THE EFFECT OF CASH MANAGEMENT ON FINANCIAL PERFORMANCE IN FINANCIAL INSTITUTIONS

A CASE STUDY OF PRIDE MICROFINANCE LIMITED

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DEDICATION

This dissertation is dedicated to my parents Mr. Luboobi George William and Mrs. Luboobi Grace Nansubuga who have sacrificed so much to see me prosper and accomplish my studies. May the Almighty God bless them abundantly!

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TABLE OF CONTENTS

DECLARATION ii
APPROVAL iii
DEDICATION iv
ACKNOWLEDGEMENT v
LIST OF TABLES ix
LIST OF ABBREVIATIONS xi
ABSTRACT xii

CHAPTER ONE 1
1.0 Introduction 1
1.1 Background of the Study 1
1.1.1 Background of the case study 3
1.2 Statement of the Problem 4
1.4.1 General Objectives 5
1.4.2 Specific Objectives 5
1.5 Research Questions 5
1.6 Scope of the Study 6
1.6.1 Subject Scope 6
1.6.2 Geographical scope 6
1.6.3 Time scope 6
1.7 Significance of the study 6
1.8 Justification of the Study 7
1.9 Definition of Key terms 7
1.10 Conceptual Frame Work 8
1.11 Conclusion 9

CHAPTER TWO 10
LITERATURE REVIEW 10
2.0 Introductions 10
2.1 Overview of Key Variables 10
2.1.1 Cash Management 10
2.1.1.1 Cash Control 12
2.1.1.2 Cash Collection 13
2.1.1.3 Cash Budgeting 14
2.1.2 Financial Performance 16
2.1.2.1 Return on assets 16
2.1.2.2 Return on capital employed 17
2.1.2.3 Sufficient cash flows 18
2.2 Cash Control and Financial Performance 20
2.3 Cash Collection and Financial Performance 22
2.4 Cash Budgeting and Financial Performance 25
2.5 Conclusion 30

CHAPTER THREE 31
METHODOLOGY 31
3.0 Introduction 31
3.1 Research design 31
3.2 Area of study 31
3.3 Study population 31

3.4 Sample size and procedures 32
3.4.1 Sample size 32
3.4.2 Sampling procedures 32
3.5 Sources of data 32
3.5.1 Primary sources of data 32
3.5.2 Secondary sources of data 33
3.6 Data collection methods and research instruments 33
3.6.1 Questionnaire 33
3.6.2 Interview guide 33
3.7 Quality control methods 34
3.7.1 Validity 34
3.7.2 Reliability 34
3.8 Data management and processing 34
3.9 Data analysis 35
3.10 Ethical Considerations 35
3.11 Limitations of the study 35

CHAPTER FOUR 37
DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF FINDINGS 37
4.0 Introduction 37
4.1 Background of respondents 37
4.1.1 Gender of the respondents 37
4.1.2 Age of respondents 38
4.1.3 Marital status of the respondents 39
4.1.4 Education level of respondents 40
4.2Cash Control and Financial Performance 41
4.2.1 Our institution accelerates cash inflows and delays cash out flows using cash controls. 42
4.2.2 Our institution ensures the firm's liquidity increases as the profits also grows. 43
4.2.3 The cost of cash control system is very quickly recovered through the recurring savings gathered by the system itself. 43
4.2.4 Our institution has maintained high balances of cash. 44
4.2.5 Our institution have cash controls keep our documents separate from the physical location of cash. 44
4.2.6 Correlation of Cash Control and Financial Performance 45
4.3Cash Collection and Financial Performance 46
4.3.1 Our institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm. 48
4.3.2 Our institution has established strong billing and collection practices. 48
4.3.3 Our institution has got greater investment opportunities with larger sums of money available as surplus. 49
4.3.4 Our organization is too reluctant when it comes to collecting on overdue invoices. 49
4.3.5 Our institution has built an information system 49
4.3.6 Our institution has less time delays involved for mail, processing, and banking. 50
4.3.7 Correlation on Cash Collection and Financial Performance 50
4.4Cash Budgeting and Financial Performance 51
4.4.1 Our institution has cash budgets that plan inflows and outflows of cash. 52
4.4.2 The cash budgets help the institution to track business expenses and revenues throughout the business. 53
4.4.3 Our institution has a budget committee comprising the high level executive officers of the organization. 53

4.4.4. Cash budgets enable the institution to see the projected cash receipt and cash payments. 54
4.4.5 Cash budgeting has helped the institution to determine whether cash balances remain sufficient to fulfill regular obligations. 54
4.4.6 Our institution is able to determine the excess cash retained which is used in productive activities. 55
4.4.7 Correlation Cash Budgeting and Financial Performance........ 56
4.5 Conclusion 57

CHAPTER FIVE 58
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 58
5.0 Introduction........ 58
5.1 Summary of the Findings........ 58
5.1.1 Cash Control and Financial Performance 58
5.1.2 Cash Collection and Financial Performance........ 58
5.1.3 Cash Budgeting and Financial Performance........ 58
5.2 Conclusion 59
5.2.1 Cash Control and Financial Performance 59
5.2.2 Cash Collection and Financial Performance........ 59
5.2.3 Cash Budgeting and Financial Performance........ 59
5.3 Recommendations........ 60
5.4 Areas for further Study 60

REFERENCES: 61

APPENDICES 65
APPENDIX I: QUESTIONNAIRE 65
APPENDIX II: INTERVIEW GUIDE 69
APPENDIX III: SAMPLE SIZE DETERMINATION 70

LIST OF TABLES

Table 4.1: Table showing gender of respondents 38

Table 4.2: Table showing age of respondents.. 39

Table 4.3: Table showing findings about marital status of respondents...................................... 40

Table 4. 4: Cash Control and Financial Performance 42

Table 4.5: Cash Control and Financial Performance 45

Table 4. 6: Cash Collection and Financial Performance... 47

Table 4.7: Cash Collection and Financial Performance.. 50

Table 4. 8: Cash Budgeting and Financial Performance... 52

Table 4.9: Cash Budgeting and Financial Performance.. 56

LIST OF FIGURES

Figure 1.1: Showing conceptual frame work on the effect of cash management on financial performance of financial institutions. 8

Figure 4.1: Pie Chart showing the Education level of respondents 41

LIST OF ABBREVIATIONS

CVI: Content Validity Index

DV: Dependent Variable

IT: **I**nformation Technology

IV: Independent Variable

SPSS: Statistical Package for Social Sciences.

UMU: Uganda Martyrs University

MDI: Micro Deposit Taking Institution

MFIs: Microfinance Institutions

MV: Moderating variable

NGO: Non-Governmental Organisation

NORAD: Norwegian Agency for Development Cooperation

ROA: ` Return on assets

ROCE: Return on capital employed

ACH: Automated Clearinghouse

GAAP: Generally Accepted Accounting Principles

EBIT: Earnings Before Interest and Tax

PMFL: Pride Africa Uganda Limited

ABSTRACT

This study assessed the effect of cash management on financial performance in financial institutions a case study of Pride Microfinance Limited. The specific objectives of the study were: To assess the contribution of cash control on financial performance of financial institutions, to establish the contribution of cash collection on financial performance of financial institutions and to assess the contribution of cash budgeting on financial performance of financial institutions.

The study adopted the case study research design with quantitative and qualitative research techniques. A total sample size of 40 respondents from Pride Microfinance was used. Self-administered questionnaires were used to collect data. Data was coded and later processed using Statistical Package for the Social Sciences (SPSS) computer program with the help of data computations elements so as to generate tables showing means, percentages, standard deviations as well as charts including bar graphs that were clearly explained. Descriptive statistics were also generated for all the dimensions under both the dependent and independent variable and were explained using a scale ranging from strongly disagree to strongly agree as well as the rate at which responses were deviating from the mean figure.

The study revealed that Cash management through cash control, cash collection and cash budgeting has an effect it plays on the financial performance in financial institution. The institution through cash management accelerates cash inflows and delays cash outflows using cash controls. Furthermore, the institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm and also that the institution has established strong billing and collection practices. Additionally, the institution has cash budgets that plan inflows and outflows of cash which helps the institution to track business expenses and revenues throughout the business. Management often makes use of cash budgets in determining cash surpluses or deficits, where managers invest their cash surpluses in ventures that yield high returns such as treasury bills. They should also make use of computerized accounting packages to help improve their efficiency in cash management.

In conclusion, cash management positively affects financial performance in financial institutions as it leads to increased profitability, increase in sales turnover and a more stable liquidity. Therefore financial institutions should pay attention to cash management and cash control, cash budgeting and cash collection so as to augment their return on capital employed, return on assets while maintain sufficient cash flows.

CHAPTER ONE

1.0 Introduction

This study focuses on cash management as the independent variable and financial performance of financial institutions as the dependent variable. Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. The goal is to manage the cash balances of an enterprise in such a way as to maximize the availability of cash not invested in fixed assets or inventories and to do so in such a way as to avoid the risk of insolvency. Factors monitored as a part of cash management include a company's level of liquidity, its management of cash balances, and its short-term investment strategies (Springer, 2005). Performance of financial institutions encompasses their ability to accomplish their given tasks and responsibilities measured against present known standards of accuracy, completeness, cost and speed. This chapter presents the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope, Justification, and significance of the study, conceptual frame work and the definition of key terms.

1.1 Background of the Study

Globally, many organizations around the world have seen cash management as one of the key aspects of efficient working capital management (Pandey, 2004), Cash management involves planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time. Cash management is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds. Holding cash to meet short term- needs incurs an opportunity cost equal to the return which could have been earned if the cash had been invested or put to productive use (Wetson and Copeland 2008).

In most African Countries, the major reason for slow profits in the most financial is wrong cash management policies or strategies for example on opportunity cost of not investing, which increases as cash balances increase and also Information costs involved in making the decisions to invest, disinvest, borrow, or repay loans, which decrease as the amount of cash balance increases. Performance of financial institutions is normally 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). Many companies are having negative cash flows which result in difficulties in funding business commitments such as paying suppliers, meeting payroll demands and paying taxes. Holding inadequate amount of cash or cash equivalent interrupts the normal flow of most business activities.

