CASH MANAGEMENT AND FINANCIAL PERFORMANCE IN ORGANISATIONS: A CASE STUDY OF MIAN SERVICES (U) LTD

BY

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A RESEARCH REPORT SUBMITTED TO FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARD OF THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY

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DEDICATION

I dedicate this book to my beloved mother Nambalirwa Olivia for her continued encouragement and financial support throughout my studies.

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God bless all.

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ABSTRACT

The study was designed to evaluate cash management and financial performance in organisations in an attempt to assess the relationship between the two variables in MIAN Services (U) Ltd as the case study.

The research was forecast on achieving the following objectives; to find out the relationship between cash planning and financial performance, to find out the effect between Cash Collection & Disbursement and financial performance, to find out the effect between cash budgeting and financial performance at MIAN Services Uganda Ltd.

A case study design was adopted during the study; information was obtained from primary sources using questionnaires and interviews and purposive sampling was used.

The results ($r = 0.331^{**}$, $p < 0.05$) form the findings revealed that there is a positive relationship between cash planning and financial performance, further a positive relationship between cash collection and disbursement and financial performance was revealed from the results ($r = 0.495^{**}$, $p < 0.01$) and finally findings revealed that there is a positive and significant relationship between cash budgeting and financial performance.

If cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by the firm and therefore it is only through effective implementation of cash management that firms get desired profit set levels therefore the researcher concluded that cash management has a positive effect on financial performance of organisations. Recommendations suggested included the need for deploying a cash management system which involves support and coordination among multiple departments, putting into place more controls to ensure that cash is safe and also using more of the accrual basis of cash out flow than the cash basis in order to maintain the liquidity at an optimal level.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The aim of this research was to investigate Cash Management and Financial Performance in organisations focusing on MIAN Services (U) Ltd. Cash management has become a critical element of many firms' operational strategies (Fisher, 1998; Quinn, 2011). A firm's cash management policies, which manage cash in the form of budgeting, disbursements, cash planning and cash collection, are widely linked to financial performance (Richards & Laughlin, 2007; Stewart, 2005). While industry has broadly accepted effective cash management as a performance improvement mechanism, the preponderance of academic investigations into the link between cash management and performance examines the issue from a static, benchmarking perspective (Ebben & Johnson, 2011; Farris & Hutchinson 2002, 2003; Moss & Stine, 1993). Namely, although previous efforts propose that adjustments to a firm's cash management will change the firm's performance, they support these propositions empirically by comparing and contrasting firms utilizing static snapshot measures of cash flow positions and performance. Consequently, in this study, the relationships between changes in a firm's cash management and changes in the firm's financial performance are explored from a dynamic viewpoint. This section presents the background of the study, statement of the problem, objectives of the study, research questions, Scope of the study, the significance of the study, the justification, conceptual framework and definition of key concepts.

1.1 Background of the Study

Cash management is an extensive term that covers a number of functions that help individuals and businesses process receipts and payments in an organized and efficient manner. Administering cash assets today often makes use of a number of automated support services offered by banks and other financial institutions (Malcolm & Harris, 2010). Hull (1999) argued that the key to successful cash management lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary restrictions. Cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly.

According to Frank & Goyal (2004) an aspect of cash management is getting an institution's optimal cash balance. There are a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time. One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations. There are numerous ways to measure liquidity, including: the cash to total assets ratio, the current ratio the quick ratio and the net liquid balance. The higher the number generated by the liquidity measure, the greater the liquidity and vice versa. However, there is a tradeoff between liquidity and financial performance which discourages firms from having excessive liquidity.

Cash management is an essential tool which aims at establishing the financial position of the organization. Pandey (2008) notes that it is a set of guidelines established by management to ensure that the organization has optimal cash balance at any time to meet the organization goals, cash recovered should be matched with cash spent on services so that there is no un used cash balances. Cash management is concerned with the management of cash flow that is to say inflow and out flow of cash, this seeks to archive control of cash by paying obligations like meeting organizational needs (Kakuru 2011). The indicators of cash management include cash planning which is a technique use to plan and control the use of cash, safety that is to say there should be one to authorize use of cash, cash control, cash allocation and cash budget.

Businesses manage cash through the following processes; determine the appropriate cash balance which is the assessment of tradeoff between benefit and cost of liquidity, then the optimal amount of liquidity is determined and the surplus cash employed in short marketable securities for profit maximization (Westerfield, 2000). According to Malcolm & Harris (2010), when it comes to cash collections, there are a few popular options today that can make the process of receiving payments from customers much easier. Automated clearing houses make it possible to transact a business to business cash transfer that deducts the payment from the customer account and deposits the funds in the vendor account. Generally, this service is available for a fee at local banks.

Financial performance is the organization's desired state where turnover is greater than input cost, According to Kakuru (2001) financial performance is the ability of a firm to earn returns on investment. The higher the cash balances are in a business, the more returns or profitability will be fore gone. The indicators of profitability include return on assets, return on capital employed and sufficient cash flows. Financial performance on the other hand refers to the positive gain from an investment or business operation after subtracting for all expenses opposite of loss (Proimos, 2009). Financial performance on a company is the difference between the income of the business and all its costs/expenses. He also notes that it is normally measured over a period of time. Profits are an important source of investment funds (Külter and Demirgüneş, 2007). Profit can be used to buy more stock, improve technology or expand the premises. A business than does not make a profit will fail, potentially affecting employees, suppliers and the local community because their overall operations depend on profits.

Proimos (2009) further noted that in situations where businesses can exploit the customers because there is not much competition from other businesses. A business will need to an ethical view (what is morally right) on how much to charge and whether they believe their profits to be excessive. It needs to be remembered that profits are used to reinvest, which leads to better products for their customers, better wages and working conditions for their workers or to help the local community.

Financial Performance of any organisation or business is assessed by the way they succeed or fail in the way they intend to achieve their objectives. Cash management offers huge cash opportunities that could be released with sustainability within a relative short period of time but organizations or companies which fail in their cash management policies face a challenge of reduction in their profitability levels (Loneoux and Fazeeria, 2004). It against this background therefore that the research will intends to find out whether it is the same situation in Bank of Africa that cash management affects the profitability levels in a company.

Kimbowa (2003) noted that financial performance is affected by factors such as cost of input, management of cash flows, government policy and borrowing culture. If the organisation relies more on loans, costs such as interest rates will not be avoided and this has a negative impact on financial performance. Kakuru (2003) provided that financial performance is affected by the cost of capital. In this case the cost of capital is usually increased by related dividends and interest rates from providers. Eugen (2005) noted that default risk is one of such factors that threaten financial performance. The greater the default risks the higher the interest rates lenders charge on loans and the lesser the financial performance. Contrary the chances of default, the lesser the interest rate charged, the cheaper the cost of capital, the higher the financial performance that will be earned on capital. According to Limpsey (2003) financial performance is affected by many factors and this include change in demand, change in prices of both inputs and output such as capital and labor then level of staff productivity. According to Pearce II and Robinson (2002) financial performance is the main goal of a business organization. No matter how it is measured or defined, profit of a long period of time is the clearest indication of firms' ability to satisfy the principle claims and desires of employees and stake holders.

1.1.1 Background to the Case study

MIAN Services (U) Ltd is a fully-integrated SME that is located in Najjanankumbi, Rubaga Division in Kampala District. Its offices are 5 Kilometers along the Kampala – Entebbe highway in Najjanankumbi opposite Shell Kaazi Entebbe road on 2ND floor SEB Hotel building. MIAN Services (U) Ltd was started in 2009 and later was registered in Uganda under the company's act 110, as a limited company in the year of the Lord 2011. MIAN envisions coming out as the best in civil construction and branding company with the aim of making brands reality among organizations and individuals, with integrity at the back of every staff. The mission statement for the organisation is commitment to work in the client's best interests with vigor and commitment, bringing innovative approaches to suit our clientele needs, with an aim to surpass the expectation of every client by offering outstanding service, increased flexibility and greater value, hence improving efficiency and making a difference in your Organization. MIAN Services (U) Ltd was selected for the research because of its location being favorable to the researcher since it's within Rubaga division this will give the researcher enough time ease access to the respondents. Further the case study was selected because it will not be so costly for the researcher to distribute the questionnaires and also the fact that the researcher has got some attachment to the organisation, collecting data from the management and respondents were not hard since she has ever worked with the organisation in her first year at university and finally the case study was selected because it's a fully-integrated SME that operates in the civil industry with strong convergence to the Utility operators and telecoms industry, building trenches for telecoms and/ or utility operators for burial of services.

1.2. Problem Statement

Organisations use certain strategies to manage cash which ultimately enhances their performance financially but this is not the case in some of the institutions in Uganda. For instance, even though there are cash management techniques and guidelines, financial performance keeps on falling in terms of sales in the previous year's 2010, 2011, and 2012 (MIAN Bulletin 2012). This could be attributed to the poor cash management techniques that are employed by the various organisations and given the effect they do have on the performance if such a situation is not checked, the organisations may fail to meet their daily obligations. Although literature shows that cash management techniques play a significant role in the financial performance of organisations, it has not fully explored why then the continuous fall in performance. Despite the fact that MIAN Services (U) Ltd follows proper accounting and auditing procedures in all its operations, its financial performance still remains low. The challenge therefore is to evaluate and ascertain whether there is a correlation between cash management and financial performance. Given the above situation therefore, the researcher wants to establish whether the decline in financial performance is as a result of cash mismanagement and also find out the different cash management techniques used by organisations, the state of their financial performance, and finally ascertain whether there exist a relationship between the cash management technique employed and the performance in organisations. In so doing, the study will provide information about the role of cash management on the financial performance of organisations.

1.3. Objectives of the Study

The study has both general and specific objectives as follows;

1.3.1. General objective

The objective of the research was to investigate the effect that Cash Management has on Financial Performance in organisations.

1.3.2. Specific objectives

1. To find out the relationship between cash planning and financial performance at MIAN Services Uganda Ltd.

2. To find out the effect of Cash Collection & Disbursement on financial performance at MIAN Services Uganda Ltd.

3. To find out the effect of cash budgeting on financial performance at MIAN Services Uganda Ltd.

1.4. Research Questions

The research was guided by the following questions;

1. What is the relationship between cash planning and financial performance at MIAN Services Uganda Ltd.?

2. Is Cash Collection & Disbursement related to financial performance at MIAN Services Uganda Ltd.?

3. What is the effect of cash budgeting on financial performance at MIAN Services Uganda Ltd.?

1.5 Scope of the Study

1.5.1 Geographical Scope

The study was carried out at MIAN Services (U) Ltd. MIAN Services Uganda Limited is a small and medium enterprise operating in Uganda. It is located in Najjanankumbi, Rubaga Division an urban town council of Kampala district. MIAN Services (U) Ltd was purposely selected because it is one of the small and medium enterprises that serve Ugandans consistently in Rubaga Division with its headquarters in the same area.

1.5.2 Content Scope

The study was to investigate Cash Management and Financial Performance in Organisations. The researcher focused on Cash Management as an independent variable under which the study limited itself to Cash Planning, Cash Budgeting, Cash Disbursement and Cash Collection and also Financial Performance as the Dependent variable with Return on Assets, Return on Capital Employed and Sufficient Cash Flows as its indicators.

1.5.3 Time Scope

The study focused on Cash Management and Financial Performance in organisations with a case study of MIAN Services (U) Ltd. The study focused on the years between 2012 and 2014 when the problem under study existed.

