

**CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF PRIVATE LTD COMPANY A
CASE STUDY OF MT ELGON MILLERS LTD**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS, IN PARTIAL
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DECLARATION

I Khalayi Immaculate, do hereby declare that this work is original and has never been submitted to any other institution for award of any Degree or Diploma. Where the work of others has been used, reference has been made there of.

Signature.....

Date.....

KHALAYI IMMACULATE

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APPROVAL

This extended essay has been prepared under my guidance and it is hereby submitted for examination with my approval as the student's University supervisor

Signature **Date.....**

Mr. Odoki Richard

Supervisor

DEDICATION

I dedicate this work to my beloved parents for their continuous encouragement and financial support throughout my academic journey.

ACKNOWLEDGEMENT.

I would like to dedicate this Dissertation to my family for standing by me throughout this journey in terms of encouragement ,prayers and resources, , I thank the Almighty God for granting me the gift of life, grace, love, protection and good health throughout my dissertation. I therefore continue praying to the almighty God to continue protecting me and give me knowledge and understanding so that I can be able to complete my studies successfully.

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ABSTRACT

The study was designed to evaluate cash management and financial performance in Private Ltd Company by assessing the relationship between the two variables.

The research was aimed at achieving the following objectives; to find out the effect of Cash Collection and financial performance, to find out the effect of cash disbursement on financial performance, to find out the effect of cash budgeting and financial performance of Private Ltd Company.

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

Finding: a positive significant relationship between cash collection and financial performance ($r = 0.985^{**}$, $p < 0.01$), also cash disbursement and financial performance, a significant positive relationship was revealed from the results ($r = 0.943^{**}$, $p < 0.01$), and finally findings revealed that there is a positive and significant relationship between cash budgeting and financial performance with a result of ($r = 0.978^{**}$, $p < 0.01$). If cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by the firm and therefore it is only through effective implementation of cash management that firms get desired profit set levels therefore the researcher concluded that cash management has a positive effect on financial performance of organizations.

Recommendations suggested included the need for deploying a cash management system which involves support and coordination among multiple departments, putting into place more controls to ensure that cash is safe and also using more of the accrual basis of cash out flow than the cash basis in order to maintain the liquidity at an optimal level.

CHAPTER ONE

1.0 Introduction

The study shall focus on the role of cash management on the financial performance of private ltd company and the case study will be Elgon Millers. This chapter provide the Background of the study, problem statement, purpose of the study, objectives, Research questions, scope of the study, significance of the study, justification of the study and conclusion of the chapter.

1.1 Background of the study

Cash is both a fundamental resource and the means by which entities acquire other resources. To manage cash, is to take proper charge of the organization's ability to purchase assets, service debt, pay employees, and control operations. Thus, effective cash management directly correlates with the organizations' ability to realize its mission, goals, and objectives. (Pandey, 2004),

Cash is considered as the most basic liquid input required in keeping the business in its day- to-day activities and it doubles as the ultimate output expected to be realized by selling the services or products manufactured by the firm. (Pandey, 2004) Therefore, the management of this asset is imperative in every business enterprise as cash has been regarded to be the life blood of any business (Chartered Institute of Management Accountant (CIMA)).

Pandey, (2004) defined management as the set of activities that include planning, decision making, organizing, leading and controlling directed at an organization's resources. Globally, many organizations around the world have seen cash management as one of the key aspects of efficient financial performance of different organizations. Cash management is essential to every business that desires to meet up with its short-term financial obligations (Pandey, 2004) The term cash management has been defined in different ways by different scholars, Bobitan and Mioc (2011) state that cash management embodies all incomes and payments made within a certain period, and highlight potential inconsistencies of cash management practices.

Further, Storkey, (2003) defined cash management as having the right amount of money in the right place and time to meet the government's obligations in the most cost-effective way. 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 (Pandey, 2004).

According to Kesseven (2006), cash management is defined as a set of guidelines established by an organization to ensure that it has optimal cash balance at any time. He further clarified that organizations should seek to match the cash receipts and payments so that there is no redundant cash balance. In his argument, the organization should aim at zero cash balance of cash inflows having covered the cash outflows, and cash management has the main ambition of most organizations today to present good financial results.

Gitman (2009) explained that cash management involves planning for cash inflows and outflows, and determining the optimal balances of cash and near-cash accounts such as marketable securities.

According to Olowe, (2008), cash management is concerned with the efficient management of cash so as to achieve an optimum level of cash in the organization. Cash represents the basic input necessary to start and keep a business running. An organization needs to maintain sufficient cash to keep its business running smoothly and when sufficient cash is not kept it will disrupt the organization's operation and can even lead to insolvency. Excessive cash will tie down unnecessarily long-term capital with a result that the return on capital employed will be low therefore an organization thus needs to maintain a sound cash position.

Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross et al., 2011) and as stressed by (Atrill 2013)

The success of enterprises largely depends on a number of factors including sound cash management practices (Attom, 2014). The essence of cash management is to ensure positive cash flow for smooth business operation (Abioro, 2013). Barrett (1999) documents that the underlying objective of cash management is having enough cash available as and when it is needed, and that sound cash management involves better timing of expenditure decisions, earlier collection and banking of revenue, and more accurate forecasts of cash flows. This helps minimize the cost of any borrowing that is necessary and facilitates investing surplus funds to achieve the best return overall.

The Asian Banker Research (2011) documented that the main drivers for improving efficiency in cash handling are to minimize cost and increase security and therefore adequate forecasting

is the key to minimize excess cash, but is also the most challenging task, as it is influenced by many variables. Moyer, Maguigan and Kretlow (2001) submit that effective cash management is particularly important for the following reasons: First, it assists in preparation of financial statement plan to support application for bank loans; secondly, it reduces cash shortage problem, thirdly, it helps firms to keep track of its cash resources which are used in inventories and accounts receivable, fourthly, it enables a firm to operate only a minimum of cash resources because of the high cost of, and limited access to capital.

Sound cash management involves better timing of expenditure decisions, earlier collection and banking of revenue, and more accurate forecasts of cash flows. This helps minimize the cost of any borrowing that is necessary and facilitates investing surplus funds to achieve the best return overall (Barret, 1999).

The techniques of cash management and the degree of sophistication in business processes will vary from entity to entity and will be influenced by an entity size, geographical location and the nature of its operations. This can be exhibited by the fact that organizations with diverse branches located in different regions within a given country or in different countries normally will try to adopt the cash pooling technique in managing its cash since it takes into consideration cross currency variations thus eliminating currency risk exposure (Ondiek et al., 2013).

Basically, the process of managing cash today has been significantly influenced by the growing developments in the business world over the years (Kesseven, 2006). Lienert (2009) found out that modern cash management has four major objectives, namely; to ensure that adequate cash is available to pay for expenditures when they are due, to borrow only when needed and to minimize government borrowing costs, to maximize returns on idle cash and to manage risks, by investing temporary surpluses productively, against adequate collateral.

McMahon (2006) argued that the key to successful cash management lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary restrictions. Proper cash management is necessary because too much cash is costly due to interest payments and too little cash is also costly, because businesses will not be able to reap the advantages from economies of scale (McMahon 2006).

According to Alfred (2007), as cited by Akinyomi (2014), the importance of managing cash in an organization comprises of the following advantages for example managing cash helps in achieving liquidity in an organization and proper control, assists in the planning towards reducing cash expenses and increasing cash receipts to ensure the business is liquid and proper managed. Cash is vital as the future cash flow behavior cannot be predicted. Therefore, it's essential for good cash management.

Attom, (2014) asserts that the success of any business venture is determined on how the management has planned and controlled its cash flows which include inflows and outflows. Proper cash management practices are crucial for business managers. The business becomes insolvent when it fails to meet its debt time and again. Consequently, businesses need to manage their costs efficiently and effectively hence proper cash management prevents bankruptcy, thereby increasing profitability and sustainability of businesses (Mbroh 2012).

1.1.2 Conceptual background

1.1.2.1 Cash management

According to Barlett et al. (2014) Cash management refers to the management of an entity's cash to ensure sufficient cash to sustain the entity's daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings.

1.1.2.2 Financial performance

This is the ability of an organization to meet all financial desires of its stakeholders such stakeholders may include directors, creditors, debtors, employees, government institutions and others who may use the financial records to boost or inject in the business.

According to Drury (2014) financial performance involves an organization to operate at high levels of efficiency and effectiveness, and aiming for consistently high level of profitability. The indicators of financial performance include strong competitive position, sales growth, customer loyalty, sufficient cash flows and rate of customer retention which are likely to be attributed by cash management

1.1.2.3 Cash

This is a raw material that someone needs to carry on business and there are costs and benefits involved in holding large and small amounts of cash (Abioro, 2023)

Further, according to Pandey, (2014) Cash is seen as the most basic liquid input required in keeping the business in its day-to-day activities and it doubles as the ultimate output expected to be realized by selling the services or products manufactured by the firm. More to that Cash comprises of cash at hand and demand deposits. Demand deposits have the same level of liquidity as cash, as these deposits can be withdrawn at any time (Wingerard, Well, et al 2023).

1.1.2 Theoretical background

1.1.2.1 The tradeoff theory of liquidity

The theory suggests that the firm targets an optimal level of liquidity to balance the benefit and cost of holding cash. The cost of holding cash includes low rate of return of these assets because of liquidity premium and possibly tax disadvantage. The benefits of holding cash are in two folds. The firm saves transaction costs to raise funds and doesn't need to liquidate assets to make payments.

