CASH MANAGEMENT PRACTICES AND PERFORMANCE OF BUSINESSES IN UGANDA: A CASE STUDY OF NORTHERN DIVISION KASESE DISTRICT

BY

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF ECONOMICS AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AW ARD OF A DIPLOMA IN BUSINESS ADMINISTRATION AND MANAGEMENT
OF KABALE UNIVERSITY

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DECLARATION

I Mirembe Philip declare that this report titled "Cash management practices and performance of businesses in Uganda. A case study of Northern division" is my original work and has not been presented in any other institutions or college for examination or Academic purposes.

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APPROVAL

This research report titled "Cash management practices and the performance of businesses 111 Uganda: A case study of Northern division in Kasese district Kasese district" has been submitted **for** examination with my approval as university supervisor.

Signature……………..Date: 09/11/22

MR. AHAB WA EDWARD

SUPERVISOR

LIST OF ABBREVIATIONS

CAPM	Capital Asset Priced Model
CCC	Cash Conversion Cycle International
IFC	Finance Corporation
MFI	Micro Finance Institution
MMS	Mobile Money services
NGO	Non-Governmental Organization
NTC	New To Credit
SSA	Sub-Saharan Africa

DEDICATION

The research is dedicated to my dear parents and other family members

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This has **been an** exciting and instructive study period at Kabale University and I feel privileged to **have had the** opportunity to carry out this study as a demonstration of knowledge gained during **he period** studying for my bachelor's degree.

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ABSTRACT

The study was **about** the role of cash management and performance of businesses in Uganda: A case study of Northern division Kasese Municipality, Kasese district. The study was guided by bjectives namely; to analyze the factors affecting cash management in businesses in Kasese district to identify the challenges facing businesses in Kasese district, and to find out the effect **of** cash management on financial performance of businesses in Kasese district. The study sampled 65 respondents out of 80 as the target population. Descriptive design was used in the study. The researcher used both Primary and secondary data. Secondary data was collected from the businesses financial statements and policies. Literature was reviewed using secondary data sources including other reports, journals, businesses' financial reports, businesses Act, businesses supervision annual report, internet, research projects and information from the university library. The study also found that cash management increases flexibility and competitive advantage of a businesses, enabling the businesses to take cash discounts was identified to have played a very big role as in effects of cash management on financial performance of businesses. Cash management helps the businesses to survive in uncertain businesses environment, cash management influences the forecasting the financial performance of businesses in Kasese district. The study also reveals that lack of awareness and poor as among the challenges facing businesses in the field of their operation within Kasese district and beyond, lack of finance by members that should be helping them to save more, poor member participation also hinders proper performance of businesses in Kasese district, high transaction costs which affects the members. The study concludes that Cash management is very critical as a liquidity management tool in businesses in Kasese district. The management need to ensure there are adequate internal cash management controls to ensure that there is optimal cash, strategies are in place during minimal cash and surplus cash since either of the side will contribute to liquidity risks to the institution. The study recommends that management should put tighter internal controls system for cash management. Also the study recommendation on businesses members to have a graduated increase on their deposit on annual basis to enhance cash flow for the better service of loan services. More research should be conducted on the dividend policy of businesses since for the last five years, it did not affect businesses profitability.

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CHAPTER ONE

INTRODUCTION

1.I Introduction

This chapter presented the background of the study, the statement of problem, purpose of the **study.** objectives of the study, research questions, scope of the study, significance of the study, cl definition of operational terms.

1.2 Background of the study

Globally, organizations have strict cash management controls to monitor its inflows and outflows while retaining a sufficient amount in order to take advantage of attractive investments or handle unforeseen liabilities. Efficient management of cash prevents loss of money due to theft or error **in** processing transactions. Numerous best practices are adopted to enhance management of company's funds. This involves shortening of cash collection periods, regular follow ups for collections, negotiation of favorable terms with suppliers allowing delay in payment periods, and preparation of cash flow forecasts. Businesses also use of technology to speed up cash collection process. That is why strategic cash management and enhanced visibility for making faster. smarter business decisions is vital to success, (Ehrhardt, & Brigham, 2016).

Cash management has attracted increasing attention among both academics and practitioners during the last decades. The term cash management has been defined in different ways by different scholars. Barrett (1999) cash management as the series of processes used by an organization to obtain the maximum benefit from its flow of cash funds, Sound cash management involves better timing of expenditure decisions, earlier collection and banking of revenue, and more accurate forecasts of cash flows.

Positive cash flow is the lifeblood of small and medium enterprises (SMEs) critical to sustaining and growing the business. To run a successful business requires effective management of resources which include all or some of the following: people, equipment, property, cash, brand, product(s), service(s), and inventory. Of all these resources cash is probably the most important. With sufficient cash, a business has the ability to buy any other resources in which it may be

=fient (Agbeja & Afolabi, 2016). Whether the purchase of that resource is worthwhile at the e **required** is another matter, but the purchase can still be made.

_....:J! **the** resources other than cash have a value to a business that is dependent on their **availability,** utilization, market demand, and the prevailing economic climate. It is cash and only **cash** that maintains a constant value (though with changing purchasing power during economic instability i.e. inflation and deflation) and can easily be turned into other assets or resources. But **cash** flow management goes beyond keeping track of how much money goes into and out of the business. By taking a more strategic approach, companies can free up cash flow so that they can invest in new products and markets, pay down debt, and finance other strategic initiatives.

In Africa, during the first part of this century, the continent has experienced significant economic growth and this is widely expected to continue for the foreseeable future. For example, pan Africa GDP growth in 2014 is expected to be 4.8% and as much as 5%-6% in 2015. This growth is fuelled by a number of factors including an increasingly educated population which is expected to exceed 2 billion by 2050, collective GDP of USD 2.4 billion and consumer spending of USD l .4 trillion, both forecast by 2020. Therefore, there are additional risks associated with cash management compared with some other regions across the world. Political and economic stability on the African continent has improved substantially over time and the risk of international corporations being unable to remit funds out of Africa has reduced. However, there is still a requirement to comply with local regulations, so this risk has not been eliminated. Any subsequent regulatory changes may alter the rules governing such transfers and treasurers need to consider this risk when putting any structure in place, (Enow and Brijlal, 2014).

Uwonda, et al, (2013), Cash management decision is one of the most important decisions in an organization because of the scarcity of financial resources of many institutions and for different objectives. It's the center for organizations operational process in order for it to achieve its objectives. Cash management involves cash planning, managing the cash flows, setting the optimum cash level from time to time and investing surplus cash. Businesses are required to maintain a balance between liquidity and profitability while conducting day to day operations. Liquidity is a precondition to ensure that firms are able to meet their short-term obligations as they fall due and at the same time ensuring that profitability is maintained. Companies need a

.**reserve in** order to balance short term cash inflows and outflows since these are not ctly **matched.** Cash management directly affects liquidity and profitability (Reheman & **Nasr. 2007).**

-irangu, (2017). effective cash management does not only increase chances of survival of a tsiness, it also helps to attract investors who can fund its expansion as that is the first thing estors look for when evaluating a business and its cash flow which in turn reflects cash management practices. Cash needs to be efficiently managed and allocated to meet routine

usiness objectives. The gap between cash expenses and cash collection enhances liquidity position, profitability leading to overall business growth over a period of time. The management of cash focuses at ensuring adequate cash is maintained by the business entities and any surplus **.s put** into the correct use .