In Uganda, Most financial institutions are set up with the aim of making profit and improving on their performance. This can be achieved through proper cash management. Cash management is an essential tool which aims at establishing the financial position of the organization. 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. Larsson (2000), points out that cash management is not a new phenomenon and organizations have always considered how their liquid capital in the best way should be managed. Even though managing liquid capital always has been done, the term cash management has brought new light to managing liquid capital with focus on the time- dimension of cash flow. However, there is laxity in the policies of micro-finances for example on insider lending, failure to manage loans among others. This means that financial are therefore required to maintain a balance between liquidity and profitability while conducting their day to day operations. Liquidity (cash and cash equivalents) is a precondition to ensure that firms are able to meet their short-term obligations when they fall due and at the same time ensuring that profitability is maintained

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues stoner (2003). 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. There are many different ways to measure financial performance, but all measures should be taken in aggregation (Liargovas, et al 2008). Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt.

1.1.1 Background of the case study

Financial institutions within Uganda greatly play a role in the economic development of the country. Financial institutions are categorised as banks and microfinance institutions. Prior to Uganda's independence in 1962, government-owned institutions dominated most banking in Uganda. In 1966 the Bank of Uganda, which controlled the issue of currency and managed foreign exchange reserves, became the central bank. Stanbic Bank, which had fifty branches throughout the country, dominated commercial banking and was wholly owned by the

Wein, (2001) noted that Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some MFIs have experienced strong growth and are now reaching a considerable number of clients, with three serving between 25.000 and 45.000 clients. A number of microfinance providers are close to financial sustainability or have already surpassed it. A series of impact studies conducted in Uganda in the past years have demonstrated that the provision of micro- finance services contributes to reduced client vulnerability to economic risks, results in strengthening linkages of clients and their households to the agricultural sector, and enables clients to acquire valued skills.

Pride Microfinance was founded in 1995, as a Non-Governmental Organisation (NGO), with the support of the Norwegian Agency for Development Cooperation (NORAD). Its major objective was to offer credit to the poor, targeting those in the agricultural sector. In 1999, it was incorporated as a limited company and changed names to Pride Africa Uganda Limited. In 2003, the Uganda government acquired 100% shareholding in the enterprise, changing the name to Pride Microfinance Limited. In 2005, it attained the status of an MDI Micro Deposit Taking Institution (MDI) according to the Banking Act of 2003.

PMFL's focus is the micro, small and medium size entrepreneurs. Pride microfinance has been chosen in particular because it is widely established with different loan services like group guaranteed loans, individual loans, salary loans, asset financing loans and others. It is also widely established with branches all over the country which enables it to meet the needs for every Ugandan and for easy accessibility to their services. The study therefore investigated the effect of cash management on financial performance of financial institutions and in this case using Pride microfinance Ltd Kampala Branch.

1.2 Statement of the Problem

Cash management is necessary because there are mismatches between the timing of payments and the availability of cash. Even if the annual budget is balanced, with realistic revenue and expenditure estimates, in-year budget execution will not be smooth, since both the timing and seasonality of cash inflows and of expenditures can result in conditions of temporary cash surpluses or temporary cash shortfalls (Lienert, 2016). However, (Attom, 2016) noted that cash shortage is a chronic challenge to most firms, and yet cash management is very crucial to the survival and growth of financial institutions. Cash management techniques are adopted by organizations in order to ensure effective investment of cash and to achieve profitability both in the short run and long run (Dodds 2016) but despite the adoption of these cash management techniques, still most present organizations run bankrupt to the extent that some are even closed due to poor cash management.

Pride Microfinance is faced with problems of failure to collect loans, over spending, low loan portfolio, High transaction cost and Limited budgets among others. This has led to decrease in profits by 1.5%, stagnant sales of 56% and shifting customers (Management report, 2016). This is due to poor cash management in the financial institution. This prompted the researcher to investigate the effect of cash management on financial performance of financial institutions using a case study of Pride Microfinance Ltd Kampala Branch.

1.4.1 General Objectives

The purpose of the study is to establish the effect of cash management on financial performance of financial institutions a case study of Pride Microfinance Ltd.

1.4.2 Specific Objectives

The study was guided by the following specific objectives.

i. To establish the contribution of cash control on financial performance of financial institutions

ii. To establish the contribution of cash collection on financial performance of financial institutions

iii. To assess the contribution of cash budgeting on financial performance of financial institutions

1.5 Research Questions

i. What is the contribution of cash control on financial performance of financial institutions?

ii. What is the contribution of cash collection on financial performance of financial institutions?

iii. What is the contribution of cash budgeting on financial performance of financial institutions?

1.6 Scope of the Study

1.6.1 Subject Scope

The study focused on understanding cash management and its effect on performance of financial institutions. The study was confined to the effect of cash control, cash collection and cash budget on financial performance of financial institutions.

1.6.2 Geographical scope

The research was carried out at Pride Microfinance using the Kampala Branch located on Plot 8/10, Entebbe Road, Metropole House, 1st Floor Entebbe Rd, Kampala. The study was focused mainly on finance department, sales and marketing department and top management.

1.6.3 Time scope

The research considered a period of 6 years from 2000 - 2016 mainly because this period has enough data and information relevant to the study. This reference period helped in establishing the effect of cash management on the performance of financial institutions like Pride Microfinance Ltd.

1.7 Significance of the study.

The research will help the researcher achieve the award for the requirement of a Bachelors degree of Science in Accounting and Finance of Uganda Martyrs University.

The research will also help the financial institutions and other organizations to discover the importance of cash management. This will help them come up with better programmers and techniques which will result into improved performance and productivity.

The research will be of great importance to the researcher because the researcher hopes to acquire research skills which will be applied to conduct research in other subjects. Skills like developing questionnaires, interacting with new people and get the necessary information and analyzing data.

The study will act as a source of literature for the other researchers who intended to do research on how cash management affects profitability of any financial institutions or banks or any aspect related to cash management.

1.8 Justification of the Study

The study aims at understanding how the principles embedded in cash management are pertinent and beneficial to performance of financial institutions. The adoption of cash management to solve the constraints of performance in financial intuitions has been considered as an important factor that institutions should put into consideration (Loneoux and Fazeeria, 2004). However in financial institutions such as Pride Microfinance the adoption and use of cash management strategies has still faced setbacks despite the increased performance it brings to the organization. This study therefore investigates the effect of cash management on financial performance of financial institutions.

1.9 Definition of Key terms

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

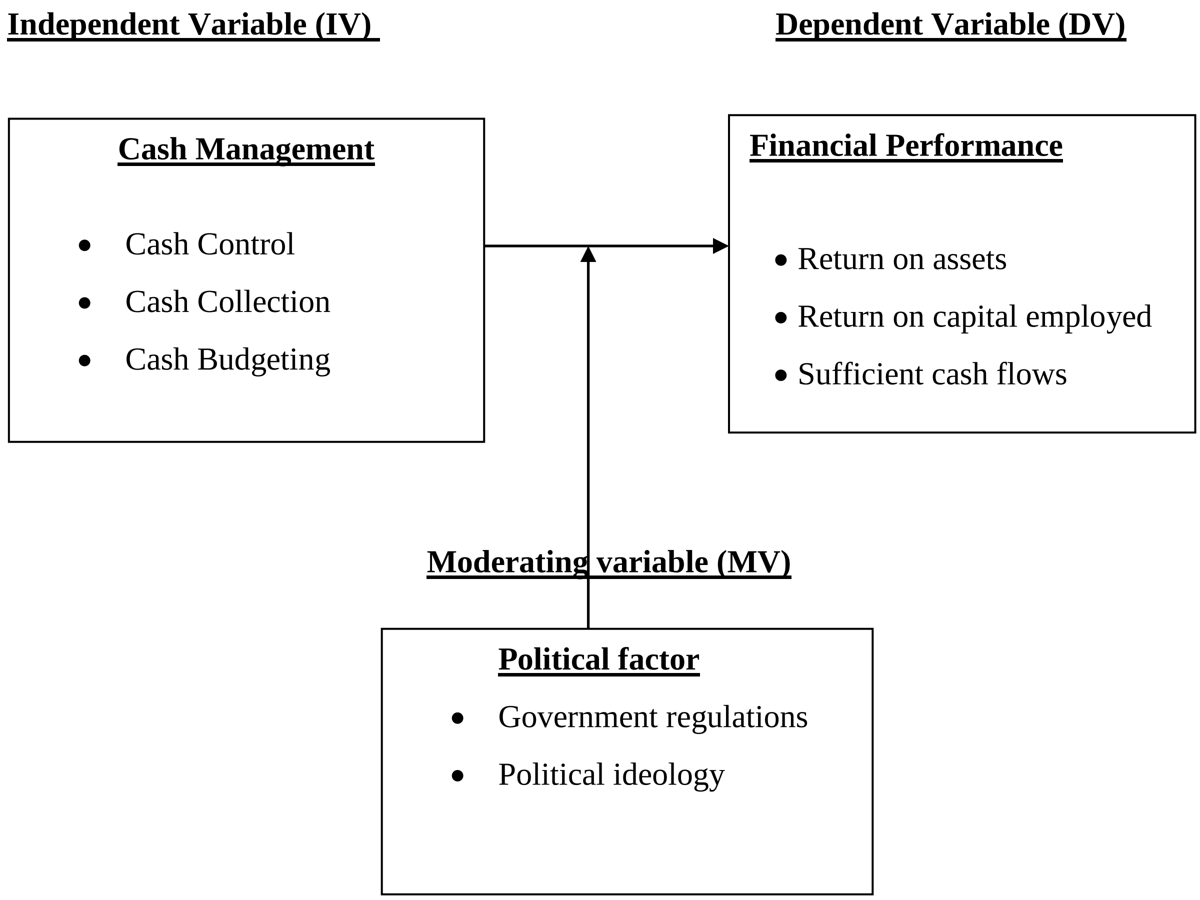
Cash Management : cash management is a broad term that refers to the collection, concentration, and disbursement of cash. In other words, Cash management is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds.

