

**WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF RETAIL
BUSINESS IN GAYAZA MARKET, GAYAZA TOWN, WAKISO DISTRICT: A CASE
STUDY OF RETAIL VENDORS OF GAYAZA MARKET, GAYAZA TOWN**

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M23B33/102

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
SCIENCE IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

March, 2026



**UGANDA CHRISTIAN
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DECLARATION

I **ILOMU JOAN JOY**, declare that this research report is original and is a result of my personal efforts and the best of my knowledge and has never been submitted to any higher institution of learning for the award of any qualification. Therefore, photocopying or printing and circulation without authority will lead to penalties

Name: ILOMU JOAN JOY

Sign 

Date 17/04/2026

APPROVAL

This is to certify that this research report was carried out under my supervision and is now ready for submission to Uganda Christian University with my approval.

Name: MR. KISENYI VICENT

(ACADEMIC SUPERVISOR)

Sign..........

Date..........

DEDICATION

I dedicate this research report to my beloved parents who worked so hard to support me financially, Retail owners , Gayaza Town and my lecturers towards the attainment of my bachelor's degree and above all the almighty God who is the provider of Knowledge, Wisdom, Healthy and the gift of life and may God bless the above mentioned abundantly.

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ABBREVIATIONS AND ACCRONYMS

GDP Gross Domestic Product

WCM Working Capital Management

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ABSTRACT

Effective working capital management has been identified as major strategy that has an impact on financial sustainability and profitability among retailers operating in gayaza market. The study specifically found out that effects of working capital components of cash, inventory and accounts receivable management on business profitability.

This study used hybrid way in collecting data as mixed method design which semi structured interview and survey were used to gather data from vendors. The main purpose of the data collection got from this study is to serve as book of reference in coming up with good practice of maximizing existing working capital so that profitability can be fulfilled. However, the finding is to hopefully provide more knowledge on the existing practices as well as practical recommendations for business owners from the retail and micro business sector.

CHAPTER ONE

1.1 Introduction

Working capital management still remains a major concern among retail businesses across Ugandan markets. Most retail traders still lack appropriate means of managing their working capital hence quit businesses before they register profits from their investments. For this reason, the study was conducted in order to analyze the impact of working capital on profitability of these retail businesses. A case study with Gayaza market retailers in Gayaza town, Wakiso District.

This chapter presents the background of the study, problem statement and going through purpose of the study and specific objectives. The scope (Geographical, time and content), justification, significance and the conceptual frame work depicting the working capital management practices and profitability.

1.2 Background of the study

Businesses aim to make profits from their operations as a measure of success and coverage of costs incurred in the processes of operation. A study by Kabuye et al (2019) found out that profitability of retail businesses driven by financial management practices, operational efficiency and conditions in the external markets. Turahebwa, Sunday and Byamukama 2023 study revealed that financial management particularly management of working capital is significant in profit making of retail businesses while maintaining Liquidity

Retail sector in Uganda is found to be one of the factors contributing to economic growth through informal and semi-formal employment creation and trade. However, a major concern still remains in their profitability due to issues related to poor financial management, inefficient and effective inventory controls and inappropriate cashflow management. (Muhamud, 2018). Supermarkets and small retail traders who were found to exhibit effective financial management strategies predominantly working capital management reported improved profitability unlike those that struggled with liquidity constraints. (Kabuye et al, 2019).

In western Uganda, a study by Sunday, Turyahebwa and Byamukamu (2023) found out that inefficiencies in working capital (in cash as well as credit control) reduced profitability among retail businesses. Their findings indicated that businesses that had longer credit collection period and over stock (excessive inventory) registered reduced cash flows that lowered their profit levels. In a similar context, a study on SMEs in Kampala by Mohamud (2018) found out that businesses faced liquidity crises hence fall in their profits as a result of poor management of liabilities and short-term assets.

Similar challenges are found to exist among retail traders in Gayaza town with delayed collection of payments from customers, high operational costs and inappropriate stock management inclusive. These factors when aggregated all together affects profitability due to increasing costs and reduced financial flexibility. Further investigations are therefore needed to assess how WCM affects profitability .Understanding working capital management was more meaning full to business owners ,policy makers and financial institutions that support retail businesses in Uganda .The study seeks to investigate profitability trends in business driven by inefficient management of working capital especially how it influences profitability among retail businesses in Gayaza market, Gayaza town, contributing to existing literature on financial management in Uganda’s retail sector.

1.3 Problem statement

Retail business make up 18% of Uganda’s GDP(Ministry of trade industry and Cooperatives) (2021).Uganda’s economy is comprised of retail businesses such as kiosks, vendors, super markets, small bars, electronic shops and market stalls which play a crucial role towards fostering a GDP growth of 5.2 % in the 2022 /2023 up from an average of 3.6% between 2019 to 2023 and also provide goods and services contributing to the high gross domestic product (Ernst &Young, 2015). In the financial year 2022/2023 wholesale and retail trade contributed the largest portion of taxable revenue of shs. 4.6 trillion of the shs. 15.4 trillion Total tax collections according to data from (monitor newspaper, 2024).

Much as the country depends on these businesses, there are worrying trend of most of these newly commenced businesses collapsing after a very short time of their existence (Kamzimoto, 2016). This is attributed to poor cash flow management, inefficient inventory control and delayed accounts receivables hindering their ability to contribute effectively to sustainable development (Kazimoto, 2016). Many studies have been carried out worldwide on how retail

businesses can best manage their small working capital and remain profitable however there is no substantive research that has been carried out about WCM in Gayaza Market, Gayaza Town.

1.4 Purpose of the study

The purpose of this study will be to examine the effect of working capital Management on the profitability of retail businesses in Gayaza Market, Gayaza town and Identify Strategies for improving Working Capital Management practice and enhance Financial performance.

1.5 Specific objectives.

The objectives of the study will be,

- i. To examine the role of inventory management on the profitability of retail businesses in Gayaza Market, Gayaza Town.
- ii. To examine the effects of account receivables management on profitability of retail businesses in Gayaza Market, Gayaza Town.
- iii. To analyze the role of cash management in enhancing profitability levels of retail businesses in Gayaza Market, Gayaza Town.

