WORKING CAPITAL DEPLETION IN SMALL AND MEDIUM ENTERPRISES IN UGANDA

A CASE OF SEGE ENTERPRISES LIMITED

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ABSTRACT:

The purpose of the study was to identify the causes of working capital depletion in SMEs in Uganda with specific reference to Sege Enterprises Limited. The objectives of the study were: to evaluate the cash management system used by Sege Enterprises, to examine the minimum/maximum inventory levels maintained by Sege Enterprises Ltd, to examine the payable/receivable policies of Sege Enterprises Ltd.

The study adopted a qualitative methodology using a non experimental research design specifically a case study. A purposive non-probability sampling design focusing on judgment method was used to attain the sample size containing top management and departmental heads of Sege Enterprises Ltd, on which the designed valid unstructured questionnaire as a survey tool was administered to.

The findings revealed that the causes of working capital depletion in SMEs in Uganda with specific reference to Sege Enterprises Limited were categorized to be: a cash management system lacking in nature with incompetent managers who did not plan for the cash asset, no policies in place to ensure that a cash balance is kept and a system which devoted much of the surplus to dividends and excessive investment in fixed assets; existence of a poor payables/receivables policy in place characterized with delayed payment and receipt of cash, limited trade credit received and offered, no basis for credit terms; lack of a technique to determine the maximum and minimum levels to be maintained in the enterprise in terms of its inventory to ensure that an optimal level of inventory maintained. The study recommended that manager get awareness as to the causes of working capital depletion in Sege Enterprise Ltd indicated in the analyzed results and thereby deal with them respectively such as employ
competent people to prepare cash flow projections and cash budgets to rectify the lacking cash management system, put in place an inventory management technique to cater minimum/maximum inventory level and to put in place a sound credit system to ensure award and receipt of credit services.