Performance : The accomplishment of a given task measured against present known standards of accuracy, completeness, cost and speed. It is also deemed to be the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract.

1.10 Conceptual Frame Work

A conceptual framework helps to postulate or hypothesize and test certain relationships which improve the understanding of a situation (Sekeran, 2005)

Figure 1.1: Showing conceptual frame work on the effect of cash management on financial performance of financial institutions.



Source: **Adopted from Wetson and Copeland (2008) and modified by the researcher.**

The conceptual framework describes the relationship between the independent variable and the dependent variable. In this conceptual framework, cash management is the independent variable while financial performance of financial institutions is the dependent variable. In the conceptual frame work, cash management has indicators of cash control, cash collection and cash budgeting. On the other hand financial performance of financial institutions is considered as the dependent variable which is measured by return on assets, return on capital employed and sufficient cash flows. However, financial performance of financial institutions can also be affected by a moderating variable Political factor which has indicators of Government regulations and Political ideology. Despite this, the study focused on the independent variable of cash management and the effect it has on the financial performance in financial institutions.

1.11 Conclusion

In this chapter, the researcher reviewed and discussed the context of the research problem and put it into perspective. The researcher also looked at the issues generally and specifically to conceptualize the problem. Research objectives have been also set to guide the research study. Generally, this chapter is intended to give the reader proper insight as to why the study is being conducted.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introductions

This chapter reviewed the different existing literature of different scholars, regarding the effect of Cash Control, Cash Collection and Cash Budgeting on financial performance of financial institutions.

2.1 Overview of Key Variables

2.1.1 Cash Management

According to Mclaney (2000), cash is much more than just one element of working capital. As the medium of exchange and store of value, cash provides the linkage between all financial aspects of the firm. More specifically it links short-and long-term financing decisions with one another, with decisions involving investment both in fixed assets and working capital. The term cash refers to the most liquid of assets, including demand deposits, money market accounts and currency holdings. Cash and marketable securities are the most liquid of the company's assets. Cash is the sum of currency a company has on hand and the funds on deposit in bank checking accounts. Cash is the medium of exchange that permits management to carry on the various functions of the business organization.

According to Keynes (2013), positions on the motive for holding cash are merely transaction, precautionary and speculative motives. Companies hold cash in order to bridge the interval between the time of incurring business cost and that of the receipt of the sale-proceeds. In other words, companies hold a certain amount of cash in order to meet the regular expenses of their activity. Therefore, the higher the firm's ability to schedule its cash flows (depending on their predictability), the weaker the transactions-motive for holding cash would be. The transaction motive illustrates the cash holding of firms and therefore more applicable to SMEs. Weston and Copeland (2008) stated that companies need a cash reserve in order to balance short term cash inflows and outflows since these are not perfectly matched. This they referred to as the transactions motive for holding cash, where the approximate size of the cash can be estimated by forecasting cash inflows and outflows and by preparing cash budgets. In addition to the cash reserve held for day-to-day operational needs, cash may be built up to meet significant anticipated cash outflows, for example arising from an investment project or the redemption of debt.

Van Horne (2000) claimed that companies do not hold cash for this kind of speculative purpose and can be assumed that this estimation is valid especially for SMEs which usually do not have the resources to make such complex financial decisions. The key elements of cash management are cash forecasting, balances management, administration of cash receipts and disbursements, and internal control (i.e. bank reconciliation) (Gitman, 2010). All the above is consolidated into what is referred to in finance language as the cash budget.

Cash management involves managing the monies of the firm in order to maximize cash availability. It includes policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly, efficient operations (Van Horme, 2015). According to Pandey (2010) cash is the money that a firm can disburse without any restriction. The term cash includes coins, currency and cheques held by the firm and balances on its bank accounts. Sometimes near cash items such as marketable securities or bank time deposits are also included in cash. Pandey (2010) noted that cash management is concerned with management of cash flows into and out of the firm, cash flow within the firm and cash balances lent by the firm at a time of financing deficit surplus cash. Cash management in this study consists of Cash Control, Cash Collection and Cash Budgeting

Accounts receivable, accounts payable and inventory are all components of working capital that companies can streamline to access cash trapped on their balance sheets.

When approached holistically, however, proper management of your accounts receivable accounts payable and inventory all fall under the umbrella of effective cash management. To improve any of these levers, companies must create a cash management culture. For senior management, this means going beyond prioritizing cash flows in an effort to free up cash (Oliver & English, 2010). It means encouraging financial and cash flow discipline in both good and more difficult economic times.

Depending on a company's goals, financial discipline can translate into different initiatives. These may include the adoption of more prudent investing criteria or a leaner cost structure. Either way, a focus on financial discipline including integrated financial and cash flow forecasting generally allows companies to strengthen their balance sheet improve financial stability and can lead to greater profitability. As a result, the company gains the control and flexibility it needs to achieve a competitive edge.

2.1.1.1 Cash Control

Cash Control is the Management function that sets and monitors (1) credit and collection policies, (2) cash allocation and disbursement policies, (3) accounts payable policies, and the (4) invoicing cycle. One of a company's most important accounts is their cash account. It is also the most vulnerable to fraudulent activity. Because of this, companies need to make sure that they have adequate cash controls in place. What is cash control? Cash control is a way to monitor credit, collection, cash allocation and disbursement policies, as well as invoicing function (Gitman, 2010)

The cash account is the one account that can easily fall prey to fraudulent activity. Because of this, it is very important that a company put into place guidelines for managing the cash account. There are a few common aspects of internal control that can and should be used by all companies. To begin with, there needs to be a separation of duties. Along with separation of duties, there needs to be a written protocol for cash handling and disbursement. Cash control also involves the procedures used to verify the accuracy of cash receipts and disbursements. In other words, Cash control is a process that is used to verify the complete nature and accurate recording of all cash that is received, as well as any cash disbursements that take place. As a broad principle of responsible financial accounting, this process takes place in any environment where goods and services are bought and sold (Pandey, 2013). As such, businesses, non-profit organizations and households all employ its basic tenets. To fully understand cash control, it is helpful to understand what is meant by cash, when it comes to financial accounting. Along with referring to currency and coin, this term is also understood to include forms of financial exchange like money orders, credit card receipts, and checks. Essentially, any type of financial exchange that can be immediately negotiated for a fixed value qualifies.

Cash control means competently managing all these types of financial instruments by maintaining an accurate tracking system that accounts for both receiving and disbursing the cash. Designing this process is typically not difficult, and there are a few basic elements that will be incorporated into the process, regardless of whether the procedure is used in the home or in an office or business environment

2.1.1.2 Cash Collection

Cash collections are the combination of the current month's cash sales and the credit sales of the previous month, used to calculate the total amount of cash received during the month. Credits from the previous month are used because that cash may or may not be received during the same month that the credit was issued (Lazaridis, 2016).

Gitman (2010) points out that Cash collection is a function of Accounts receivable. It is the recovery of cash from a business or individual with which you have issued an Invoice. Unpaid invoices are considered outstanding. Invoices are always issued with terms of payment. These terms vary widely from 'Cash terms', meaning that the invoice is due immediately, to many forms of 'Credit terms'. Invoices which remain unpaid for periods longer than their 'terms' indicate are considered overdue.

It is the aim of the Cash collection function of a business to collect monies for all outstanding invoices before they become overdue and to mediate payment arrangements to ensure that invoiced debts do not become doubtful or bad debts.

2.1.1.3 Cash Budgeting

A cash budget is a budget or plan of expected cash receipts and disbursements during the period. These cash inflows and outflows include revenues collected, expenses paid, and loans receipts and payments. In other words, a cash budget is an estimated projection of the company's cash position in the future (Ross, 2013). In other words, a cash budget is a finance tool geared toward limiting a company's expenditures to the amount of cash it actually has available. The alternative to a cash budget is one that is based on the availability of credit, or money that will have to be repaid down the line.

Cash budget is an estimation of the cash inflows and outflows for a business over a specific period of time, and this budget is used to assess whether the entity has sufficient cash to operate. Companies use sales and production forecasts to create a cash budget, along with assumptions about necessary spending and accounts receivable (Pandey, 2013). If a company does not have enough liquidity to operate, it must raise more capital by issuing stock or by taking on debt. A cash budget is a budget or plan of expected cash receipts and disbursements during the period. These cash inflows and outflows include revenues collected, expenses paid, and loans receipts and payments. In other words, a cash budget is an estimated projection of the company's cash position in the future.

Management usually develops the cash budget after the sales, purchases, and capital expenditures budgets are already made (Ross, 2013). These budgets need to be made before the cash budget in order to accurately estimate how cash will be affected during the period. For example, management needs to know a sales estimate before it can predict how much cash will be collected during the period. Management uses the cash budget to manage the cash flows of a company. In other words, management must make sure the company has enough cash to pay its bills when they come due. For instance, payroll must be paid every two weeks and utilities must be paid every month. The cash budget allows management to predict short falls in the company's cash balance and correct the problems before payments are due.

It can be noted that, the cash budget allows management to forecast large amounts of cash. Having large amounts of cash sitting idle in bank accounts is not ideal for companies. At the very least, this money should be invested to earn a reasonable amount of interest. In most cases, excess cash is better used to expand and develop new operations than sit idle in company accounts (Lazaridis, 2016). The cash budget allows management to predict cash levels and adjust them as needed.

Cash budgets identify the amount of cash required to fulfill immediate, short-term obligations without utilization of overdraft protection or lines of credit. Businesses use this information to determine the extent of credit sales. Offering credit and extending credit periods usually increases sales. A company with excess cash can afford to sell on credit and thereby boost profitability (Oliver & English, 2010). Conversely, a company hard-pressed for cash might decide to sell products at discounted prices for cash. Offering such discounts may be cheaper than the cost of overdraft fees or credit interest.