Secondly the firm can use liquid assets to finance its activities and investment if other sources of funding are not available or are extremely expensive.

This theory is very important for the study because the essence of any cash management practice is to reduce cost and maximize benefits related to capital management items. As stated above the key stakeholders get to understand that the best practice is maintaining an optimal level of cash within an organization to attain a sounding financial performance.

1.1.2.2 Pecking order theory of liquidity

This theory emerges as a result of asymmetric information existing in financial markets, that is, corporate managers often have better information about the health of their companies than

outside investors.

Sebastian (2012) examined the Dutch firm's liquidity and solvency and their effect on financial decision. He discovered that corporate liquidity and solvency interact through information, hedging, and leverage channels. The information and hedging channels increase equity value of firms which helps to pay regular dividend and most importantly reduce volatility in cash flow. (Myers et al 2019)

This theory gives the researcher a deeper understanding of the other determinants of cash to the organization that may affect the financial performance of the organizations. So if the researcher goes to the field and finds out a weak relationship between cash management and financial performance, this means that the researcher should attribute it to other factors such as leverage employed within the organization and others such as hedging channels.

Furthermore, the increased amount of debt also makes the investors and shareholders' financial position riskier. So, this theory will be relevant to the study because to ensure financial performance of any organization, there has to be minimal level of debt and minimal level of equity employed to obtain sufficient cash flows which brings us back to the optimal cash balances held by the organization.

1.2 Statement of the Problem

Bobitan and Mioc (2021) claim that the role of cash management may enhance financial performance of organizations, Further, Weston and Copeland (2018), document that cash management is concerned with optimizing the amount of cash available such as to obtain a sound financial performance.

However, different opposing views, Debt (2015) suggest that cash management doesn't have any effect on the financial performance of organization because he claims that it is not necessary, it is very much time consuming to the different organizations and that it is a very labor-intensive work.

Information relating to the financial statements of Mt Elgon Millers Ltd revealed a fluctuating trend over a four-year period from 2019 to 2023 revealing instability in financial performance and this prompted the researcher to look into the possible causes of this decline.

For example, in 2019 the company recorded a decline of 18% in return on assets and 22% return on capital employed, in 2020, the company failed to buy some of the suppliers and employee's salaries were reduced and this was due insufficient cash flows. The decline trends to continue even in 2023 where Elgon Millers could not pay salaries of employees on time, profit reduced and the company according to their income statement of 2023 filled with URA showed the company were making losses since 2022 eg, in 2022, they made a loss of 22 million and 31 million in 2023

So due to lack of consistent results and evidence regarding the role of cash management on the financial performance, this forces the researcher to go to the field to find out conclusive results of whether cash management has an impact on the financial performance of organizations or not.

The researcher decided to have a check on cash management as from the researcher's knowledge there is a relationship between cash management and financial performance. Different researchers have conducted research to examine the role of cash management on the financial performance and have presented mixed or inconsistent evidence. Furthermore, this subject has produced contradictory results as to whether cash management improves or worsens the performance of a business organization.

1.3 Objectives of the study

1.3.1 General Objective

The overall objective of the study seeks to establish the effect of cash management on the financial performance of private limited companies of Uganda

1.3.2 Specific Objectives

- i To establish the relationship between cash collection and financial performance of private limited company
- ii To examine the effect of cash disbursement and financial performance of private limited company.
- iii To find out the effect of cash budgeting and financial performance of private limited company.

1.4 Research questions

1. How does Cash collection affect financial performance of private limited company?
2. What is the effect of cash disbursement on the financial performance of private limited company?
3. What is the effect of cash budgeting on the financial performance of private limited company?

1.5 Scope of the study

1.5.1 Geographical scope

The study concentrated on Elgon Millers Ltd. This is a private limited company operating in Uganda, located in Mbale City Eastern. It is located on Elgon Millers building, Pallissa road opposite Bugisu Cooperative Union factory. Elgon Miller Ltd is purposely selected because it has experienced turbulent financial crises and yet it was performing well prior and it's within the area of residence of the researcher therefore it will be easy to obtain the relevant information at a low cost and its accessibility to the researcher.

1.5.2 Content Scope

The study will focus on the role of Cash Management on the Financial Performance of private limited company.

The independent variable under study was cash management which under the study limited its self to cash disbursement, cash collection, and cash budgeting. The dependent variable was financial performance which under the study limited its self to return on assets, return on capital employed sufficiency of cash flows.

1.5.3 Time Scope

The researcher covered a period of one year ranging from 2019-2023; this is because it was the available period of time required to conduct out the research as stipulated by the university guidelines and program.

1.6 Justification of the study

Private limited company play a big role in the economic development of the economic sector and the social wellbeing of individuals from where they do operate and country wide. In Industrial Division there are private limited company that do serve in different capacities towards the economic and community development. These private limited company, however, are limited in terms of research findings on the different determinants for their continual survival in the long run to continue operation. This study may help to establish and develop different information that would be used by organizational owners as well as other operators in Industrial Division for effective planning to better financial performance of their organizations.

To the research it's an opportunity in its effort to assess the role of cash Management and financial performance in private limited company amidst the various efforts employed for company's survival and performance in the long run.

The study aims at understanding how the principles embedded in cash management are pertinent and beneficial to performance of different private limited company in Industrial division and the country at large.

1.7 Significance of the study

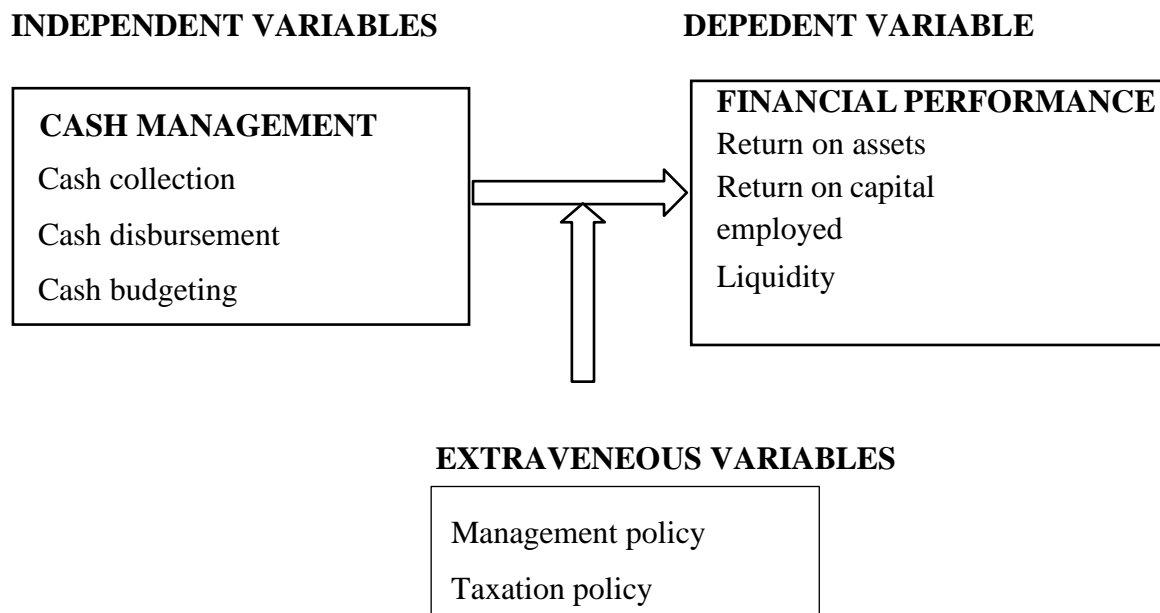
- The study was to assess the role of cash management and financial performance in organizations a case study of Mt Elgon Millers Ltd. It may be important to the academicians and researchers who may want to use it for further researches or studies.
- The analysis may benefit all stakeholders such as managers and directors, who wish to better understand the reasons for successes and failures in the financial performance of their organizations and to rethink strategies as necessary to manage their cash efficiently and effectively
- The findings of the research may be beneficial to other associations that are doing business on a small scale on the importance of cash management by giving them the necessary knowledge and skills on how cash management affects the financial performance so as to improve their businesses.

- The study also may motivate the government and other private institutions to promote, encourage and support other organizations.
- To the researcher, the study may help to develop personal skills and knowledge to identify current challenges affecting organizations to the researcher.

1.8 Conceptual Framework

This explains the relationship between the variables under the study, cash management (Independent Variable) and financial performance (Dependent variable).

Figure 1: Conceptual Framework



Source: *Adopted with Modifications Kenneth J. Arrow, Samuel K. et al, (2008) modified by Researcher*

The independent variable comprised of Cash Management with dimensions of Cash collection, Cash Disbursement and Cash Budgeting, while the dependent variable under the study comprised of financial performance with dimensions of return on assets, return on capital employed and Sufficient Cash Flows and the intervening variables comprised of management policy, taxation policy, Commitment and Attitude.

1.9 Conclusion

In conclusion of the above, the main reason for choosing this research topic of study was to carry on research as exhibited in the problem statement and the study being supported by relevant literature as related to the study in chapter two.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

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

2.1 Theoretical framework

2.1.1 Monetary theoretic approach to cash management

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

2.1.2 Operations Research Approach to Cash Management

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

2.1.3 Financial theoretic approach to cash management

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

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

2.2 Cash management in organizations

According to Aksoy (2015), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques, you could find yourself running short of cash just when you need it the most. That could leave you unable to pay suppliers, develop the marketing plan you need or even pay your employees. Fortunately,

there are a number of techniques companies can use to maximize cash flow management and keep the business running smoothly. Accounts Receivable; Many companies are too passive when it comes to collecting on overdue invoices. The money customers owe you plays a big role in your monthly cash flow, so it is important to develop a solid technique for tracking who owes your firm money, how much they owe and when the payment was due. Make sure your accounts receivable staff is taking a proactive approach to collecting on those unpaid bills, and ask for a weekly report showing the total amount outstanding, along with an explanation of why those payments have not been received (Damodaran, 2012).