According to Abu, (2005), Business entities have the duty of ensuring that the entities do not overuse overdrafts as a means of finance. When business entities over apply for overdraft facility, they can make high returns but still struggle with maintaining adequate cash flows due to seasonal business and delay from the length of credit given. Cash is an important current asset for the operations of business. It's the basic input needed to keep the business running on a continuous basis.

Olowe, (2018), no business operation is isolative of cash management. Cash is regarded as the most important current asset for the operation of business. Cash is the basic input required to keep the business running on a continuous basis and it is also the ultimate output expected to be realized by selling the services or products manufactured by the firm (Pandey, 20 I 0). Cash management is imperative in every business organization as cash is said to be the life blood of any business (Chartered Institute of Management Accountant, 2002). The essence of cash management is to ensure positive cash flow for smooth business operation. Cash management has been professionalized because of the importance of managing corporate cash

Basically, the process of managing cash today has been significantly influenced by the growing developments in the business world over the years. These developments include; the change in the corporate banking relationship from buyer's to a seller's market, the globalization of the world business which includes the creation of the economic monetary union in Europe with its e **currency and** the proposed adoption of a single currency in the west region of Aria. the emphasis on new treasury structures to better manage resources on a worldwide the developing interest in e-commerce for business-to-business transactions which changes data **and** funds flow greatly reduces working capital cycle time; the emergence of the "new my .. with its orientation to information and cash, driving finance into every area of a pany. Based on all these developments, effective cash management has become fundamental business survival and success.

_ ever, for the sake of simplicity, cash management centres on how a firm manages its cash -, .. - cycle or operating cycles as this defines the timing of cash inflows and cash outflows. The partern of the cash and operating cycles varies per industry but in a general term, the pattern involves the provision of cash as capital for firm's initial outlay, the procurement of raw material in manufacturing companies and finished goods in marketing companies, distribution **of** the finished goods to obtain immediate cash or create debtors when goods are sold on credit **term** (Akinyomi, 2014).

Pandey, (20 l 0), Says that one of the problems faced by finance managers in managing cash is determination of appropriate source of fund for the company either to be used as the initial or working capital. Other challenges are identification of right investment opportunity for idle funds, non-cash planning, and determination of the optimal level of cash to be maintained by the company. Most managers are faced with the challenge of achieving a desired trade-off between liquidity and profitability in maximizing the value of the firm. He therefore warned that too much focus on profitability may cause asset liability mis-match resulting in increased profitability in the short run at a risk of insolvency. However, is of the opinion that finding a tradeoff between sufficient and insufficient cash to be held has been a major problem faced by many organizations, while Olowe (2018) advised that cash must be obtained from appropriate source in order to avoid the problem of fund mismatch in investment decisions (Kasim, M utula, Antwi .2015).

In Uganda as companies struggle for competitive advantages amid increasingly fierce competition, effective management of working capital is sometimes overlooked as a critical success factor. Every shilling unnecessarily locked up in working capital weighs down er rance Once unlocked, however, these shillings are freed up for investment and value SON **for** shareholders. Sound cash management strategies can be the difference between suess **and** failure for a growing business. The emerging company may have a limited track i **often** making outside funds scarce and expensive. With aggressive management of the **puny's** working capital components, capital may be accumulated, reducing reliance on **side** funds and increasing profitability. By measuring cash flow, businesses can implement ~ **co** maximize inventory turns, accelerate accounts receivable collections and optimize **ables,** essentially allowing you to focus on collecting cash faster and parting with it more „ **?y.** Uganda Investment Authority (2011).

Available evidence shows that the performance of business in Kasese district has remained very ismal, hence the present state of underdevelopment (Jane, 2019). The dismal performance of businesses and agencies of government is very obvious in this regard due to management practices of the agencies (John, 2018). People in Kasese are demanding more and better services **and** their demands are not being met. by all indications on the basis of the businesses. In effect, **this** has slowed the process of socio-economic, growth and development of Kasese district. The exposition of the explanations was the main thrust in this study.

1.3 Statement of the problem

In Uganda, small businesses cannot be the platform for growth and development if they are not profitable and sustainable. One possible reason for this prevalence is that small business owners are not equipped to identify the problem areas within their businesses due to the lack of necessary skills and tools to increase profitability and sustainability. Likewise, many small businesses owners do not perform many cash management practices simply because they feel they are not necessary and are very time consuming (Debt, 2005) yet in a developing country like Uganda; cash management is the lifeline of every small business. Cheatham, Dunn and Carole (1989: 1-2) indicated that one of the most dangerous misconceptions is the common belief among entrepreneurs that adequate profits will automatically result in an adequate cash flow. The lack of cash management knowledge and skills prevent small business owners to adequately manage their cash flow. Over 4 7% of the small retail businesses still operated after four years (Jackline, 2014). The major causes for their failure and 46% indicated that the major cause was business owner incompetence. Accordingly, (Festus, 2011) observed that poor gement practices constraints business operations and some customers who are not satisfied

the services ran away signifying poor performance and hence retards the business growth. tie sever inadequate cash management has led to slow rate in making orders, delivery of services timely due to delayed payment of suppliers. These inadequate or improper cash management ocedures were some of the major challenges. Therefore reference to small scale traders in

ns like Kasese, the specific pitfalls are poor collection and control of debtors' payments, no inowledge of pricing, lack of planning and budgeting, no knowledge of financing and no experience in record keeping hence in the city small business owners are not performing the basic cash management practices in their businesses largely due a lack of knowledge and skills to perform the task. These therefore compelled the researcher to study the role of cash management practices on the performance of businesses in Northern division Kasese District.

IA Objectives of the study

1.4.1 General objective

The study aimed to establish the role of cash management practices on the performance of businesses in Kasese District.

1.4.2 Specific objectives of the study

i. To analyze the factors affecting cash management in businesses in Kasese district.

ii. To find out the effect of cash management on financial performance of businesses in Kasese district

iii. To identify the challenges facing businesses in Kasese district

1.5 Research questions

i. What are the factors affecting cash management in in businesses in Kasese district?

ii. What are the effects of cash management on financial performance of in businesses in Kasese district?

iii. What are the challenges facing businesses in Kasese district?

1.6 Scope of the study

1.6.1 Content scope

The study focused on the role of cash management practices as the independent variable and performance of businesses in Kasese district as the dependent variable. Therefore, the study ssed on the roles of cash management, factors affecting cash management and the challenges ing businesses in Uganda.

1.6.2 Geographical scope

The study was carried out in Kasese municipality whereby the study concentrated on businesses Northern Division in Kasese municipality, Kasese district.

1.6.3 Time scope

The study focused on the information of ten years from 2010 to 2020 in order to bring out a clear situation relating to cash management and the performance of businesses. This period was considered in this study because it is within this period, that the researcher observed new methods of cash management in Kasese district.