1.6. Justification of the study

Organisations in Uganda contribute a big role in the development of both the economy and the social wellbeing of individuals from where they do operate. In Rubaga Division there are many small and medium enterprises that do serve in different capacities towards the community development. These small and medium enterprises, however, are limited in terms of research findings on the determinant for their continual survival in the long run. The study is intended to establish and develop baseline data that would be used by scholars and SME owners as well as operators in Rubaga Division for effective planning and better performance. The research is opportune in its effort to investigate Cash Management and Financial Performance in Small and Medium Enterprises amidst the various efforts employed for the enterprise survival and performance in the long run.

1.7. Significance of the Study

The study about Cash Management and Financial Performance in Small and Medium Enterprises, taking MIAN Services (U) Ltd as a case study, is important to the academicians and researchers who can use it out as a launch pad for other researches/studies.

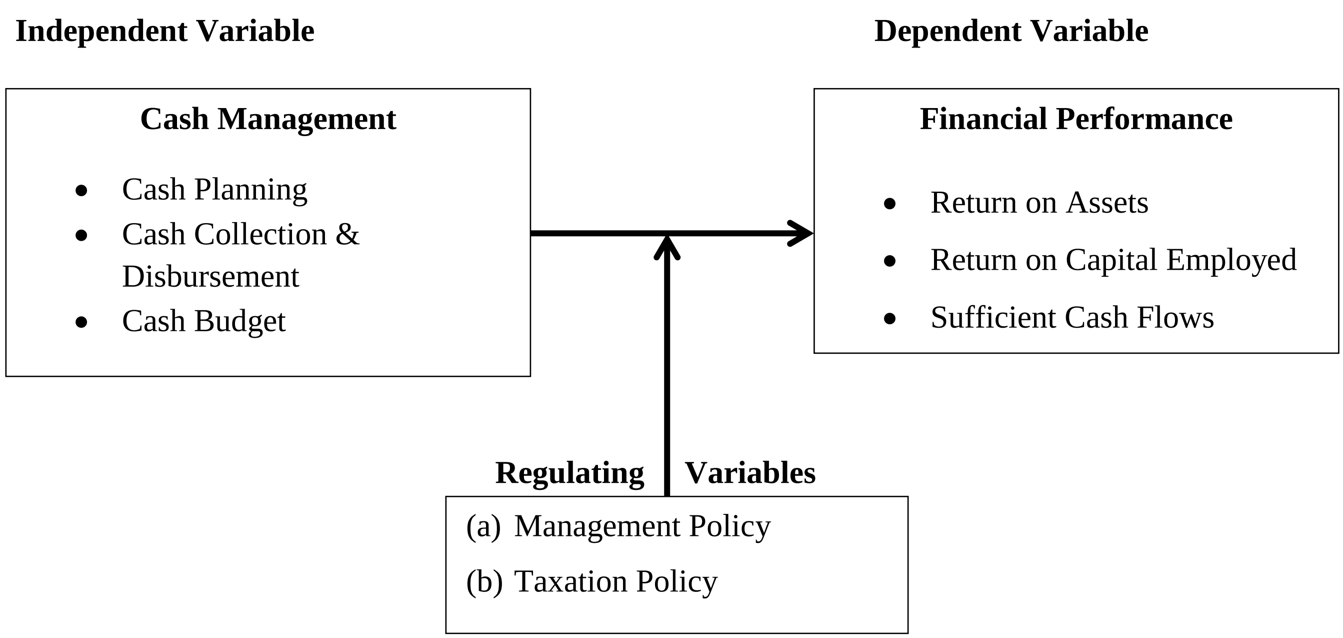
The information also can be used in the information and resource centers of higher institutions of learning like universities for their students as well as the resource centers. Its therefore be an additional reference for the data banks in the small and medium enterprise industry.

The analysis benefits all stakeholders such as managers and directors, who wish to better understand the reasons for successes and failures in the performance of the small and medium enterprises and to rethink strategies as necessary.

1.8. Conceptual Framework

Cash is regarded as the most important current asset for the operation of business (Keneth 2008). 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 by the firm (Hebert 2008). Cash management is imperative in every business organization as cash is said to be the life blood of any business. The company's decision on what amount to hold as cash balance, the choice of the source of short term finances, the approach adopted for the management of its collections and disbursements, its cash forecasting strategy and investment attitude towards idle fund form the major basics for ensuring an efficient and effective cash management system. As suggested by Samuel (2002), implementation of a good cash management system will ensure better control of financial risk, increase the opportunity for profit, strengthen the company's balance sheet, ensure increased confidence in the company and improve operational efficiency.

<u>Figure 1: Conceptual Framework</u>



***Source:* (*Kenneth J. Arrow, Samuel Karlin, and Herbert E. Scarf 2008).*

The independent variable is Cash Management with dimensions of cash planning, Cash collection and Disbursement, Cash Budget, while the dependent variable under this study is financial performance with dimensions of Return on Assets, Return on Capital and Sufficient Cash Flows. The intervening variables have been identified as management policy and the taxation policy.

1.9 Definition of Key Terms

Cash Management: Refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments. In banking, cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities.

Financial Performance: A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Small and Medium Enterprises: defined by the European Commission is a business or company that has fewer than 250 employees; and has either (a) annual turnover not exceeding €50 million or (b) an annual balance-sheet total not exceeding €43 million (approximately £34 million); and of whose capital or voting rights, 25 per cent or more is not owned by one enterprise, or jointly by several enterprises, that fall outside this definition of an SME.

Cash: In English vernacular cash refers to money in the physical form of currency, such as banknotes and coins. In bookkeeping and finance, cash refers to current assets comprising currency or currency equivalents that can be accessed immediately or near-immediately (as in the case of money market accounts). Cash is seen either as a reserve for payments, in case of a structural or incidental negative cash flow or as a way to avoid a downturn on financial markets

Management: The organization and coordination of the activities of a business in order to achieve defined objectives. Management is often included as a factor of production along with, machines, materials, and money.

Enterprise: The definition of an enterprise is a project, a willingness to take on a new project, an undertaking or business venture.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents works of different authors and scholars related to Cash Management and Financial Performance in organisations. This chapter focuses on reviewing the literature related to cash management and financial performance. The primary aim of this literature review is to analyse what has been researched in relation to the topic under study. This provided insightful understanding into the topic and facilitated the interpretation of the findings. The source of this literature has been books, academic journals, the internet, newspapers and reports of specific institutions.

2.1. Theoretical framework

2.1.1 Monetary theoretic approach to cash management

According to Kytonen (2002) monetary economists are interested in the cash management of firm; their objective has been to describe the mechanism of the demand for money by firms, because it differs from the behaviour of other economic agents. He is of the opinion that researchers have tried to find a stable relationship between the quantity of money and its determinants in order to forecast demand for money. He further stressed that in monetary theory, the demand for money is one of the most intensively investigated areas. Both long and short run behaviour have been examined on the macro and micro level. He asserts that demand for money investigates decisions made in the cash management process. He explained how Attanasio et al (2002) used microeconomic data on households to estimate the parameter of the demand for currency derived from a generalized Baumol- Tobin model.

2.1.2 Operations Research Approach to Cash Management

Numerous operational models have been developed to optimize the split between cash and marketable securities based on the firm's needs for cash, the predictability of these needs, the interest rate on marketable securities, and the cost of a transfer to cash and vice versa (Kytonen, 2002). The two basic transaction models most commonly accepted in the financial literature are the deterministic Baumol-Tobin (1952) and the stochastic Miller-Orr inventory models (1966).

2.1.3 Financial theoretic approach to cash management

Kytonen (2002) opined that in financial theory, researchers are interested in how cash and other liquid assets affect firm value and the optimal capital structure of a firm. Financial theory considers the cash management problem in the framework of the evaluation and capital structure of a firm. He suggested that, cash management as a representative for the liquidity management, can be linked to financial theory by considering its importance in an imperfect market. According to him this can be done, by adding cash balances to the financial theoretic models, such as the Capital Asset Pricing Model (CAPM) or the Modigliani-Miller (M&M) model. The effects of the inclusion of cash balances in these theoretical models show the importance of liquid assets for the value of a firm (through the systematic risk component) and for the optimal capital structure (through the liquidity slack concept).

Walker's Theory:- It was observed that this theory postulates that a firm's profitability and growth are partly determined by how its working capital is managed. It is asserted that when the flow of funds created by the movement of the working capital is interrupted, due to diverse reasons, the turnover of the working capital is decreased just as the rate of return on investment. Walker's theory further posits that capital should be invested in each component of working capital as long as the equity position of the organization increases. This is in line with the fact that each shilling invested in either fixed assets or working capital should essentially contribute to the net worth of the firm. More so, it is argued that the type of capital employed to finance the working capital directly affects the amount of risk the organization assumes as well as the opportunity for gain or loss and the cost of capital. Walker’s theory enables better comprehension of working capital management. The scholar states that lenders acknowledge the fact that a firm’s ability to repay short-term loans is directly related to cash flow and not earnings. Needless to say, therefore, every firm should ensure that it makes every effort to the maturity of its flow of internally generated funds.

2.2 Cash management in organizations

According to Aksoy (2005), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques you could find yourself running short of cash just when you need it the most. That could leave you unable to pay suppliers, develop the marketing plan you need or even pay your employees. Fortunately there are a number of techniques companies can use to maximize cash flow management and keep the business running smoothly. Accounts Receivable; Many companies are too passive when it comes to collecting on overdue invoices. The money customers owe you plays a big role in your monthly cash flow, so it is important to develop a solid technique for tracking who owes your firm money, how much they owe and when the payment was due. Make sure your accounts receivable staff is taking a proactive approach to collecting on those unpaid bills, and ask for a weekly report showing the total amount outstanding, along with an explanation of why those payments have not been received (Damodaran, 2002).

According to Pandey (2003) the management of the organisation needs to determine the schedules of monthly disbursements and collection schedules of creditors with efficient cash planning system, the financial needs of the organisation will be met, with reduced possibility of the cash balances which lowers the organisations profitability and cash deficits which can lead to organization's failure. He further notes that a cash budget is the most significant device used to plan for and control cash receipts and payments. A cash budget is a summary statement of the firm projected time period. This information helps the financial manager to determine the future cash needs of the firm, plan for the financing of these needs and exercise control over cash and liquidity of the organization (Kakuru2003). The researcher is wondering whether bank of African for inflows and outflows of cash.

Damodaran (2002) also noted that building an accounts receivable database is one of the best ways to keep track of what you are owed. Once the tables have been created and the database has been designed, all your accounts receivable clerks need to do is press a button to open a query showing the details of each outstanding invoice. Track Expenses: Whether you are running a business or a household, it is important to get a handle on expenses. Many business owners are so busy with day-to-day operations that they lose sight of the big picture. Getting a handle on the expenses associated with running your business is one of the best ways to manage--and maximize--your cash. Start by building a detailed report of every expense for the past month. Break each expense down into its appropriate category, i.e. rent, utilities, office supplies, etc., then analyze each category and look for ways to cut back. For instance, companies can save money on office supplies by contracting with a specific vendor and negotiating lower prices, rather than running to the office supply store down the street (Deloof, 2003).

2.2.1 Cash planning

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 et al. (2010), Cash planning is not a science but rather an on-going, 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. Bragg (2004) stated that "A cash forecast, or cash plan, or cash budget, is a projection of the anticipated cash receipts and disbursements and the resulting cash balance within a specified period''. While Tuller (2008) describes cash management as the basic tool of running a business and cash forecast as the working tool of cash management.