Companies use cash budgets to make plans for optimal utilization of cash. The goal is to retain only the minimum required working capital, investing the surplus cash in productive ventures, such as making profitable investments, expanding production capacity, purchasing raw materials in bulk and in using cash to obtain favorable discounts. Companies hard-pressed for cash can take many steps to improve their position, such as reducing credit sales, postponing or reducing dividends, collecting credit early, rescheduling debt repayment and other payouts, cutting back on manufacturing products that require resources but do not yield much cash in the short term, and so on. Companies also look at a cash budget to determine the extent of cash available, if any, to finance capital expenditures.

Preparing a cash budget sheds light on where cash goes. Individuals and companies can analyze each item of expenditure to determine the purpose of such expenditure and the value received in return for the expense. This allows them to cut down on unproductive expenses, bring in financial efficiency, and improve the quality of financial decisions

2.1.2 Financial Performance

Financial performance is 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. In this study financial performance is characterized by Return on assets, Return on capital employed and sufficient cash flows.

2.1.2.1 Return on assets

Return on assets (ROA); Return on assets indicates the profitability on the assets of the firm after all expenses and taxes (Van Horne 2015). It is a common measure of managerial profit. 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 2010). Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment (Ross, Westerfield, Jaffe 2015).

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.

ROA is calculated as under:

ROA = *<u>Net Asset after Tax</u>*

Total asset

According to Gillingham (2001) indicated that the return on assets of these corporate firms can be measured to identify whether the total assets are idle or not and he derived the method which can be used to measure the return of total assets. Where assets total is a function of current assets plus fixed assets and also in his conclusion he stated that the higher ration in relation to the industry average ration shows that the total assets are having much return to the investors and the lower ratio compared to the industry average shows that assets are idle.

2.1.2.2 Return on capital employed

Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed(Ross, 2013). Return on capital employed is an accounting ratio used in finance, valuation, and accounting. It is a useful measure for comparing the relative profitability of companies after taking into account the amount of capital use. ROCE is calculated as:

ROCE = 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 ROCE based on “Average Capital Employed,” which takes the average of opening and closing capital employed for the time period.

A higher ROCE indicates more efficient use of capital. ROCE 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 (Gitman 2010).

ROCE is used to prove the value the business gains from its assets and liabilities. Companies create value whenever they are able to generate returns on capital above the weighted average cost of capital (WACC). A business which owns lots of land will have a smaller ROCE compared to a business which owns little land but makes the same profit. It basically can be used to show how much a business is gaining for its assets, or how much it is losing for its liabilities.

2.1.2.3 Sufficient cash flows

Cash flow is a measure of the amount of cash generated by a company's normal business operations. Operating cash flow indicates whether a company is able to generate sufficient positive cash flow to maintain and grow its operations, or it may require external financing for capital expansion. Generally Accepted Accounting Principles (GAAP) require public companies to calculate operating cash flow using an indirect method by adjusting net income to cash basis using changes in non-cash accounts, such as depreciation, accounts receivable and changes in inventory (Lazaridis, 2016).

It can be noted that operating cash flow represents the cash version of a company's net income. Because Generally Accepted Accounting Principles (GAAP) requires the net income to be reported using an accrual basis, it includes various non-cash items, such as stock-based compensation, amortization and expenses that were incurred but not paid for. Also, net income must be adjusted for any changes in working capital accounts on a company's balance sheet. In particular, increases in accounts receivables represent revenues booked for which cash has not been collected yet, and such increases must be subtracted from the net income. However, reported increases in accounts payable represent expenses accrued, but not paid for, resulting in addition to the net income.

Operating cash flows concentrate on cash inflows and outflows related to a company's main business activities, such as selling and purchasing inventory, providing services and paying salaries. Any investing and financing transactions are excluded from operating cash flows and reported separately, such as borrowing, buying capital equipment and making dividend payments (Pandey, 2013). Operating cash flow can be found on a company's statement of cash flows, which is broken down into cash flows from operations, investing and financing

Financial analysts sometimes prefer to look at cash flow metrics because they strip away certain accounting effects and are thought to provide a clearer picture of the current reality of the business operations. For example, booking a large sale provides a big boost to revenue, but if the company is having a hard time collecting the cash, then it is not a true economic benefit for the company. On the other hand, a company may be generating a high operating cash flow, but reports a very low net income if it has a lot of fixed assets and uses accelerated depreciation calculations (Gitman2010).

Cash management is particularly important for new and growing businesses. Cash flow can be a problem even when a small business has numerous clients, offers a product superior to that offered by its competitors, and enjoys a sterling reputation in its industry. Companies suffering from cash flow problems have no margin of safety in case of unanticipated expenses. They also may experience trouble in finding the funds for innovation or expansion.

It is, somewhat ironically, easier to borrow money when one has money. Finally, poor cash flow makes it difficult to hire and retain good employees.

2.2 Cash Control and Financial Performance

A cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay change funds, but also employs bill and coin handling technology, as well as its own operating system. Today's cash management systems connect to corporate networks to facilitate data exchange and remote management of the system to improve performance and profitability (Proimos, 2010).

The cost of a cash control system is very quickly recovered through the recurring savings gathered by the system itself. Therefore, what initially may appear to be a "cost" quickly becomes a "profit generator" that produces annualized cash and non-cash savings. Typical cash management systems pay for themselves within 6-9 months yet continue to produce savings indefinitely (Ross, 2013).

According to Westerfield (2013), retailers have found recurring cash savings in many areas. Specifically, internal theft is dramatically reduced (cash received but not deposited into the safe); detection and rejection of counterfeit currency; and reduced armored car requirements. The latest and most exciting area of cash savings is now being gained through the retailer receiving "provisional credit" for funds in the cash management systems and not yet deposited in the bank. Non-cash savings include a drastic reduction of management time previously required to reconcile the transaction log with cash and preparation of bank deposits, as well as instant accounting and deposit preparation.

Lynch (2013) noted that one of the major aims of cash control 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 (2013) 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 (2013) cash control 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 Kakuru (2011) if cash management concentrates on boosting the liquidity, high balances of cash will be maintained. However the higher these balances are, the more profitability will be fore gone. This is risky especially to people who expect profitable ventures. On the other hand if cash management seeks to boost profitability, 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 profitability will be short lived as the commercial bank will be forced to close due to illiquidity.

Cash control also demands that the documents related to the task are kept separated from the physical location of the cash. In other words, the accounting book that is used to record the cash transactions should not be kept in the safe with the currency, money orders, and checks. This simple precaution helps to ensure that the task of altering the physical evidence related to cash in hand is more difficult, and therefore minimizes the chances for theft to occur.

2.3 Cash Collection and Financial Performance

Cash Collection and Disbursement: Külter, and. Demirgüneş (2010), 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, 2016).

Cash management 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, 2016).

According to McLaney (2010), 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 management 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, 2013).

Myers (2013) 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.

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, 2012).

Damodaran (2012) 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.

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2.4 Cash Budgeting and Financial Performance

Preparations and Implementations of cash budget: - Gitman (2010) 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 (2010) 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 (2010) asserts that budgets are the financial road map companies' use, when planning business expenses and tracking the cash flow throughout the business year. Vanhorne (2011) 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 (2015) 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 (2010) agrees that a budget manual should also be introduced in the preparation of a cash budget. Platt (2013) is of the idea that implementation of the cash budget is a vehicle to good cash management.

Pindado (2014) 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 (2011), 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

Managing cash is becoming ever more sophisticated in the global and electronic age of the 1990s as financial managers try to squeeze the last dollar of profit out of their cash management strategies. Abel (2010) argues that cash is crucial in every business in terms of enhancing its survival and prosperity. Marfo-Yiadom (2012) also noted that cash is the hub and most coveted of all the assets of any business. Good cash management can have a major impact on overall working capital management. It is objectively used to manage and determine the optimal level of cash required for the business operation and invested in marketable securities, which is suitable for the nature of the business operation cycle (Gitman, 2015).

Cash budget is a budget that shows the projected cash receipt and cash payments. It shows the cash position of the business during the budget period. According to Weston and Copeland (2010), a cash budget shows the expected cash inflows and outflows over a budget period and highlight anticipated cash surpluses and deficits. Their preparation assists managers in the planning of borrowing and investment and facilitates the control of expenditure.

The advantages of using cash budgeting are many. This tool helps determine whether cash balances remain sufficient to fulfill regular obligations and whether minimum liquidity and cash balance requirements stipulated by banks or internal company regulations are maintained. It also helps a company determine whether too much cash is retained that could be otherwise used in productive activities(Oliver & English, 2010). Companies that borrow from banks need to monitor their cash coverage ratio and preparing a cash budget constitutes the first step in calculating this ratio.

Birt et al., (2011) explained that the preparation of the cash budget in a given business requires a detailed forecast of cash receipts and cash disbursements. It firstly starts from obtaining the monthly forecast of sales revenues, which may normally come out from the assistance of the sales and marketing department of a given business. This forecast gives the relevant information on the collection aspects for all credit sales transactions, and monthly cash receipts from sales can be predicted. The other cash receipts transactions to the business are then added to cash receipts from sales revenues to articulate the total cash receipts. Cash disbursements transactions must then be forecast and summed up for operating, financing and investment needs. In addition the “Net cash flow” is then calculated as total cash receipts deduct total cash disbursements. The opening cash balance is next added to net cash flow in order to arrive at the closing cash balance. Conventionally, if the closing cash balance is positive, then excess cash may be invested in marketable securities. If the closing cash balance is negative, then additional financing may be required (Oliver & English, 2010).

According to Drury (2014), the objective of the cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets. He further asserts that because cash budgeting is subject to uncertainty, it is necessary to provide for more than the minimum amount of cash required, to allow for some margin of error in planning.

A cash budget also provides the benefit of forcing one to think critically about your company's financial situation and make realistic predictions. This process is useful to the business owner working to maintain an accurate sense of company's operations. When a cash budget is being prepared it is important to look closely at past patterns and use them to forecast future business activity. This exercise familiarizes ne with the rhythms of the company's sales and expenditures, as well as variables that can affect changes.