1.6 Research questions.

- i. What is the role of inventory management on the profitability of retail businesses in Gayaza Market, Gayaza town.?
- ii. What are the effects of account receivables management on profitability of retail businesses in Gayaza Market, Town.?
- iii. What are the roles of cash management in enhancing profitability levels of retail businesses in Gayaza Market, Gayaza Town?

1.7 Scope of the study.

This scope is confined to geographical, time and content scope.

1.7.1 Geographical scope.

The study will focus on retail businesses with in Gayaza market, Gayaza Town which is located in the north East from Kampala on Gayaza _Kampala Road which is about 18 kilometers (11 miles) away from the Town of Kasangati .The market is located in the North Kyaddondo constituency .The Market serves as a vibrant hub for retail activities, attracting a diverse range of vendors and customers. By concentrating on this particular market, the study aims to gain

insights into the unique working capital management practices employed by businesses operating within this localized setting.

1.7.2 Time Scope

The study will focus on retail businesses in Gayaza Market, Gayaza Town that have been operational from the mid-20th century, around the 1930s when people began occupying the area. According to a *Daily monitor article*, shops began to appear when the ministry of Agriculture opened an Agricultural Research center in the Area. This research will be based on the time line from 2017 to 2025. It will be conducted between September to November 2025. This timeframe has been selected to capture recent trends and shifts in working capital management and profitability, particularly in light of the economic fluctuations and challenges posed by the COVID-19 pandemic.

1.8 Justification of the study.

One of the key reasons for conducting this study will be to assess the impact of working capital management (WCM) on the profitability of retail businesses in **Gayaza** Market. Many businesses struggle to maintain a balance between liquidity and profitability, as poor working capital management practices such as excessive inventory levels, delayed receivables, and inefficient payables can negatively affect financial profitability (James C. Van Horne and John M. Wachowicz Jr.) By analyzing these factors, the study will provide insights into how businesses in **Gayaza** market, Gayaza Town can optimize their working capital to enhance profitability. Carrying out this study still is hoped to provide practical recommendations to both business owners and managers on best practices to improve financial management. Financial instability of retail businesses often results from poor understanding on Efficient working capital practices. The study will help retail businesses adopt best practices on cash flow, inventory management from evidence-based solutions gathered.

In academic knowledge aspect, the findings from this study is hoped to provide a valuable resource as references in further studies in relation to WCM and Uganda's retail sector. Knowledge gap still exists concerning WCM and profitability especially in Gayaza context regardless of the concerns on the importance of financial management practices in the business world. The findings of this study are therefore hoped to be a point of reference for scholars, and financial professionals that seek to understand the relationship between WCM and profitability of retail businesses.

Once the relationship between working capital management is not clearly understood, businesses will still continue to suffer losses or low profitability due to limited knowledge amongst retail businesses and no clear guidance revealed to them.

1.9 Significance of the study

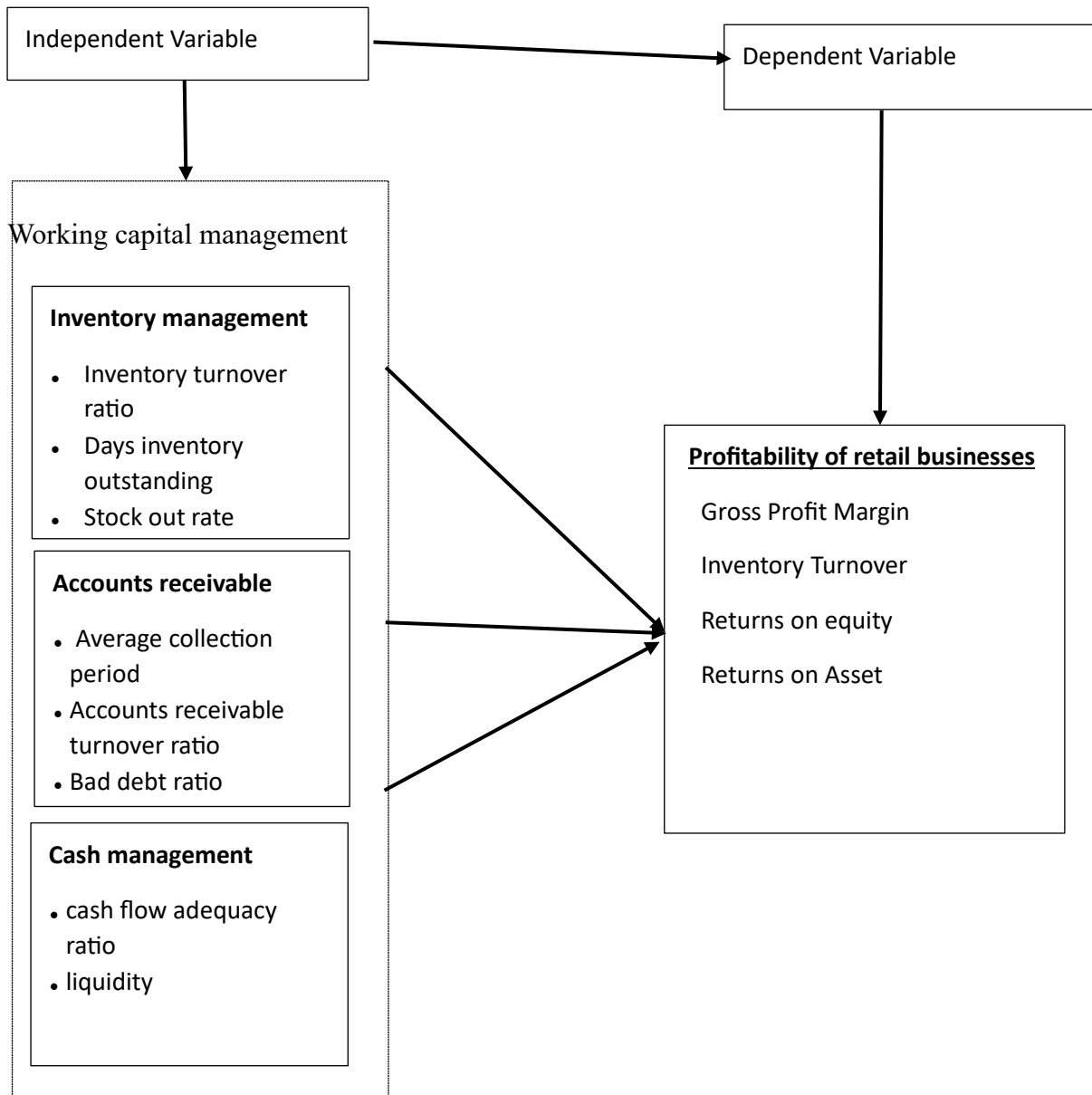
To the policy makers such as MOFPED, Ministry of trade and Cooperatives in Uganda, the findings from this study is hoped to provide a practical insight on the best policies that if adopted can form a favorable environment and informed decisions on regulations on conditions set before small and retail businesses joining market as well as best practices to help them maintain in market economy

To the practitioners especially business owners and financial managers, this study is anticipated to provide practical recommendations on how to improve cashflow management, control their inventory as well as develop better credit policies that favors their business growth and profitability hence long-term sustainability.