Cash planning is a summary statement of the firm projected time period. This information helps the financial manager to determine the future cash needs of the firm, plan for the financing of these needs and exercise control over cash and liquidity of the organization (Kakuru2003). The researcher is wondering whether Tara primary school actually budgets for inflows and outflows of cash.

Cash planning attempts, among other things, to decrease the length and impact of these "float" periods. A collection receipt point closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment is one way to speed up the collection. The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices (Tryfonidis, 2006).

2.2.2 Cash collections and disbursements

According to Gitman (2008), cash disbursement is a function of accounts payable; it includes all outlays of cash by the firm during a given financial period. The objective of cash disbursement is to control payments and minimize the firm's cost associated with making payment. Vanhorne (2001), defends the idea put forward by Ross (2000), which says that the objective of cash disbursement is to delay payment as long as it is legally and practically possible. In pursuing this objective the firm should not compromise its relationships with suppliers as this may withdraw trade credit.

Külter, and. Demirgüneş (2007), noted that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three "floats" are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash to pay their bills (Lazaridis, 2006).

Cash Disbursement attempts, among other things, to decrease the length and impact of these" float" periods. A collection receipt point closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment (check) is one way to speed up the collection. The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices (Tryfonidis, 2006).

According to McLaney (1997), once the money has been collected, most firms then proceeds to concentrate the cash into one center. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus. There are numerous mechanisms that can be employed to concentrate the cash, such as wire transfers, automated clearinghouse (ACH) transfers, and checks. The tradeoff is between cost and time. Another aspect of cash collection knows a company's optimal cash balance. There are a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time (hopefully with something left over for emergency purposes). One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations (Myers, 2003).

Myers (2003) notes that there are numerous ways to measure this, including: the Cash to Total Assets ratio, the Current ratio (current assets divided by current liabilities), the Quick ratio (current assets less inventory, divided by current liabilities), and the Net Liquid Balance (cash plus marketable securities less short-term notes payable, divided by total assets). The higher the number generated by the liquidity measure, the greater the liquidity and vice versa. However, there is a tradeoff between liquidity and profitability which discourages firms from having excessive liquidity.

Generally different scholars argue that cash disbursements should be delayed as much as possible without hurting corporate image of the organization or defaulting on the obligations of the organization. The principle is that cash should be paid only at moment when delay is no longer necessary and possible and non-beneficial (Kakuru 2001, Van Horme 1995, Pandey 2003).

Cash Collection and Disbursement: Külter, and. Demirgüneş (2007), noted that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three "floats" are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash to pay their bills (Lazaridis, 2006).

2.2.3 Cash budgeting

Olowe (1998), 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. Cash forecasting may be done on short term or long term basis.

According to Allman-Ward et al. (2003), Cash forecasting is used to estimate the liquidity position of the company for periods ranging from the current day up to one year.'' The purpose of a forecast can be determined by its length. A short term forecast of 0–3 months is used for liquidity management, while operational forecast of 1 – 12 months is used for medium term working capital and financing requirements, and long term forecast of 1 – 5 years is used for planning strategic financial goals. Bragg (2004) is of the opinion that whether short term or long term.

Preparations and Implementations of cash budget: - Gitman (2008) states that, a cash budget is a statement of the firm have planned inflows and outflows of cash. It is used by the firm to estimate its short term requirement with particular attention being paid to planning for surplus cash or for cash shortages. Kirkman (2006) arrived at the same idea by highlighting that as a component of implementing an effective cash management program, a cash flow statement called a cash budget may be prepared.

Chastain (2008) asserts that budgets are the financial road map companies' use, when planning business expenses and tracking the cash flow throughout the business year. Vanhorne (2001) says that, a common cash management tool found in companies is a cash budget. Most companies prepare budgets on the departmental level and roll these individual budgets into one master budget. Creating several smaller budgets, can help managers determine which operations use more cash and struggle to stay on the projected budget amounts. This discovery gives managers an idea of when improvements needed to correct the company's cash flow problems. Therefore, cash budgeting is another aid to an effective cash management.

According Sastry (1995) asserts that, in order for a cash budget to be implemented effectively there has to be a budget committee comprising the high level executive officers of the organization and officers representing the minor segments. Gitman (2008) agrees with Lucey (1993) that a budget manual should also be introduced in the preparation of a cash budget. Platt (2003) is of the idea that implementation of the cash budget is a vehicle to good cash management.

Pindado (2004) argued that, cash budgets, whether prepared on an annual, monthly, weekly or daily basis, can only be estimates of cash flows. Even the best estimates will not be exactly correct, so the deviations of the cash budgets are inevitable. This uncertainty about actual cash flows ought to be considered when the cash budget is being prepared. It is desirable to prepare additional cash budgets based on different assumptions such as sales levels, costs, collection periods and bad debts. A cash budget model could be constructed, using microcomputer and a spreadsheet package, and the sensitivity of cash flow forecasts to changes in estimates of sales, costs and could be analyzed by planning for different eventualities management should be able to prepare contingency measures in advance and also appreciate the key factors in the cash budget. Knowledge of the probability distribution of possible outcomes for the cash position, will allow a more accurate estimate to be made of the minimum. Palom (2001), advocate the use of a probability distribution of possible outcomes for the cash position to allow a more accurate estimate of the cash budgets hence making it possible to turn around the cash management problem

2.3 Financial performance in organisations

According to Stoner (2003), financial performance in organisations refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg & Anderson (1995) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. Hitt, et al (1996) believes that many firms' low performance is the result of poorly performing assets. Low performance from poorly performing assets is often related to strategic errors made in the acquisition process.

According to Dixon et al (1990), appropriate performance measures should which enable organizations to direct their actions towards achieving their strategic objectives. Kotey & Meredith (1997) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent (1994) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Hitt, et al., (1996) mention accounting- based performance using three indicators: return on assets, return on equity, and return on sales.

According to Kotler (1992), strong performer firms are those that can stay in business for a good number of years. Dwivedi (2002) also found out that, the ability of a firm to survive in business in an indicator of good financial performance. Uganda, about 90% of Ugandan SMEs collapse within 3 years Katuntu (2005). This is therefore an indicator of poor financial performance. Financial performance in this study was conceptualized in terms of Return on Assets, Return on Capital, and Sufficient cash flows.

2.3.1 Return on assets as a measure of financial performance

Financial performance of an organisation can be measured by Return On Assets. Based on Codjia (2010), financial performance will look at the statement of an accounting summary that details a business organization's revenues, expenses and net income. A corporation may prepare a statement of financial performance on a monthly, quarterly or annual basis (Codjia, 2010). The performance can be measured using ROA. The higher the ROA ratio, the better profits (Rasiah, 2010). As stated by Berger and Humphrey (1997), studies of frontier efficiency rely on accounting measures of costs, outputs, inputs, revenues, profits, etc. to impute efficiency relative to the best practice within the available sample. In this research, the financial performance will be measured using the Return on Asset (ROA). Besides that, there are many ways to measure the financial performance. According to Rushdi and Tennant (2003), financial performance can be measured in a number of ways including return on assets, return on equity (ROE) or profit margins. Other than that, getting on top of the financial measures of the organisation performance is an important part of running a growing business, especially in the current economic climate.

In addition, ROA and Return on Asset (ROE) are the indicators of measuring managerial efficiency (Hassan, 1999; Samad, 1998). In ROA, the organisation will know the efficiency and capability to convert the assets into net income. ROA is the ratio of operating profit to average total assets (Rushdi et al., 2003). In principle, ROA reflects the ability of an organisation's management to generate profits from the organisation's assets though it may be biased due to off-balance sheet activities (Athanasoglou et al., 2005). ROA can be used to view the financial performance in terms of profitability. In analyzing how well any given organisation is performing, it is often useful to contemplate on the return on assets (ROA) (Rasiah, 2010).

Moreover, according to Landajo, Andrés and Lorca (2008) company performance is usually measured by profitability, which may itself be proxies by using the return-on-assets (ROA) ratio. In addition, according to the author, ROA also can be defined as the quotient of net profit after taxes to total assets.

Return on assets indicates the profitability on the assets of the firm after all expenses and taxes (Van Horne 2005). It is a common measure of managerial profit (Ross, Westerfield, Jaffe 2005). It measures how much the firm is earning after tax for each dollar invested in the assets of the firm. That is, it measures net earnings per unit of a given asset, moreover, how corporate firms can convert its assets into earnings (Samad & Hassan 2000). Generally, a higher ratio means better managerial profit and efficient utilization of the assets of the firm and lower ratio is the indicator of inefficient use of assets. ROA can be increased by firms either by increasing profit margins or asset turnover but they can’t do it simultaneously because of competition and trade-off between turnover and margin.

2.3.2 Return on capital as a measure of financial performance

According to Investopedia, a financial ratio those measures a company's profitability and the efficiency with which its capital is employed. Return on Capital (ROC) is calculated as: ROC = Earnings Before Interest and Tax (EBIT) / Capital Employed

“Capital Employed” as shown in the denominator is the sum of shareholders' equity and debt liabilities; it can be simplified as (Total Assets – Current Liabilities). Instead of using capital employed at an arbitrary point in time, analysts and investors often calculate ROC based on “Average Capital Employed,” which takes the average of opening and closing capital employed for the time period. A higher ROC indicates more efficient use of capital. ROC should be higher than the company's capital cost; otherwise it indicates that the company is not employing its capital effectively and is not generating shareholder value.

Initial writing on Return on capital flowed from economists of education such as Becker (1964, 1976); Mincer (1974), Schultz (1971), and (the Nobel Laureates for their work in this subject) focusing on the economic benefits from investments in both general and firm-specific training. This work, based on detailed empirical analysis, redresses the prevailing assumption that the growth of physical capital is paramount in economic success. In reality, physical capital 'explains only a relatively small part of the growth of income in most organisations' (Becker, 1964: 1). Return on capital has been central in explaining individual earnings differences (Nerdrum & Erikson, 2001).

Duran V, Cozac Al, Duran D (2005:138) appreciate that, financial performance is determined by reporting the results' indicators in the capital invested." Petrescu S. (2008) say that "financial performance is the ability of capital invested or placed to provide income expressed in monetary terms and it can be evaluated both by the margins of return and the rate of return."

Crecana C. (2002) gives a comprehensive definition to the notion of return on capital. Thus, in his opinion "the return on capital of a company certifies its intrinsic ability to get profit, to use inputs efficiently, and in the strict conditions of market economy, to get return is a condition of survival of that enterprise and to avoid bankruptcy"

Return on equity indicates the profitability to shareholders of the firm after all expenses and taxes (Van Horne 2005). It measures how much the firm is earning after tax for each dollar invested in the firm. In other words, ROE is net earnings per dollar equity capital. Also an indicator of measuring managerial efficiency (Ross1994), By and large, higher ROE means better managerial profit; however, a higher return on equity may be due to debt (financial leverage) or higher return on assets. Financial leverage creates an important difference between ROA and ROE in that financial leverage always magnifies ROE. This will always be the case as long as the ROA (gross) is greater the interest rate on debt (Ross, Westerfiled, Jaffe 2005). Usually, there is higher ROE for high growth companies.

