ASSESSING THE INTERPLAY BETWEEN LIQUIDITY LEVELS AND FINANCIAL PERFORMANCE OF BUSINESSES: A CASE STUDY OF ABAYITA ABABIRI, ENTEBBE TOWN COUNCIL

HUZAIFAH LWANGA

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DECLARATION

In alignment with the University's core values of integrity and diligence, I confirm that I have not received any unauthorized assistance in the preparation of this paper. To the best of my knowledge, this work is entirely original and free from plagiarism or any other unethical practices. Any work referenced that has been previously published by others has been used solely for citation purposes.

Signature: ....

LWANGA HUZAIFAH

Date: 24th | 8 | 2024

APPROVAL

This paper has been submitted for examination with my approval.

Signature....................... Kisenyi

Mr. KISENYI VINCENT

Date....28/8/2024.....

DEDICATION

I dedicate this work to my beloved family, whose unwavering support has been nothing short of heroic throughout my academic journey. My deepest appreciation goes to my father, Al-Hajji Mayanja Moses, and my mother, Hajjat Ndagire Sarah Mayanja, whose enduring love, wisdom, and encouragement have been the cornerstone of my success. They have sacrificed much to ensure I had the opportunities to pursue my dreams, and their belief in me has been a constant source of strength. Their commitment to my education and personal growth is a testament to their incredible dedication as parents, and for this, I am eternally grateful.

In addition to my family, I am particularly grateful to my supervisor, Mr. KISENYI VINCENT. His expert guidance, insightful feedback, and patient mentorship during the course of my research have been invaluable. He has not only helped me to refine my research skills but has also encouraged me to think critically and to push the boundaries of my knowledge. His dedication to my academic growth has been a source of great motivation, and I am honored to have had the opportunity to learn from him.

This work is a culmination of the support, encouragement, and guidance I have received from these remarkable individuals. It stands as a testament to their investment in my future, and I hope to honor their contributions by continuing to strive for excellence in all my endeavors.

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The greatest honor goes to the Almighty God, who has brought me this far and will continue to guide my journey ahead.

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This acknowledgment would be incomplete without mentioning all those whose contributions, although not directly visible in this work, have been essential to its completion. Their impact on my academic journey is deeply appreciated.

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ABSTRACT

The schoolwork pursues to determine the stimulus of liquidity administration on the viability and evolution of minor and medium-sized organisations in Uganda. The schoolwork's definite objectives remained to scrutinize the grade of liquidity supervision, productivity, and SME progress in designated expanses of Uganda. Entebbe's pecuniary chronicle commenced throughout the colonist epoch, when it obliged as the directorial pivot of British people in Uganda. Before, sparkling marketplaces, bazaars and vigorous occupation courses arranged the underpinning for a blossoming economy. Nevertheless, the civic underwent its reasonable segment of encounters, predominantly throughout the hot-blooded yonks subsequently after Uganda's unconventionality in 1962. Dogmatic mayhem and pecuniary ambiguity pitched a shroud over originalities, assembling liquidity a valuable article of trade as assurance diminished and bazaars malformed.

Throughout these tempestuous epochs, Entebbe initiatives required to revolutionize and acclimatize rapidly in order to subsist. The anecdote of Momma Sarah's drapery workshop is a poignant specimen. Once civic mayhem interrupted source appearances and consumers became anxious, Mommy Sarah long-drawn-out her merchandise charities and moulded alliances with home-grown artisans, so long as a unswerving rivulet of proceeds unfluctuating in the furthermost problematic aeras.

The 1980s foreshadowed a newfangled stage of development of pecuniary alteration, pigeon-holed by souq liberalization and the launch of a supplementary self-motivated saleable scenery. Entebbe's premeditated position as the realm's prime intercontinental aerodrome has made it a crucial thespian in Uganda's pecuniary renaissance. The inundation of day-trippers and nominees enhanced the home-grown economy, snowballing petition for harvests and amenities.

By way of the new span arrived, Entebbe endured a high-tech uprising that transformed the means industries functioned. The starter of cyberspace finance and portable currency transformed the pecuniary milieu, permitting industries consummate entree to principal and liquidity. Corporations such as Juma's Microchip technology advanced from these progresses, using cyberspace podia to influence newfangled sooqs and rally money movement supervision.

Contempt these happenings, Entebbe's pathway to pecuniary permanency has remained manifest by impediments. The international monetarist predicament of 2008 triggered shock-waves through the metropolis's economy, divulging faults in liquidity supervision procedures. Industries who had overstretched themselves confronted the punitive authenticity of impoverishment, whereas those with vigilant money investments windswept the gale.