To fellow scholars and researchers interested in understanding how WCM influences profitability, these findings are hoped to provide an insight and further exploration on the gap of knowledge in WCM. The study is believed to provide further areas that requires more investigation

1.9 Conceptual Framework

The core variables in this study is visually represented in the conceptual framework showing the relationship between working capital management and profitability. A study by Garcia and Tervel, 2017 found out that efficient management of short-term assets and liability are essential to a firm's financial performance. This brings the idea of visually understanding how WCM relates to profitability. Working Capital Management being the Independent Variable is measured through inventory management, account receivables and cash management. Profitability on the other hand, being the Dependent variable is measured through indicators such as gross profit margin, return on assets and equity as well as inventory turnover.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on Working capital Management and profitability of retail businesses. The theoretical and empirical findings from previous research are reviewed in this chapter clearly pointing out the main components of working capital management including inventory control, accounts receivables and cash management and how these elements influence profitability of businesses. From these reviews gaps in relation to working capital are identified in the context of retail businesses and hence forming a basis for the current study thereby justifying need for further investigations.

2.2 Empirical review.

2.2.1 Profitability of retail businesses

A firm's profitability level measures its ability to cover costs incurred and success growth over time. In African settings, job creation and economic development are arrived at from establishment of retail businesses. However, these businesses find difficulties to maintain stable profitability resulting from operational inefficiencies and limited access to financial resources. In African countries, profitability is found to be influenced by turnover management, cost control, and access to short term capital, a study by Nguyen (2020). However, it is important to note that profitability is not influenced by a single individual indicator, rather an aggregate of all WCM practices, including government interventions, environmental factors and a business location.

When financial discipline and effective cash management are adopted, significant improvements in profits are realized. (West African study on profitability by Osundina, Olayemi, and Ogini (2018). In the same way, a study by Mwangi and Kimani (2017) in Kenya found out that profitability of retail businesses is achieved through proper internal financial planning within the business.

Furthermore, a study by Kalyango and Namagembe (2021) in Ugandan found out that small scale traders operate within minimal structure, remain informal and are characterized by poor

record keeping inadequate financial knowledge and dominant reliance on informal borrowing which negatively affects their profitability due to limited access to financing facilities. Besides these findings there still exist a gap that critically look at WCM and profitability in localized setting like among retailers in Gayaza, Wakiso district. This calls for analysis on how working capital management influence profitability of retail businesses in such a setting.

2.2.3. Inventory Management and Profitability

Maintaining optimal inventory levels is curial in inventory management by enabling Business owners regulate their stock levels. A study by Gaur and Fisher (2015) reveals a 15% improvement by businesses with efficient inventory management which improve their cash flows and reduced excess inventory stocking.

Huang et al. (2017) found out that businesses that well manage their inventory realize an approximately 20% reduction in Holding costs (cost of storage, spoilage, warehouse and insurance). This reduction in costs increases the profit margins because of reduced costs on storage of unsold goods. A study by Kumar and Jha (2018) revealed that effective inventory control balances inventory levels to avoid stock outs (which results into lost sales) and overstocking which results into holding costs. This balance improve efficiency of operating a business and ultimately the profit levels. A study by Thompson and Hill (2019) found that businesses with improved inventory management practices experienced a 25% reduction in stock outs and a 15% reduction in overstocking. This balance contributed to increased sales and reduced costs associated with managing excess inventory.

A study by Carter and Morris (2020) indicated that forecasting customer demands helps in making informed decisions on the inventory levels. Traders can stock based on records and trends from past transactions and informed decisions for proper planning. The study further found out that businesses utilizing advanced inventory management systems for demand forecasting saw a 30% improvement in inventory turnover and a 20% increase in profitability. Besides all these findings, there is no clear linkage at a localized level like in Gayaza therefore the study aims to understand how inventory management relates to profitability in that Area.

2.2.4 Accounts receivables on profitability

Availability of liquidity necessary for business operation and investments depends on timely collections of outstanding invoices which reflects effective receivables management. A study by Kumar (2016) revealed that day sales outstanding (DSO) is reduced by timely debt

collection which results into better liquidity and financial flexibility. Effective receivables management practices including regular follow ups reduce risks of bad debts which results into minimal loss registration and improved profitability.

A study by Chen and Xie (2017) on importance of accounts receivables management found out that businesses that manage their accounts receivables inform of setting collection strategies minimized debt defaults and improved financial stability and registered a 15% decrease in bad debt expense. The costs related to long credit terms and late collections are reduced by efficient management of receivables through creation of quicker payment conditions to debtors hence improved profit margins. A study by Kumar and Guar (2019) found that Businesses with effective debt collection polices realized 12% increase on their current ratio. This reveal improved operational activities with minimal financial costs.

2.2.5 Cash management on profitability.

Businesses that maintain sufficient liquidity reflect their ability to manage well cash and avoid liquidity crises which allows them take advantage of investment opportunities. A study by Eljelly (2017) on businesses practicing robust cash management found out that there was a 15% improvement on liquidity ratios realized by these businesses.

Risk of financial distress is reduced once businesses manage their day to day operations effectively from liquidity presence. In the same way, the need for short term borrowing or overdraft to cover operational expenses can be minimized through effective cash management, and creating a cash reserve so as to reduce dependency on external borrowing, lowering costs on interests.

A study by Yao and Li (2017) on cash management of organizations found out that organizations that had effective cash management practices experienced a 20% reduction in financing costs due to a reduced reliance on short term loans with cash reserves being used internally used. Their study suggested that businesses that well manage their cash can invest excess of cash at hand into profitable opportunities such as expansion in new projects. In the same way, ability to invest surplus cash into these opportunities contribute to higher net incomes which are reflected as profits.