2.3.3 Sufficient cash flows as a measure of financial performance

Beck and Murphy (2004) stated managing cash flow is an essential function for businesses that, if not correctly handled, can cause such problems as not being able to pay employees or suppliers or not having enough inventories on hand to fulfill customer orders. Effective cash flow strategies assure that enough cash is on hand to meet financial obligations while maximizing financial return from excess cash. Bryk and Schneider (2002) added that effective cash flow strategies educate and stress the importance of cash flow management to all members of the senior management team as well as all other effected departments. They also stated that senior management team should periodically solicit ideas on improving cash flow and also exchanging ideas about how to managing cash flow.

Sufficient cash flows is essentially a modified version of internal rate of return (IRR), designed for investments that have already been made. The CFROI of a firm is compared to the cost of capital to evaluate whether a company's investments are good, neutral or poor. To enhance its value, then a firm should increase the spread between its cash flows and its cost of capital. (Damodaran 2000).

Sufficient cash flows are the internal rate of return of these cash flows, i.e., the discount rate that makes the net present value of the gross cash flows and salvage value equal to the gross investment, and can thus be viewed as a composite internal rate of return, in real terms. This is compared to the firm's real cost of capital to evaluate whether the assets in place are value creating or value destroying. The real cost of capital can be estimated using the real costs of debt and equity and market value weights for debt and equity. However, according to the HOLT methodology (Credit Suisse-HOLT 2011), the firm-specific discount rate does not rely on the traditional CAPM-based estimates of the cost of capital, but is defined as a forward-looking discount rate, directly tied to the model's forecasting procedures for a firm's future cash flow stream. It is calculated in each country by observing market-implied discount rates across all companies in that country, which differ for two fundamental risk factors: liquidity risk (i.e., size risk differential) and credit risk (i.e., leverage risk differential). Hence, each company-specific discount rate is measured beginning with the country base (i.e., the discount rate for a standard company with a certain market capitalization and leverage) and adjusting it by market specific differentials based on company-specific size and leverage.

2.4 Actual Review of literature

2.4.1 Effect of cash planning on financial performance of an organization

According to Kakuru (2001) if cash planning concentrates on boosting the liquidity, high balances of cash will be maintained. However the higher these balances are, the more financial performance will be fore gone. This is risky especially to people who expect profitable ventures. On the other hand if cash planning seeks to boost financial performance, investments are highly risky but profitable and the business is threatened as there will be no cost to meet the operating obligations as they fall due. If care is not taken financial performance will be short lived as the organisation will be forced to close due to illiquidity.

According to Mantile Etaal (1995), Hamilton (2001) and van Horme (1995) one of the primary objectives of a cashier is to maintain a sound liquid position of the commercial bank in order to meet motives of holding cash. In this case the amount of cash balance will depend on the risk return trade off. The commercial bank maintains optimum neither just enough, nor too much, nor too little cash balance. Optimum cash balance under certainty; Baumols Model provides a formal approach for determining the organisation optimum cash balance under certainty, the organisation attempt to minimize the sum of holding cash and cost of converting marketable securities to cash and guarantee financial performance, (Pandey 2003 and Hamiliton 2001).

I disagree with Pandey on the basis that the limitation of Baumol is that it does not allow cash flows to fluctuate. Organisation uniformly do not use their cash balances nor are they able to predict daily cash out flows and inflows.

With an efficient cash planning system, financial needs of the organisation will be met with reduced profitability of idle cash balances which lowers the organisation profitability and cash defeats which cause organisations failure (Kakuru 2001). The purpose of managing cash balance is to avoid having idle cash reserves or having deficit that cannot be covered easily (Kakuru 2003). If surplus cash balances are invested near cash forms, the illiquidity of the organisation will not be compromised by the investment and profitability will be enhanced.

Myers (2003) noted that cash planning techniques employed by a given company will influence the level of profitability in that particular company. In case of that firm may gain some advantages like monopoly or bargaining power due to growth as a reflection of economies of scale (Külter and Demirgüne ş, 2007), a positive relationship between growth and profitability is expected. Cash out flows and in flows always vary in one period .cash out flows will exceed cash inflows due to numerous expenditure such as payment for taxes, dividends, seasonal inventory buildings. Once cash out flows exceed incomes a danger of illiquidity will most likely a rise. If the company does not have near cash assets to convert and meet such payments, profitability will be threatened. In another period cash inflows might exceed cash out flows there by creating excessive liquidity and idle cash. If it's not wisely invested the school will lose profits on this idle cash. Thus cash management mitigates lack of synchronization of cash receipts and cash payments and thus enhances profitability (Shiff 1998).

2.4.2 Effect of cash collections and disbursements on the financial performance of an organization

Lynch (2003) noted that one of the major aims of cash collections is to accelerate cash inflows and delay cash out flows. However Lynch warned that both positions have associated dangers. Once cash inflows are accelerated, the costs of management and cash collection will most likely reduce while profitability will be enhanced, however the reduction of the credit period might negatively affect sales which most likely reduce profits. Lynch (2003) further noted that delaying cash out flows may result in an ethical issues and costs. Over delaying to pay staff salaries and wages may result in to resentment of work, low morale, low productivity, and low productivity, high labor turn over, strikes, frauds and theft which increase operating costs that reduce profitability.

According to Pandey (2003) cash disbursements should ensure that firm's illiquidity should sound as profitability grows. Pandey noted that there is no advantage in paying sooner than greed. By delaying payments as much as possible, the school makes it as a source of fund which is interest free but earning the school some income. . Thus delaying payments enables the commercial bank to realize extra profits from retained funds.

According to McLaney (2006), negotiating a reduction in cash outflows may be done in order to postpone or reduce payments. This will be done by taking longer credit from suppliers. However, if the credit period allowed is already generous, creditors might be very reluctant to extent credit even further and any such extension of credit would have to be negotiated carefully. There would be a serious risk of having further supplies refused. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2004).

Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failures to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations Refused. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2004). Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failure to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations

According to the findings of another study from a different perspective, it has been concluded that the effect of cash conversion cycle on financial performance is stronger than the effect of current ratio on it (Eljelly, 2004). Empirical results show that, for the mentioned sample and period, accounts receivables period, inventory period and leverage significantly and negatively affect profitability of organisations, while firm growth (in sales) significantly and positively. However, it is also concluded that cash conversion cycle, size and fixed financial assets have no statistically significant effects on firm profitability. Results suggest that firm financial performance can be increased by shortening accounts receivables and inventory periods through proper cash collections. The negative relationship between accounts receivable period and financial performance may be due to that customers want more time to assess quality of products they buy from firms with declining performance (Deloof, 2003).

2.4.3 Effect of cash budgeting on the financial performance of an organization.

Pindado (2004) argued that, cash budgets, whether prepared on an annual, monthly, weekly or daily basis, can only be estimates of cash flows. Even the best estimates will not be exactly correct, so the deviations of the cash budgets are inevitable. This uncertainty about actual cash flows ought to be considered when the cash budget is being prepared. It is desirable to prepare additional cash budgets based on different assumptions such as sales levels, costs, collection periods and bad debts. A cash budget model could be constructed, using microcomputer and a spreadsheet package, and the sensitivity of cash flow forecasts to changes in estimates of sales, costs and could be analyzed by planning for different eventualities management should be able to prepare contingency measures in advance and also appreciate the key factors in the cash budget. Knowledge of the probability distribution of possible outcomes for the cash position, will allow a more accurate estimate to be made of the minimum. Palom (2001), advocate the use of a probability distribution of possible outcomes for the cash position to allow a more accurate estimate of the cash budgets hence making it possible to turn around the cash management problem

Credit Lines: According to Eljelly (2004), establishing a credit line with your lender is one way to manage cash flow and avoid shortfalls. Many companies set up a line of credit to cover those times when sales fall short or expenses run high. Companies can also use short term loans to provide the extra liquidity and cash management they need during the down months. Managing of cash outflows: Generally different scholars argue that cash disbursements should be delayed as much as possible without hurting corporate image of the organization or defaulting on the obligations of the organization. The principle is that cash should be paid only at moment when delay is no longer necessary and possible and non-beneficial (Kakuru 2001, Van Horme 1995, Pandey 2003). The way of delaying disbursements that were generally agreed upon by above scholars include; Predicting banking habits of the work force and paying out the wage bill accordingly. Wages should not be paid in advance when workers are willing to accept delayed payments. During this period the school will be able to make profits out of that money. In the same payments should be cheque as the bank clearance will always delay for some days. Maximising the disbursement float through selecting geographical optimal disbursement banks. These banks should be such that cheques drawn on them will maximize the days the cheques remain uncollected.

Efficiency in cash budgeting is so vital for especially production- firms whose assets are mostly composed of current assets (Horne and Wachowitz, 1998) as it directly affects liquidity and performance of any firm (Raheman and Nasr, 2007). According to (Kargar and Bluementhal 1994) bankruptcy may also be likely for firms that put inaccurate working cash management procedures into practice, even though their financial performance is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability.

2.5 Conclusion to literature review

Cash management involves the increasing of cash inflows and reducing of cash outflows this helps these firms to maximize the profitability levels. Particularly when the cash inflows exceed the cash outflows the difference being the profit, of these firms. So these firms should aim at increasing cash inflows through increasing sales, persuading clients to pay their debts earlier, encouraging clients to buy using cash by proving them cash discounts and on the other and delaying payments like electricity (Home, 2006). Hurdon (2001), since cash management involves proper management of cash flows, proper cash amounts are kept say for transactional motive the firm buy factors of production on cheaper prices when opportunity comes and in addition, business can enjoy

Amongst organisations the data available is so scanty that this study will be a welcome contribution as reference material for the small and medium organisations as well as for researchers and policy makers. The literature on cash management and financial performance identifies efficiency of cash management as determinants of financial performance. Financial performance could therefore be improved if efficiency levels of cash planning, budgeting and collections management practices are increased. In summary, it is without a doubt that the efficiency in cash management practices as measured has an influence on the growth rate of businesses and consequently plays a huge role in the financial performance of a company.

If effective cash management is not monitored in these firms there were no firms that attain the desired levels of profits and these firms fortunately will end up closing because of failing to achieve the said main objective. He further elaborated that if cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by these firms and therefore it is only through effective implementation of cash management that firms get desired profit set levels.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter outlines in detail the manner in which the study was executed. It highlights the areas of study, the research design, the sampling design and procedure. It also states the methods used to get to the findings and the conclusions of the research are discussed. The methods employed in order to get representative data that was applied to MIAN Services Uganda Ltd. The research process used was presented in this chapter. It explains the methods used while collecting data; how respondents were selected and how findings were arrived at. In addition a discussion of how the data was processed and analysis was presented.

3.1 Research Design

The study was a case study; both descriptive and analytical methods were used. The data was collected from both primary and secondary data sources, from MIAN Services Uganda Ltd. The researcher used both qualitative and quantitative methods of data collection and analysis so as to capture the details and adequate information. The use of both methods also ensured that the data was effectively interpreted using the numbers, figures as well as the narrative.

3.2 Area of Study

The study was carried out at MIAN Services Uganda Ltd Head Office located in Najjanankumbi Rubaga Division Kampala District. MIAN Services (U) Ltd is a fully-integrated SME that is located in Najjanankumbi, Rubaga Division in Kampala District. Its offices are 5 Kilometers along the Kampala – Entebbe highway in Najjanankumbi opposite Shell Kaazi Entebbe road on 2^{ND} floor SEB Hotel building.

3.3 Study Population

The study population consisted of 70 staff members for MIAN Services Uganda Ltd (MIAN Payroll 2014). MIAN Services is purposely selected because it is one of the serving organizations which are in the nearest reach of the researcher.

