



QUALITY OF FINANCIAL INFORMATION, INVENTORY MANAGEMENT AND FINANCIAL PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES

ABSTRACT

This was aimed at establishing the relationship between quality of financial information, inventory management and financial performance of SMEs in Kampala. Despite the continuous production of financial information as required by SMEs as required by IRFS for SMEs (2010) and Accounting Regulations (1998), there has been misuse of resources and poor financial performance. The question would be whether quality of financial information, inventory management had any impact on the financial performance of SMEs in Kampala?

The researcher adopted a blend of cross-sectional and descriptive research designs and a stratified random sampling of SMEs in Kampala. A research questionnaire that addressed quality attributes of financial information was to test and inventory management for validity and reliability and this was administered to collect primary data. Secondary data on financial performance was collected from SMEs in Kampala.

It was discovered that there was no significant relationship between quality of financial information and a significant positive relationship between inventory management and financial performance in SMEs. The effect of quality of financial information, inventory management to

financial performance was examined by use of Ordinarily Least Squares (OLS) regression model. Overall, the model explains 11.3% of the variation in financial performance. The model indicates that inventory management was a significant predictor of financial performance in SMEs. The study recommends that SMEs' should put effort on effective inventory management in terms inventory planning; control and monitoring in order improve the financial performance of the enterprise.