The difference between a company that succeeds and one that fails is often cash management. Having too little cash means a business may have to pass on profitable ventures or take out loans to overcome liquidity issues (Van Horne 2015). Too little cash may also mean a company may be unable to operate at normal levels or be forced to shut down completely. To avoid these issues, companies rely on a cash budget to plan and control cash receipts and payments.

The cash budget is management’s approximation of cash on hand at the beginning of a budget period and the estimated cash inflows and outflows. The cash inflows may include those that result from cash sales, the sale of assets, the collection of accounts receivable, borrowing cash or stock issuance (Oliver & English, 2010). The cash outflows may include disbursements for material purchases, debt repayment, asset acquisition, taxes, manufacturing costs and dividends. The cash budget highlights a company's probable income or deficit for a period, the latter of which the company must address by increasing sales or decreasing expenditures. The importance of the cash budget lies in its ability to identify a company's future financing needs, highlight the need for corrective actions and evaluate a company's performance (Van Horne 2015).

By creating a cash budget, a company can anticipate when a cash deficit might exist and the extent of that shortfall. In turn, the budget indicates when a difference between budgeted and actual values might need to be made up by borrowing. Short-term financing might be required to acquire inventory, promote products or pay monthly expenses(Oliver & English, 2010). By predicting cash requirements, a company can also evaluate future business opportunities in part based on an opportunity's probable financing needs and costs. For instance, financing costs will influence the profitability of a merger and product development. This process allows a company to select only those organizational goals that are financially feasible.

A cash budget is a way to determine if a company has the cash necessary to meet upcoming obligations and to trigger corrective actions if a company's actual figures don't match the budget estimates. For example, a company experiencing cash-flow problems may need to borrow money in the short term for emergency equipment repairs, the payment of taxes or a monthly payroll. In addition, the company may need to borrow money in the long term for the introduction of a new product to the market or the replacement of equipment. The company might also need respond to a sharp decline in market sales by adjusting spending or prices or negotiating more favorable terms with lenders (Oliver & English, 2010).

A cash budget is used to illustrate a company's financial position to internal and external stakeholders – individuals with an interest in the company – including investors, suppliers and company leadership. For example, increasing cash flow may indicate strong demand for the company's products and opportunities for company expansion, which are positive signals to current and potential investors. In contrast, if company expenses are significantly more than the company's cash inflow, the investment risk is high and may deter additional investment in the company (Van Horne 2015). Declining cash flow may also make it more difficult for a company to obtain additional vendor credit or pay its existing debt, which might force the company into bankruptcy.

2.5 Conclusion

Cash control, cash collection and cash budgeting are measures of cash management. Financial performance measures include return on assets, return on capital employed, and sufficient cash flows. In addition, it provided literature on cash control and financial performance, cash collection and financial performance and cash budgeting and financial performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains the approaches the researcher used to get information on the research problem. This included the research design, study population, sample size and selection, sampling techniques and procedure, data collection methods and instruments, procedure of data collection, data analysis and measurement of variables. It also indicates the problems encountered in the study.

3.1 Research design

The research design adopted a case study research design. A case study is a description or analysis of individuals, groups and places. A case study was used because it provides an in-depth study of the problem with limited time scale. This design is perceived to be suited to this study in that it involves collection, verification, and synthesis of evidence to establish facts that defend or refute a hypothesis. The study used both qualitative and quantitative approaches (Creswell, 2003). Qualitative techniques focus on figures and statistical methods of analysis that’s mean, mode and median. Qualitative techniques helped the researcher to come up with conclusions on variables that would not be measured quantitatively while quantitative techniques facilitated establishing values attached to numerical variables.

3.2 Area of study

The research was carried out at Pride Microfinance using the Kampala Branch located on Plot 8/10, Entebbe Road, Metropole House, 1st Floor Entebbe Rd, Kampala.

3.3 Study population

This section included a collection of study units for which samples of interest were possibly determined. The study population consisted of finance department, sales and marketing department and top management who comprised of 45 employees (Human Resource Report, 2016). These were chosen to help determine the sample size.

3.4 Sample size and procedures

3.4.1 Sample size

A sample size representative of the study population was determined using purposive sampling. The sample size was determined using Krejcie and Morgan (1970) technique of sample size determination and a total of 40 employees were selected for the study. This helped the researcher to find the needed information for the study.

3.4.2 Sampling procedures

The researcher used purposive sampling procedure to determine the sample size from the employees in Pride Microfinance Limited. According to Black, K. (2010), it’s a type of non-probability sampling method also known as judgmental sampling which involves the researcher using his or her own judgment to choose sample members from a larger population. It can provide researchers with strong theoretical reasons for their choice of elements to be included in their sample. The researcher basically used judgment to choose elements of the sample which were given the questionnaires to fill in. This procedure has high generalizability of findings; hence it was suitable for a large study population (Sekaran and Bougie, 2010).

3.5 Sources of data

3.5.1 Primary sources of data

Primary sources are original information on which research is based. They are first hand testimony or direct evidence concerning a topic under consideration. They present information in its original form, neither interpreted nor condensed nor evaluated by other writers (Amin, 2015). Respondents were given questionnaires that they filled and at the end, the researcher aggregated the response as data, which provided the results of the study. Data was also collected using interview guide where respondents were asked series of questions which they answered and the researcher aggregated the response as data as well.

3.5.2 Secondary sources of data

Secondary sources offer interpretation or analysis based on primary sources. They may explain primary sources and often use them to support a specific thesis or argument or to persuade the reader to accept a certain point of view (Amin, 2015). Other publication from secondary sources like dissertations, publications, journals and the internet were as well accessed to obtain relevant and supporting literature.

3.6 Data collection methods and research instruments

The researcher used data collection methods and research tools to collect data.

3.6.1 Questionnaire

The study used a questionnaire survey method. This is a formulated written set of questions that will be used to obtain information about the study objectives from the study population (Amin, 2005). The questionnaire was used because of its ability to produce data which deals with the topic in depth and detail (Westerland, 2013). Marciniak (2013) also argues that a questionnaire is advantageous because it is free from bias of the interviewer since answers are in the respondent's own words and large samples can be used and thus the results can be more valid and reliable. The questionnaire was subjected to the respondents in Pride Microfinance Ltd. A close ended questionnaire was used to collect quantitative data from the respondents.

3.6.2 Interview guide

The study used an interview guide as a data collection tool. This is a semi-structured set of questions that can direct the researcher on how to conduct an interview. The interview guide helps to know what to ask about, in what sequence, how to pose the question and how to pose follow-ups. This is important because the questions asked are always answered which makes it reliable for data collection. The interview guide was also subjected to the respondent in Pride Microfinance Ltd. It was used to collect qualitative data from the respondents.

3.7 Quality control methods

3.7.1 Validity

Validity refers to the extent to which questions in an instrument accurately measure the variables therein (Hair et al., 2003). In other words, Validity is the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda, 1999). The questionnaire was subjected to expert face validity and theoretical content validity tests. A Content Validity Index (CVI) is an indication of the degree to which the instrument corresponds to the concept it is designed to measure. Amin's (2005) recommended minimum CVI of 0.7 which was employed.

3.7.2 Reliability

Reliability refers to the degree to which a set of variables are consistent with what they are intended to measure (Amin, 2005). When the items on an instrument are not scored right versus wrong, Cronbach's alpha is often used to measure the internal consistency which is often the case with attitude instruments that use likert scale. Mugenda & Mugenda, (2003) stresses that a coefficient of 0.70 or more implies that there is a high degree of reliability of the data, and that's what the researcher adopted.

3.8 Data management and processing

The data was examined to extract the themes and sub-themes in relation to the research objectives, and then used to describe and explain the phenomenon of the topic under investigation. A criterion for evaluating the – cash management and financial performance was established and recorded. Discussions were based on identified themes. Findings were measured in percentages (%) and frequencies. The aspects were grouped according to themes and tallied into frequency counts and then percentages.

3.9 Data analysis

Data was collected, edited, coded and checked for accuracy before it was analyzed. The responses of subjects collected through the questionnaire were categorized into frequency counts, percentages and means calculated. This was aided by use of the Statistical Package for Social Scientists (SPSS) Version 16. Interpretation and drawing of inferences were done depending on the number of occurrences of each item. Consequently, the data was analyzed using SPSS Version 16. Data was presented in form of tables, figures as well as charts.

3.10 Ethical Considerations

The researcher sought an introductory letter from the UMU which was presented to the management of the various organizations to seek permission and consent. The data obtained from the respondents was treated purely as academic and confidential for the safety, social and psychological well-being of the respondents.

Informed consent was sought and appropriate documentation kept. Questionnaires were coded guarantee anonymity as no one of the respondents were named at any time during the research or in the subsequent study.

Respondents were selected for their willingness to participate without compulsion and no risks to the respondents were identified at any stage during the research.

3.11 Limitations of the study

The researcher was unable to probe deeper into the subject matter because some respondents withdrew some information because it is regarded as confidential. However, the researcher assured the respondents that any information given was treated with maximum confidentiality.

The researcher experienced a problem of limited finances with respect to this study. Costs regarding this limitation included transport, printing and photocopying of relevant materials.

However, the researcher had to request for grants or source some money from relatives, friends and used it sparingly so as to overcome the cost constraint.

The researcher also faced a time constraint in data collection, analyzing of data and in final presentation of the report. However, the researcher overcame this problem by ensuring that the time element is put into consideration and that all appointments agreed upon with respondents were fully met.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF FINDINGS

4.0 Introduction

The study objectives were to establish the contribution of cash control on financial performance of financial institutions, establish the contribution of cash collection on financial performance of financial institutions and assess the contribution of cash budgeting on financial performance of financial institutions are analyzed, interpreted and presentation of findings. The response rate was 100% because the respondents were cooperative and supportive by providing the researcher with all the information needed. This means that the outcome was absolutely effective and successful since all sample size of 100% responded.

4.1 Background of respondents

This section represents the background information of the respondents, in regard to their gender, age, marital status and educational level. This information was considered useful in that it would reveal the professional relevance and knowledge base of the respondents to give informed responses.