1.7 Significance of the study

The study will help the businesses because they can use the findings to know the importance of cash management has on the performance of businesses.

The findings of this study will assist the Businesses in Uganda to identify the challenges facing the businesses and also evaluate the ways to overcome such challenges.

The study will also contribute to the body of knowledge and to additional information in the financial institutions sector. Scholars will use the study for reference and research based on findings of study.

Thus, the study will bring out the differences arising from different environmental and organizational factors unique to the financial performance of Businesses.

1.8 Definition of operational terms

Performance: According to Fitzgerald (2011), performance entails effectiveness which refers to the firm's ability to produce and serve what the market requires at particular time and efficiency which means meeting the objectives at the lowest possible cost with the highest possible benefit.

Cash is a legal tender-currency or coins-that can be used to exchange goods, debts, or services. Sometimes it also includes the value of assets that can be easily converted into cash immediately as reported by a company.

Management: The organisation and coordination of the activities of a business in order to _ ~ cefined objectives. Management is often included as a factor of production along with Machines. materials, and money. According to the management Guru peter Drucker, (1909-
- 2)

cording to Oima, (2018) defined **cash management** as a financial discipline that adopts the same **princi**ples, regardless of the type of business size or age of the enterprise.

Small scale business enterprises: These refer to enterprises which employee more than five **people.** This range of members can exceed more than 50 members depending on the capital a usiness entrepreneur owns in his enterprise.

1.9 Conceptual framework

Independent variable

Jlanagement Practices

- Planning
- Budgeting, and monitoring
- Decision making
- Communication
- Forecasting

Dependent variable

Performance of Business

- Sustainability
- Quality products
- Maintaining of customers
- Expansion

Intervening variable

- Inflation
- Capital
- Government policy

Source: Adopted from Peter, (2005) and developed by the researcher 2022

This study has been conceived around the assumptions that management practices has affected the rate of business performance through practices such as planning, budgeting, and monitoring, decision making, communication, and forecasting. Thus, the dependent variables that are business performance is indicated by sustainability, quality products, maintaining of customers,

-=X,,..."'-" '-'**on. However,** the situation may be influenced by the inflation rate, capital of the sues **or by the** government policy on businesses.

CHAPTER TWO

LITERATURE REVIEW

2M Introduction

This **chapter** involved a structured process meant to identify, locate and analyze documents **raining** relevant information associated with the research problem under investigation. This _ :?cd in synthesizing, organizing and summarizing ideas presented inform of literature or **secondary** information.

21 Effects of cash management on financial performance of businesses in Uganda

Cash management Njeru, Waswa, Mukras, & Oima, (2018) defined Cash management as a financial discipline that adopts the same principles, regardless of the type of business, size or age

f an enterprise. Cash management would focus on building a sustainable cash flow by forecasting receipts and payments in order to establish the lines to funding with banks and thus managing day-to-day operations of business to minimize the amount of cash required to achieve sustainable business growth. Cash management is necessary to avoid mismatches between the riming of payments and availability of cash. Many business firms have maintained large cash reserves and liquidity positions within their investment portfolios in an effort to partially accommodate unforeseen expenditures. Drexler, Fischer and Schaar, (2014) observed that both individuals and business owners are usually confronted with difficult financial decisions in many aspects of life, be it in their personal finances or as business owners.

Akinyomi, (2014) observed that success of any business venture is predicted on how management plans and controls cash flows. Horne and Wachowitz, (2012), noted that cash management is very vital for production firms whose assets are mostly composed of current assets. Cash is a vital component of any business and require effective management because even profitable businesses can go bankrupt when they fail to manage their cash effectively, particularly if they operate in rapid-growth or seasonal industries BDBC, (2014)

Kasim, Mutula & Antwi, (2015) observed that cash management practices have an influence on the financial performance of Small medium enterprises and thus there is need for finance managers to embrace efficient cash management practices as a strategy to improve their financial rnance and sun-ival in the uncertain business environment. Charitou, Elfani& Lois, (2010) tsenved that efficient utilization of the firm's resources, through working capital management, -5 managers finding effective and efficient ways to deal with the available cash for the day -day operations.

Nbwanga. Ojera., Lumumba, Odondo & Otieno, (2012) asserts, efficient cash management lves the determination of the optimal cash to hold by considering the trade-off between the rtunity costs of holding too much and trading cost of holding too little. Cash management principles states that finance managers should accelerate cash inflow and delay cash out flow, however both positions have associated costs. Once cash inflows are accelerated, the cost of cash management and collection will most likely reduce while profitability will be enhanced, however :;:e reduction of the credit period might negatively affect sales which most likely reduce sales revenue and profits. Akiyomi, (2014) noted that delaying cash outflows may result in ethical and reputational issues and cost.

Kaketo, (2017) observed that management and finance team need to enforce adherence to cash policy put in place to guide and control cash management. Murkor, Muturi & Oluoch. (2018) observed that finance managers should come up with a compulsory cash flow policies to enable the organization come up with clear policies for cash flow management including the investment of surplus funds if need arise. Liman & Aminatu, (2018) noted that institutions should set a policy so as to keep bankruptcy cost at a lower level and also management efficiency is required in managing costs, increasing efficiency and financial performance. Gyebi & Quain, (2013) observed that effective cash management increases the flexibility and competitive advantage of a business in dealing with emergency situations or taking advantage of opportunities as they arise, at a short notice.

Similarly, Uwonda, Okello & Okello, (2013), observed that Cash management enables a business to take advantage of cash discount and avoid costly sources of finance when raising funds. Companies in the world market must be able to generate sufficient cash to meet immediate obligations and therefore continue to operate Kasim, Mutula & Antwi, (2015). Wealth and growth in today's world economy is primarily driven by optimal cash management practices.

_ ~ i>e noted that business enterprises can influence their business cash flows by simply en_rhening the bills payment period, shortening the debtor's collection period and suspending zurchase **of** inventory.

22Factors affecting cash management in Businesses in Uganda

According to Pandey (2010), there is need for proper management of cash, since it is e most important current asset for the operation of business. The firm should keep

ficient cash. neither more or less. Cash shortage will disrupt the firms operations, while **excessive** cash will simply remain idle, without contributing anything towards the firm's profitability. He suggested the following as facets of cash management; Cash planning, managing cash flows, Optimum cash levels, and Investing surplus cash.

2.2.1 Cash Planning and Budgeting: Cash planning is a technique to plan for and control **the** use of cash. It protects the financial conditions of the firm by developing a projected **cash** statement from a forecast of expected cash inflows and outflows for a given period. Thus, cash planning helps to anticipate future cash flows and needs of the firm thereby reducing **the** possibility of idle cash (which lowers firms profitability) and cash deficit (which can cause firm's failure). According to Udojung, (2010), Cash planning is not a science but rather an ongoing, iterative process that involves many parts of the organization. It can be done on daily, weekly, or monthly basis. The period and frequency of cash planning depends on the size of the firm and the philosophy of management.