In a similar context, a study by Sharma and Kumar (2019) on effective cash management practices suggests that cash flow forecasting and budgeting help businesses optimize operations through ensuring that sufficient funds are available for critical activities which improves the overall efficiency. This helps businesses prepare for un expected expenses or economic downturns through maintaining a reserve of liquid assets.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter describes the research approach that will be utilized. It will outline how this research will be carried out. The methods deployed in data collection and analysis, it looks at research design, study population, sampling method, sample size, data collection tools and data processing and data analysis.

3.2 Research design:

This study will adopt a cross-sectional survey to examine the relationship between working capital management and profitability of retail businesses in Gayaza market, without altering any of the variables. Qualitative and quantitative approaches will be used in this study. The quantitative approach will involve collecting and analyzing numerical data to make numerical variables to account for the relationship between Working capital managements and Profitability .Data will be collected systematically using structured questionnaires failed in by the owners or ,managers of selected retail businesses .Statistical techniques including correlation and regression analysis will be applied to explore the degree to which working capital influences the profitability of retail businesses . Qualitative approach is appropriate since it facilitates precise measurement, testing of hypotheses and objective evaluation of the association between variables (Leedy&Ormurd2013).

3.3 Study population.

The study population will mainly capture the registered and record keeping businesses in Gayaza market, Gayaza Town. Wakiso district. According to Trochim (2006), The population is the Group from which the researcher wishes to draw a sample in order to Draw a constructive decision during data analysis. According to Gayaza Municipal council Records there are approximately registered 100 Medium Businesses dealing in Different Businesses in Gayaza Market (2025). The choice of this population is based on the fact that retail businesses rely heavily on efficient working capital management for profitability.

To ensure a comprehensive analysis, the study will target business owners, managers and financial Coho directly involved in decision making regarding working capital. The number of these businesses will be determined from Gayaza municipal council records business, and trade associations. Over 100 registered retail enterprises which comprise of 24 Dealers in General merchandise, 64 Retail shops, 12 hardware shops

3.4 Sample size

The sample size for this study will be determined using Yamane's (1960) formula to ensure a representative selection of retail businesses in Gayaza Market, Gayaza town Wakiso District. Because of the large number of retail businesses in the area, a statistical sampling approach will be used to obtain a manageable get reliable number of respondents.

3.5 Sampling procedure and sample size

According to (Creswell, 2012), a sample is a subgroup which is representative of the target population from whom findings can be generalized about the population. Therefore, sample size will be determined by the sample calculation formula by Slovin's (1960) formula as follows;

$$n = \frac{N}{1 + N(e)^2}$$

“n” is sample size, “N” is population, “e” is error (0.05) or level of confidence 95%

“N” (population) = 50 registered small businesses operating in Gayaza

$$n = \frac{100}{1 + 100(0.05)^2}$$

$$n = \frac{100}{1 + 100(0.0025)}$$

$$n = \frac{100}{1 + 0.25}$$

$$n = \frac{100}{1.25}$$

$$n=80$$

Therefore, the sample size will be 80 Registered Retail businesses in Gayaza Market, Gayaza Town Wakiso.

3.6 Sampling technique.

The researcher will use Simple Random sampling to select the respondents for the study. This method will be applied by obtaining A list of registered Retail Businesses in Gayaza Market from the municipal council records. A random selection process will then be used to choose respective sample of these Retail businesses, where each business represented by either the owner or manager has equal chance of being selected Giving all registered businesses in Gayaza Town an equal opportunity to participate in the study, which enhances the Generalization of the Findings.

3.7 Data Sources

This study will rely on both primary and secondary data sources to ensure comprehensive analysis and accuracy of findings.

Primary data. Primary data is essential for all fields of study since they offer exact information on the consequences of an observation or experiment. The researcher will be able to collect data directly from retail business owners and use structured questionnaires to obtain quantitative data on working capital management practices and profitability. Interviews will be used to gather data to gain deeper insight into working capital challenges and decision making"

Secondary data the researcher will be obtain data from relevant sources like published papers, eBooks, publications and journals to support and validate the primary data' from the financial statements and reports from selected retail businesses.

These sources are selected because they will enhance reliability and depth of study through getting firsthand information and comparing the findings with existing research and industry trends.

3.8 Data collection methods (instrument).

The study will employ both questionnaire and interview method to collect data from retail businesses in Gayaza market. The method is appropriate because it allows for collection of standardized data from a large number of respondents efficiently.

Questionnaires

Our data will be collected using structured questionnaires draft which will be distributed to at least 80 business owners and they will be self-administered through physical distribution. The questionnaire will contain closed questions. The question will be used to collect quantifiable data relevant for precise and effective correlation of research variables.

Semi-structured interviews

This is a form of interview that has a fixed question and open-ended question for flexibility. The researcher will design a mix of structured and open-ended questions to be used during the interview. This ended question will be on as methods of tracking cash flow statements, “What methods do you use to track your cash flow?”

3.9 Data collection procedure.

The data collection procedure will follow a systematic approach to ensure accuracy and reliability and the procedure will be as follows;

The researcher will obtain an Introductory letter from School of business, UCU that approves the study on working capital management and profitability. This letter will be taken to the local municipal council in Gayaza Town to formally request for permission to conduct the study. Approval letter from municipal council will be presented to the business owners together with the questionnaires so as to obtain data as planned the researcher will distribute self-administered questionnaires to business owners. The respondent will be given a period of 7 days to answer the self-administered questionnaire. Data collection will commence only after obtaining informed consent from all respondents, ensuring confidentiality, ethical compliance and voluntary participation throughout the process.

3.10 Validity and reliability

3.10.1 Validity

In this study, validity will be assessed to determine if the questions effectively capture the intended data.(surucu&malsakci 2020) .Research experts will evaluate the Questions to assess their ability to capture the intended responses .A content validity Index (CVI)will be computed to establish the validity of the research instrument .The researcher will use the formula below to determine the validity of the research instruments.

Content validity Index (CVI) = Relevant items by all judges as suitable

Total number of items judged.

If the CVI meets or exceeds the recommended threshold of 0.70 (Duckett, 2021), it suggests that the questionnaire is effective for data collection.