According to Pandey (2013) the management of the organization needs to determine the schedules of monthly disbursements and collection schedules of creditors with efficient cash planning system, the financial needs of the organization will be met, with reduced possibility of the cash balances which lowers the organization's profitability and cash deficits which can lead to organization's failure. He further notes that a cash budget is the most significant device used to plan for and control cash receipts and payments. A cash budget is a summary statement of the firm projected time period. This information helps the financial manager to determine the future cash needs of the firm, plan for the financing of these needs and exercise control over cash and liquidity of the organization (Kakuru2003). The researcher is wondering whether bank of African for inflows and outflows of cash.

Damodaran (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. Track Expenses: Whether you are running a business or a household, it is important to get a handle on expenses. Many business owners are so busy with day-to-day operations that they lose sight of the big picture. Getting a handle on the expenses associated with running your business is one of the best ways to manage--and maximize--your cash. Start by building a detailed report of every expense for the past month. Break each expense down into its appropriate category, i.e. rent, utilities, office supplies, etc., then analyze each category and look for ways to cut back. For instance, companies can save money on office supplies by contracting with a specific vendor and negotiating lower prices, rather than running to the office supply store down the street (Deloof, 2013).

2.2.1 Cash planning

Cash planning is a technique to plan for and control the use of cash. It protects the financial conditions of the firm by developing a projected cash statement from a forecast of expected cash inflows and outflows for a given period. Thus, cash planning helps to anticipate future cash flows and needs of the firm thereby reducing the possibility of idle cash (which lowers firms' profitability) and cash deficit (which can cause firm's failure).

According to Udojung et al. (2010), Cash planning is not a science but rather an on-going, iterative process that involves many parts of the organization. It can be done on daily, weekly, or monthly basis. The period and frequency of cash planning depends on the size of the firm and the philosophy of management. Bragg (2014) stated that "A cash forecast, or cash plan, or cash budget, is a projection of the anticipated cash receipts and disbursements and the resulting cash balance within a specified period". While Tuller (2018) describes cash management as the basic tool of running a business and cash forecast as the working tool of cash management. Cash planning is a summary statement of the firm projected time period. This information helps the financial manager to determine the future cash needs of the firm, plan for the financing of these needs and exercise control over cash and liquidity of the organization (Kakuru2003). The researcher is wondering whether Tara primary school actually budgets for inflows and outflows of cash.

Cash planning attempts, among other things, to decrease the length and impact of these "float" periods. A collection receipt points closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment is one way to speed up the collection. The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices (Tryfonidis, 2016).

2.2.2 Cash collections and disbursements

According to Gitman (2018), cash disbursement is a function of accounts payable; it includes all outlays of cash by the firm during a given financial period. The objective of cash disbursement is to control payments and minimize the firm's cost associated with making payment. Vanhorne (2011), defends the idea put forward by Ross (2010), which says that the objective of cash disbursement is to delay payment as long as it is legally and practically possible. In pursuing this objective, the firm should not compromise its relationships with suppliers as this may withdraw trade credit.

Külter, and. Demirgüneş (2017), 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 Disbursement attempts, among other things, to decrease the length and impact of these "float" periods. A collection receipt points 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 (1997), 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. There are numerous mechanisms that can be employed to concentrate the cash, such

as wire transfers, automated clearinghouse (ACH) transfers, and checks. The tradeoff is between cost and time. Another aspect of cash collection knows a company's optimal cash balance. There are a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time (hopefully with something left over for emergency purposes). One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations (Myers, 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.

Generally different scholars argue that cash disbursements should be delayed as much as possible without hurting corporate image of the organization or defaulting on the obligations of the organization. The principle is that cash should be paid only at moment when delay is no longer necessary and possible and non-beneficial (Kakuru 2011, Van Horne 2015, and Pandey 2018).

Cash Collection and Disbursement: Klter, and. Demirgne (2017), 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).

2.2.4 Cash budgeting

Olowe (2018), defined cash budget as a summary statement of the firm's expected cash inflows and outflow over a projected period of time. While Igbinosun (2022) also referred to Cash budget as a financial statement that mirrors cash flows of an organization incorporating the timing of such cash flows. Cash budget gives information on the timing and magnitude of expected cash flows and cash balances over the projected period. This helps to determine the future cash needs of the firm, plan for the financing of its asset needs and exercise control over the cash and liquidity of the firm. Cash forecast is however needed to prepare cash budgets. Cash forecasting may be done on short term or long-term basis.

According to Allman-Ward et al. (2013), Cash forecasting is used to estimate the liquidity position of the company for periods ranging from the current day up to one year. The purpose of a forecast can be determined by its length. A short-term forecast of 0–3 months is used for liquidity management, while operational forecast of 1 – 12 months is used for medium term working capital and financing requirements and long-term forecast of 1 – 5 years is used for planning strategic financial goals. Bragg (2014) is of the opinion that whether short term or long term.

Preparations and Implementations of cash budget: - Gitman (2018) 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 (2016) 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 (2018) 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 to Sastry (2005) 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 (2018) agrees with Lucey (2013) 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.

2.2.5 Financial performance in organizations

According to Stoner (2013), financial performance in organizations refers to the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg & Anderson (2015) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. Hitt, et al (2016) believes that many firms' low performance is the result of poorly performing assets. Low performance from poorly performing assets is often related to strategic errors made in the acquisition process.

According to Dixon et al (2010), appropriate performance measures should be taken which enable organizations to direct their actions towards achieving their strategic objectives. Kotey & Meredith (2017) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent (2014) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Hitt, et al., (2016) mention accounting- based performance using three indicators: return on assets, return on equity, and return on sales.

According to Kotler (1992), strong performer firms are those that can stay in business for a good number of years. Dwivedi (2012) also found out that, the ability of a firm to survive in business is an indicator of good financial performance. Uganda, about 90% of Ugandan SMEs collapse within 3 years Katuntu (2015). This is therefore an indicator of poor financial performance. Financial performance in this study was conceptualized in terms of Return on Assets, Return on Capital, and Sufficient cash flows.

2.2.6 Return on assets as a measure of financial performance

Financial performance of an organization can be measured by Return on Assets. Based on Codjia (2010), financial performance will look at the statement of an accounting summary that details a business organization's revenues, expenses and net income. A corporation may prepare a statement of financial performance on a monthly, quarterly or annual basis (Codjia, 2010). The performance can be measured using ROA. The higher the ROA ratio, the better profits (Rasiah, 2010). As stated by Berger and Humphrey (1997), studies of frontier efficiency rely on accounting measures of costs, outputs, inputs, revenues, profits, etc. to impute efficiency relative to the best practice within the available sample. In this research, the financial performance will be measured using the Return on Asset (ROA). Besides that, there are many ways to measure the financial performance. According to Rushdi and Tennant (2013), financial performance can be measured in a number of ways including return on assets, return on equity (ROE) or profit margins. Other than that, getting on top of the financial measures of the organization performance is an important part of running a growing business, especially in the current economic climate.

In addition, ROA and (ROE) are the indicators of measuring managerial efficiency (Hassan, 2019; Samad, 2018). In ROA, the organization will know the efficiency and capability to convert the assets into net income. ROA is the ratio of operating profit to average total assets (Rushdi et al., 2013). In principle, ROA reflects the ability of an organization's management to generate profits from the organizations assets though it may be biased due to off-balance sheet activities (Athanasoglou et al., 2015). ROA can be used to view the financial performance in terms of profitability. In analyzing how well any given organization is performing, it is often useful to contemplate on the return on assets (ROA) (Rasiah, 2010).

Moreover, according to Landajo, Andrés and Lorca (2018) company performance is usually measured by profitability, which may itself be proxies by using the return-on-assets (ROA) ratio. In addition, according to the author, ROA also can be defined as the quotient of net profit after taxes to total assets. Return on assets indicates the profitability on the assets of the firm after all expenses and taxes.

It is a common measure of managerial profit (Ross, Westerfield, and Jaffe 2015). 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). 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 tradeoff between turnover and margin.

2.2.7 Return on capital as a measure of financial performance

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

“Capital Employed” as shown in the denominator is the sum of shareholders' equity and debt liabilities; it can be simplified as (Total Assets – Current Liabilities). Instead of using capital employed at an arbitrary point in time, analysts and investors often calculate ROC based on “Average Capital Employed,” which takes the average of opening and closing capital employed

for the time period. A higher ROC indicates more efficient use of capital. ROC should be higher than the company's capital cost; otherwise, it indicates that the company is not employing its capital effectively and is not generating shareholder value.

Duran V, Cozac AI, Duran D (2015:138) appreciate that, financial performance is determined by reporting the results "indicators in the capital invested." Petrescu S. (2018) say that "financial performance is the ability of capital invested or placed to provide income expressed in monetary terms and it can be evaluated both by the margins of return and the rate of return."