Baumol (20 I 2), defined cash budget as a summary statement of the firm's expected cash inflows and outflow over a projected period of time. While Igbinosun (2002) also referred to Cash budget as a financial statement that mirrors cash flows of an organisation incorporating the timing of such cash flows. Cash budget gives information on the timing and magnitude of expected cash flows and cash balances over the projected period. This helps to determine the future cash needs of the firm, plan for the financing of its asset needs and exercise control over the cash and liquidity of the firm. Cash forecast are however needed to prepare cash budgets.

2.2.2 Managing Cash flows: Once cash budget has been approved, and appropriate net cash flow established, the financial manager should ensure that there does not exist a s.-,ant deviation between projected cash flows and actual cash flows. To achieve this, there -= e IO be proper control of cash collections and disbursements. According to Pandey **Cash** management in the modern corporation involves two simple rules: Speed up ~ **roUection** (Cash Inflow) - minimize collection float, Slow down cash disbursement (Cash **flow)-** maximize disbursement float.

._._..::ek . (2013), Cash collections and reduce collection time; lock boxes, concentration tanking and electronic fund transfer are techniques majorly used. Lock Boxes - Allmanard. (2003) explained World War when banks identified a business opportunity 111 managing the collection of float for companies. This technique was developed to reduce involvement of corporate clients in the handling of incoming cheques. It requires mpany to organize different receipts of cash centers where they have their customers through lock up boxes at different post offices nearer to the customers. This is a special post ffice boxes set up to intercept and speed up account receivable collection.

Pandey (2010) proposed that firms should make use of credit terms to the fullest extent as there Is no advantage in paying sooner than agreed. He however warned that, although delaying disbursement results in maximum availability of fund, firms that delay in making payment may endanger their credit standing. Thus a firm should pay within the terms offered by supplier.

2.2.3 Determining the target cash balance

According to Pandey (2010) one of the primary responsibilities of a financial manager is to maintain a sound liquidity of the firm so that dues may be settled in time. He should be able to determine the appropriate amount of cash balance to be held by the company. Such a decision is influenced by a trade off between risk and returns. Gallagher (2000) opined that cash management involves a trade-off between the need for liquidity and desire for profitability.

The more cash a firm holds, the more liquid it becomes, however piling up funds to sustain liquidity will prevent fund from being invested in long term, high return producing assets.

The trade off between benefits and cost of liquidity is one essential part of cash management If the firm maintains a small balance, its liquidity position becomes weak and it will suffers paucity of cash to make payments. It may have to sell marketable securities, if available, or borrow and this involves transaction cost. On the other hand, if the firms maintains a higher level of cash balance, it will have a sound liquidity position, but forego the opportunity to earn interest .the potential interest lost on holding large cash balance involves an opportunity cost to the firm. Thus, the firm should maintain an optimum cash balance, neither a small nor a large cash balance.

2.2.4 Investing Idle Cash: Companies may have surplus or idle fund. Surplus fund are those that may not be required for immediate use. Pandey (2010) described surplus cash as excess amount of cash held by firm to meet its variable cash requirement and future contingencies and advised that such money should be temporarily invested in marketable securities. Once the firm has determined the optimal cash balance, the residual asset (surplus cash) should not be left idle. It should be properly invested to earn profit for the company. It can be invested in short term investments, marketable securities or government securities like treasury bills, commercial papers. Berk, (2011) also advised that once a firm need to hold cash is reduced, funds should be invested in short term investment securities.

According to Marsh (2009), the objective of investment of short-term surplus cash is to ensure security, maintain liquidity and maximize interest or return. He further stated that the purpose of investing surplus cash is to retain security and required liquidity at a good rate of interest. However, Allman-Ward and James (2003) noted that the cash manager has three objectives when investing funds in short term instruments, which are; retaining value, raising cash quickly and realizing income.

2.3 Challenges faced by Businesses in Uganda

Tesfamariam, (2011), Lack of awareness and poor saving culture, weak governance, policy and regulatory environment, weak institutional capacity, low capital base, and inappropriate loan security requirements were among the challenges affecting the outreach and sustainability of Businesses.

Internally, Businesses face poor members' participation and the severe shortage of capital misuse by selected committees, misappropriation by leaders, poor administrative skills, and irresponsible lending to members, and limited access to banking services too long periods between audits (UN, 2011).

Spielman (2008), The challenges that Businesses face in their development are immense such as tension exists between the growing roles & responsibilities of cooperatives in Ethiopia's economy, weak exploitation of the existing human resource, general changes in Ethiopia's wider socio-economic conditions, the efforts to promote cooperatives as an inclusive solution to realizing financial opportunities, and the limits on inclusiveness posed by the actual design and function of cooperatives.

Mahmud, (2008), Members' participation is the determinant factor for the sustainable growth of cooperatives. If no active member participation, there are no successful Businesses. 78. 7% of the members became a member in cooperatives forcefully by cooperative promoters. As a result, the members' were not aware of the benefits, duties, and rights they have in the cooperative societies; largely the participation of members was weak

According to Ethiopian Federal Cooperative Agency (2014), non-existence of a clear cooperative law and policy package, lack of adequate capacity to lead and manage cooperatives, poor member participation, and lack of finance are the main challenges of Ethiopian cooperatives. Cooperatives are built by the active participation of the members. Most of the above researchers found the members' participation were poor.

Dusuki, (2008), the cooperative movement in the country faced a number of problems in the different economic systems of the country. Most of the cooperatives don't have professional managers due to two reasons. The viability of the cooperative is not always ensured due to low organization, technical supports and follows up by the concerned bodies. The ever changing structure of the cooperative bodies at federal, regional and Woreda level highly affected the smooth development of cooperative societies in the country.

Veerakumaran (2007), Lack of long term credit hinders the investment of cooperatives in different projects that would have economic benefit to members. The members' economic and

/or financial power to strengthen their cooperative society is very weak. So cooperatives are suffering in shortage of capital. The infrastructure problem (road, transportation, bank, etc) in the rural Ethiopia hinders the provision of inputs, consumer goods and marketing of members produce by cooperative societies to member patrons.

Mugera, (2018), Lack of timely, accurate and reliable market information adds to the problem. To conclude, the government of Ethiopia had already paved the way for better cooperative development in the country through creating legal basis and expansion of human resource development at higher institution level .Therefore. it is high time to the cooperative bureaus, cooperative experts, higher institutions, and cooperative staff to maximize the existing policy environment to the advantage of cooperative development so that members will benefit from it and cooperatives can contribute to the social and economic development of the nation (Veerakumaran, 2007). Even though ample studies have been conducted regarding to the challenges and prospects of other financial institutions, many studies have not been conducted regarding to the challenges of Businesses.

Pigou, (2010), both financial institutions and poor clients face high transaction costs due to asymmetric information problems which naturally appear in the financial transactions. These costs related to searching, monitoring and enforcement costs which are directly related to the information problems inherent in the rural financial markets. The uncertainty regarding the ability of borrowers to meet future loan obligations, inability to monitor the use of funds and demand for small sum of loans by the rural households further reinforces the higher units of transaction costs, which is characterized by fixed costs

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter comprised the study design, target population, sample design and size, data collection methods, data collection instruments and procedure.

3.2 Research design

The study used a descriptive research design. According to Cooper and Schindler (2003) a descriptive study describes the existing conditions and attitudes through observation and interpretation techniques. The study therefore was able to generalize the findings to all businesses in Uganda. The researcher employed both quantitative and qualitative research approaches.