3.10.2 Reliability

Reliability in research pertains to the consistency, stability, and dependability of research outcomes, reflecting how well a study's results can be replicated or reproduced under comparable conditions or by different researchers. The questionnaire's reliability will be evaluated using Cronbach's coefficient alpha (Mellinger & Hanson, 2020).

3.11 Anticipated limitations and delimitations of the study

Because they are unsure of where the information will be used, some respondents may be reluctant to divulge information. This will be resolved by acquiring an introductory letter from the university and by virtue of its outstanding reputation as a learning institution in the study area.

The researcher may also be limited by the funds needed to support the study, which include paying for printing, convincing respondents, transportation to the institution to collect data, is also likely to be a constraint on the researcher. However, the researcher will organize financial support from well-wishers, including family, through self-initiatives and methods.

Finally, owing to responder conditions such as travel, illness, hospitalization, or refusal/ withdrawal to participate, not all questions may be answered or all interviews may be done.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction

This chapter presents, analyzes and interprets the findings of the study on the effect of working capital management on the profitability of retail businesses in Gayaza Market, Gayaza Town. The chapter is organized into four main sections: the response rate, background characteristics of the respondents, descriptive analysis of the study variables, and findings presented objective by objective. The results are based on data collected from retail business owners and managers and analyzed using Stata.

4.2 Response Rate

A total of 80 questionnaires were distributed to retail business owners in Gayaza Market. Out of these, 69 questionnaires were properly filled and returned, representing an overall response rate of **86.3%**.

Table

Table 1:4.1 Response Rate

Category	Questionnaires Issued	Questionnaires Returned	Response Rate (%)
Retail businesses	80	69	86.3

Source Primary Data (2026)

The response rate of 86.3% was considered high and adequate for analysis. According to Fincham (2008), a response rate above 50% is acceptable for survey research. Therefore, the returned questionnaires were sufficient to draw reliable conclusions about working capital management practices among retail businesses in Gayaza Market.

4.3 Background Characteristics of the Respondents

This section presents the demographic and business-related characteristics of the respondents, including gender, age, and years in business.

Table 4.2

Table 2: Background Information of Respondents

Item	Category	Frequency	Percentage (%)
Gender	Male	36	52.17
	Female	33	47.83
	Total	69	100
Age Group	18–25	6	8.82
	26–35	18	26.47
	36–45	16	23.53
	46–55	15	22.06
	56–65	12	17.65
	66+	1	1.47
	Total	68	100

Source Primary Data (2026)

Table 4.2 shows that males constituted 52.17% of the respondents while females accounted for 47.83%, indicating relatively balanced gender participation in retail activities within Gayaza Market.

In terms of age, the majority of respondents (26.47%) were in the 26–35 age group, followed by those aged 36–45 years (23.53%) and 46–55 years (22.06%). This suggests that most retail business owners in Gayaza Market are in their economically active years.

4.3.1 Period spent operating the business

The table below summarizes the period respondents that are Retail owners in Gayaza market have spent operating their businesses and the data in the table was interpreted below.

Table

Table 3:3 Period spent operating the business

	Frequency	Percent	Cumulative Percent
1-5 years	33	47.8	47.8
6-10 years	25	36.2	84.1
Above 10 years	11	15.9	100.0
Total	69	100.0	

Source Primary data

Findings from the table 3 above show that majority of respondents, 47.8% have spent 1-5 years operating their respective businesses, followed 36.2% who have been operating their respective businesses for a period of 6-10years, where those who have spent more than 10 years operating their respective businesses constituted the minority represented by 15.9%. The. This indicates that most respondents had adequate experience in running retail businesses, making their responses reliable for analyzing working capital management practices.

4.4 Descriptive Analysis of Study Variable.

4.4.1 Analysis of the relationship between inventory management and profitability

This section presents description findings measuring the relationship between inventory management and profitability. This research objective was conceptualized using questionnaires which required each respondent to do self-rating in regards to their views on inventory management, Accounts receivables management, Cash management and profitability.

Table 4 summarizes respondents' responses on the relationship between inventory management and profitability of retail businesses in Gayaza market by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree)

Table 4*Table 4: Inventory Management and profitability of retail businesses in Gayaza market.*

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)
Business maintains the right level of stock to meet customer demand	34 49.3%	19 27.5%	8 11.6%	6 8.7%	2 2.9%
Poor inventory management has causes loses in the business	18 26.1%	33 47.8%	10 14.5%	5 7.2%	3 4.3%
Stock outs negatively affect the profitability of the business	17 24.6%	37 53.6%	11 15.9%	4 5.8%	00
Overstocking increases storage and holding costs in the business	24 34.8%	35 50.7%	3 4.3%	7 10.1%	00
Proper inventory control improves the profitability of the business	31 44.9%	23 33.3%	10 14.5%	1 1.5%	4 5.8%

Source *Primary data*

Table 4 represents the descriptive statistics on the relationship between inventory management and profitability of retail businesses in Gayaza market. The findings revealed that 76.8% of the respondents agreed that their businesses maintain the right level of stock to meet customer demand, while 11.6% disagreed and 11.6% were not sure. This indicates that a majority of retail businesses in Gayaza market maintain rightful stock levels which is viewed as essential in meeting customer demand that directly supports sales and profitability.

Retail businesses that manage their stock levels register consistent cashflows from their satisfied customers. Findings showed that 73.9% of the Retail owners registered loses in line with poor inventory management in business ,11.5% disagreed with the statement whereas 14.5% remained undecided (Not sure). These outcomes showed that most retail business encounter negative outcomes that drop the profit levels. Therefore, its essential for businesses to engage in improved inventory management practices for survival and growth.

The outcomes showed that 78.2% respondents confirmed that stock outs negatively influence profit making ,5.8% were in disagreement and 15.9% respondents were unsure. Retail business that registered low sales resulted from delayed customer deliveries and low stock levels hence affecting the customer trust in the business.

Basing on the outcomes found out ,85.5% respondents were in full support of overstocking affecting storage and holding costs in Business. The study registered 10.1% respondents that were in disagreement with the statement and 4.3% were undecided (Not sure). Businesses that overstock are enables to make more profits due to tied up capital that result to additional expenses with limited cash flow.