4.1.1 Gender of the respondents

The following table presents findings about the gender of respondents and analysis as follows. Data related to gender of the respondents were presented in the table 4.1

Table 4.1: Table showing gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	21	52.5	52.5	52.5
	Male	19	47.5	47.5	100.0
	Total	40	100.0	100.0	

Source: Primary data (2017)

It is clear from the above table that the majority of respondents, 52.5% were females and the minority 47.5% males. Gender is an important variable in a given institution which is variably affected by any social or economic phenomenon and the effect of cash management on financial performance of financial institutions is not an exception. Hence the variable gender was investigated for this study. This gender was found relevant because respondents in different sexes have varying views and knowledge on cash management and financial performance of financial institutions. There were more females in Pride Microfinance Ltd because females have better customer service as compared to men and are also willing to offer the necessary information.

4.1.2 Age of respondents

The following table presents findings about age group of respondents and analysis follows.

Table 4.2: Table showing age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 – 30 years	11	27.5	27.5	27.5
	31 – 40years	22	55.0	55.0	82.5
	Above 40 years	7	17.5	17.5	100.0
	Total	40	100.0	100.0	

Source data: Primary data (2017)

Findings revealed that most 55.0% were aged between 31 years and 40 years compared to 27.5% aged 20 years and 30 years, 17.5% aged above 40 years. From the results it can be concluded that the majority of the respondents were mature enough to have the mental capacity and strength to familiarize and interpret the contents of the questionnaire to be able to complete it. The majority were between 31 years and 40 years because they are more hardworking and can work for longer hours compared to those aged.

4.1.3 Marital status of the respondents

Table below presents findings about the marital status of respondents and analysis follows.

Table 4.3: Table showing findings about marital status of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	7	17.5	17.5	17.5
	Single family	10	25.0	25.0	42.5
	Married	16	40.0	40.0	82.5
	Divorced	6	15.0	15.0	97.5
	Widowed	1	2.5	2.5	100.0
	Total	40	100.0	100	

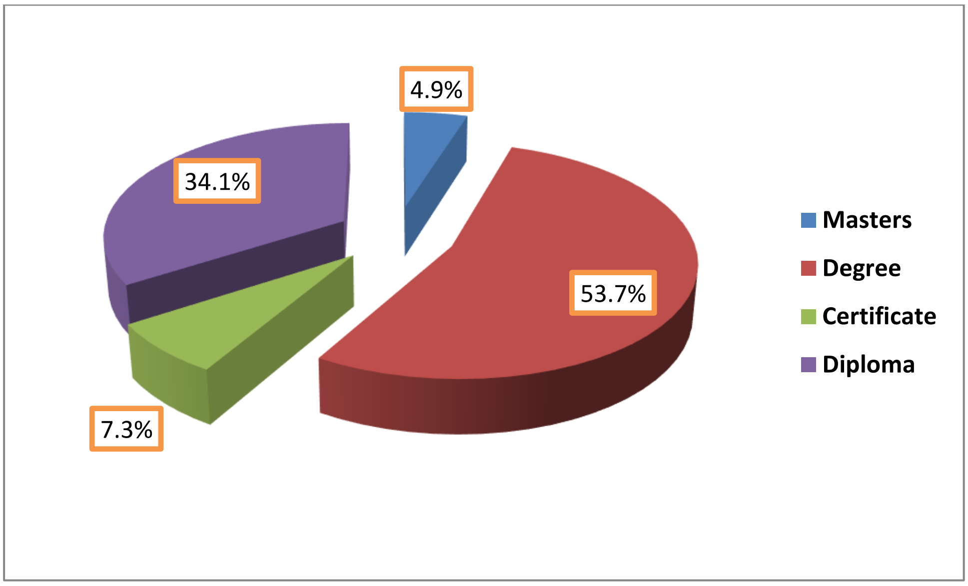
Source: Primary Data (2017)

The respondents' marital status was also considered in the study and findings in Table above. Results from the respondents showed that majority 40.0% respondents were married, 25% were single family, 17.5 were single and the minority 2.5% was widowed. These results show that majority were the married respondents and most employed in Pride Microfinance Ltd because they are more trusted. This implies that the institution trusts married people because they are always stable in the working environment.

4.1.4 Education level of respondents

The study also revealed the education level of the respondents in which findings were recorded as indicated in the Figure below.

Figure 4.1: Pie Chart showing the Education level of respondents



Source: Primary Data (2017)

As portrayed in the figure above, majority respondents 53.7% had attained bachelor's degree34.1% has diplomas, followed by masters' holders as indicated by 4.9% and 7.3% had certificates. These results indicate that respondents had attained at least education and in order to gather all these different views about cash management and financial performance of financial institutions, the different levels of education was so prominent to this study. Most of the respondents had bachelor's degrees because the institution demands a wide range of skills and competencies which they can provide compared to people with certificates and diplomas.

4.2Cash Control and Financial Performance

The first objective of the study was to find out the effect of Cash Control on Financial Performance and the findings were presented, analyzed and interpreted in percentages, and frequencies as indicated below. They are categorized on how the respondents Strongly Agree, (SA), Agree (A), Not Sure (N), Disagree (D) and Strongly Disagree (SD).

Table 4. 4: Cash Control and Financial Performance

	SA		A		N		D		SD		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
Our institution accelerates cash inflows and delays cash out flows using cash controls	23	57.5%	15	37.5%	2	5.0%	0	0.0%	0	0.0%	4.68	.570
Our institution ensures the firm's liquidity increases as the profits also grows.	18	45.0%	19	47.5%	3	7.5%	0	0.0%	0	0.0%	4.21	.841
The cost of our cash control system is very quickly recovered through the recurring savings gathered by the system itself	22	55.0%	18	45.0%	0	0.0%	0	0.0%	0	0.0%	4.09	.816
Our institution has maintained high balances of cash	20	50.0%	15	37.5%	2	5.0%	1	2.5%	2	5.0%	4.11	.868
Our institutions have cash controls keep our documents separate from the physical location of cash.	17	42.5%	17	42.5%	1	2.5%	2	5.0%	3	7.5%	4.39	.840

Source: Primary Source (2017)

4.2.1 Our institution accelerates cash inflows and delays cash out flows using cash controls.

According to the study findings, it was indicated that the majority 57.5% of the respondents strongly agreed that institution accelerates cash inflows and delays cash out flows using cash controls, 37.5% agreed whereas the other 5.0% were not sure. This was evidenced by the mean of 4.68 and Standard deviation of 0.57. This implies that the company accelerates cash inflows and delays cash out flows meaning that it has a stable cash management.

4.2.2 Our institution ensures the firm's liquidity increases as the profits also grows.

It was also revealed that the majority 47.5% of the respondents agreed that their institution ensures the firm's liquidity increases as the profits also grows, these were followed by 45.0% strongly agreed whereas 7.5% of the respondents were not sure. This was in line with Kakuru (2011) who noted that if cash management concentrates on boosting the liquidity, high balances of cash will be maintained. However the higher these balances are, the more profitability will be fore gone. This is because the statement had a mean score of 4.21 which is tending towards the maximum of 5 implies that most of the respondents agreed. This implies that as the profits grow the firm's liquidity also grows meaning that it has a stable cash management.

4.2.3 The cost of cash control system is very quickly recovered through the recurring savings gathered by the system itself.

From the findings of the study, it was shown that the 55.0% of the respondents strongly agreed that the cost of cash control system is very quickly recovered through the recurring savings gathered by the system itself, 45.0% agreed. This had a mean score of 4.09 which is tending towards the maximum of 5 implies that most of the respondents agreed that cost of cash control system is very quickly recovered through the recurring savings gathered by the system itself. The standard deviation of 0.81 which explains the responses that varies between those who strongly agreed and agreed. The reason is mainly because once the system is put in place and the workers know how to use it, various costs can be controlled and minimized which leads to savings and so the cost of the cash control system is recovered.

What initially may appear to be a “cost” quickly becomes a “profit generator” that produces annualized cash and non-cash savings as agreed by Ross, (2013).

4.2.4 Our institution has maintained high balances of cash.

It was indicated that the majority 42.5% of the respondents strongly agreed and agreed that their institution has maintained high balances of cash, 7.5% strongly disagreed whereas the 5.0% disagreed, 2.5% were not sure. This is evidenced by the mean score of 4.11 and standard deviation 0.86.This implies that the institution keeps high balances of cash through the cash control system.

4.2.5 Our institution have cash controls keep our documents separate from the physical location of cash.

More to the above, the findings showed that 52.5% of the respondents strongly agreed that the institution have cash controls keep documents separate from the physical location of cash, those were followed by 40.0% who agreed while the minority 7.5% of the respondents were not sure. .This had a mean score of 4.3 which is tending towards the maximum of 5 implies that most of the respondents agreed and the standard deviation of 0.84 explains the responses that vary between those who strongly agreed and agreed. The majority strongly agreed because all records are supposed to be separate from the physical location of cash to limit on the accessibility and availability of cash since this can lead to cases of theft as more employees have access the documents compared to the cash. Cash control also demands that the documents related to the task are kept separated from the physical location of the cash. In other words, the accounting book that is used to record the cash transactions should not be kept in the safe with the currency, money orders, and checks.

4.2.6 Correlation of Cash Control and Financial Performance

Table 4.5: Cash Control and Financial Performance

		Cash Control	Financial Performance
Cash Control	Pearson Correlation	1	0. 521**
	Sig. (2-tailed)		.001
	N	40	40
Financial Performance	Pearson Correlation	0.521**	1
	Sig. (2-tailed)	.001	
	N	40	40

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

Source: Primary Data (2017)

The table shows a significant positive relationship between Cash Control and Financial Performance. This was done with the support of the Pearson correlation product moment technique. The table above reflects the results that emerged. It comprises of variables; Cash Control and Financial Performance. The Pearson correlation (r=0. 521**) reveals that a positive relationship exists between Cash Control and Financial Performance. The p <0.01, that is less than the alpha level of significance of 0.05 which implies that there is a significant relationship between Cash Control and Financial Performance. According to Pandey (2013) cash control 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.