3.3 Target Population

The population of the study included the employees and management or administrators of businesses in Kasese district. The division has over 200 businesses (Division report on license, 2020), this was used as the target population.

3.4 Sample size

Table 3.4. l shows the category of respondents

Category	**Population**	**Sample size**	**Sampling technique**
Employees	200	132	Simple random sampling
Owners	17	14	Purposive sampling
Production secretary	01	01	Purposive sampling
Total	**218**	**147**	

Source: Krejcie & Morgan, (1970)

3.5 Sampling procedure

The simple random sampling and purposive procedure was used by the researcher to select the sample while in the field. The researcher used purposive sampling. In this method, the researcher targeted specific employees in administration section. Such employees are those who work with the businesses. Such employees are believed to be knowledgeable about the role of cash management practices on performance business. With simple random sampling, the researcher applied this method to lower employees or operators because of their large in number. Purposive sampling was used to select the 14 owners from the businesses. This was done by writing down the name and the number of each employee on a piece of paper. The paper then was folded and put in a box that contains the category of employees. When the process is complete, an employee was randomly selected by picking a paper from the box. The names of the employee were noted down and the paper returned. The papers were thoroughly being mixed after each process of picking an employee. This process was repeated until the required number of 62 was selected from the box of employees. Random sampling is advantageous because it is free from bias.

3.6 Data sources

The study used both primary and secondary data. Primary data was directly from respondents in the field whereas secondary data is getting the information from the existing abstracts, novels, newspapers and other reading materials.

3.7 Data collection methods

3.7.1 Interview method

Face to face interviews was to owners who was not be in position to use the questionnaire and have time to meet the researcher. This was designed in a way that more specific and truthful answers are got. These were help to capture information as per the stated objectives. The method to be used was an interview guide to capture the respondents' views. This method is preferred because of its flexibility and ability to provide new ideas on the subject (Kothri, 1990).

3.7.2 Questionnaire method

This is an important method of data collection. Judd (1991) said that a questionnaire is justifiable in data collection mainly because; it enables the researcher to collect large amount of data within a short time period, it also provides opportunity for respondents to give frank, anonymous answers. One set of questionnaire was designed for members; it included both open and closed ended set of questions that to be answered. The questionnaire was written in a simple and clear language.

3.8 Data collection tools

The study used two categories of research instruments; self-constructed and self- administered questionnaire and an interview guide. Both open and close-ended questions were designed for each category of respondent

3.8.1 Questionnaire

These were self- administered to employees to find out their opinions and attitudes towards the roles of cash management practices and performance of Businesses. The questions were designed in the way of both open and closed in nature. The questionnaire tool was preferred because it is a time saving tool.

3.8.2 Interview guide

An unstructured interview schedule contained open-ended questions which were used as a guide to obtain qualitative data from employees. The interview guide was used because they have a high completion rate compared to other methods. Interviews were also guaranteeing an immediate feedback.

3.9 Data analysis and presentation

Data from the field was sorted, coded and entered in frequency tables.

3.10 Data Reliability and Validity

Reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials (Allen & Yen, 1979). The results were numbered as the questionnaires are sent out and then grouped into two groups to measure the score for each group. From the two groups, the results were evaluated for internal consistency. Due to time constraints while undertaking the study it was difficult to repeat the questionnaires to determine repeatability of the study, however, some of the questions in the questionnaires were repeated with slight changes in the wording to evaluate the repeatability of the study.

Validity is defined as the extent to which the instrument measures what it purports to measure (Allen & Yen, 1979). For example test that is used to screen for a job is valid if its scores are directly related to future job performance. Content validity pertains to the degree which the instrument fully assesses or measure the construct of interest.

3.11 Limitations of the Study

This study was confined to the use of secondary data which raises reliability issues of the data used. Relying on the secondary data means that any error in the source was also reflected in the research, that is, errors and assumptions not disclosed in the source documents was also reoccur in the research.

The research was also were conducted over a short period of time. Data collection was limited and verification of the collected data being nearly impossible, since the reliability of the data depended on the source. The Businesses were licensed recently and therefore getting data was quite difficult from them since they are still coming up in business and for the years of study they was not there.

The researchers only assumed credit policy of the regulatory authority in coming up with the findings. Credit standards, credit terms and conditions and collection efforts are affected by other external factors which need to be looked into in details. Taking into consideration that credit policy is what affects financial performance of businesses; minimally coming up with the findings might lead to a weak model.

Businesses need to engage in significant capacity building in different levels.- Board. staffs and members so as to enable compliance and safeguard members deposits. It is very important for businesses to have staff and board members who have necessary skills to implement, interpret and manage businesses and compliance. There was need to recruit staff with necessary skills and develop staffs, board members and members to efficiently run businesses transformation

CHAPTER FOUR

DAT A ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter gives a detailed presentation of data as it was collected, interpretation and discussion, edited and tabulated of findings. The purpose of the study was to establish the Cash management and performance of Kasese District: A case study of Northern division Kasese municipality-Uganda. The findings have been derived from the respondents obtained by the use of both primary and secondary methods of data collection through interview, and questionnaire. Data analysis was based on the study objectives namely; to analyze the factors affecting cash management in business, to find out the effect of cash management on financial performance of businesses, and to identify the challenges facing businesses, variables and research presentation was based on research questions using systematic approach

4.2 Background information about the respondents

A number of variables pertaining to the respondent's background were considered during the study. Respondent's age, sex and level of education, status of respondents, was the key variables that were explored.

4.3 Demographic characteristics

A total of 14 7 respondents were selected for the study however on 144 questionnaires and interview guides were filled for the study. The biographic data was very essential for the researcher and the study in order to describe the best respondents selected for the study as presented in the table 4.2 below

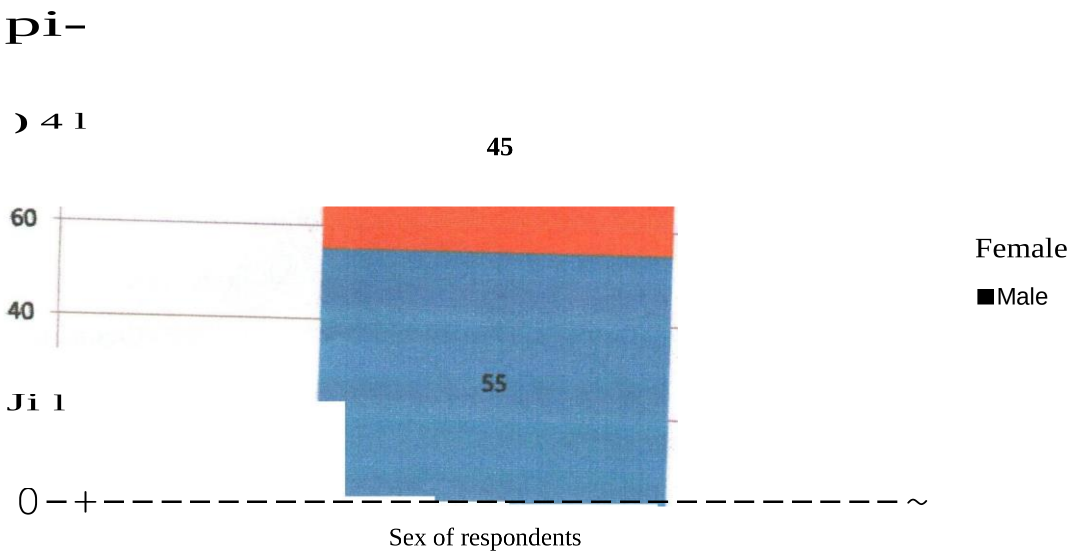
Table 2: Showing the age of respondents

Age of respondents	Frequency	Percentage
15-24	07	05
25-34	26	18
35-44	72	SO
45+	39	27
Total	**144**	**100**

