB in Bugujju, Mukono district” as a requirement for the award of Bachelor’s degree in Business Administration of Uganda Christian University.

I am kindly requesting for your assistance in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SEC A: Demographic Data

Please tick (✓) in the appropriate box as the most agreed answer to the following statements.

1. Gender of the respondent.

Male

Female

2. Age group of the respondent.

21-30years

31-40years

41-50years

above 50years

3. Education level of the respondent

Primary level

Secondary level

Certificate level

Diploma level

Bachelor's level

Masters level

Others specify:

4. For how long you been operating this business?

Less than 1 year

1-5years

6-10years

Above 10years

SECTION B: Contribution of inventory management practices on the financial performance of SSBs in Bugujju, Mukono district.

In this section, use provided box to tick the relevant answer that describes your opinion using a scale of; **5=Strongly Agree, 4=Agree, 3= Not Sure, 2= Disagree and 1=Strongly disagree.**

Contribution of inventory management practices.	5	4	3	2	1
Maintaining inventory records in my business which are updated regularly lead to improved business financial performance					
Implementing a software to automate manual inventory planning and scheduling processes has improved efficiency in my business					
Involving all my business workers in the process of inventory planning and scheduling has enhanced profitability in my business					
Conducting proper accounting and recording of inventory in my business has enhanced the business's profitability					
Proper determination of appropriate maximum and minimum inventory levels in my business has led to waste reduction in the business					
Inspect goods on receipt in my business has led to cost reduction in the business					

Suggest any other contribution of inventory practices on the financial performance of SSBs in Bugujju, Mukono District apart from the above?

.....

SECTION C: Inventory management practices.

In this section, use provided box to tick the relevant answer that describes your opinion using a scale of; **5=Strongly Agree, 4=Agree, 3= Not Sure, 2= Disagree and 1=Strongly disagree.**

Inventory management practices	5	4	3	2	1
Inventories are always given attentions basing on their valuations (values)					
Inventories are delivered at the exact time they are needed					
Orders are placed before the current inventories are being used up.					
Inventories are always delivered in the optimal quantity					
The least value inventories are always provided low attention and under simple control					

Suggest any other inventory management practices of the SSBs in Bugujju, Mukono District apart from the above?

.....

SECTION D: Challenges associated with inventory management practices.

In this section, use provided box to tick the relevant answer that describes your opinion using a scale of; **5=Strongly Agree, 4=Agree, 3= Not Sure, 2= Disagree and 1=Strongly disagree.**

Challenges associated with inventory management practices	5	4	3	2	1
Predicting customer demand accurately is challenging, especially for products with seasonal variations or short product lifecycles.					

Striking the right balance between having enough inventory to meet customer demand and avoiding overstocking (which ties up capital and space) or understocking (which can lead to stockouts and dissatisfied customers).					
Dependence on suppliers for timely especially when suppliers face their own operational issues, delays, or quality problems.					
Products can become obsolete due to changes in customer preferences, technological advancements, or regulatory changes					
Mistakes in order processing, data entry, or inventory counting can lead to inaccuracies and inefficiencies in inventory management.					
Events like natural disasters, political issues, and pandemics can disrupt supply chains, leading to shortages or delays in inventory replenishment.					

Suggest any other challenges associated with inventory management practices on the SSBs in Bugujju, Mukono District apart from the above?

.....

.....

SECTION E: The strategies to overcome the challenges associated with inventory management.

Strategies to overcome the challenges associated with inventory management	5	4	3	2	1
Implement an ABC analysis to categorize inventory items based on their importance.					
Diversify your supplier base to reduce dependency on a single source. Establish strong relationships with reliable suppliers and set up contingency plans for unexpected disruptions.					
Use historical sales data, market trends, and demand forecasting tools to improve accuracy					

Streamline your inventory management processes by implementing automation, such as barcode scanning and RFID technology					
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Suggest any other strategies to overcome the challenges associated with inventory management practices of SSBs in Bugujju, Mukono District apart from the above?

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.....

Thank you so much for your cooperation.



**UGANDA CHRISTIAN
UNIVERSITY**

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SCHOOL OF BUSINESS

30th July, 2024

TO WHOM IT MAY CONCERN

Name: **NAKWANG MARINA**

Reg. No **S21B05/062**

A Bachelor's student who is seeking permission from your office to collect data for her dissertation titled

"INVENTORY MANAGEMENT PRACTICES ON THE FINANCIAL PERFORMANCE OF SMALL SCALE BUSINESSES, A CASE STUDY OF BUGUJJU, MUKONO CENTRAL DIVISION"

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

.....
Mukisa Simon Peter
Research coordinator

A Centre of Excellence in the Heart of Africa

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