4.3Cash Collection and Financial Performance

The second objective of the study was to find out the effect of Cash Collection on Financial Performance and the findings were presented, analyzed and interpreted in percentages, and frequencies as indicated below. They are categorized on how the respondents Strongly Agree, (SA), Agree (A), Not Sure (N), Disagree (D) and Strongly Disagree (SD).

Table 4. 6: Cash Collection and Financial Performance

	SA		A		N		D		SD		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
Our institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm	23	57.5%	14	35.0%	0	0.0%	2	5.0%	1	2.5%	4.09	.816
Our institution has established strong billing and collection practices	14	35.0%	20	50.0%	5	12.5%	1	2.5%	0	0.0%	4.11	.868
Our institution has got greater investment opportunities with larger sums of money available as surplus.	11	27.5%	22	55.0%	6	15.0%	0	0.0%	1	2.5%	4.39	.840
Our organization is too reluctant when it comes to collecting on overdue invoices.	12	30.0%	21	52.5%	7	17.5%	0	0.0%	0	0.0%	4.27	.871
Our institution has built an information system	22	55.0%	16	40.0%	0	0.0%	0	0.0%	2	5.0%	4.16	.805
Our institution has less time delays involved for mail, processing, and banking	21	52.5%	18	45.0%	0	0.0%	0	0.0%	1	2.5%	4.11	.868

Source: Primary Source (2017)

4.3.1 Our institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm.

According to the study findings, it was indicated that the majority 57.5% of the respondents strongly agreed, that institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm, 35.0% agreed whereas the other 5.0% disagreed and 2.5% strongly disagreed. This had a mean score of 4.09 which is tending towards the maximum of 5 implies that most of the respondents strongly agreed that institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm. The standard deviation of 0.81 which explains the responses that varies between those who strongly agreed and agreed. The majority strongly agreed because Pride Microfinance Ltd uses various methods like discounts on the interest rates for those who pay within a specific period of time. This was in line with Külter, and. Demirgüneş (2010) who noted that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. This implies that the firm has cash collection system which helps to reduce the time it takes to collect the cash owed to the firm. This means that the firm has a stable cash management.

4.3.2 Our institution has established strong billing and collection practices.

From the table above, it was presented that the majority 50.0% of the respondents agreed that the institution has established strong billing and collection practices, those were followed by 35.0% strongly agreed whereas 12.5% of the respondents were not sure, and only 2.5% disagreed as evidenced by the mean score of 4.11 and standard deviation 0.86 which explains the varying of responses between respondents that strongly agreed and those that agreed. The majority of the respondents strongly agreed because the institution uses strong internal controls around strong billing and collection practices like having system that inform them of the mature accounts receivables whose debts are overdue. This implied that the most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices.

4.3.3 Our institution has got greater investment opportunities with larger sums of money available as surplus.

From the findings of the study, it was shown that the 55.0% of the respondents strongly agreed that the institution has got greater investment opportunities with larger sums of money available as surplus.27.5% agreed whereas 15.0% of the respondents were not sure, and the minority 2.5% strongly disagreed. This is in line with the findings, McLaney (2010), agreed that once the money has been collected, most firms then proceed 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.

4.3.4 Our organization is too reluctant when it comes to collecting on overdue invoices.

It was indicated that the majority 52.5% of the respondents agreed, that organization is too reluctant when it comes to collecting on overdue invoices, 30.0% strongly agreed whereas the minority17.5% strongly disagreed. This is evidenced by the mean mark of 4.27 from the responses and standard deviation of 0.87. This is because the institution is 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.

4.3.5 Our institution has built an information system

More to the above, the findings showed that 55.0% of the respondents strongly agreed that the institution has built an information system, those were followed by 40.0% who agreed while the minority 5.0% of the respondents strongly disagreed. This is evidenced by the mean score of 4.16. However, the responses varied as shown by the standard deviation of 0.80. The majority strongly agreed because the institution has an information system that ensures that cash collection is competently done at a high speed and few errors by maintaining an accurate tracking system that accounts for both receiving and disbursing the cash.

4.3.6 Our institution has less time delays involved for mail, processing, and banking.

From the findings of the study, it was shown that the 52.5% of the respondents strongly agreed that the institution has less time delays involved for mail, processing, and banking, 45.0% agreed whereas 2.5% of the respondents strongly disagreed when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. This is also shown by a mean of 4.06 and significant standard deviation of 0.97. The majority of the respondents strongly agreed that the institution has less time delays involved for mail, processing and banking. This implies that cash management through cash collection reduces the time delays at the lowest cost by using tools like lock box which speed up the collection process as noted by Lazaridis, (2016).

4.3.7 Correlation on Cash Collection and Financial Performance

Table 4.7: Cash Collection and Financial Performance

		Cash Collection	Financial Performance
Cash Collection	Pearson Correlation	1	0. 426**
	Sig. (2-tailed)		.000
	N	40	40
Financial Performance	Pearson Correlation	.0.426**	1
	Sig. (2-tailed)	.000	
	N	40	40

**Correlation is significant at 0.05 levels (2-tailed)

Source: Primary Data (2017)

Results in the table show that there is a significant positive relationship between Cash Collection and Financial Performance. This was done with the support of the Pearson correlation product moment technique. The table above reflects the results that emerged. It comprises of variables; Cash Collection and Financial Performance, the Pearson correlation (r=0.426**). This revealed a positive relationship between Cash Collection and Financial Performance. The $p < 0.00$, that is less than the alpha level of significance of 0.05.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 as agreed by Lazaridis, (2016).

4.4Cash Budgeting and Financial Performance

The third objective of the study was to find out the Cash Budgeting and Financial Performance and the findings were analyzed, interpreted and presented percentages, and frequencies as indicated below. They are categorized on how the respondents Strongly Agree, (SA), Agree (A), Not Sure (N), Disagree (D) and Strongly Disagree (SD).

Table 4. 8: Cash Budgeting and Financial Performance

Cash Budgeting and Financial Performance	SA		A		N		D		SD		Mean	Std Deviation
	F	%	F	%	F	%	F	%	F	%		
Our institution has cash budgets that plan inflows and outflows of cash	14	35.0%	21	52.5%	2	5.0%	2	5.0%	1	2.5%	3.94	1.02
The cash budgets helps the institution to track business expenses and revenues throughout the business	14	35.0%	22	55.0%	2	5.0%	1	2.5%	1	2.5%	3.87	1.18
Our institution has a budget committee comprising the high level executive officers of the organization	22	55.0%	18	45.0%	0	0.0%	0	0.0%	0	0.0%	4.03	1.29
Cash budgets enables the institution to see the projected cash receipt and cash payments	21	52.5%	19	47.5%	0	0.0%	0	0.0%	0	0.0%	4.04	1.28
Cash Budgeting has helped us to determine whether cash balances remain sufficient to fulfill regular obligations	21	52.5%	18	45.0%	1	2.5%	0	0.0%	0	0.0%	3.96	1.23
Our institution is able to determine the excess cash retained which is used in productive activities.	17	42.5%	21	52.5%	2	5.0%	0	0.0%	0	0.0%	3.94	1.02

Source: Primary Source (2017)

4.4.1 Our institution has cash budgets that plan inflows and outflows of cash.

According to the study findings, it was indicated that the majority 52.5% of the respondents agreed that institution has cash budgets that plan inflows and outflows of cash, 35.0%strongly agreed whereas the other 5.0% were not sure and disagreed and the minority 2.5% strongly disagreed. This is indicated by a mean of 3.94. However a significant standard deviation of

1.02 is a clear manifestation of varied responses from respondents as far as institution has cash budgets that plan inflows and outflows of cash is concerned. The majority agreed because the financial institution generates a positive cash budget statement every year where the long term cash outflows are less than the long term cash inflows which guides them on how much they spend and how much should receive in a year so as to have an optimum cash balance. Kirkman (2010) noted that a cash budget is a statement of the firm where they plan 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.

4.4.2 The cash budgets help the institution to track business expenses and revenues throughout the business.

In relation to the study findings, it was presented that the majority 55.0% of the respondents agreed that the cash budgets helps the institution to track business expenses and revenues throughout the business, those were followed by 35.0% strongly agreed whereas 5.0% of the respondents were not sure, and only 2.5% both disagreed and strongly disagreed. This is evidenced by the mean score of 3.87. However, the responses varied as shown by the standard deviation of 1.18. This implies that the institution uses the cash budget to review its expenses and revenues on a monthly basis so as to find ways of minimizing their costs and maximize the incomes. This was in line with Chastain (2010) who asserts that budgets are the financial road map companies' use, when planning business expenses and tracking the cash flow throughout the business.

4.4.3 Our institution has a budget committee comprising the high level executive officers of the organization.

From the findings of the study, it was shown that the 55.0% of the respondents strongly agreed that institution has a budget committee comprising the high level executive officers of the organization, 45.0% agreed as evidenced by the mean score of 4.03 and standard deviation 1.29 explains the varying of responses between respondents that strongly agreed and those that agreed. All the respondents both strongly agreed and agreed because the institution prepares budgets with the help of a budget committee comprising of high level executive officers of the organization. This implies that high executives use strategies when preparing the cash budget to ensure that it meets the strategic goals of the organization.

4.4.4. Cash budgets enable the institution to see the projected cash receipt and cash payments.

It was also indicated that the majority 52.5% of the respondents strongly agreed, that Cash budgets enables the institution to see the projected cash receipt and cash payments, whereas the minority 47.5% agreed. This is because the mean value of 3.996 revealed that most of the respondents agreed. However, a standard deviation of 1.23 reveals that there were varied responses from the respondents. The majority of the respondents are agreed because the institution uses the cash budgets to identify various opportunities in which they could invest or increase on their customers and then receive cash in the long run. According to Weston and Copeland (2010), a cash budget shows the expected cash inflows and outflows over a budget period and highlight anticipated cash surpluses and deficits. Their preparation assists managers in the planning of borrowing and investment and facilitates the control of expenditure. Cash budget is a budget that shows the projected cash receipt and cash payments. It also shows the cash position of the business during the budget period.