3.4 Sample size

Department	Population	Sample
Top Management	6	4
Middle level	16	12
Lower level	48	43
Total	**70**	**59**

Using Krejcie, & Morgan 1970 sample table to determine the sample size to comprise of fifty nine (59) respondents were purposively and randomly selected from a sampling frame of 70. The researcher emphasized the issue of representativeness and as such staffs from different socio-economic background were selected. Since the study was both quantitative and qualitative, the researcher targeted a total of 59 respondents.

3.5 Sampling Technique

The study employed both simple random sampling and purposive sampling technique to select the study respondents. Purposive sampling was used on various categories of respondents from whom the researcher wishes to get specific information (Key Informants). These included the Managers, Cashiers, Heads of Departments, Personnel Officers, among others, simply because it is the researcher's conviction that these categories of people have sufficient knowledge on the topic under consideration and also enabled the researcher go for an in-depth investigation on the subject. In all, 10 key informants were selected for the study. The remaining 49 respondents were randomly selected. A sample size of 59 was considered as manageable and representative.

Table3.1 : Sampling Approach

Approach	**Sample Selection**	**Data Collection**	**Types of Sampling**
Quantitative	Cluster and Simple random sampling	Questionnaires	Employees 1. 49 Casual Staffs **49 Respondents**
Qualitative	Purposive Sampling	Key Informant interviews	**1.** 2 Managers **2.** 2 Cashiers **3.** 3 Heads of Department 4. 3 Personnel Officers **10 Key Informants**

3.6 Sources of Data

The researcher used both primary and secondary sources of data.

3.6.1 Primary Data

The data was obtained from MIAN Services Uganda Ltd Staff members and from management. The information was obtained by use of self-administered questionnaires and interviews.

3.6.2 Secondary Data

This data was obtained from published materials, which included journals, textbooks magazines, internal reports and newspapers. They included among others, minutes, reports of MIAN Services Uganda Ltd.

3.7 Data Collection Tools

Both qualitative and quantitative methods were used to collect data. The study basically employed three methods of data collection namely; the questionnaire method, interviewing and documentary review.

3.7.1 Questionnaire.

A self-administered questionnaire (administered by the researcher) was used to collect data. This helped in collecting primary data. The questionnaire consisted of both closed and open-ended questions. The questionnaires were delivered at the respondents' place of work and were collected at appointed time by the researcher. Before the actual handing in of the questionnaires, the researcher got into contact with her respondents and informed them about the day she was to bring the questionnaires and when she was to collect them. The questionnaire covered issues related to Cash Management and Financial performance. Questionnaires were administered basically on the respondents from the different departments because of their busy schedules and therefore could fill the questionnaires in their free time. Questionnaires were administered to 49 staff/ employees.

3.7.2 Interview schedule

Interviewing was done with the help of an interview guide. This was used to capture data from the key informants. This is because much detailed information was needed from this category of respondents. Indeed, the key informants provided information on the Cash Management and aspects of Financial Performance. While interviewing, probing was used in cases where respondents gave inadequate answers or where confused meanings were given to the question. These included the 2 Managers, 2 Cashiers, 3 Heads of Departments, 3 Personnel Officers.

3.7.3 Documentary Review

The study also made use of some documents at the organisation including annual reports, minutes of the departmental meetings and newsletters. The documents were thoroughly reviewed by the researcher for secondary data. These provided supplementary data to that was obtained from key informants and questionnaires. The secondary literature reviewed was used for cross-referencing the findings of the study.

3.8 Procedure

The researcher obtained an introductory letter from Uganda Martyrs University. The letter was taken and presented to the Manager MIAN Services Uganda Ltd Najjanankumbi who then introduced her to the respective staff. The researcher then selected study respondents, briefed them about the purpose and significance of the study, ethical concerns and then distributed the questionnaires.

3.9 Data Analysis

There were two ways of analyzing the information and data. Qualitative data was analyzed by content after transcribing and developing themes, while quantitative data was analyzed using Statistical Package for Social Sciences (SPSS).

3.9.1 Quantitative Data Analysis

On receipt of each questionnaire, editing was done to ensure that the information given in the pre-coded questions is complete and correctly filled in. In the case of open-ended questions, all responses to questions were noted and arranged into meaningful trends. All questionnaires were numbered to make coding easier. After editing, coding was done for easy analysis. In the analysis, the researcher employed the SPSS programme that helps in the generation of frequency tables, percentages, graphs and charts, which were used in the analysis and interpretation of findings.

3.9.2 Qualitative Data Analysis

Prior to data collection tentative themes and their concepts were identified. Data was analyzed during and after data collection. During data collection, the tentative themes and code categories were confirmed and new ones formulated. After data collection, information of the same code categories were confirmed and new ones formulated. After data collection, information of the same code categories were assembled together and exemplary quotations were used to write a report.

3.10. Reliability and Validity

3.10.1 Reliability

Reliability in this study meant the dependability or trustworthiness of the tool. It was the degree to which the instrument consistently measured whatever it was measuring. Amendments that were proposed by the respective respondents were incorporated into the final versions of the fore mentioned research instruments.

3.10.2 Validity

According to Mbabazi (2006), the instrument applied should be valid and free from bias and practical. In this case, before the researcher applies the instrument, it was validated by examining its contents, whether it can measure to the assumed attributes, free from bias, contamination and deficiency. It therefore aids the researcher to minimize bias as much as possible while undertaking the study.

3.11 Limitations and ways to overcome these limitations

1) The time provided was not enough to exhaust all the aspects of the research like collection of data, receiving related literature among others. In order to solve this challenge, the researcher had to forego or postpone some of his work schedules to finish the study on time.

2) The study was limited by financial constraints, insufficient funding for travel, typing of several drafts, logistics printing, costs of the final copy and contingency costs associated with research work. To overcome the limitation, the researcher had to secure enough money from parents/guardians for the research work in order to avoid financial delays.

3) Some of the respondents were not be willing to cooperate during the study. In order to solve this, the researcher had to brief respondents about the study purpose and let them know that it was purely academic.

3.12 Conclusion

The researcher has highlighted the areas of study, the research design, the sampling design and procedure. She further stated the methods used to get to the findings.

CHAPTER FOUR

ANALYSIS, PRESENTATION, INTERPRETATION & DISCUSSION OF FINDINGS

4.0 Introduction

The results have been grouped under major headings namely, background of respondents, Cash Planning, Cash Collection and Disbursement, Cash Budgeting, Financial Performance Return on Asset, Return on capital and Sufficient cash flow in MIAN Services. The results have been presented in both tables and figures showing frequencies and percentages of the responses given by the respondents of MIAN Services (U) Ltd.

4.1 Response rate

For the study 59 questionnaires were issued out to the respondents and 59 questionnaires were returned back fully answered representing a response rate of 100%. With this kind of response the researcher can say that the study was not biased.

4.2 Background of Respondents

This subsection shows the distribution of respondents according to age, gender, religion, education, marital status, and business location of respondents.

4.2.1 Distribution of Respondents by Gender

The gender of the respondents was put into two categories: Male, and Female

Table 4.1. Gender Distribution of Respondents

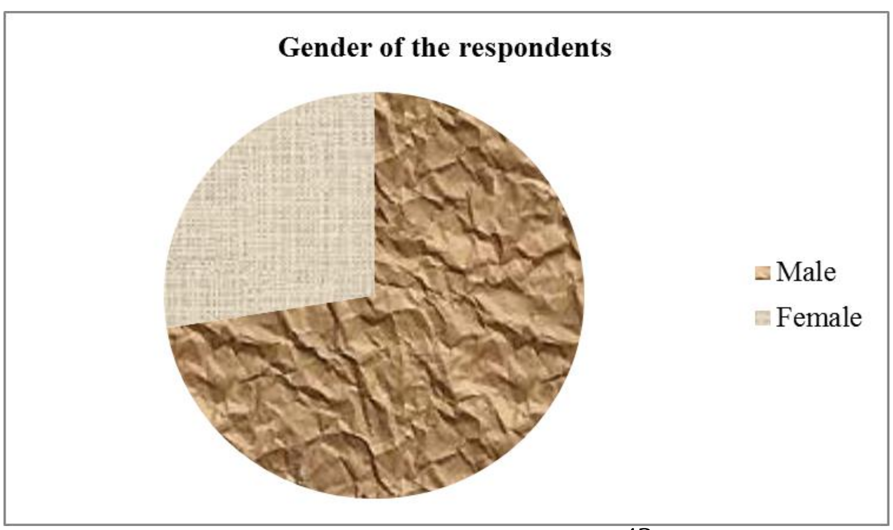
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.7	1.7	1.7
Male	42	71.2	71.2	72.9
Female	16	27.1	27.1	100.0
Total	59	100.0	100.0	

Source: Primary Data (2015)

Respondents were asked to specify their gender category and from the above, it is seen that 71.2% of the respondents targeted by the study for MIAN Services were in the Male bracket, 27.1% of the respondents were Female. From the above the researcher can say that MIAN Services doesn't discriminate person basing on gender while recruiting workers and the fact that a lot of work is the construction business which involves manual power validates the reason why men are more than the women.

This data is represented graphically as shown in figure 2 bellow

Figure 2. Gender of the respondents



4.2.2 Distribution of respondents by age

The ages of the respondents were put into four categories: Below 18, 19–25, 26–40, and Above 40 years.

Table 4.2. Age Distribution of respondents

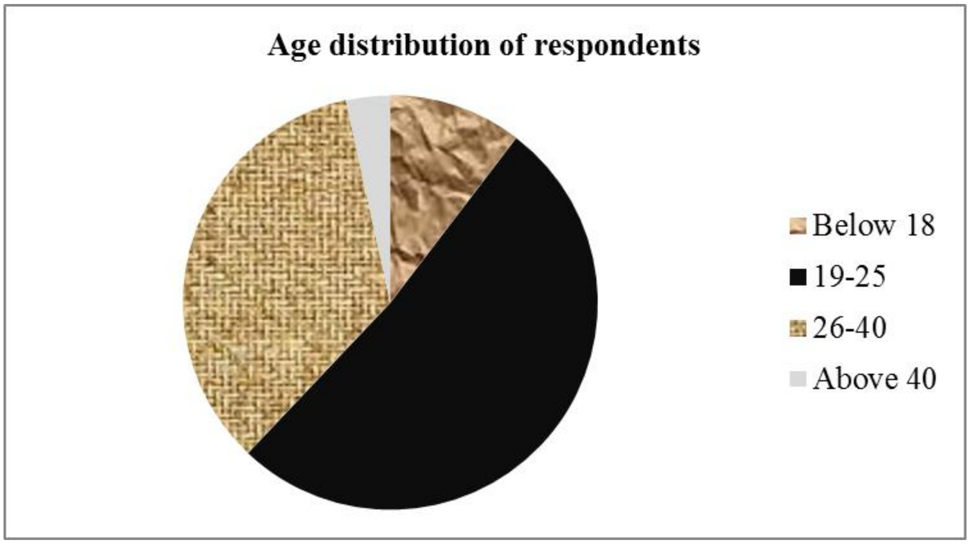
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	1.7	1.7	1.7
	Below 18	6	10.2	10.2	11.9
	19-25	30	50.8	50.8	62.7
	26-40	20	33.9	33.9	96.6
	Above 40	2	3.4	3.4	100.0
	Total	59	100.0	100.0	

Source: Primary Data (2015)

Table 4.2 from the above, it is seen that 50.8% of the respondents of MIAN Services were in the age bracket between 19 and 25 years, followed by 33.9% in the age bracket between 26-40 years, next was the age category of below 18% with a percentage of 10.2% and lastly those that fall under Above 40 years were represented by 3.4%. From the above findings the researcher can say that most of the respondents who work at MIAN Services are youths of between 19 and 25 years, this is because these are the years when people are energetic and ambitious, however one of the employees indicated that since the kind of work the company engages in demands a lot of energy and that’s why most of the workers are youths.