Crecana C. (2012) gives a comprehensive definition to the notion of return on capital. Thus, in his opinion "the return on capital of a company certifies its intrinsic ability to get profit, to use inputs efficiently, and in the strict conditions of market economy, to get return is a condition of survival of that enterprise and to avoid bankruptcy".

Return on equity indicates the profitability to shareholders of the firm after all expenses and taxes (Van Horne 2015). It measures how much the firm is earning after tax for each dollar invested in the firm. In other words, ROE is net earnings per dollar equity capital. Also, an indicator of measuring managerial efficiency (Ross2014), By and large, higher ROE means better managerial profit; however, a higher return on equity may be due to debt (financial leverage) or higher return on assets. Financial leverage creates an important difference between ROA and ROE in that financial leverage always magnifies ROE. This will always be the case as long as the ROA (gross) is greater the interest rate on debt (Ross, Westerfield, and Jaffe 2015). Usually, there is higher ROE for high growth companies.

2.2.8 Sufficient cash flows as a measure of financial performance

Beck and Murphy (2014) stated managing cash flow is an essential function for businesses that, if not correctly handled, can cause such problems as not being able to pay employees or suppliers or not having enough inventories on hand to fulfill customer orders. Effective cash flow strategies assure that enough cash is on hand to meet financial obligations while maximizing financial return from excess cash. Bryk and Schneider (2012) added that effective cash flow strategies educate and stress the importance of cash flow management to all members of the senior management team as well as all other effected departments. They also stated that senior management team should periodically solicit ideas on improving cash flow and also exchanging ideas about how to managing cash flow.

Sufficient cash flows are essentially a modified version of internal rate of return (IRR), designed for investments that have already been made. To enhance its value, then a firm should increase the spread between its cash flows and its cost of capital. (Damodaran 2010).

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

2.3 Actual Review of literature

2.3.1 Effect of cash collection on financial performance of an organization

Lynch (2013) noted that one of the major aims of cash collections is to accelerate cash inflows and delay cash out flows. However, Lynch warned that both positions have associated dangers. Once cash inflows are accelerated, the costs of management and cash collection will most likely reduce while profitability will be enhanced, however the reduction of the credit period might negatively affect sales which most likely reduce profits. Lynch (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 turnover, strikes, frauds and theft which increase operating costs that reduce profitability. According to Mantile Etaal (2015), Hamilton (2015) and van Horne (2015)

one of the primary objectives of a cashier is to maintain a sound liquid position of the commercial bank in order to meet motives of holding cash. In this case the amount of cash balance will depend on the risk return trade off. The commercial bank maintains optimum neither just enough, nor too much, nor too little cash balance. Optimum cash balance under certainty; Baumols Model provides a formal approach for determining the organization optimum cash balance under certainty, the organization attempt to minimize the sum of holding cash and cost of converting marketable securities to cash and guarantee financial performance, (Pandey 2013 and Hamilton 2011). I disagree with Pandey on the basis that the limitation of Baumol is that it does not allow cash flows to fluctuate. Organization uniformly do not use their cash balances nor are they able to predict daily cash out flows and inflows.

According to the findings of another study from a different perspective, it has been concluded that the effect of cash conversion cycle on financial performance is stronger than the effect of current ratio on it (Eljelly, 2014). Empirical results show that, for the mentioned sample and period, accounts receivables period, inventory period and leverage significantly and negatively affect profitability of organizations, while firm growth (in sales) significantly and positively. However, it is also concluded that cash conversion cycle, size and fixed financial assets have no statistically significant effects on firm profitability. Results suggest that firm financial performance can be increased by shortening accounts receivables and inventory periods through proper cash collections. The negative relationship between accounts receivable period and financial performance may be due to the face that customers want more time to assess quality of products they buy from firms with declining performance (Deloof, 2013). **Effect of cash disbursements on the financial performance of an organization** According to Pandey (2013) cash disbursements should ensure that firm's illiquidity should sound as profitability grows. Pandey noted that there is no advantage in paying sooner than greed. By delaying payments as much as possible, the school makes it as a source of fund which is interest free but earning the school some income. Thus, delaying payments enables the commercial bank to realize extra profits from retained funds.

According to McLaney (2016), negotiating a reduction in cash outflows may be done in order to postpone or reduce payments. This will be done by taking longer credit from suppliers. However, if the credit period allowed is already generous, creditors might be very reluctant to extent credit even further and any such extension of credit would have to be negotiated carefully. There would be a serious risk of having further supplies refused. The rationale for such a move

is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2014).

Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failures to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations. The rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus, (Bort, 2014). Given the context of a company, cash disbursements are controlled through a policy of delaying payments to suppliers. However, failure to meet financial obligations by the company on time, owing to cash shortages mean loss of further supplies from injured suppliers. This is extremely damaging since some products would be vital to continuing business operations.

2.3.2 Effect of cash budgeting on the financial performance of an organization

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.

Credit Lines: According to Eljelly (2014), establishing a credit line with your lender is one way to manage cash flow and avoid shortfalls. Many companies set up a line of credit to cover those times when sales fall short or expenses run high. Companies can also use short term loans to

provide the extra liquidity and cash management they need during the down months as a way of managing of cash outflows. Generally different scholars argue that cash disbursements should be delayed as much as possible without hurting corporate image of the organization or defaulting on the obligations of the organization. The principle is that cash should be paid only at moment when delay is no longer necessary and possible and non- beneficial (Kakuru 2011, Van Horne 2010, and Pandey 2013). The way of delaying disbursements that were generally agreed upon by above scholars include; Predicting banking habits of the work force and paying out the wage bill accordingly. Wages should not be paid in advance when workers are willing to accept delayed payments. During this period the staff will be able to make profits out of that money. In the same, payments should be cheque as the bank clearance will always delay for some days. These banks should be used such that cheques drawn on them will maximize the days the cheques remain uncollected.

Efficiency in cash budgeting is so vital for especially production- firms whose assets are mostly composed of current assets (Horne and Wachowitz, 2018) as it directly affects liquidity and performance of any firm (Raheman and Nasr, 2017). According to (Kargar and Bluementhal 2014) bankruptcy may also be likely for firms that put inaccurate working cash management procedures into practice, even though their financial performance is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability.

2.4 Conclusion to literature review

Cash management involves the increasing of cash inflows and reducing of cash outflows this helps these firms to maximize the profitability levels. Particularly when the cash inflows exceed the cash outflows the difference being the profit, of these firms. So, these firms should aim at increasing cash inflows through increasing sales, persuading clients to pay their debts earlier, encouraging clients to buy using cash by proving them cash discounts and on the other and delaying payments like electricity (Home, 2016). Hurdon (2011), since cash management involves proper management of cash flows, proper cash amounts are kept say for transactional motive the firm buy factors of production on cheaper prices when opportunity comes and in addition, business can enjoy.

Amongst organizations the data available is so scanty that this study was welcome as contribution as reference material for the small and medium organizations as well as for researchers and policy makers. The literature on cash management and financial performance identifies efficiency of cash management as determinants of financial performance. Financial performance could therefore be improved if efficiency in cash collection, cash disbursement and cash budgeting practices is increased. In summary, it is without a doubt that the efficiency in cash management practices as measured has an influence on the growth rate of businesses and consequently plays a huge role in the financial performance of a company. If effective cash management is not monitored in these firms there would be no firms that attain the desired levels of profits and these firms fortunately would end up closing because of failing to achieve the said main objective. It is further elaborated that if cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by these firms and therefore it is only through effective implementation of cash management that firms get desired profit set levels.

CHAPTER THREE METHODOLOGY

3.0 Introduction

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

3.1 Research Design

The study was a case study; both descriptive and analytical methods were used. The data will be collected from both primary and secondary data sources, from Mt Elgon Millers. The researcher shall use both qualitative and quantitative methods of data collection and analysis so as to capture the details and adequate information. The use of both methods also will ensure that the data is effectively interpreted using the numbers, figures as well as the narrative.

3.2 Area of Study

The study was carried out from Mt Elgon Millers and it covers two variables where cash management is the independent variable and financial performance is the dependent variable.

3.3 Study Population

The study population consisted of 40 staff members for Mt Elgon Millers. Mt Elgon Millers is purposely selected because it is one of the private ltd companies which are in the nearest reach of the researcher.

3.4 Sampling procedures

The researcher obtained an introductory letter from Uganda Christian University. The letter was taken and presented to the Manager who then will introduce the researcher to the respective

staff. The researcher then selected study respondents, briefed them about the purpose and significance of the study, ethical concerns and then distributed the questionnaires.

3.4.1 Sampling Technique

Using Krejcie, & Morgan 1970 sample table to determine the sample size to comprise of thirty-six respondents were purposively and randomly selected from a sampling frame of 40. The researcher will emphasize the issue of representativeness and as such staffs from different socioeconomic background will be selected. Since the study is both quantitative and qualitative, the researcher targeted a total of 36 respondents.

Table 1: Sample size

Category	Population	Sample Size
Directors	2	1
Manages	5	4
Heads of departments	5	5
Supervisors	10	10
Cashiers	18	16
Total	40	36

Source: Primary data (2024)

3.4.2 Sampling Technique

The study employed both simple random sampling and purposive sampling technique to select the study respondents. Purposive sampling was used on various categories of respondents from whom the researcher wishes to get specific information (Key Informants). These include the managers, cashiers, heads of departments and supervisors, simply because it is the researcher's conviction that these categories of people have sufficient knowledge on the topic under consideration and also will enable the researcher go for an in-depth investigation on the subject. In all, 3 key informants will be selected for the study and these will be 1 director, 1 manager and one cashier. The remaining respondents shall be randomly selected. A sample size of 36 will be considered as manageable and representative.