The outcomes registered that 78.2% of the respondents agreed that proper inventory control improves the profitability of business, while 7.3% disagreed and 15.5% were not sure. Retail businesses that invest time and effort in proper inventory control highly achieve profits.

Findings registered on inventory management provide a significant role in achieving profitability of retail businesses. The findings of the study concerning the relationship between Inventory management and profitability of business in Gayaza market in Gayaza

Town were further determined using Pearson’s correlation that was conducted as shown below;

Table 5

Table 5: Pearson’s correlation on budget planning and financial performance

Correlations			
		Inventory management	Profitability
Budget planning	Pearson Correlation	1	.681
	Sig. (2-tailed)		.000
	N	69	69
Financial performance	Pearson Correlation	.681	1
	Sig. (2-tailed)	.000	
	N	69	69
. Correlation is significant at the 0.05 level (2-tailed).			

Source *Primary data*

The findings indicated in table above shows that there is a significant positive relationship between inventory management and profitability. This relationship is affirmed by r-values of 0.681 with significant p-values of 0.000 at the level of 0.05 (2-tailed) ($r = .663, p < .05$). This implies that effective inventory management is crucial in influencing the profitability by improving customer demands, resource allocation, and informed decision-making.

4.4.2 Accounts Receivable Management and profitability of retail business in Gayaza market

Table 6 summarizes respondents’ responses on the relationship between Accounts Receivable management and profitability of retail business in Gayaza market by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 6

Table 6:Accounts Receivable management ang profitability

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F	F	F	F	F
	(%)	(%)	(%)	(%)	(%)
Business sells goods on credit to customers	21 30.4%	37 53.6%	8 11.5%	3 4.3%	00
Delayed payments from customers affect my business cash flow	33 47.8%	25 36.2%	10 14.5%	1 1.5%	00
Poor credit control reduces the profitability of my business	21 30.4%	39 56.5%	2 2.9%	7 10.1%	00
Business has experienced losses due to bad debts	36 52.1%	24 34.8%	6 8.7%	3 4.3%	00
Effective management of accounts receivables improves profitability	19 27.5%	36 52.2%	9 13.0%	3 4.34%	2 2.9%

source primary data

The results showed that 84.0% of the respondents confirmed that their daily most of the operations in the businesses are based on credit sales, whereas 4.3% were in disagreement and 11.5% were not sure. A critical factor that determines Profitability in business is accounts receivable management because credit sales elevates the rate of Bad debts.

The study revealed that 84.0% of the respondents were in Agreement in relation to their cashflows being affected by prolonged credit collection period, 1.5% disagreed and 14.5% were undecided. Retail businesses survive on consistent cash flow in order to meet their daily operations, the study showed that Retail businesses registered low profit margins emerging from prolonged credit periods which affected their profitability.

The results revealed that 86.9% of the respondents were in support of profitability being influenced by unrealizable credit controls, whereas 10.1% disagreed and 2.9% remained undecided. This indicates that inappropriate credit controls result into accumulation of overdue accounts, high operational cost as well as reduced profits margins.

Further findings revealed that 86.9% of the respondents agreed that their business ran into losses as a result of bad debts, while 4.3% disagreed and 8.7% were not sure. Retail Businesses are unable to survive for a long time due to high levels of bad debts, highlighting the need for stricter credit assessments and collection strategies

To sum-up, the results revealed that 79.7% of the respondents agreed that effective management of accounts receivable improves profitability, while 7.2% disagreed and 13.0% were not sure. This showed that most retail business owners recognize the positive role of effective accounts receivable management in enhancing profitability.

Overall, the findings demonstrate with strong evidence that Accounts receivable management has a significant influence on the profitability of retail Businesses in Gayaza market. Businesses that implement effective receivable management practices highly experience improved cash flow, reduced losses and enhanced profitability. The findings of the study concerning the relationship between Accounts receivable management and profitability of retail business in Gayaza market were further determined using Pearson's correlation that was conducted as shown below;

Table 7

Table 7: Pearson's correlation on accounts receivables and profitability

Correlations			
		Accounts receivable	Profitability
Budget implementation	Pearson Correlation	1	.681
	Sig. (2-tailed)		.000
	N	69	69
Financial performance	Pearson Correlation	.681	1
	Sig. (2-tailed)	.000	
	N	69	69
. Correlation is significant at the 0.05 level (2-tailed).			

Source: Primary data

The Pearson's correlation coefficient between accounts receivable management and profitability is $r=0.681$, with p-value of 0.000. That indicate a strong positive relationship between accounts receivable management and profitability of retail Businesses in Gayaza market. This implies that since the signifies value($p=0.000$) is less than the conventional level of significance (0.01 or 0.05), the relationship is statistically significant.

4.4.3 Cash management and profitability of retail businesses in Gayaza market

Table 8 summarizes respondents' responses on the relationship between Cash management and profitability of retail businesses in Gayaza market by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 8: Cash management and profitability of retail businesses in Gayaza market

Statements	Extent of agreement and disagreement				
	SA	A	NS	D	SDA
	F (%)	F (%)	F (%)	F (%)	F (%)
Business has sufficient cash to meet daily expenses	14 20.3%	29 42.0%	9 13.0%	16 23.2%	1 1.5%
Poor cash management affects the smooth operation of the Business	33 45.8%	21 30.4%	7 10.1%	5 7.2%	3 4.3%
Cash shortages reduce the profitability of the Business	23 33.3%	36 52.2%	9 13.0%	1 1.4%	0 0
Proper cash planning in business limits unnecessary borrowings	20 29.0%	29 42.0%	15 21.7%	1 1.5%	4 5.8%
Effective cash management improves the profitability of the Business	34 49.3%	27 39.1%	8 11.6%	0 0	0 0

Source Primary data

Table 8 represents the descriptive statistics on the relationship between cash management and profitability of retail business in Gayaza market. The findings indicated that 62.3% respondents strongly agree that their business generate enough cash that meet daily operational expenses, 24.7% disagree and 13.0% were not sure showing that a notable number of businesses still struggle with cash availability. This implies that while cashflow is stable for many traders, cash shortage remains a challenge for some business, potentially affecting continuity of operations.

Furthermore, the findings indicated that 85.5% of the respondents strongly acknowledge that cash shortage reduces business profitability, whereas 1.4% disagreed and 13.0% were not sure. This implies that poor cash management directly affects the smooth running of the retail businesses. Businesses that adopt cash control technics, maintain smooth operations.