This data is represented graphically as shown in figure 3 bellow

Figure 3. Age distribution of respondents



4.2.3 Distribution of respondents by work experience

The work experience of the respondents was put into two categories: less than 1 and 1-5 years

Table 4.3 Work experience distribution of respondents

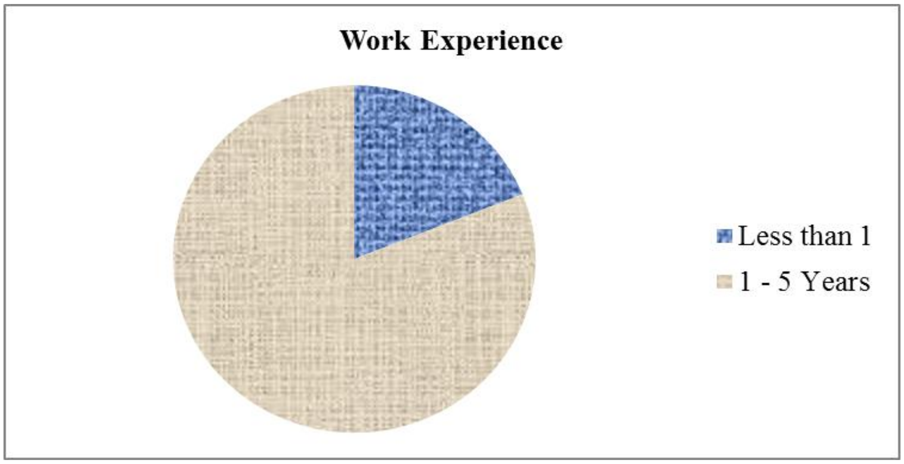
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	1.7	1.7	1.7
	Less than 1	11	18.6	18.6	20.3
	1-5	47	79.7	79.7	100.0
	Total	59	100.0	100.0	

Source: Primary Data (2015)

Table 4.3 Respondents targeted were asked to specify their working experience at MIAN Services and from the above, it is seen that 79.7% of the targeted respondents of MIAN were between 1-5 followed by 18.6% had been working with MIAN for less than 1 years. From the above findings the researcher can say that most of the respondents had been working for MIAN for more than two years and according to the Lead Human Resource, she said that the company maintains better work retention because they train workers for a period of three months hence they can't afford to lose them after learning the company concept and mode of delivery.

This data is represented graphically as shown in figure 4 bellow

Figure 4. Work experience of respondents



4.2.4 Distribution of respondents by education

The respondents were also distributed by education as shown below.

Table 4.4: Education distribution of respondents

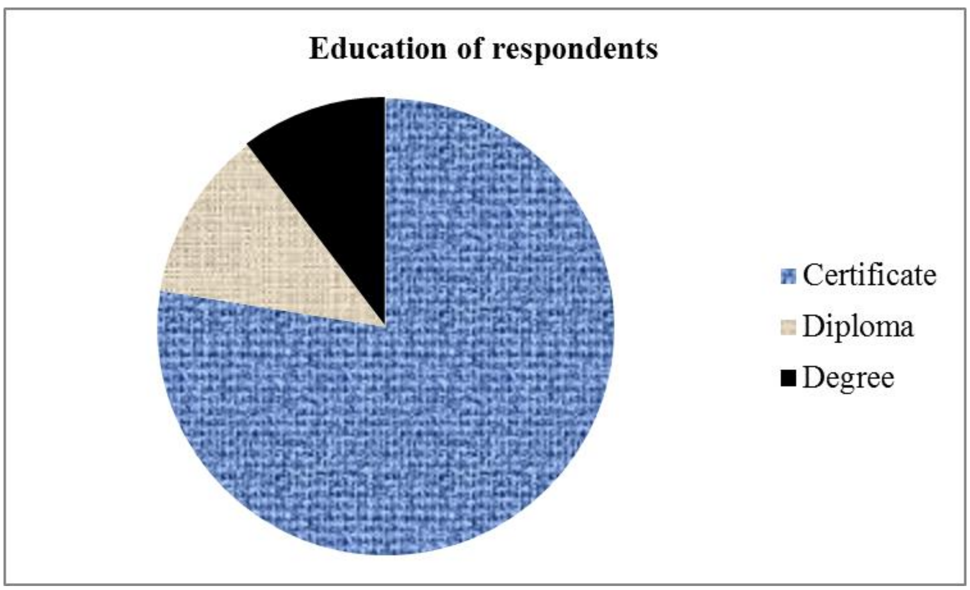
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.7	1.7	1.7
Certificate	45	76.3	76.3	78.0
Diploma	7	11.9	11.9	89.8
Degree	6	10.2	10.2	100.0
Total	59	100.0	100.0	

Source: Primary Data (2015)

Table 4.4 All respondents were asked to specify their education level and from the above, it is seen that 76.3% of the targeted respondents of MIAN Services had attained any of the secondary certificate, followed by 11.9% who had attained a diploma, those with a degree as their level of education were represented by 10.2%. From the above findings the researcher can say that most of the workers at MIAN are literate meaning that they are able to read and write and at least have attained a certificate in life. According to the customer relations manager for MIAN Services, she said that most of the activities that company engages in doesn't require a higher tertiary certificate but rather skills and energy, however education level is emphasized a lot in the management positions that require relevant education skills.

This data is represented graphically as shown in figure 5 bellow

Figure 5. Education distribution of respondents



4.3 Descriptive statistics on Cash planning

Table 4.5: Descriptive statistics on cash planning

Cash planning	N	Minimum	Maximum	Mean	Std. Deviation
Organisation maintains proper records for Accounts Receivables	59	1	5	3.59	1.176
The organisation sometimes delays the payment of suppliers	59	1	5	2.93	1.258
The organisation has a cashier in place that handles all cash related transactions	59	3	5	4.47	.537
The organisation delays the employee salaries	59	1	5	2.24	1.194
The organization maintains an optimal cash balance	59	2	5	3.86	.899

Source: Primary data (2015)

From the table 4.5 above, respondents were asked to indicate whether MIAN maintains proper records for accounts receivables and from the findings responses were neutral with a mean of 3.59 this means that the respondents view towards the fact that the organisation maintains proper records for accounts receivables was varying with a neutral value and Standard deviation of 1.176 which implied that the respondents had varying views on this aspect. Eljelly (2004) from literature reviewed suggested that maintaining proper accounts receivables leverage significantly and negatively affect cash planning activities of the organisation, while firm growth (in sales) significantly and positively.

Respondents were asked whether MIAN sometimes delays the payment of suppliers, and the respondents didn't agree reflected by a mean of 2.93. The standard deviation was 1.258 which implied that respondents had altering views on this aspect. Vanhorne (2001) and Ross (2000), say that the objective of cash planning and disbursement is to delay payment as long as it is legally and practically possible and in pursuing this objective the firm should not compromise its relationships with suppliers as this may withdraw trade credit.

Respondents agreed that the organization has a cashier in place that handles all cash related transactions with a mean of 4.47 and Standard deviation of 0.537 which implied that the respondents had same views on this part. According to Mantile Etaal (1995), Hamilton (2001) and van Horme (1995) one of the primary objectives of a cashier is to maintain a sound liquid position of the organisation in order to meet motives of holding cash.

Respondents were asked whether the organization delays employee salaries and the respondents didn't agree reflected by a mean of 2.24. The standard deviation was 1.194 which implied that MIAN pays its employees on time. This also aligns with Lynch (2003) who noted that delaying cash out flows may result in ethical issues and over delaying to pay staff salaries and wages may result in to resentment of work, low morale, low productivity, and low productivity, high labor turn over, strikes, frauds and theft which increase operating costs that reduce profitability. According to the manager, he says that "in order for MIAN to ensure high productivity and satisfaction of its clientele, we have got to ensure that those that do the work (staff) are well paid and their issues are sorted in time".

Respondents were asked whether the organization maintains an optimal cash balance and the responses were neutral with a mean of 3.86. The standard deviation was 0.899 which implied that respondents had varying views on this aspect. Frank & Goyal (2004) from literature reviewed clearly states that an aspect of cash management is getting an institution's optimal cash balance through a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time. Further as noted by the cashier (MIAN) that “there are numerous ways to measure liquidity, including: the cash to total assets, the current ratio and the net liquid balance, the higher the number generated by the liquidity, the greater the liquidity and vice versa”. Respondents further noted that through strong billing and collection practices organizations can ensure better cash planning.

4.4 Descriptive statistics on cash collection and disbursement

Table 4.6: Descriptive statistics on cash collection and disbursement

	N	Minimum	Maximum	Mean	Std. Deviation
The organisation demands weekly reports for outstanding balances	59	1	5	3.71	1.099
MIAN Services maintains a schedule for disbursements	59	1	5	2.08	1.236
The organisation projects cash collection statements	59	2	5	4.05	.839
All payments are deposited in the bank.	59	1	5	3.42	1.367
The organisation sometimes uses wire transfer in payments and receipts	59	1	5	2.27	1.243
Sometimes there are delays in the payment of Suppliers.	59	1	5	3.78	.966

Source: Primary data (2015)

Table 4.6 shows respondents who were asked whether the organisation demands weekly reports for outstanding balances and their views were neutral on the aspect that with a mean 3.70 and Standard deviation 1.099 which is wide and this implied that the respondents had varying views on this aspect. This clearly aligns with Damodaran (2002) who asserts that make sure your accounts receivable and staff assigned is taking a proactive approach to collect on those unpaid bills, and ask for a weekly report showing the total amount outstanding balance, along with an explanation of why those payments have not been received.

Respondents were asked to indicate whether MIAN Services maintains a schedule for disbursements and from the findings respondents didn’t agree on the aspect with a mean 2.08 and Standard deviation 1.236 which is wide and this implied that the respondents had varying views on this aspect. from literature reviewed Tryfonidis, (2006) says that the effectiveness of the organization depends on schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices.

Respondents were further asked whether the organization projects cash collection statements and from the findings they agreed reflected with mean 4.05 and Standard deviation 0.839 which implied that the respondents had varying on this aspect. This was supported by Udojung et al. (2010), control of the use of cash 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).

Respondents were asked whether all payments are deposited in the bank and from the findings their views were neutral on the aspect that with a mean 3.42 and Standard deviation 1.367 which is wide and this implied that the respondents had varying views on this aspect. Supported by

Lazaridis, (2006), that the payment is not processed and deposited into a bank account the moment it is received by the supplier firm and finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds.

Respondents were asked whether the organisation sometimes uses wire transfer in payments and receipts and from the findings respondents didn’t agree on the aspect with a mean 2.27 and Standard deviation 1.243 which is wide and this implied that the respondents had varying views on this aspect. However basing on Myers (2003) there are numerous mechanisms that can be employed to concentrate the cash, such as wire transfers, the rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus but from the findings MIAN doesn’t use wire transfers in its cash collection activities.