Table 2: Sampling Approach

Category	Population	Sample Size
Directors	2	1
Manages	5	4
Heads of departments	5	5
Supervisors	10	10
Cashiers	18	16
Total	40	36

Source: Primary data (2024)

3.5 Data Collection methods and instruments

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

3.5.1 Questionnaire

A self-administered questionnaire (administered by the researcher) was used to collect data. This helped in collecting primary data. The questionnaire shall consist of both closed and open-ended questions. The questionnaires were delivered at the respondents' place of work and will be collected at appointed time by the researcher. Before the actual handing in of the questionnaires, the researcher will go into contact with her respondents and informed them about the day she was to bring the questionnaires and when she was to collect them. The questionnaire shall cover issues related to Cash Management and Financial performance. Questionnaires will be administered basically on the respondents from the different departments because of their busy schedules and therefore could fill the questionnaires in their free time. Questionnaires were administered to 36 staff/ employees.

3.5.2 Interview schedule

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

3.5.3 Documentary Review

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

3.6 Quality control methods

The two methods used are reliable and valid and they provide assurance about the methods used.

3.6.1 Reliability

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

3.6.2 Validity

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

3.7 Data management and processing

Prior to data collection tentative themes and their concepts was identified. This helped in qualitative data analysis. On receipt of each questionnaire, editing was done to ensure that the information given in the pre-coded questions is complete and correctly filled in. In the case of open-ended questions, all responses to questions will be noted and arranged into meaningful trends. This will be done to help with quantitative data analysis.

3.8 Data Analysis

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

3.8.1 Quantitative Data Analysis

All questionnaires were numbered to make coding easier. After editing, coding will be done for easy analysis. In the analysis, the researcher employed the SPSS program that helps in the generation of frequency tables, percentages, graphs and charts, which will be use in the analysis and interpretation of findings.

3.8.2 Qualitative Data Analysis

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

3.9 Ethical considerations

The researcher obtained an introductory letter from the university and it was presented to the manager of the organization who granted the researcher permission to carry out the research. The respondents were assured by the researcher that the data collected from them is to be

specifically used for the purpose of this study and therefore they were able to fill the questionnaires with ease.

3.10 Limitations and ways to overcome these limitations

- 1) The time provided was not enough to exhaust all the aspects of the research like collection of data, receiving related literature among others. In order to solve this challenge, the researcher was able to forego or postpone some of his work schedules to finish the study on time.
- 2) The study was limited by financial constraints, insufficient funding for travel, typing of several drafts, logistics printing, costs of the final copy and contingency costs associated with research work. To overcome the limitation, the researcher secured enough money from parents/guardians for the research work in order to avoid financial delays.
- 3) Some of the respondents were not willing to cooperate during the study. In order to solve this, the researcher was briefed respondents about the study purpose and let them know that it was purely academic.

3.11 Conclusion

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

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The results have been grouped under major headings namely, background of respondent, cash collection, cash disbursement, cash budgeting, financial performance Return on Asset, return on capital and sufficient cash flow in Mt Elgon Millers Ltd. The results have been presented in both tables and figures showing frequencies and percentages of the responses given by the respondents of Mt Elgon Millers Ltd.

4.1 Response rate

For the study 36 questionnaires were issued out to the respondents and 36 questionnaires were returned back fully answered representing a response rate of 100%. With this kind of response, the researcher can say that the study was not biased.

4.2 Background of Respondents

This subsection shows the distribution of respondents according to, gender, education, and age and work experience.

4.2.1 Distribution of respondents by gender

The gender of the respondents was categorized into male and female

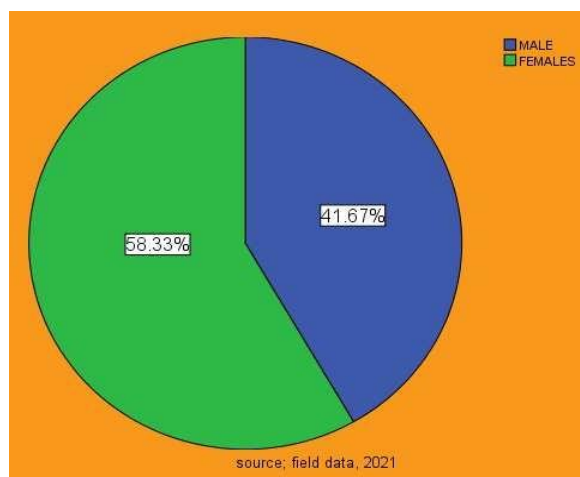
Table 3: Gender Distribution of respondents GENDER

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MALE	15	41.7	41.7	41.7
FEMALES	21	58.3	58.3	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

Respondents were asked to specify their gender category and from the above, it is seen that 58.3% of the respondents were Female and 41.7% were males. From the above the researcher can say that Mt Elgon Millers Ltd does not discriminate person basing on gender while recruiting employees. This data is represented graphically as shown in figure below.

Figure 2: Pie chart showing gender of respondents



Source: Primary data (2024)

4.1.2 Distribution of respondents by education level

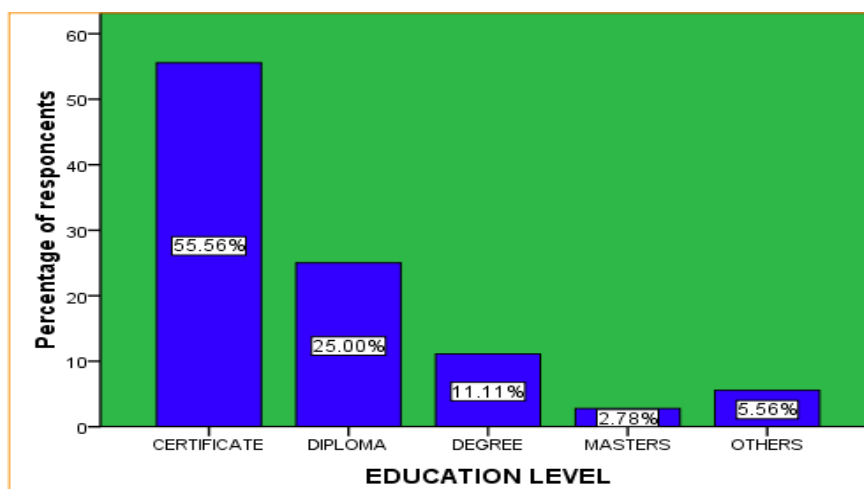
The education level of respondents was categorized into, certificate, diploma, degree, masters and others.

Table 4: Education level distribution of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid CERTIFICATE	20	55.6	55.6	55.6
DIPLOMA	9	25.0	25.0	80.6
DEGREE	4	11.1	11.1	91.7
MASTERS	1	2.8	2.8	94.4
OTHERS	2	5.6	5.6	100.0
Total	36	100.0	100.0	

All respondents were asked to specify their education level and from the above, it is seen that 55.6% of the targeted respondents Mt Elgon Millers Ltd had attained at least a certificate, followed by 25.0% who had attained a diploma, those with a degree as their level of education were represented by 11.1%, masters were 2.8% and those with other qualifications were represented by 5.6%. This shows that the respondents have got the necessary knowledge regarding cash management and cash collection. This data is represented graphically as shown in figure below.

Figure 3: Graph showing education level of respondents



Source: Primary data (2024)

4.1.3 Distribution of respondents by age

The age of the respondents was categorized into; 20 to 29years, 30-39 years, 44-49 years and above 49 years

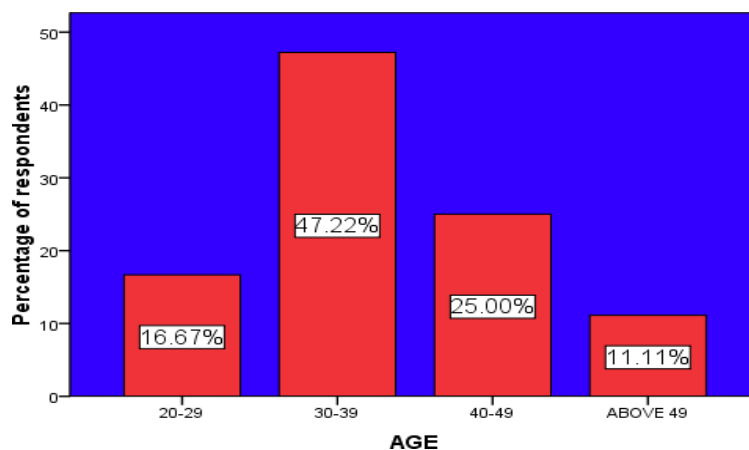
Table 5: Age Distribution of respondents

AGE	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-29	6	16.7	16.7	16.7
30-39	17	47.2	47.2	63.9
40-49	9	25.0	25.0	88.9
ABOVE 49	4	11.1	11.1	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

From the above, it is seen that 47.2% in the age bracket between 30-39 years which is the majority, next was the age category between 40 and 49 years with a percentage of 25.0%, 16.7% of the respondents were in the age bracket between 20 and 29 years and lastly those that fall under above 49 years were represented by 11.1%. From the above findings the researcher can say that most of the respondents from Mt Elgon Millers Ltd are youths of between 20 and 39 years represented by a cumulative percentage of 63.9%. This indicates that they are of sound age and can therefore easily avoid errors that can result into mismanagement of cash. This data is represented graphically as shown in figure 4 below.