4.4.5 Cash budgeting has helped the institution to determine whether cash balances remain sufficient to fulfill regular obligations.

More to the above, the findings showed that 52.5% of the respondents agreed that Cash Budgeting has helped the institution to determine whether cash balances remain sufficient to fulfill regular obligations, those were followed by 42.5% who strongly agreed while the minority 2.5% of the respondents were not sure. This is indicated by a mean of 3.94.

Therefore the majority agreed and then those who strongly agreed followed because the institution uses the cash balances available to settle regular obligations like debts, salaries and wages and many others, therefore the cash budgets are used to follow up on the amount of cash available for the company to fulfill its obligations to avoid cases of going illiquid.

4.4.6 Our institution is able to determine the excess cash retained which is used in productive activities.

It was also shown that the 52.5% of the respondents strongly agreed that the institution is able to determine the excess cash retained which is used in productive activities.37.5% agreed whereas 7.5% of the respondents were not sure, and 2.5%disagreed. This is indicated by a mean of 3.94. However a significant standard deviation of 1.02 is a clear manifestation of varied responses from respondents as far as the institution is able to determine the excess cash retained which is used in productive activities is concerned. Most respondents strongly agreed because Pride Microfinance Ltd uses the excess cash to develop or generate new ideas so that their market share increases. Conventionally, if the closing cash balance is positive, then excess cash may be invested in marketable securities. If the closing cash balance is negative, then additional financing may be required as agreed by Oliver & English, (2010).

4.4.7 Correlation Cash Budgeting and Financial Performance

Table 4.9: Cash Budgeting and Financial Performance

		Cash Budgeting	Financial Performance
Cash Budgeting	Pearson Correlation	1	0. 622**
	Sig. (2-tailed)		.002
	N	40	40
Financial Performance	Pearson Correlation	0.622**	1
	Sig. (2-tailed)	.002	
	N	40	40

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

Source: Primary Data (2017)

The table shows a significant positive relationship between Cash Budgeting and Financial Performance. This was done with the support of the Pearson correlation product moment technique. The table above reflects the results that emerged. It comprises of variables; Cash Budgeting and Financial Performance. The Pearson correlation (r=0. 622**) reveals that a positive relationship exists between Cash Budgeting and Financial Performance. The p <0.02, that is less than the alpha level of significance of 0.05 which implies that there is a significant relationship between Cash Budgeting and Financial Performance. Chastain (2010) asserts that budgets are the financial road map companies' use, when planning business expenses and tracking the cash flow throughout the business year. 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.

4.5 Conclusion

This chapter has provided the findings, presentation, interpretation and discussion of results on effect of cash control on financial performance in financial institutions, the effect of cash collection on financial performance in financial institutions and the effect of cash budgeting on financial performance in financial institutions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of findings observed and inferred from the data presented in chapter four and it also provides the discussions, conclusions, recommendations and suggested areas for further study.

5.1 Summary of the Findings

5.1.1 Cash Control and Financial Performance

From the study, it was reported that most respondents 96% agreed that the institution accelerates cash inflows and delays cash out flows using cash controls and also that the institution ensures the firm's liquidity increases as the profits also grows. It was also revealed from the study that the cost of our cash control system is very quickly recovered through the recurring savings garnered by the system itself and also that the institution has maintained high balances of cash. The findings from the study also revealed that the institution have cash controls keep our documents separate from the physical location of cash.

5.1.2 Cash Collection and Financial Performance

It revealed from the study that most of the respondents 92.5%agreed that the institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm and also that the institution has established strong billing and collection practices. It was also revealed from the study that the institution has got greater investment opportunities with larger sums of money available as surplus, is too reluctant when it comes to collecting on overdue invoices. In addition to the institution being built an information system, it also has less time delays involved for mail, processing, and banking.

5.1.3 Cash Budgeting and Financial Performance

From the study, it was identified that most respondents 87.5% agreed that the institution has cash budgets that plan inflows and outflows of cash, The cash budgets helps the institution to track business expenses and revenues throughout the business and also that the institution has a budget committee comprising the high level executive officers of the organization. It was also revealed that the cash budgets enables the institution to see the projected cash receipt and cash payments, helped to determine whether cash balances remain sufficient to fulfill regular obligations. The financial institution is able to determine the excess cash retained which is used in productive activities.

5.2 Conclusion

5.2.1 Cash Control and Financial Performance

In conclusion, Cash management through cash control has an effect it plays on the financial performance of financial institution. This is because the institution accelerates cash inflows and delays cash out flows using cash controls and also that the institution ensures the firm's liquidity increases as the profits also grows.

5.2.2 Cash Collection and Financial Performance

Cash Collection was found to have an impact on financial Performance. This is because the institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm and also that the institution has established strong billing and collection practices

5.2.3 Cash Budgeting and Financial Performance

Cash Budgeting has also found to have a role towards financial Performance, this is because the institution has cash budgets that plan inflows and outflows of cash and cash budgets helps the institution to track business expenses and revenues throughout the business and also that the institution has a budget committee comprising the high level executive officers of the organization.

5.3 Recommendations

It is recommended that the financial institutions should make good use of available computerized accounting packages to help raise the standard of financial reporting Computer spreadsheets are essential to modern organizations, as they allow managers to prepare a lot of financial reports. For example, cash budgets are vital to the management of cash. Management often makes use of cash budgets in determining cash surpluses or deficits. The availability of computer spreadsheets help in preparing several cash budgets based on possible future situations.

It is also important for managers to invest their cash surpluses in ventures that yield high returns such as treasury bills or in overnight call accounts which yield high returns. This will help avoid keeping large cash balances in non-interest yielding current accounts. They should also make use of computerized accounting packages to help improve their efficiency in cash management

Financial management training sessions should be offered to the managers of financial institutions as well as the recruitment of field officers to provide counsel and other non-financial services to the business operators so as to help improve their cash management efficiency levels.

5.4 Areas for further Study

More study and research should be made on the following areas and topics

1) Contribution of cash budgeting on competitiveness of organizations
2) The effect of working capital management on profitability of organizations

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Introduction

I am **NASSUNA ESTHER**, a student of Uganda Martyrs' University pursuing of Bachelor of Science in Accounting and Finance and currently collecting data for compilation of my research report. The research I am conducting relates to **the effect of cash management on financial performance of financial institutions using a case of Pride Microfinance Ltd.** The information is purely for academic purposes and all the answers will be handled with utmost confidentiality and you do not need to indicate your identity anywhere on the questionnaire. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given.

SECTION A: Demographic Characteristics

Tick / fill in the most appropriate answer.

1. Gender:

a) Female ☐ b) Male ☐

2. Age

a) Below 20 years ☐ b) 21 –30 years ☐ c) 31 – 40 years ☐

d) Above 40 years. ☐

3. Marital status

a) Single ☐ b) Single family ☐ c) Married ☐ d) Divorced ☐

e) Widowed ☐

4. Highest level of education Qualification

a) Certificate ☐ b) Diploma c) Degree ☐ d) Masters ☐

e) Others (specify) ……………..........................

Please indicate the extent to which you agree or disagree to the following statements by ticking the appropriate number.

Strongly agree	Agree	Not sure	Strongly disagree	Disagree
5	4	3	2	1

SECTION B: Cash Control and Financial Performance

Cash Control and Financial Performance		**5**	**4**	**3**	**2**	**1**
5.	Our institution accelerates cash inflows and delays cash out flows using cash controls					
6.	Our institution ensures the firm's liquidity increases as the profits also grows.					
7.	The cost of our cash control system is very quickly recovered through the recurring savings garnered by the system itself					
8.	Our institution has maintained high balances of cash					
9	Our institution has cash controls keep our documents separate from the physical location of cash.					

SECTION C: Cash Collection and Financial Performance

No	Cash Collection and Financial Performance	5	4	3	2	1
10	Our institution has cash collection systems that help to reduce the time it takes to collect the cash that is owed to a firm					
11	Our institution has established strong billing and collection practices					
12	Our institution has got greater investment opportunities with larger sums of money available as surplus.					
13	Our organization is too reluctant when it comes to collecting on overdue invoices.					
14	Our institution has built an information system					
15	Our institution has less time delays involved for mail, processing, and banking					

SECTION D: Cash Budgeting and Financial Performance

No	Cash Budgeting and Financial Performance	5	4	3	2	1
16	Our institution has cash budgets that plan inflows and outflows of cash					
17	The cash budgets helps the institution to track business expenses and revenues throughout the business					
18	Our institution has a budget committee comprising the high level executive officers of the organization					
19	Cash budgets enables the institution to see the projected cash receipt and cash payments					
20	Cash Budgeting has helped us to determine whether cash balances remain sufficient to fulfill regular obligations					
21	Our institution is able to determine the excess cash retained which is used in productive activities.					

Thank You for Your Time and Cooperation

APPENDIX II: INTERVIEW GUIDE

I am **ESTHER NASSUNA**, a student of Uganda Martyrs' University and currently collecting data for compilation of my research report. The research I am conducting relates to **the effect of cash management on financial performance in financial institutions using a case of Pride Microfinance Ltd.** The information is purely for academic purposes and all the answers will be handled with utmost confidentiality and you do not need to indicate your identity anywhere on the questionnaire**.** You have been selected to share with us your experience and make this study successful. Information given will be treated with utmost confidentiality.

1. What cash management techniques used in your organization?
2. What is the contribution of cash control on financial performance of financial institutions?
3. In what ways has cash collection affected financial performance of financial institutions?
4. What is the contribution of cash budgeting on financial performance of financial institutions?
5. What challenges have you faced in your organization regarding cash management?
6. What recommendations can you give regarding this topic under investigation?

Thank you for your time

APPENDIX III: SAMPLE SIZE DETERMINATION

Note: “N” is population size and “S” is sample size.

N	**S**	**N**	**S**	**N**	**S**	**N**	**S**	**N**	**S**
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	**120**	**92**	300	169	900	269	3500	246
25	24	130	97	320	175	*950*	*274*	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	**40**	180	118	*400*	*196*	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Source: Krejcie, R. V., & Morgan, D.W. (1970).