Respondents were asked whether sometimes there are delays in the payment of Suppliers and from the findings they were neutral in their views reflected with mean 3.78 and Standard deviation 0.966 which implied that the respondents had varying responses on this aspect. Bort (2004) who asserts that cash disbursements are controlled through a policy of delaying payments to suppliers

4.5 Descriptive statistics on cash budgeting

Table 4.7: Descriptive statistics on cash budgeting

Cash budgeting	N	Minimum	Maximum	Mean	Std. Deviation
MIAN services does cash forecasting	59	1	5	3.80	1.063
Each of the departments in the organisation performs its own budget	59	1	6	3.86	1.224
The organisation maintains a master budget	59	1	5	3.69	1.193
MIAN has a system of tracking expenses	59	1	5	3.44	1.368
Cash Inflows and Outflows are properly handled in the organization	59	3	5	4.20	.637

Source: Primary data (2015)

From Table 4.7, Respondents were asked to indicate whether MIAN services does cash forecasting, and from the findings their responses were neutral with a mean of 3.80 and standard deviation of 1.063 which was a wide variation and this implied that the respondent had varying views on this aspect. As supported by Allman-Ward et al. (2003), Cash forecasting is used to estimate the liquidity position of the company for periods ranging from the current day up to one year.'' The purpose of a forecast can be determined by its length.

Respondents were asked to indicate whether each of the departments in the organisation performs its own budget and from the findings respondents were neutral reflected with mean 3.86 and Standard deviation 1.224 which implied that the respondents had varying issues on this aspect. This was supported by Vanhorne (2001) says that, a common cash management tool found in companies is a cash budget. Most companies prepare budgets on the departmental level and roll these individual budgets into one master budget. Creating several smaller budgets, can help managers determine which operations use more cash and struggle to stay on the projected budget amounts. This discovery gives managers an idea of when improvements needed to correct the company's cash flow problems. Therefore, cash budgeting is another aid to an effective cash management.

Respondents were further asked whether the organisation maintains a master budget and from the findings the response was neutral reflected with a mean of 3.69. The standard deviation was 1.193 which was wide and this implied that this aspect had varying responses. Chastain (2008) asserts that master budgets are the financial road map companies' use, when planning business expenses and tracking the cash flow throughout the business year. Creating several smaller budgets from the master budget, can help managers determine which operations use more cash and struggle to stay on the projected budget amounts. This discovery gives managers an idea of when improvements needed to correct the company's cash flow problems.

Respondents were asked to indicate whether MIAN has a system of tracking expenses, and from the findings the response was neutral reflected with a mean of 3.44. The standard deviation was 1.368 which was wide and this implied that this aspect had varying responses. Deloof, (2003) says that whether you are running a business or a household, it is important to get a handle on expenses. Many business owners are so busy with day-to-day operations that they lose sight of the big picture. Getting a handle on the expenses associated with running your business is one of the best ways to manage and maximize your cash. Start by building a detailed report of every expense for the past month.

Respondents were asked whether Cash Inflows and Outflows are properly handled in the organization and from the findings they agreed with a mean of 4.20. The standard deviation was 0.637 which implied that this aspect had varying views. According to Udojung et al. (2010), Cash Budgeting 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.

4.6. Descriptive statistics on return on assets

Table 4.8: Descriptive statistics on return on assets

Return on assets	N	Minimum	Maximum	Mean	Std. Deviation
The company receives enough revenues after payment of taxes	59	2	5	4.08	.915
There has been a reduction in the general expenses	59	1	5	2.66	1.372
There has been an increase in the investment of the organization	59	1	5	3.58	1.453

Source: Primary data (2015)

From Table 4.8, Respondents were asked whether the company receives enough revenues after payment of taxes and from the findings they agreed with a mean of 4.08. The standard deviation was 0.915 which implied that this aspect had varying views. Return on assets indicates the profitability on the assets of the firm after all expenses and taxes (Van Horne 2005). It is a common measure of managerial profit (Ross, Westerfield, Jaffe 2005). It measures how much the firm is earning after tax for each dollar invested in the assets of the firm. That is, it measures net earnings per unit of a given asset, moreover, how corporate firms can convert its assets into earnings (Samad & Hassan 2000).

Respondents were asked to indicate whether there has been a reduction in the general expenses, and from the findings they didn't agree with a mean of 2.66. The standard deviation was 1.372 which implied that this aspect had varying views. From literature reviewed Rushdi and Tennant (2003) puts it that financial performance can be measured in a number of ways including return on assets, return on equity (ROE) or profit margins. Other than that, getting on top of the financial measures of the organisation performance is an important part of running a growing business, especially in the current economic climate. Many companies set up a line of credit to cover those times when sales fall short or expenses run high.

Respondents were asked to indicate whether there has been an increase in the investment of the organization, and from the findings they were neutral in their responses with a mean of 3.58. The standard deviation was 1.453 which is wide and implied that this aspect had varying views. This aligns with Bort (2004) that there would be a serious risk of having further supplies refused. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, the rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus

4.7 Descriptive statistics on return on capital

Table 4.9: Descriptive statistics of return on capital

Return on capital	N	Minimum	Maximum	Mean	Std. Deviation
There has been a growth in profits and investments over the years	59	2	5	3.69	1.118
The stakeholders receive enough dividends as a result of enough profits made	59	2	5	4.22	.696
The investment portfolio of the organization has drastically improved.	59	2	5	4.22	.767

Source: Primary data (2015)

From table 4.9, respondents were asked whether there has been a growth in profits and investments over the years and from the findings they were neutral in their views with a mean of 3.69. The standard deviation was 1.118 which is wide and implied that this aspect had varying views. Through an interview with the manager (MIAN), it was noted that ever since MIAN was fully registered with Uganda Revenue Authority with a Tax Identification Number (TIN) and also with a VAT registration certificate since 2012. He said that this has enabled the company undertake business legally. He further mentioned that they are registered with PPDA (Public

Procurement and Disposal of Assets) which enables them to compete for government projects. The manager also brought to our notice that the organization is not doing bad though he could not substantiate on how much profits they make but he justified that the business was highly profitable if properly managed and monitored.

Respondents were asked whether stakeholders receive enough dividends as a result of enough profits made and from the findings they agreed with a mean of 4.22. The standard deviation was 0.696 which implied that this aspect had varying views. Kimbowa (2003) noted that financial performance is affected by factors such as cost of input, management of cash flows, government policy and borrowing culture. If the organisation relies more on loans, costs such as interest rates will not be avoided and this has a negative impact on financial performance. Kakuru (2003) provided that financial performance is affected by the cost of capital. In this case the cost of capital is usually increased by related dividends and interest rates from providers.

Respondents were asked to indicate whether the investment portfolio of the organization has drastically improved, and from the findings they agreed with a mean of 4.22. The standard deviation was 0.767 which implied that this aspect had varying views. The findings align with Walker’s theory which posits that capital should be invested in each component of working capital as long as the equity position of the organization increases. This is in line with the fact that each shilling invested in either fixed assets or working capital should essentially contribute to the net worth of the firm. More so, it is argued that the type of capital employed to finance the working capital directly affects the amount of risk the organization assumes as well as the opportunity for gain or loss and the cost of capital.

4.8 Descriptive statistics on sufficient cash flow

Table 4.10: Descriptive statistics on sufficient cash flow

Sufficient cash flow	N	Minimum	Maximum	Mean	Std. Deviation
There is enough inventory to fulfill customer needs	59	1	5	3.80	1.171
Senior management solicits ideas for improving cash flows	59	1	5	4.20	.906
Because of sufficient cash flow payments are done in time	59	1	5	3.58	1.289

Source: Primary data (2015)

Table 4.10 respondents were asked whether there is enough inventory to fulfill customer needs and from the findings they were neutral with a mean of 3.80. The standard deviation was 1.171 which implied that this aspect had varying views. This was justified by the procurement officer (MIAN) who brought it to the researcher's notice that the organization stocks inventory enough to be used for the next quarter and it's a management policy mainly because of the fact that prices tend to go up always in the Ugandan market.

From the findings respondents were asked whether they agree that the senior management solicits ideas for improving cash flows and from the findings they agreed with a mean of 4.20. The standard deviation was 0.906 which implied that this aspect had varying views. Effective cash flow strategies assure that enough cash is on hand to meet financial obligations while maximizing financial return from excess cash. Bryk and Schneider (2002) adds that effective cash flow strategies educate and stress the importance of cash flow management to all members of the senior management team as well as all other effected departments and further states that senior management team should periodically solicit ideas on improving cash flow and also exchanging ideas about how to managing cash flow.

Respondents were asked whether because of sufficient cash flow payments are done in time from and from the findings they were neutral with a mean of 3.58. The standard deviation was 1.289 which is wide and implied that this aspect had varying views. The statement above was further justified by the Head cashier for MIAN Services who said that “The primary role of the cash department at MIAN is only for one reason to make money available whenever needed” this she further added on that “we are in a business that entirely depends on liquid cash in that cash has to be flowing always for purposes of bidding, payment of taxes, payroll and also the fact that we do have many casual laborers who are paid on daily basis, we cannot afford to stay without cash.

4.9 Correlation between cash planning and financial performance.

The correlation between cash planning and financial performance was as follows

Table 4.11 Correlation on cash planning and financial performance

		Cash planning	Financial performance
Cash planning	Pearson Correlation	1	.331*
	Sig. (2-tailed)		.010
	N	59	59
financial performance	Pearson Correlation	.331*	1
	Sig. (2-tailed)	.010	
	N	59	59

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data (2015)

Table 4.11 above indicates that the Pearson correlation coefficient is ($r = 0.331^{**}$, $p < 0.05$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and insignificant relationship of 33.1% between cash planning and financial performance. Basing on literature reviewed, Kakuru (2001) asserts that if cash planning concentrates on boosting the liquidity, high balances of cash will be maintained. This is risky especially to people who expect profitable ventures. On the other hand if cash planning seeks to boost financial performance, investments are highly risky but profitable and the business is threatened as there will be no cost to meet the operating obligations as they fall due. If care is not taken financial performance will be short lived as the organisation will be forced to close due to illiquidity.

4.10 Correlation between cash collection and disbursement and financial performance.

The correlation between cash collection and disbursement and financial performance was as follows

Table 4.12 Correlation on cash collection and disbursement and financial performance

		Cash collection and disbursement	Financial performance
Cash collection and disbursement	Pearson Correlation	1	.495**
	Sig. (2-tailed)		.000
	N	59	59
Financial performance	Pearson Correlation	.495**	1
	Sig. (2-tailed)	.000	
	N	59	59

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

Table 4.12 above indicates that the Pearson correlation coefficient is ($r = 0.495^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and insignificant relationship of 49.5% between cash collection and disbursement and financial performance. From literature reviewed, Lynch (2003) noted that one of the major aims of cash collections is to accelerate cash inflows and delay cash out flows. However Lynch warned that both positions have associated dangers. Once cash inflows are accelerated, the costs of management and cash collection will most likely reduce while profitability will be enhanced, however the reduction of the credit period might negatively affect sales which most likely reduce profits.