Figure 4: Graph showing age of respondents



Source: Primary data (2024)

4.1.4 Distribution of respondents by work experience

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

Table 6: Work experience distribution of respondents

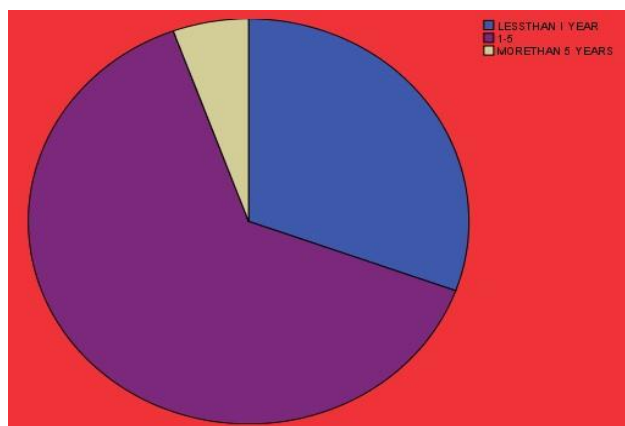
WORKING EXPERIENCE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid LESSTHAN 1 YEAR	11	30.6	30.6	30.6
1-5	23	63.9	63.9	94.4
MORETHAN 5 YEARS	2	5.6	5.6	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

Respondents targeted were asked to specify their working experience at Mt Elgon Millers Ltd and from the above, it is seen that 63.9% of the respondents had worked there for a period between 1 to 5 years, 30.6% had been working there for less than 1 year and 5.6% had been there for over 5 years. From the above findings the researcher can say that most of the respondents had been working for Mt Elgon Millers Ltd for more than one year. This implies that those that handle cash management duties have got the relevant experience that enables them to complete their tasks effectively. This data is represented graphically as shown in figure below.

Figure 5: Pie chart showing work experience of respondents



4.2 Descriptive statistics on variables

4.2.1 Descriptive statistics on cash collection and financial performance Table 7:

Descriptive statistics on cash collection and financial performance

	N	Minimum	Maximum	Mean	Std. Deviation
My organization often offers discounts to induce early payments	36	1	5	3.75	1.251
My organization uses the Automated clearing house for cash collections	36	1	5	3.58	1.052
My organization uses wire transfers for cash collection	36	2	5	3.50	.910
My organization demands frequent reports for outstanding balances	36	1	5	3.81	.980
My organization uses mobile money for cash collection	36	1	5	4.11	.854
Cash collection systems reduce the time it takes to collect the cash that is owed to an organization	36	1	5	3.31	1.283
Collection systems increase the amount of money at hand to meet current obligations held by the organization	36	1	5	3.72	1.111
Cash Collection provides greater investment opportunities with larger sums of money available as surplus.	36	1	5	4.17	.845
Cash collection has an impact on the cash flows of the organization	36	1	5	3.93	1.27
My organization carries out cash reconciliation	36	1	5	3.47	1.253
My organization carries out cash sales	36	1	5	3.78	1.245
My organization regularly signs cash certificate	36	1	5	3.69	1.215
Valid N (listwise)	36				

Source: Primary data (2024)

Table above shows respondents' response who were asked whether the organization often offers discounts to induce early payments and their views were in agreement on the aspect that with a mean 3.75 and Standard deviation 1.251 which indicates a slight variation and this implied that the respondents had same views on this aspect. As affirmed by one of key informant of Mt Elgon Millers Ltd in an interview said that, "discounts offered enable customers to clear off the debts in time" in an interview held on 02nd March 2024. This enhances cash collection thus improving the liquidity levels resulting into a good financial performance.

Respondents were asked to indicate whether Mt Elgon Millers Ltd uses the automated clearing house for cash collections and from the findings respondents were in agreement with the aspect with a mean 3.58 and Standard deviation 1.052. This eases cash collection and therefore enhancing the financial position due to increased working capital since cash is an element of working capital.

On the questionnaire item regarding whether Mt Elgon Millers Ltd uses wire transfers for cash collection, the respondents were in agreement with mean 3.50 and standard deviation 0.910. Basing on Myers (2003) there are numerous mechanisms that can be employed to concentrate the cash, such as wire transfers, the rationale for such a move is to have complete control of the cash and to provide greater investment opportunities with larger sums of money available as surplus.

Respondents were further asked whether the Mt Elgon Millers Ltd demands frequent reports for outstanding balances and from the findings they agreed reflected with mean 3.81 and Standard deviation 0.980 which implied that the respondents had a slight variation on this aspect. This was supported by Igbinosun (2002), reports for outstanding balances mirrors cash flows of an organization incorporating the timing of such cash flows. Cash forecasting may be done on short term or long-term basis.

On the questionnaire item regarding whether Mt Elgon Millers Ltd uses mobile money for cash collection, the respondents were in agreement with the item reflected by a mean of 4.11 and standard deviation 0.854. As supported by a key informant on an interview of techniques that guide the management and all employees on issues regarding cash in and out of Mt Elgon Millers Ltd held on 2nd March 2024, the respondent confirmed the use of mobile money services

to collect cash and make a few payments in time. This enables them to be able to be able to have cash at hand and in return improving the liquidity position.

Respondents were asked to indicate whether Mt Elgon Millers Ltd cash collection systems reduce the time it takes to collect the cash that is owed to an organization, from the findings the respondents were neutral with mean 3.31 and Standard deviation 1.283 which implied that the respondents had varying views on this aspect. From literature reviewed, Kültür, and Demirgüneş (2007), noted that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float.

On the questionnaire item regarding whether Mt Elgon Millers Ltd Collection systems increase the amount of money at hand to meet current obligations held by the organization, the respondents were in agreement with mean 3.72 and standard deviation 1.111. As indicted by Eljelly, 2004 collection systems increase the amount of money at hand to meet current obligations held by the organization and increase financial performance strength.

Respondents were asked to indicate whether Mt Elgon Millers Ltd cash collection provides greater investment opportunities with larger sums of money available as surplus and from the findings respondents were in agreement on the aspect with a mean 4.17 and Standard deviation 0.845. From literature reviewed, Pandey (2003) ensured that firm's Cash Collection provides high investment opportunities. Pandey noted that there is an advantage in paying sooner than agreed. Without delaying payments as much as possible, the firm makes it as a source of fund which is interest free but earning the firm some income.

Furthermore, the respondents were asked to indicate whether Mt Elgon Millers Ltd cash collection has an impact on the cash flows of the organization and from the findings respondents were in agreement on the aspect with a mean 3.93 and Standard deviation 0.928. Also, from literature reviewed, Lynch (2003) noted that one of the major aims of cash collections is to accelerate cash inflows and delay cash out flows. However, Lynch warned that both positions have associated dangers. Lynch (2003) further noted that delaying cash out flows may result in an ethical issues and costs. Over delaying to pay staff salaries and wages may result in to resentment of work, low morale, low productivity, and low productivity, high labor turnover, strikes, frauds and theft which increase operating costs that reduce profitability.

Respondents were asked to indicate whether Mt Elgon Millers Ltd carries out cash reconciliation, from the findings the respondents were neutral with mean 3.47 and Standard deviation 1.253. From literature reviewed according to Aksoy (2005), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques, you could find yourself running short of cash just when you need it the most.

The respondents were asked to indicate whether Mt Elgon Millers Ltd carries out cash sales and from the findings respondents were in agreement on the aspect with a mean 3.78 and Standard deviation 1.245. As affirmed by the key informant in an interview held on 2nd March 2024, the respondent confirmed that Mt Elgon Millers Ltd carries out cash sales and this is reviewed every quarter. This improves the cash flow position of the organization thus indicating a strong financial performance.

Lastly but not least the respondents were asked to indicate whether Mt Elgon Millers Ltd regularly signs cash certificate and from the findings respondents were in agreement on the aspect with a mean 3.69 and Standard deviation 1.215 which indicates a variation in response and this implied that the respondents agreed on this aspect though with variation.

4.2.2 Descriptive statistics on cash disbursement and financial performance Table 8:

Descriptive statistics on cash disbursement and financial performance

	N	Minimum	Maximum	Mean	Std. Deviation
My organization maintains a schedule for cash disbursements	36	1	5	3.97	.941
My organization carries out cash reconciliation	36	1	5	3.83	1.082
My organization payments are deposited in the bank	36	1	5	3.67	1.265
My organization pays its suppliers by cheque for large sums of money	36	1	5	3.33	1.331
My organization usually pays its suppliers by cash for smaller sums of money	36	2	5	4.06	.791
We often realize cash deficits	36	1	5	3.81	1.142
My organization has cash limits for disbursement	36	1	5	3.75	1.251
Valid N (listwise)	36				

Source: Primary data (2024)

From the table above, respondents were asked to indicate whether Mt Elgon Millers Ltd maintains a schedule for disbursements and from the findings respondents agreed on the aspect with a mean of 3.97 and Standard deviation 0.941. From literature reviewed Tryfonidis, (2006) says that the effectiveness of the organization depends on schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices.

In addition, the question of whether the organization carries out cash reconciliation, the respondents agreed with the statement and had a mean of 3.83 and a standard deviation of 1.082 which shows that Mt Elgon Millers carries out cash reconciliation after cash collection.

From literature reviewed according to Aksoy (2005), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques, you could find yourself running short of cash just when you need it the most.

Respondents were asked whether all payments are deposited in the bank and from the findings their views were in agreement on the aspect with a mean 3.67 and Standard deviation 1.265. This helps to emphasize transparency which minimizes cash loss thus improving the cash position and financial performance.