Source: Field Research, (2022)

The results as shown in table 2, 07(5%) of the respondents were of age less than 24 years, 26(18%) were between 25-34 years of age, 72(50%) were between 35-44 years old and the rest 39(27%) were over 45 years. On average the majority of the employees are between the age brackets of 25-44 years. The above age differences gave the researcher a chance to explore the views of respondents with varying age ranges and this broad experiences on the context of the study is vivid.

Figure 1, Shows sex of respondents



Basing on the data presented *in* table 3 above, *it* was recorded that most respondents were males with a percentage of 79(55%), and females were recorded to have contributed by 65(45%). The researcher considered sex to ensure that there *is* gender balance among the respondents

Table 4, Shows the marital status of respondents

Marital status	**Frequency**	**Percentage**
Single	36	*25*
Married	101	70
Others	07	05
Total	**144**	**100**

ource: Field Research, (2022)

According to the results presented above in table 4 shows that the highest number of respondents were married with 101 (70%), the least status being the others with 07(05%). While other status also contributed as single were presented with 36(25%) of the respondents. This was done by a researcher to have different views from these different statuses depending on how they understand cash management and performance of savings and credit cooperative organizations

Table 5, Shows the level of education of respondents

Level of education	Frequency	Percentage
Diploma	43	30
Degree	85	59
Postgraduate	07	05
Others	09	06
Total	**144**	**100**

Source: Field Research, (2022)

As regards to the results presented above in table 5 shows that, most respondents had degrees as their highest level of education with 85(59%) of the respondents, the smallest number of respondents had completed others (certificate, masters, etc) as their highest level of education with 09(06%) of the respondents, 43(30%) of respondents had completed diploma as their highest level of education and 07(05%) of respondents had postgraduate level of education. Despite the different levels of education of respondents never prevented them to provide data to the researcher.

4.4 Factors affecting cash management in businesses in Kasese district

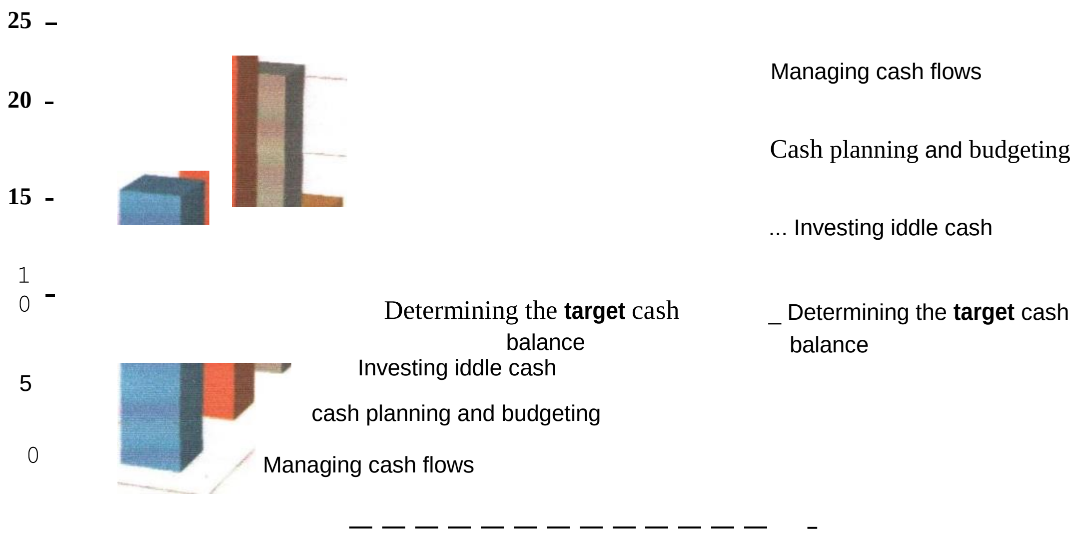
To answer the objective number one of the study, the researcher sought from respondents to reveal the factors affecting cash management in businesses. Here the researcher first asked the respondents if they were aware about the factors affecting cash management in businesses

The table 6 shows whether respondents were aware about the factors affecting cash management on businesses

Respondents Response	Frequency	Percentage
Yes	144	100
No	00	00
Total	**144**	**100**

Source: Field Research, (2022)

According to the responses it was noted that every respondent knew the factors affecting cash management in their businesses. The researcher went on to ask the respondents to reveal the factors affecting cash management in businesses and bow they affect the financial performance of businesses



Source: Field Research, (2022)

The results presented above in the figure I indicate that cash planning and budgeting scored the highest mark with 52(36%) of respondents, investing idle cash also scored 40(28%) of respondents, also managing cash in a sense that the financial manager should ensure that there does not exist a significant deviation between projected cash flows and actual cash flows, was reported to be with 33(23%), determining the target cash balance was reported to score 19(13%) of the respondents.

4.S Effect of cash management on financial performance of businesses

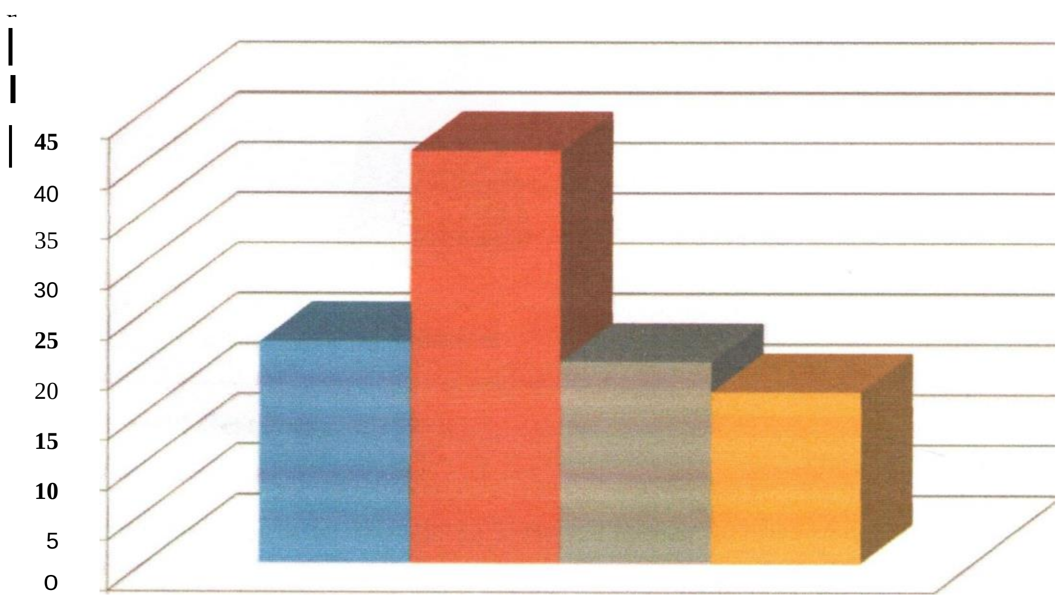
In a way to answer objective two of the study, the researcher wanted to know if respondents were aware of the effects of cash management on financial perfonnance of businesses.