More so, the study established that 81.8% of the respondents agreed that corrective actions are taken after identifying budget variances, while 11.4% disagreed and 6.8% were not sure.

For businesses to sustain profits its essential to ensure cash is readily available to run day to day business operations. The found out that in order to protect profits, Retail owners need to reserve cash and minimize cash shortages which significantly affects profitability.

Furthermore, the results provided that 71.0% of the respondents were in agreement with the statement of proper cash planning minimizing excessive borrowed funds ,7.3% were in disagreement and 21.7% were unsure. Businesses that monitor their cashflow movements had minimal charges in relation to high interest rates attacked to borrowed funds. Therefore, effective cash planning minimizes dependence on informal credit.

In addition, the outcomes found out showed that 88.4% of the respondents agreed that effective cash management accelerated the profit levels, whereas 11.6% remained unsure with none of the respondents in disagreement. Effective cash management plays a crucial role in elevating profits levels. Retail business that adopt cash management skills will definitely protect their sustainability and register long term profit growth.

To sum up, Findings on cash management had a significant relationship with profitability of retail businesses in Gayaza market. From the high levels of agreements registered in all the statements revealed that effective cash planning, credit control mechanisms, are crucial factors required to maintain sustainable financial performance and profitability in the retail businesses. Therefore, strengthening cash management among Retail businesses is significant for improving profitability.

Table 9

Table 9: Pearson's correlation cash management and profitability.

Correlations			
		Cash management	Profitability
Budget review	Pearson Correlation	1	.764
	Sig. (2-tailed)		.000
	N	69	69
Financial performance	Pearson Correlation	.764	1

	Sig. (2-tailed)	.000	
	N	69	69
. Correlation is significant at the 0.01 level (2-tailed).			

Source Primary data

The study revealed that a significant relationship lies between cash management and profitability with $r = .764$. This relationship is affirmed by r values that read $.764$ with significant p values of $.000$ at a level where $.01$ (2-tailed), ($r = .764, p < 0.01$). The null hypothesis that cash management has no significant relationship with profitability is rejected, the alternative hypothesis is accepted. Therefore, improvement in cash management practices strongly influences the profitability of retail businesses in Gayaza.

4.4.4 Profitability of Retail Businesses

Table 10

Table 10: Profitability Levels

Item	Category	Frequency	Percentage (%)
Overall Profitability Level	Poor	11	15.94
	Fair	25	36.23
	Good	33	47.83

Source Primary Data (2026)

The outcomes found out that 47.83% of the respondents registered more profit margins, where as 36.23% registered desirables profits margins and 15.94% registered low profit margins which showed that significant proposition of retail business still struggles financially due to inefficiencies in working capital management though many achieve their target profits amidst economic Pressure

4.5 Findings by Study Objectives

Objective one. To examine the role of inventory management on the profitability of retail businesses.

The outcomes found out that retail businesses with inconsistent stock levels registered low profits. In addition, Retail Businesses registered low sales and high holding costs which resulted from frequent stock outs and over stocking. This presents an insignificant relationship between inventory management and profitability among retail businesses in Gayaza market.

Objective Two. To examine the effects of Accounts receivables management on profitability.

Findings based on the study found out that Businesses with unrealistic credit sales with long credit collection periods registered inconsistent cash flows, this limited their financial capacity to restock and finance their daily operations. This revealed that inefficient accounts receivables management affects the liquidity and profit margins of the Business.

Objective Three. To analyze the role of cash management in enhancing profitability.

The outcomes revealed that businesses with insufficient cash flows were unable to reserve cash for financing their daily operations especially timely payment to suppliers which constrained business expansion. Respondents who reported better cash flow sufficiency registered higher profitability levels. This revealed that effective cash management plays a critical role in sustaining and improving profitability.

4.6 Discussion of Findings

The findings of this study confirm that working capital management significantly influences the profitability of retail businesses in Gayaza Market. Weak inventory control, delayed receivables, and insufficient cash flow were common challenges reported by respondents. These results align with previous studies that emphasize the importance of managing shortterm assets and liabilities to enhance financial performance.

Poor inventory management practices increase holding costs and cause frequent stock-outs, leading to lost sales and reduced profits. Similarly, inefficient receivables management delays cash inflows and weakens liquidity. In addition, inadequate cash flow sufficiency limits the

ability of businesses to meet obligations and invest in growth opportunities. Together, these factors explain why many retail businesses struggle to achieve stable profitability

4.7 conclusion

To sum up the outcomes found out from the study on working capital management and profitability of retail businesses in Gayaza revealed that insignificant relationship with inventory management, accounts receivables and cash management with negative influence on profitability. The conclusions, recommendations and areas for further research are highlighted in the next chapter.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter makes known the summary of key findings, discusses the results obtained in regards to the study objectives and existing literature, drawing conclusions based on empirical evidence that were obtained. Recommendations that aim at improving working capital management practices among retail businesses are also provided in this chapter as well as suggestions for further research.

5.2 Summary of the Study

This study was aimed at examining the effects of working capital management on profitability of retail businesses, specifically in Gayaza market. The areas of focus in the study were on three components of working capital management-that is, inventory management, accounts receivables management and cash management. The study design which was adopted in the study was a descriptive in nature and the data were collected using structured questionnaires that were administered to retail business owners, and a total of 69 valid responses were later analyzed using Stata statistical software.

Background characteristics and prevailing working capital management practices were analyzed using descriptive statistics. The relationship between working capital management components and profitability were analyzed using the Pearson correlation analysis, indicators related to revenue growth, net profit margin as well as perceived improvement in profitability due to effective working capital management were used to measure profitability.

5.3 Discussion of Findings

5.3.1 Inventory Management and Profitability

From the study conducted, findings showed a weak and negative relationship existed between inventory management and profitability, which was statistically insignificant. From this, inventory management practices applied by retail businesses in Gayaza market suggests no significant influence on profitability. From the descriptive study, findings showed that most

retail businesses within Gayaza relied on manual inventory record keeping with a very limited computerized system use.

The lack of a significant relationship in the findings may be attributed to factors such as inadequate inventory control practices, (poor stock tracking, overstocking or stock-outs) which may limit the potential contribution of inventory management to improved profitability. Conclusion from this finding relates with studies that argue that traditional inventory practices, when not properly structured may ultimately fail to enhance business performance.