In addition, the question of whether the organization pays its suppliers by cheque for large sums of money, the respondents answered the statement in agreement with the mean of 3.33 which is nearer to the maximum rating of 5 and a slightly high variation in standard deviation of 1.331. This is a good management technique since bank transactions are easy to follow up and therefore minimizing chances of loss of cash and any errors which might occur in cases of handling large sums of money.

About whether the organization pays its suppliers by cash for smaller sums of money, the respondents continued to be in support of the statement with a mean of 4.06 and a standard deviation 0.791. This practice is a good one in respect to cash management because there are less or no errors expected to occur when handling small amounts of money.

Also, whether the organization gets cash deficits sometimes, the respondents were in agreement of with the statement with a mean of 3.81 and a standard deviation 1.142 which means that Mt Elgon Millers at times faces deficits. Cash deficits indicate a gap in cash management and adversely affect the working capital position and financial performance as well.

Lastly, on the statement of the organization having cash limits for disbursement, also the respondents were in agreement with the statement with a mean of 3.75 and a deviation of 1.251 which shows that Mt Elgon Millers has cash limits for disbursement and practices it. This was further confirmed by the cashiers during the interview held on 02nd March 2024. This helps to maintain adequate cash at hand levels as payments are delayed basing on disbursement limits. From literature reviewed, Bort (2004) asserts that cash disbursements are controlled through a policy of delaying payments to suppliers whereby this delay is an aspect of maintaining cash limits for disbursement.

**4.2.3 Descriptive statistics on cash budgeting and financial performance Table 9:
Descriptive statistics on cash budgeting and financial performance**

	N	Minimum	Maximum	Mean	Std. Deviation
I know what a cash budget is	36	1	5	3.97	1.298
My organization knows what comes in and spent in the organization	36	1	5	3.64	1.268
The organization prepares cash budgets on a monthly basis	36	1	5	3.67	1.014
I am involved in cash budgets	36	1	5	3.47	1.404
Managers use cash budgets to compare planned results with actual results to assess performance	36	1	5	4.00	.986
Cash budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations	36	1	5	3.83	1.231
Cash Budgets assist managers in the planning for borrowing and investment facilitates to control expenditure	36	1	5	3.89	1.090
Cash budgeting enables the institution to know whether cash balance requirements stipulated by institution are maintained	36	1	5	4.00	.926
My organization uses budgets to measure performance	36	1	5	3.61	1.248
My organization prepares budgets basing on the needs of the different departments	36	3	5	4.22	.760
Our expenditure is in line with our cash budgets	36	1	5	3.81	1.238
Valid N (listwise)	36				

Source: Primary data (2024)

From the table above, it was revealed that most of the respondents were in agreement with the statement of knowing the cash budget and were in agreement with 3.97 with a standard deviation of 1.298. This implies that those concerned with cash management are knowledgeable about budgeting as an aspect of cash management.

In addition, the statement of whether the organization knows what comes in and spent in the organization, they were in agreement with a mean of 3.64 and variance 1.268 indicating varying views regarding the question. The cashiers further agreed to the statement in an interview held on 02nd March 2024.

On the statement of whether the organization prepares cash budgets on a monthly basis the respondents continued to be in agreement with a mean of 3.67 and a small deviation of 1.014, as supported by Drury, (2004) who noted that the purpose of a cash budget can be determined by its length whereby a short-term budget of 0-3 months is used for financial management as exhibited by the organization that prepares monthly budget to control its inflows and outflows for financial management.

In relation, about the question of whether the respondents are involved in cash budgets, the respondents were in agreement with the statement with a mean of 3.7 and a standard deviation of 1.404. This implies that the budgets prepared are to a great extent dependable since their preparations involve those who are concerned with cash management other than just one person or two. These people all consolidate ideas and are able to form appropriate budgets that can enhance the financial performance.

In addition, the respondents continued to be in agreement with the statement of whether the managers use cash budgets to also compare planned results with actual results to assess performance with a mean of 4.00 and a variance of 0.986 indicating that budgets are used to assess results. The manager went ahead to affirm to this statement in an interview held on 02nd March 2024. This helps them to keep check of their actual results based on expected results.

On whether the cash budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations, respondents agreed with a mean of 3.83 and a standard deviation of

1.231 as supported by Drury, (2005) who noted 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.

In addition, the respondents on the statement of whether cash budgets assist managers in the planning for borrowing and investment facilities to control expenditure were in total agreement with a mean of 3.89 and standard deviation of 1.090, this was in support with other scholars like Weston and Copeland, (2008) who assert that the preparation of cash budgets assists managers in planning of borrowing and investment finances and facilities control of expenditure .

On whether the cash budgets enable the institution to know whether cash balance requirements stipulated by institution are maintained, the respondents were in agreement with the statement with a mean 4.00 and a standard deviation of 0.926. In an interview with the manager held on 02nd March 2024, it was confirmed that the organization does its best to maintain these minimum cash balance requirements. This method is essential in cash management and it helps to ensure adequate cash and therefore obligations are met as they fall due hence a strong financial performance.

When asked whether the organization uses cash budgets to measure performance, the respondents were in agreement with a mean of 3.61 and standard deviation 1.248. As supported by Allman-Ward et al. (2003), Cash forecasting is used to estimate the liquidity position of the company for periods ranging from the current day up to one year.

In addition, about whether the organization prepares budgets basing on the needs of different departments, the respondents and findings revealed that a mean of 4.22 which shows that the respondents were in agreement with the statement with a standard deviation of 0.760. This was supported by Vanhorne (2001) says that, a common cash management tool found in companies is a cash budget. Most companies prepare budgets on the departmental level and roll these individual budgets into one master budget.

Lastly the response on the statement of cash expenditure is in line with our cash budgets the respondents were in agreement with a mean of 3.81 and a standard deviation of 1.248. This is further supported by the literature reviewed; Chastain (2008) asserts that budgets are the financial road map that companies use when planning business expenses and tracking the cash

flow throughout the business year. The idea of tracking expenditure helps to avoid cash misuse thus improving working capital and financial performance as a whole.

4.2.4 Descriptive statistics on financial performance Table 10: Descriptive statistics on financial performance

	N	Minimum	Maximum	Mean	Std. Deviation
My organization realizes increase in profits in the organization every year	36	1	5	3.78	1.149
My organization makes more investments due to the more profits obtained by the organization	36	1	5	3.81	1.238
My organization pays workers early due to the sounding financial position of the organization	36	2	5	4.00	.862
My organization has been able to meet its obligations	36	1	5	3.44	1.157
My organization customers are loyal	36	1	5	3.36	1.376
My organization realizes increase in customers	36	1	5	4.03	1.000
We realize increase in service delivery every year	36	1	5	3.72	1.210
My organization has enough inventory to fulfill customer needs	36	1	5	3.81	1.167
Valid N (listwise)	36				

Source: Primary data (2024)

From the table above, the respondents agreed with the statement of the organization realizing increase in profits in the organization with a mean of 3.78 which was nearer tending towards the maximum ranking of 5 which shows they were in agreement with the statement although with standard deviation of 1.149. This is an indicator of good financial performance as profitability is one of its elements.

In addition, about whether the organization makes more investments due to more profits, also to this statement the respondents were in agreement with the statement with a mean of 3.81 which is nearer to maximum of 5 which is strongly agree and a standard deviation of 1.238, so from the above the respondents were in agreement with the statement. One of the interviewees revealed that the organization was in the process of completing construction a commercial building.

More to that, whether the organization pays workers early due to the sounding financial position the respondents agreed with a mean of 4.00 and a standard deviation of 0.862. This was further supported by one of the interviewees who noted that by 15th of the following month, every employee has received their pay for the previous month.

Also, about whether the organization has been able to meet its obligations, the respondents were in agreement with a mean of 3.44 and a standard deviation of 1.157. This indicates a sound financial performance since obligations are met and this is because of the good cash management practices.

About whether there is an increase in customers in the organization, the respondents continued to be in agreement with a mean of 4.03 with a standard deviation of 1.000. This portrayed that there is increased cash inflow into the organization resulting into good financial performance. In addition, on whether the organizations customers are loyal, the respondents were in neutral with a mean of 3.36 and a standard deviation of 1.376 indicating a variation in views on the aspect. This makes cash collection easier thus improving financial performance.

About whether there is an increase in service delivery in the organization, the respondents continued to be in agreement with a mean of 3.72 with a standard deviation of 1.210, so this also portrayed an increase in the inflows which is an indicator of good financial performance.

Furthermore, about whether the organization has enough inventories to fulfill its customer needs, the respondents agreed to the statement with a mean of 3.81 and a standard deviation of 1.167. It implies that the financial performance is great since inventory is always available on the side of the pharmacy.

4.3 Correlation analysis

Cash collection and financial performance Table 11: Cash collection and financial performance

		CASH COLLECTION	FINANCIAL PERFORMANCE
CASH COLLECTION	Pearson Correlation	1	.985**
	Sig. (2-tailed)		.000
	N	36	36
FINANCIAL PERFORMANCE	Pearson Correlation	.985**	1
	Sig. (2-tailed)	.000	
	N	36	36

Source: Primary data (2024)

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

The table above indicates that the Pearson correlation coefficient is ($r = 0.985^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 98.5% between cash collection and financial performance. From literature reviewed, Lynch (2003) noted that one of the major aims of cash collections is to accelerate cash inflows and delay cash out flows. However, Lynch warned that both positions have associated dangers. Once cash inflows are accelerated, the costs of management and cash collection will most likely reduce while profitability will be enhanced, however the reduction of the credit period might negatively affect sales which most likely reduce profits.