4.11 Correlation between cash budgeting and financial performance.

The correlation between cash budgeting and financial performance was as follows

Table 4.13 Correlation on cash budgeting and financial performance

		Cash budgeting	Financial performance
Cash budgeting	Pearson Correlation	1	.665**
	Sig. (2-tailed)		.000
	N	59	59
Financial performance	Pearson Correlation	.665**	1
	Sig. (2-tailed)	.000	
	N	59	59

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

Table 4.13 above indicates that the Pearson correlation coefficient is ($r = 0.665^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 66.5% between cash budgeting and financial performance. From literature reviewed Kargar (1994) asserts that bankruptcy is likely for firms that put inaccurate working cash management procedures into practice, even though their financial performance is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability. Efficiency in cash budgeting is so vital for especially production- firms whose assets are mostly composed of current assets (Horne and Wachowitz, 1998) as it directly affects liquidity and performance of any firm

4.12 Conclusion

The data was presented, interpreted, analyzed & discussed as required

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

Under this chapter the researcher summarizes the study findings, makes conclusions and recommendations in the accordance with the objectives of the study.

5.1 Summary

5.1.1 Cash Planning and Financial Performance

Findings from the correlation analysis showed that ($r = 0.331^{**}$, $p < 0.05$). These findings indicated that there is a positive relationship between cash planning and financial performance. Cash planning is determinant and a key aspect of financial performance in organisations.

5.1.2 Collection & Disbursement and Financial Performance

Findings from the correlation results ($r = 0.495^{**}$, $p < 0.01$), the respondents' view indicated that there is a positive relationship between cash collection and disbursement and financial performance. From the findings the respondents showed that there numerous cash collection and disbursement procedures in MIAN hence a key determinant of financial performance in organizations.

5.1.3 Cash Budgeting and Financial Performance

Findings from correlation results ($r = 0.665^{**}$, $p < 0.01$), reveal that there is a positive and significant relationship between cash budgeting and financial performance. From the findings the respondents showed that there numerous cash budgeting techniques in MIAN hence a key determinant of financial performance in organizations.

5.2 Conclusion

Considering the information from the findings of the study, it is plainly understood that cash planning has an effect on the financial performance amongst organization as supported by the literature review and the field findings on cash management and financial performance. From the study it is concluded that if effective cash management is not monitored in MIAN there cannot be desired levels of profits and fortunately this will end up closing because of failing to achieve the said main objective of making profits that exists at the back of every business formed. Further from the correlation analysis it is elaborated that if cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by the firm and therefore it is only through effective implementation of cash management that firms get desired profit set levels since there was a positive and significant relationship between cash management and financial performance. Despite errors which may be inevitable and system huddles which may be encountered time and again, a lot of good work goes on and the level of staff dedication is paramount. Cash management has a positive effect on financial performance of organisations. However, learning being a process as it were, there is always room for improvement, thus the following recommendations are suggested

5.3 Recommendations

Basing on the study findings therefore, the researcher recommended that

There is need for deploying a cash management system which involves support and coordination among multiple departments including Finance, Operations, IT, Security and Loss Prevention to improve profitability in a company

For an effective management of cash, the organization has to put into place more controls to ensure that cash is safe. The organisation should use more of the accrual basis of cash out flow than the cash basis in order to maintain the liquidity at an optimal level.

MIAN Services needs to pick the right cash management provider who can coordinate the physical and technological installation of the system can significantly expedite and smooth the process of ensuring profit maximization. Each department should carefully consider features and functionality that will be required for a successful deployment and utilization of cash management which also increases profitability.

Administrators should calculate the cash amount best suited for the level of activity, plan timing of relevant payments and collections and draw up a policy of investments in assets with high liquidity that can be converted in to cash allow transaction costs to serve as support for their funds maintained by the company.

There is also need to discuss finance management under three main threads as capital budgeting, capital structure and working capital management. The first two of them are mostly related with financing and managing long-term investments. However, financial decisions about working capital are mostly related with financing and managing short-term investments and undertake both current assets and current liabilities simultaneously.

Cash collections should be closely monitored with the aim of accelerating cash inflows to speed up the collecting of accounts receivables. Cash disbursements should be also closely monitored with the aim of negotiating a reduction in cash outflows so as to reduce payments.

Financial projections should be accurate in order to project and forecast the amount of cash earned through business operations. Accurate forecasting should be based on a range of scenarios and risks so that the organization would be having an understanding of the key drivers of the cash position.

5.4 Areas of Further Research

This research particularly assessed cash management and financial performance. Areas that need further research are:

Organizational financial management techniques and Accounting standards

Cash Resource efficiency and effectiveness among organizations

Employee enrollment process and performance in organizations

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Appendix

Questionnaire

Dear sir/madam,

I am Namiiro Resty a student at Uganda Martyrs University pursuing a bachelor's degree in Business Administration and Management, I am doing research on the topic "**cash management and performance of organizations**" which is a very crucial requirement for the award of a degree I therefore humbly request your assistance by providing the necessary feedback as per the questions posed. The information that you will give will be treated with utmost confidentiality. I thank you very much for participating in the questionnaire survey and may God bless you.

Section One: Demographic Characteristics

Gender

Male ☐ Female ☐

Age bracket

Below 18 ☐ 19-25 ☐ 26-40 ☐ Above 40 years ☐

Level of Education

Certificate ☐ Diploma ☐ Degree ☐ Masters

Working Experience

Less than 1 year ☐

1-5 years ☐

Section B: Cash Planning in MIAN Services (U) Ltd

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
C1. The organisation maintains a proper record of the accounts receivables					
C2. The organisation sometimes delays the payment of suppliers					
C3. The organisation has a cashier in place that handles all cash related transactions					
C4. The organisation delays the employee salaries					
C5. The organization maintains an optimal cash balance					

What other techniques of cash planning are used by MIAN Services (U) Ltd?

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……………………………………………………………………………………………………

……………………………………………………………………………………………

Section C: Cash Collection and Disbursement in MIAN Services (U) Ltd

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
D1. The organisation demands weekly reports for outstanding balances					
D2. MIAN Services maintains a schedule for disbursements					
D3. The organisation projects cash collection statements					
D4. All payments are deposited in the bank.					
D5.. The organisation sometimes uses wire transfer in payments and receipts					
D6. Sometimes there are delays in the payment of Suppliers.					

Is MIAN in good terms with its suppliers?

…………………………………………………………………………………………………

………………………………………………………………………………………………

How does the organisation pay its suppliers?

………………………………………………………………………………………………

………………………………………………………………………………………………

Section D. Cash Budgeting in MIAN Services (U) Ltd

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
B1. MIAN services does cash forecasting					
B2. Each of the departments in the organisation prepares its own budget					
B3. The organisation maintains a master budget					
B4. MIAN has a system of tracking expenses					
B5. Cash Inflows and Outflows are properly handled in the organization					

Does the organisation maintain borrowing limits?

……………………………………………………………………………………………………

………………………………………………………………………………………………

Section E. Financial Performance in MIAN Services (U) Ltd

Return on Asset

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
P1. The company receives enough revenues after payment of taxes					
P2. There has been a reduction in the general expenses					
P3. There has been an increase in the investment of the organization					

How can you comment on the profits of the organization?

…………………………………………………………………………………………………

……………………………………………………………………………………………

Return on capital

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
P4. There has been a growth in profits and investments over the years					
P5. The stakeholders receive enough dividends as a result of enough profits made					
P6. The investment portfolio of the					

organization has drastically improved.					

Does the company have a proper system in place that ensures financial control?

…………………………………………………………………………………………………

……………………………………………………………………………………………

Sufficient cash flow

Please, tick [✓] only what is most appropriate to you.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Statement	1	2	3	4	5
P7. There is enough inventory to fulfill customer needs					
P8. Senior management solicits ideas for improving cash flows					
P9. Because of sufficient cash flow payments are done in time					

What are the other determinants of Financial Performance in MIAN Services (U) Ltd?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………

Thank you

INTERVIEW GUIDE

KEY INFORMANTS

1. Do you have techniques that guide the management and all employees on issues regarding cash in and out of MIAN Services (U) Ltd?

   ……………………………………………………………………………………………
2. Do you hold surplus cash after all payments? And how often do you ensure its safety?

   ……………………………………………………………………………………………
3. How do you assess the Financial Performance of MIAN Services (U) Ltd?

   …………………………………………………………………………………………..
4. Do you think the Financial Performance of MIAN Services (U) Ltd is as a result of proper cash planning? If **yes** what do you think?

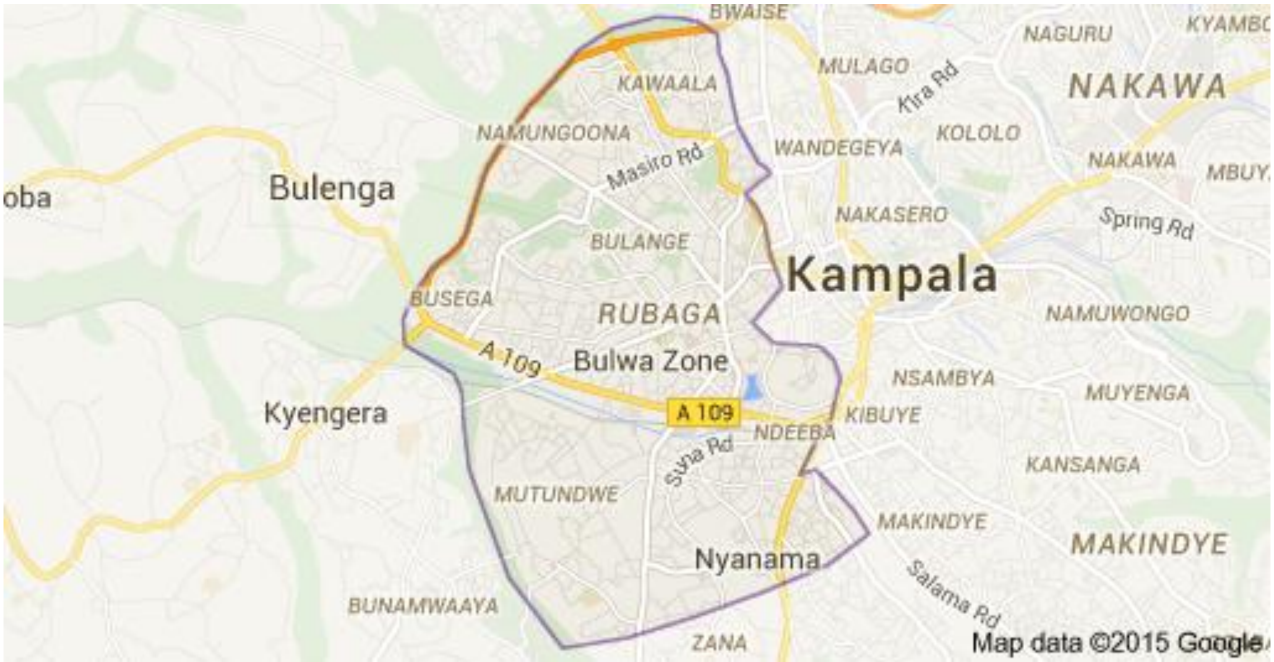
   ……………………………………………………………………………
5. Do you think the Financial Performance of MIAN Services (U) Ltd is as a result of proper Cash Collection & Disbursement? If yes justify?

   ……………………………………………………………………………
6. Do you think the Financial Performance of MIAN Services (U) Ltd is as a result of proper cash budgeting? If yes justify?

   ……………………………………………………………………………

Thank You!

Map of Lubaga Division



Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 24th February, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you Namiiro Resty who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Moses Kibrai
Dean

UGANDA MARTYRS UNIVERSITY
OFFICE OF THE DEAN
25 FEB 2015
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SIGN:..........

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