Entebbe's unconquerable essence endured the whole shebang. Nowadays, the city is a acknowledgement to the achievement of ingenuity and obstinacy in the aspect of destitution. From the pressurised marketplaces of the ancient to the hi-tech shopfronts of these days, the back-and-forth of liquidity and pecuniary permanency deceits at the sentiment of every single corporate pronouncement completed in Entebbe.

CHAPTER ONE
INTRODUCTION

1.0 Introduction

Pecuniary recital is one of the frequent decisive ranges of supervision but it is the borderline to the triumph of any company. Bungling pecuniary recital, mutualised with the indistinctness of the corporate atmosphere frequently primes Saleable Enterprises into solemn hitches (Mr. Lake and Mr. Rao, 2014). Pecuniary recital narcissisms out the long-term, short-term announcements and measures which contribute the corresponding impartial of permitting an connotation's expansion by warranting that reoccurrence of speculation exceeds custody of outlay, underprivileged of accumulating in height pecuniary jeopardies (Eskom & Mutua, 2018).

Pecuniary recital of dealings empowers decision-makers to magistrate the consequence of corporate strategies and happenings in impartial pecuniary rapports. It consequently simplifies dimension of an association wide-ranging monetarist vigour concluded a convinced time-frame (Karuki, 2014). The monetarist recital of productions whitethorn be leisurely over Reappearance on Properties, Reoccurrence on speculation and Homecoming on Even-handedness. Consequently, if industries accomplish well the menaces associated with runniness, it would pointedly progress on pecuniary recital (Kinnyua, 2013).

Operative and well-organized liquidity peril supervision is indispensable in enhancing the monetarist concert of industries universally. It is the aptitude of a tier to endowment upsurges in possessions and encounter compulsions as they ascend shorn of sustaining superfluous losses (Essokomi & Muttua, 2018).

Liquidity jeopardy administration is among-st the four ultimate pronouncement extents of pecuniary organization that desires vigilant behaviour and preparation for a commercial to be efficacious and money-making. The fundamental relevancy of fluidity jeopardy management is that it is strappingly linked with the monetarist recital of industries (Lyyndon & Bingiilar, 2016). Therefore, this schoolwork endeavoured to scrutinise the connexion amongst liquidity peril administration and monetarist recital of industries in Uganda captivating a circumstance learning of Entebbe.

1.2 Background of The Study

1.2.1 Historical background

In-order to embrace a sturdy clench and Comme il faut trepidation of the focus, it is Supplementary of the kernel to gibe up into the abstractive birthright of the idiosyncratic paradigm. Liquidity, in it's wide-ranging connotation denotes to the affluence with which possessions can be rehabilitated into currency deprived of instigating momentous impression on their marketplace worth. On the supplementary pointer pecuniary recital relates to the aptitude of a corporate to engender proceeds and accomplish maintainable development over time. Mutually liquidity echelons and pecuniary recital are decisive elements of the complete well-being and sustainability of a saleable.

One of the most primitive hypothetical contexts that can be pragmatic to the connexion sandwiched between liquidity echelons and monetarist recital is the Modigliiani-Miler proposition. This philosophy was wished-for by the economic experts termed Franco Moddigliani and Merton Miler in the 1950's. This philosophy situations that , "underneath confident expectations, the worth of a steady is sovereign of it's principal assembly" . In other words, the deduction recommend that the combination of liability and even-handedness bankrolling used by a firm doesn't influence it's general worth of pecuniary demonstration.

Though, with the successive investigation has exposed that liquidity echelons can have momentous impression on the pecuniary recital of a business. For-instance, in height levels of liquidity can make available a bolster in contradiction of unanticipated incidentals or pecuniary dips, consenting a corporation to sustain it's manoeuvres and capitalize in development prospects even in thought-provoking epochs. It's supplementary comprehended that exceedingly liquidity pannier or encumber a corporation's aptitude to encounter the situation's short-term compulsions, foremost to monetary anguish and probable economic failure.

In the milieu of a dominant schoolwork that highpoints the reputation of liquidity administration in lashing monetary routine is the exertion of Eugenee Farma and Keneth French on the Three influence prototypical of run-of-the-mill returns. In their explore, Farma and French contend that liquidity jeopardy is an important factor that drives monotonous returns and impacts the complete presentation of financial marketplaces. They validate that frameworks with subordinate liquidity incline to have advanced returns to reimburse stakeholders for the augmented jeopardy of croft on these possessions.

In the framework of the Republic of Uganda, the connexion amongst liquidity heights and pecuniary presentation is fastidiousness pertinent given the country's incipient marketplace upended and the encounters faced by businesses in retrieving the principal and managing money drift. The Biosphere Bank's doing Corporate description highlights that the Republic Uganda positions relatively low in rapports of ease in doing business, signifying that industries in the republic may face impediments in retrieving acclaim and handling their liquidity successfully.