4.3.4 Cash disbursement and financial performance Table 12: Cash disbursement and financial performance

		FINANCIAL PERFORMANCE	CASH DISBURSEMENT
FINANCIAL PERFORMANCE	Pearson Correlation	1	.943**
	Sig. (2-tailed)		.000
	N	36	36
CASH DISBURSEMENT	Pearson Correlation	.943**	1
	Sig. (2-tailed)	.000	
	N	36	36

Source: Primary data (2024)

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

The table above indicates that the Pearson correlation coefficient is ($r = 0.943^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 94.3% between cash disbursement and financial performance.

4.4.1 Cash budgeting and financial performance Table 13: Cash budgeting and financial performance

		FINANCIAL PERFORMANCE	CASH BUDGETING
FINANCIAL PERFORMANCE	Pearson Correlation	1	.978**
	Sig. (2-tailed)		.000
	N	36	36
CASH BUDGETING	Pearson Correlation	.978**	1
	Sig. (2-tailed)	.000	
	N	36	36

Source: Primary data (2024)

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

The above table indicates that the Pearson correlation coefficient is ($r = 0.978^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 97.8% between cash budgeting and financial performance. From literature reviewed Kargar (1994) asserts that bankruptcy is likely for firms that put inaccurate working cash management procedures into practice, even though their financial performance is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability. Efficiency in cash budgeting is so vital for especially production- firms whose assets are mostly composed of current assets (Horne and Wachowitz, 1998) as it directly affects liquidity and performance of any firm.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

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

5.1 Summary

5.1.1`Cash collection and financial performance

Findings from the correlation analysis showed that ($r = 0.985^{**}$, $p < 0.01$). These findings indicated that there is a positive relationship between cash collection and financial performance. Cash collection is determinant and a key aspect of financial performance in organizations.

5.1.2 Cash disbursement and financial performance

Findings from the correlation results ($r = 0.943^{**}$, $p < 0.01$), the respondents' view indicated that there is a positive relationship between cash disbursement and financial performance. From the findings the respondents showed that there numerous cash disbursement procedures in Mt Elgon Millers hence a key determinant of financial performance in organizations.

5.1.3 Cash budgeting and financial performance

Findings from correlation results ($r = 0.978^{**}$, $p < 0.01$), reveal that there is a positive and significant relationship between cash budgeting and financial performance. From the findings the respondents showed that there numerous cash budgeting techniques in Mt Elgon Millers Ltd hence a key determinant of financial performance in organizations.

5.2 Conclusions

From the correlation analysis it is elaborated that if cash management is purely monitored, it becomes easy to implement and plan for the profits to be generated by the firm and therefore it is only through effective implementation of cash management that firms get desired profit set levels since there was a positive and significant relationship between cash management and financial performance. Despite errors which may be inevitable and system huddles which may be encountered time and again, a lot of good work goes on and the level of staff dedication is paramount. Cash management has a positive effect on financial performance of Private ltd Companies. However, learning being a process as it were, there is always room for improvement, thus the following recommendations are suggested.

5.3 Recommendations

Basing on the study findings therefore, the researcher recommended the following;

- There is need for deploying a cash management system which involves support and coordination among multiple departments including finance, operations, security and loss prevention to improve profitability in a company
- For an effective management of cash, the organization has to put into place more controls to ensure that cash is safe.
- The organization should use more of the accrual basis of cash out flow than the cash basis in order to maintain the liquidity at an optimal level.
- There is also need to discuss finance management under three main threads as capital budgeting, capital structure and working capital management. The first two of them are mostly related with financing and managing long-term investments. However, financial decisions about working capital are mostly related with financing and

managing short-term investments and undertake both current assets and current liabilities simultaneously.

- Cash collections should be closely monitored with the aim of accelerating cash inflows to speed up the collecting of accounts receivables. Cash disbursements should be also closely monitored with the aim of negotiating a reduction in cash outflows so as to reduce payments.
- Financial projections should be accurate in order to project and forecast the amount of cash earned through business operations. Accurate forecasting should be based on a range of scenarios and risks so that the organization would be having an understanding of the key drivers of the cash position.

5.4 Areas of Further Research

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

- Organizational financial management techniques and accounting standards
- Cash resource efficiency and effectiveness among organizations
- Employee enrolment process and performance in organizations

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Ltd.

APPENDICES
APPENDIX I: QUESTIONNAIRE

Dear Sir/Madam,

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

SECTION A: DEMOGRAPHIC CHARACTERISTICS

(Please tick in the appropriate box)

Gender

Male Female

Level of Education

Certificate Diploma Degree Masters Other

If other specify

Age of respondent

20- 29 years 30- 39 years 40- 49 years above 49 years

Working Experience

Less than one year 1-5 years More than 5 years

SECTION B: CASH COLLECTION AND FINANCIAL PERFORMANCE IN MT ELGON MILLERS

Please tick in the most appropriate box

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

	Statement	1	2	3	4	5
1	My organization often offers discounts to induce early payments					
2	My organization uses the Automated clearing house for cash Collections					
3	My organization uses wire transfers for cash collection					
4	My organization demands frequent reports for outstanding balances					
5	My organization uses mobile money for cash collection					
6	cash collection systems reduce the time it takes to collect the cash that is owed to an organization					
7	Collection systems increase the amount of money at hand to meet current obligations held by the organization					
8	Cash Collection provides greater investment opportunities with larger sums of money available as surplus.					
9	cash collection has an impact on the cash flows of the organization					
10	My organization carries out cash reconciliation					
11	My organization carries out cash sales					
12	My organization regularly signs cash certificate					

SECTION C: CASH DISBURSEMENT AND FINANCIAL PERFORMANCE IN MT
ELGON MILLERS

Please tick in the most appropriate box

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

	Statement	1	2	3	4	5
1	My organization maintains a schedule for cash disbursements					
2	My organization carries out cash reconciliation					
3	My organization payments are deposited in the bank					
4	My organization pays its suppliers by cheque for large sums of Money					
5	My organization usually pays its suppliers by cash for smaller sums of money					
6	We often realize cash deficits					
7	My organization has cash limits for disbursement					

SECTION D: CASH BUDGETING AND FINANCIAL PERFORMANCE IN MT ELGON MILLERS

Please tick in the most appropriate box

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

	Statement	1	2	3	4	5
1	I know what a cash budget is					
2	My organization knows what comes in and spent in the Organization					
3	The organization prepares cash budgets on a monthly basis					
4	I am involved in cash budgets					
5	Managers use cash budgets to compare planned results with actual results to assess performance					
6	Cash budgets are often used to assess whether the entity has sufficient cash to fulfill regular operations					
7	Cash Budgets assist managers in the planning for borrowing and investment facilitates to control expenditure.					

8	Cash budgeting enables the institution to know whether cash balance requirements stipulated by institution are maintained					
9	My organization uses budgets to measure performance					
10	My organization prepares budgets basing on the needs of different departments					
11	Our expenditure is in line with our cash budgets					

SECTIONE: FINANCIAL PERFORMANCE

Please tick in the most appropriate box

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

	Statements	1	2	3	4	5
1	My organization realizes increase in profits in the organization every year					
2	My organization makes more investments due to the more profits obtained by the organization					
3	My organization pays workers early due to the sounding financial position of the organization					
4	My organization has been able to meet its obligations					
5	My organization customers are loyal					
6	My organization realizes increase in customers					
7	We realize increase in service delivery every year					
8	My organization has enough inventory to fulfill customer needs					

Thank you

APPENDIX II: INTERVIEW GUIDE

1. Do you have techniques that guide the management and all employees on issues regarding cash in and out at Mt Elgon Millers?

.....

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

.....

3. How do you assess the Financial Performance of Mt Elgon Millers?

.....

4. Do you think the Financial Performance of Mt Elgon Millers is as a result of proper cash planning? If yes, what do you think?

.....

5. Do you think the Financial Performance of Mt Elgon Millers is as a result of proper Cash Collection & Disbursement? If yes justify?

.....

6. Do you think the Financial Performance of Mt Elgon Millers is as a result of proper cash budgeting? If yes justify?

.....

Thank You!

**APPENDIX III: KREJCIE & MORGAN TABLE FOR DETERMINING 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


Note: "N" is population size "S" is sample size.

From: Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement

APPENDIX IV: AREA OF STUDY



APPENDIX V: INTRODUCTORY LETTER



**UGANDA CHRISTIAN
UNIVERSITY, MBALE UNIVERSITY COLLEGE.**
A Centre of Excellence in the Heart of Africa

Academic Registrar office

To MT ELGON MILLERS LTD

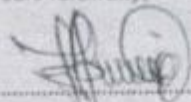
Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss KHALATI IMMACULATE
Of Registration Number; WS21/MUC/BBA/021 pursuing a Masters'
Degree/Postgraduate Diploma / Bachelor's Degree
DEGREE IN BUSINESS ADMINISTRATION
He/ she is required to carry out an academic research on the topic
CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF
PRIVATE LTD COMPANY
and thereafter produce a well bound hard cover research report (**MAROON**) in color for undergraduate
and three (**BLACK**) copies for Postgraduate students as a University requirement for the award of a
degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.
Thank you.
Yours faithfully,


28 FEB 2024

Timothy Akampurira
Academic Registrar UCU-MUC

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