5.3.2 Accounts Receivable Management and Profitability

Findings from the study further indicated a very weak positive relationship between accounts receivables management and profitability which wasn't statistically significant. This means the manner in which retailers within Gayaza market manage credit sales and customer payment did not significantly affect their profitability.

The findings are explained by the fact that many retail businesses in the area operated mainly on cash basis or short credit periods, which reduces the impact of receivables management on profitability. Furthermore, limited enforcement of credit terms and delayed customer payments may weaken the effectiveness of accounts receivables management practices. Related studies and previous findings indicated that weak credit control systems reduced the influence of receivables management on firm performance.

5.3.3 Cash Management and Profitability

A positive statistically significant relationship between cash management and profitability was established from the study. This reflects that effective cash management practices contributes significantly in enhancing profitability of retail businesses within Gayaza market.

The findings further revealed that ensuring timely receipts of payments, controlled cashflows, and management of payables effectively by businesses positioned them to meet their operational expenses and take advantage of business opportunities. Existing literature that emphasized proper cashflow management as being essential tool for business stability and profitability particularly for small and medium sized enterprises is hence supported from this finding.

5.4 Conclusions of the study

From the study conducted, the following conclusions can be made

Retail businesses in Gayaza market did not show a strong significant relationship between inventory management practices and profitability, mainly due to their reliance on manual and less inventory control methods.

In the same way, accounts receivables management also showed no significant influence on profitability which suggested that credit management practices were either weak or not widely applied among businesses.

Cash management analysis found a significant positive relationship on profitability which highlights the importance in supporting business operation and financial performance.

5.5 Recommendations of the Study

From the study conducted with overall analysis, the following recommendations were drawn.

Adoption of improved inventory management techniques such as use of basic computerized systems or structured manual control should be put into consideration by retail business owners so as to minimize stock losses and improve their efficiency.

Businesses should also strengthen their accounts receivables management systems through establishment of clear credit policies, setting appropriate credit limits and making active follow up on customer payments so as to reduce delays and potential bad debts

Priority on effective cashflow planning in terms of monitoring cash inflows and outflows on regular basis, ensuring timely payment of obligations to maintain liquidity and improve profitability.

Business owners should also seek training and capacity building in financial management and working capital management to improve their decision making and overall business performance.

5.6 Suggestions for Further Research

From the research conducted, future research may as well consider using longitudinal data to capture changes over time while examining the effect of working capital management on profitability. Furthermore, similar studies can also be done in other markets or sectors to enhance the generalizability of the findings.

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APPEDICES

Suggest research questionnaire

Title: working capital management on profitability of retail business in Gayaza market, Gayaza Town. wakiso District.

Introduction

This questionnaire is designed to collect information on how working capital management affects the profitability of retail business in Gayaza market Gayaza Town. Wakiso District.

The data gathered will be used solely for academic purposes and will remain confidential.

SECTION A: DEMOGRAPHIC INFORMATION

1	Name of the business (optional)
2	Gender	
	Male	<input type="checkbox"/>
	Female	<input type="checkbox"/>
3	Age group	
	Below 18 year	
	Between 18-25 years	
	Between 26-35years	
	Between 36-45 years	
	Between 46-55 years	
	Between 56-65 years	
	Above 66 years	
4		less than 1 year <input type="checkbox"/>

	How long has your business been in operation	1-3 years <input type="checkbox"/> 4-6 years <input type="checkbox"/> more than 6 years <input type="checkbox"/>
5	what is the size of your business	<input checked="" type="checkbox"/> small (less than 5 (employees)) <input checked="" type="checkbox"/> medium (5-50 employees) <input checked="" type="checkbox"/> more (more than 50 years)
6	what type of retail business do you operate	<input checked="" type="checkbox"/> grocery <input checked="" type="checkbox"/> clothing store <input checked="" type="checkbox"/> electronic store <input checked="" type="checkbox"/> other (specify)

WORKING CAPITAL COMPONENTS

This section explores working capital components. Please indicate by ticking the appropriate box to what extent you agree or disagree with the following statements below.

1=strongly Disagree (SD)

2= Disagree (D)

3=not sure (U)

4 = Agree (A)

5= strongly agree (SA)

SECTION B INVENTORY MANAGEMENT AND PROFITABILITY

No	Statement	SA	A	U	D	SD
	Inventory Management and Profitability	SA	A	U	D	SD
IM1	Business maintains the right level of stock to meet customer demand	5	4	3	2	1
IM2	Poor inventory management has caused losses in the Business	5	4	3	2	1
IM3	Stock outs negatively affect the profitability of the business	5	4	3	2	1
IM4	Overstocking increases storage and Holding costs in business	5	4	3	2	1
IM5	Proper inventory control improves the profitability of the business	5	4	3	2	1

SECTION C ACCOUNTS RECEIVABLE MANAGEMENT AND PROFITABILITY

AR1	Business sells goods on credit to customers	5	4	3	2	1
AR2	Delayed payments from customers affects Business cashflows	5	4	3	2	1
AR3	Poor credit control reduces the profitability of the business	5	4	3	2	1

AR4	Business has experienced losses due to bad debts	5	4	3	2	1
AR5	Effective management of accounts receivable improves profitability	SA	A	U	D	SD

SECTION D CASH MANAGEMENT AND PROFITABILITY

No	statement	SA	A	U	D	SD
CM1	Business always has enough cash to meet daily expenses	5	4	3	2	1
CM2	Poor cash management affects the smooth operation of the business	5	4	3	2	1
CM3	Cash shortage reduces the profitability of the business	5	4	3	2	1
CM4	Proper cash planning helps the business avoid unnecessary borrowing	5	4	3	2	1
CM5	Effective cash management improves the profitability of Business	5	4	3	2	1




SECTION E PROFITABILITY OF RETAIL BUSINESSES

No	Statement	SA	A	U	D	SD
PR1	Business makes enough profits to sustain operations	5	4	3	2	1
PR2	Business profitability has improved over the last three years	5	4	3	2	1

PR3	Proper financial management contributes to higher profitability	5	4	3	2	1
PR4	Working capital management affect business profitability	5	4	3	2	1
PR5	Satisfied with current profitability level of business	5	4	3	2	1

Joan Joy

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