Largely, the hypothetical historic upbringing on the interaction of liquidity echelons and financial performance delivers treasured insights into the issues that get-up-and-go to the triumph or catastrophe of businesses in Uganda and other incipient marketplaces.

1.2.2 Conceptual background

Largely, most of Ugandan industries function in self-motivated and competitive atmosphere, where admittance to pecuniary possessions is often restricted. This makes it critical for industries to prudently accomplish their liquidity levels to circumvent any commotions in their manoeuvres. The back-and-forth amongst liquidity echelons and pecuniary performance is a multifaceted and complicated issue that necessitates a comprehensive considerate of the innumerable aspects at play.

One of the significant factors that influence liquidity echelons in Uganda is the convenience of acclaim and supporting opportunities for industries. Bestowing to Agarwal and Mohtaadi (2019), entree to credit is vital for businesses to uphold satisfactory liquidity points and support their evolution and enlargement plans. Nevertheless, in Uganda, entree to credit is habitually restricted, particularly for small and medium sized companies which constitute a significant portion of the business sector.

Furthermore, the pecuniary stability and supervisory milieu in Uganda also theatres a decisive role in determining liquidity levels and monetarist recital, conferring to Kasenkendde et al (2018), dogmatic unpredictability, inflation, exchange rate oscillations, and supervisory vicissitudes can pointedly impact the liquidity position of businesses especially those in Entebbe. Ambiguity in the commercial atmosphere can prime to cash flow encounters and encumber the ability of industries to chance their economic commitments.

Furthermore, the management of employed wealth is another perilous characteristic that stimuluses liquidity echelons and pecuniary performance. Employed wealth management encompasses successfully handling the corporation's current possessions and liabilities to guarantee the even movement of cash and minimalize the jeopardy of liquidity deficiencies. Conferring to Gittman et aal,(2015), well-organized employed capital administration is indispensable for augmenting liquidity levels and enlightening the complete pecuniary performance of a corporate.

1.2.3 Problem Statement

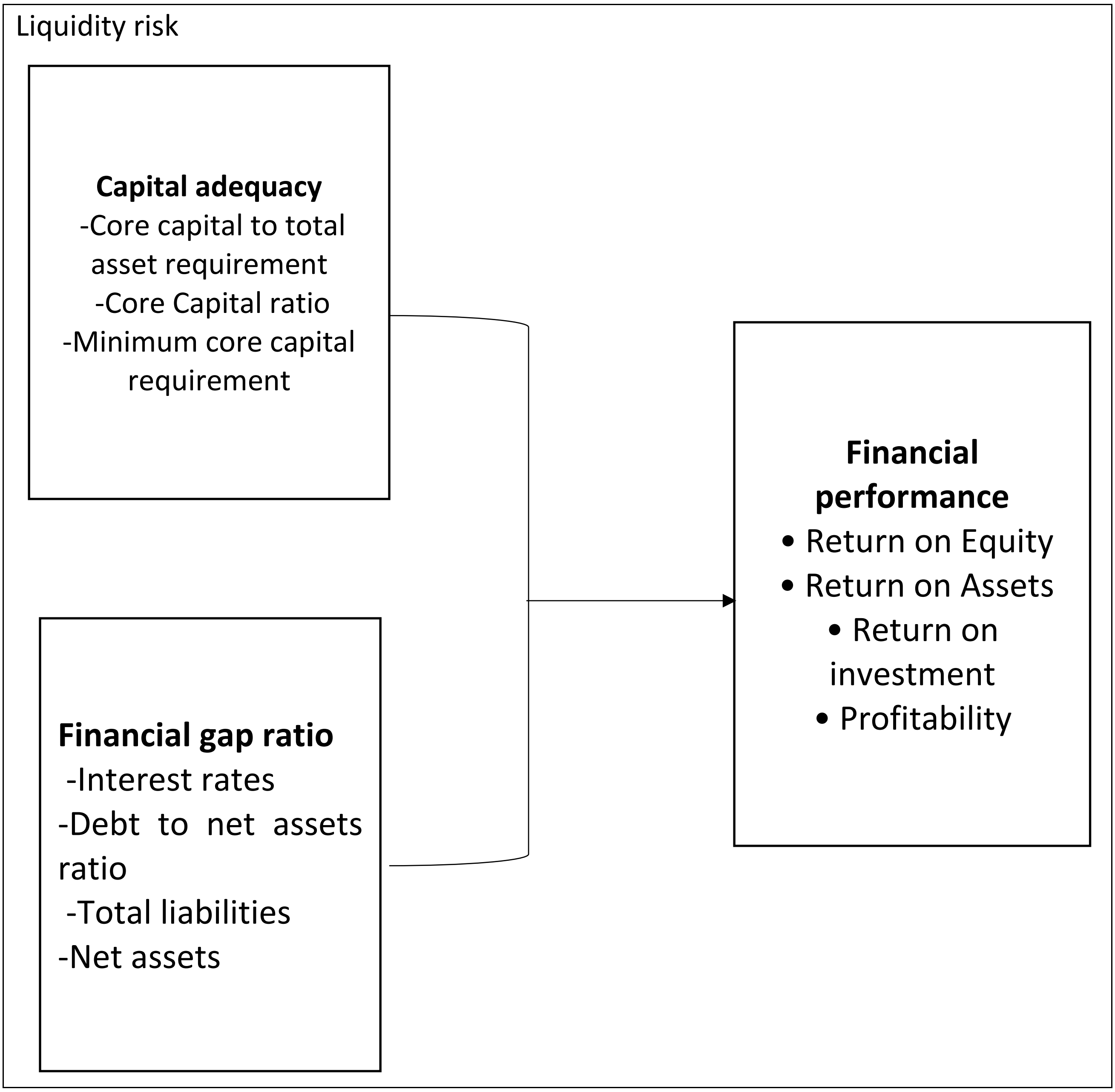
The valuation of liquidity heights and pecuniary performance in corporate manoeuvres is a perilous aspect of monetarist management. In Entebbe, industries are pebble dashing encounters in handling their liquidity levels, which unswervingly influence their pecuniary presentation. Historically, evidence shows that poor working capital management is one of the leading causes of financial distress among medium-scale businesses. Firms that were previously profitable have faced significant financial difficulties due to mismanagement of their working capital, leading to liquidity issues and, in some cases, insolvency. The impact of working capital mismanagement is often more severe than other financial challenges because it directly affects the firm's operational efficiency and its ability to generate cash flow. In many instances, businesses in Entebbe have encountered financial instability primarily due to their inability to manage working capital effectively. Nevertheless, the relationship amongst liquidity heights and pecuniary performance relics relatively uncharted in the Ugandan milieu, fashioning a gap in consecrating the issues that stimulus this relationship.