Table 8, shows whether respondents were aware about the effect of cash management on financial performance of businesses

The effect of cash management on financial performance of businesses. the researcher went ahead to ask the respondents to reveal these effects of cash management on financial performance of businesses and the results were recorded in the table 9 below

Response	**Frequency**	**Percentage**
It enables the businesses to take cash discounts	32	22
It increases flexibility and competitive advantage of a businesses	59	41
It helps businesses to survive In uncertain businesses environment	29	20
It helps in forecasting the financial performance of a businesses	24	17
Total	**144**	**100**

Source: Field Research, (2022)



Effect of cash management on financial performance of businesses

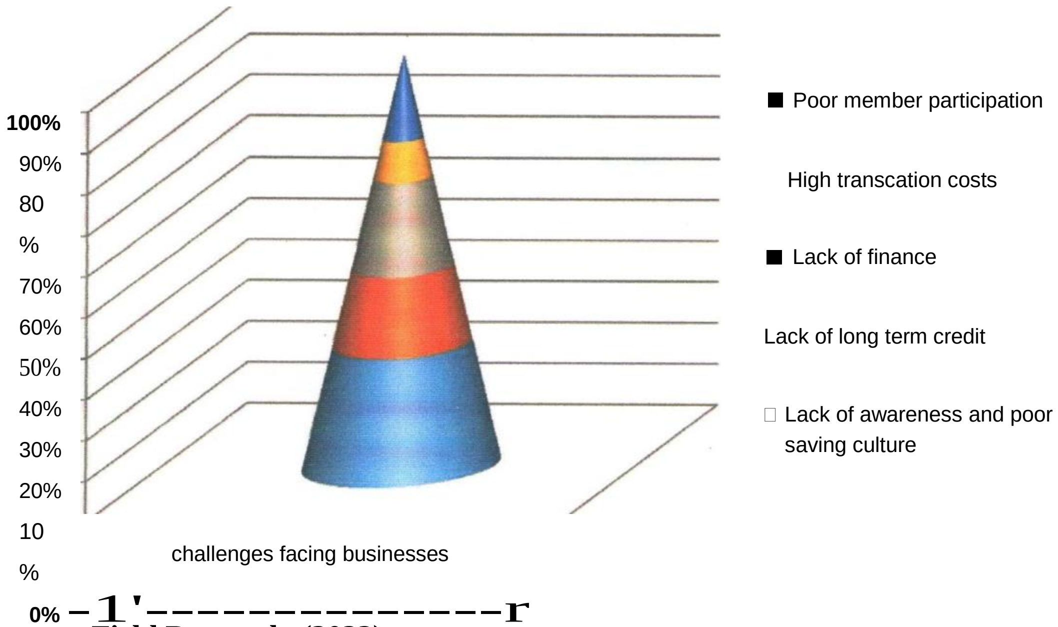
From the above table 9, respondents outlined the effects of cash management on financial performance of businesses as follows;

Increases flexibility and competitive advantage of a businesses with 59(41 %) of respondents, enabling the businesses to take cash discounts was identified to have played a very big role as in effects of cash management on financial perfonnance of businesses . 29(20%) of the respondents highlighted that cash management helps the businesses to survive in uncertain businesses environment, 24(17%) also said that cash management influences the forecasting the financial performance of a businesses

4.6 Challenges facing businesses in Kasese district

To answer objective number three, the researcher wanted to know if the respondents knew the challenges facing businesses.

Challenges facing businesses were outlined in the figure below. The researcher went ahead and requested respondents to reveal the prevailing challenges facing businesses



Source: Field Research, (2022)

The challenges facing businesses in Kasese District is highlighted as in the figure 2 above. According to the results in the table above, lack of awareness and poor as being mentioned by the majority respondents with 43(30%) of the respondents to have been among the challenges facing businesses in the field of its operation within Kasese district and beyond, lack of finance by members that should be helping them to save more was mentioned by 32(22%) respondents of the study, poor member participation also hinders proper performance of Businesses rn Kasese district was mentioned by 2719%) of respondents, and 13(09%) of the respondents

mentioned high transaction costs which affects the members.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion and recommendation of the whole study. From the findings the researcher was able to come up with the summary, conclusion and recommendation.

5.2 Summary of Findings

A total of 64 respondents were selected for the study. The results as shown that the highest number were between 35-44 years old. Basing on the data presented in table 3 above, it was recorded that most respondents were males. According to the results presented above in table 4 shows that the highest number of respondents were married. As regards to the results presented above in table 5 shows that, most respondents had degrees as their highest level of education.

5.2.2 Factors affecting cash management in businesses

To answer the objective number one of the study, the researcher sought from respondents to reveal the factors affecting cash management in businesses.

The results presented above in the figure 1 indicate that cash planning and budgeting scored the highest mark of respondents, investing idle cash, also managing cash in a sense that the financial manager should ensure that there does not exist a significant deviation between projected cash flows and actual cash flows, determining the target cash balance.

5.2.3 Effect of cash management on financial performance of businesses

From the above table 9, respondents outlined the effects of cash management on financial performance of businesses as follows; increases flexibility and competitive advantage of a businesses, enabling the businesses to take cash discounts was identified to have played a very big role as in effects of cash management on financial performance of businesses. Cash management helps the businesses to survive in uncertain businesses environment, cash management influences the forecasting the financial performance of a businesses

5.2.4 Challenges facing Businesses

To answer objective number three, the researcher wanted to know if the respondents knew the challenges facing businesses.

The challenges facing businesses in Kasese District is highlighted as in the figure 2 above. According to the results in the table above, lack of awareness and poor as being mentioned by the majority respondents to have been among the challenges facing businesses in the field of its operation within Kasese district and beyond, lack of finance by members that should be helping them to save more of the study, poor member participation also hinders proper performance of businesses in Kasese district, and high transaction costs which affects the members.

5.3 Conclusion

Cash management is very critical as a liquidity management tool in businesses. The researcher studied the following parameters namely: preparation of regular cash budget, cash flow forecast, occurrence of cash shortages and surplus and monthly members" contribution. The researcher found that deposit taking businesses need to address the parameters critically to ensure that there is adequate cash management policy within the institutions to ensure optimal financial performance since they have a great role on the achievement of the Vision 2030 and the sector is a great contributor of the financial sector in the Ugandan economy. The management need to ensure there are adequate internal cash management controls to ensure that there is optimal cash, strategies are in place during minimal cash and surplus cash since either of the side will contribute to liquidity risks to the institution.

It was actually found that cash management has an insignificant effect on financial performance. This is un doubtable since most of the business owners are incompetent in cash management. As businesses keep growing from small to medium, the need for proper cash management becomes core. The businesses investigated confirmed extremely high abilities in managing cash receivable, holding inventories and properly generating sufficient cash for meeting immediate obligations. The aforementioned cash management practices may however, not be sustainable with time due to the underlying levels of cash management incompetence as portrayed in the findings. These were further reflected in participants' inability to forecast receipts and payments. Firms that cannot properly manage their receipts and payments and are perhaps unable to match the timing for payments against cash available rarely build sustainable cash flows. Impressive to this study is fact that cash management is indeed inadequate to account for all the variations in financial performance among the businesses investigated.

It was possible to conclude from the study findings that there was improved and increased financial performance of businesses across the years. The performance indicators had all increased in number and growth. This implies that the employees and members of the businesses had embraced the idea of joining businesses and using their products fully.

5.4 Recommendations Basing on the study findings;

The study recommends that management should put tighter internal controls system for cash management.

Also the study recommendation on businesses members to have a graduated increase on their deposit on annual basis to enhance cash flow for the better service of loan services

The study also recommends to the businesses regulator to introduce cash ratios to be deposited within the businesses regulator. This will enable control of liquidity in businesses and also help on overnight borrowing to assist the businesses assess the regulator during cash shortage and release cash surpluses when there is excess funds

The study recommends that businesses should ensure that in addition to making cash flow manageable and predictable manner they should encourage higher savings and loaning from among the members. Businesses are intermediaries that make money through loans to members.

The study further recommends that businesses should recruit members that meet their goals and aspirations. Some desirable characteristics in the membership should include certain income for the members and high propensity to either borrow or save. Dormant members should be activated or reduced for they don't add good value to liquidity management of businesses. The study showed that most of the members are distributed county-wide. Opening up membership to individuals from other parts of the country could also be a viable option for businesses.

5.5 Suggestions for Further Studies

This study aimed at investigating how effect of cash management and performance of businesses in Kasese District. However, more research should be carried out on the dividend policy of businesses since for the last five years, it did not affect businesses profitability.

Future studies should apply different research instruments like focus group discussions and primary data only to involve respondents in discussions in order to generate detailed information which would help improve financial performance of businesses.

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APPENDICES

APPENDIX A: QUESTIONNAIRE FOR RESPONDENTS

Dear sir/madam,

I am Mirembe Philip a student of Kabale University in the final year carrying out a research study on the topic of roles of cash management practices on the performance of Businesses in Kasese District: Case study of Northern division Kasese municipality" This is to fulfill the partial requirements for the award of a diploma in business administration and management. Therefore you are rest assured that the information given will be used for only academic purposes and will

be treated with total confidentiality.

THANK YOU IN ADVANCE

Note: Please tick or fill in the appropriate space provided.

SECTION A:

Please tick () the option that corresponds to your answer in each of the following:

1. Gender

(a) Female () (b) Male ()

2. What is your age bracket?

(a) Below 25() (b)26- 35) (€)36-45() (d)Above 45)

3. Marital status

(a) Single () (b) Married () (c) Widow/widower () (d) Separated/Divorced ()

4. What is your highest level of education?

(a) Non-formal ( ) (b) Primary ( ) (c) Secondary ( ) (d) college/University ( )

5. Which position are you in this business?

....……… ....………… .. …… .... .

6. How many shares do you own in this business?

7. When did you join the businesses?

(a) More than 10 years ago ( ) (b) (6-9) years ago ( ) (c) (I-5) years ago ( ) (d) Less than one year ago ()

SECTION B: Where necessary tick () appropriately in the space provided or state where possible

I) Is cash management part of the Businesses Management strategy?

Yes/NO ....

2) What combination of the following Risk mitigation strategies does your business use in cash management?

a) Collaterization ( ) b) Guarantor ( ) c) Insurance ( ) d) Shareholding ( ) e) Others (Please specify) ......oo...

3) Tick the credit rating worthiness parameters in use by the businesses to give new Loans.

a) Late payments () b) Delinquencies () c) Bankruptcies () d) Outstanding debts () e) Length of credit history () f)New applications for credit () g) Types of credits in use ().

4. Which department do you belong too?

a)Human Resource ()

b)Administrator ( )

c)Loans Officer ( )

d)Finance Department ( )

SECTION B

5. Does cash management have impact on the performance of the businesses?

a)Yes ()

b)No ()

6. If yes, explain the effects?

....

7. What are the factors that affecting cash management in businesses?

....

....

....

8. What could be other factors affecting the performance of businesses apart from cash management?

9. What are the challenges facing cash management in businesses?

10. What could be the challenges facing cash management in Businesses?

THANK YOU FOR YOUR CO-OPERATION.

APPENDIX B: INTERVIEW GUIDE FOR RESPONDENTS

1. Respondent's Age
2. Gender Male Female
3. Marital status? Single Married Widowed
4. Level of education

Tertiary level () Bachelor degree ( ) Post Graduate Degree ()

3. How long have you been working in this Businesses?
4. Does cash management has any effect on the performance of Businesses?

a) Yes b) No

1) Is cash management part of the Businesses Management strategy?

Yes/NO ....

2) What combination of the following Risk mitigation strategies does your business use in cash management?

a) Collaterization ( ) b) Guarantor () c) Insurance ( ) d) Shareholding ( ) e) Others (Please specify) ....

3) Tick the credit rating worthiness parameters in use by the businesses to give new Loans.

a) Late payments () b) Delinquencies () c) Bankruptcies () d) Outstanding debts () e) Length of credit history () f)New applications for credit () g) Types of credits in use ().

4. Which department do you belong too?

a)Human Resource ()

b)Administrator ()

c)Loans Officer ( )

d)Finance Department ()

SECTION B

5. Does cash management have impact on the performance of the businesses?

a)Yes ()

b) No ()

6. If yes, explain the effects?
7. What are the factors that affecting cash management in businesses?

8. What could be other factors affecting the performance of businesses apart from cash management?

9. What are the challenges facing cash management in businesses?

10. What could be the challenges facing cash management in businesses?

THANK YOU VERY MUCH

APPENDIX C: SAMPLE DETERMINATION TABLE

Table for determining sample size for finite population

To simplify the process of determining the sample size for a finite population, Krejcie & Morgan (1970), came up with a table using sample size formula for finite population.

Table 3.1

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:9 :20 300 :69 900 3500

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59 .220 500 !SO0 20000

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S0 600 2000 ..:0000 3S:)

85 650 2200 50000 3S:

90 260 700 2:0¢ }5000 3S2

95	76	270	159	750		2600	335	lOOOOC-0

Note: N is Population Size; S is Sample Size

Source: Krejcie & Morgan, 1970

APPENDIX D: TIME FRAME

Programme	February-April 2022	May- June 2022	June-August 2022	October - November 2022
Research topic submission				
Studying proposal guiding principles, proposal writing				
Data collection, editing, interpretation and analysing				
Research report writing and submission				