1.3 Conceptual Framework

Independent Variable

Dependent Variable

Liquidity risk management   Financial performance



Source: Adopted from Kagunda{2018}

1.4 Research Objectives

a) To assess the impact of the liquidity risk management practices and encounters and it's effect on the financial performance of businesses in Entebbe
b) To examine the current liquidity levels of businesses in Entebbe and their effect on financial performance.
c) To assess relationship between capital adequacy and financial performance in Entebbe.

d) To analyze the relationship between liquidity levels and financial performance in different industries in Entebbe.
e) To propose recommendations for improving liquidity management practices to enhance financial performance in Entebbe businesses.

1.5 Research Question.

Rendering to Dr. Jammes . C .Vann Hormme in his manuscript "Financial management and policy", liquidity is critical for the pecuniary vigour of a corporates as it guarantees the obtainability of coffers to encounter short-term responsibilities (Vann Hormme, 2012). consequently, it is indispensable to comprehend the relationship between liquidity levels and pecuniary recital in the milieu of industries in Entebbe to progress effective stratagems for maintainable development.
On or after the research question has steady grip, "In what way does liquidity levels affect the pecuniary performance of businesses in Entebbe and what influences this relationship?

1.6 Significance of The Study

The results of the research may be expected to expand on the empirical review of liquidity -profitability trade-off. The critical goals for business organizations are to increase profitability and shareholders' wealth. Financial specialists hold a view that focusing too much attention on profit-making could result to a weakened liquidity status of the business in question.

The research may offer imperative information on factors of liquidity and how liquidity risk influences the financial performance of businesses and how to mitigate the risks.

The results of the study may also act as a basis for finance managers in businesses, insurance companies and other sectors to make investment decisions that would satisfy stakeholders' interests with regard to liquidity and financial performance.

The inferences of the study may also be useful to the students of finance in terms of empirical review as well as to those who wish to carry out further research on variables investigated, of not only businesses or companies but also other organizations.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This subdivision presents the germane literature swotted for the study. Unambiguously, it encompasses the hypothetical review, a review of literature on explicit purposes, pragmatic studies, and literature slit.

2.2 Theoretical Review

This section enlightens on different theories that underpin the relationship between liquidity risk management and financial performance of businesses

2.2.1 Liquidity risk theorry

The liquidity jeopardy theory was established and developed in 2007 by **Accerbi and Scanddolo**. The theory statuses that a financial organization should describe and recognize the liquidity jeopardy{jeopardy} to which it is visible and exposed for all the legal entities together with branches and its holdings in the form of subsidiaries in the dominions in which it is vigorous such that there exists a positive financial performance {Akhtaar, 2011}.

This theory opposes and contends that pecuniary establishments should contemplate interactions amongst exposures to marketplace liquidity jeopardy and subsidizing liquidity risk appropriate for financial presentation to be comprehended.

This theory further recapitulates that deposits captivating financial organizations are visible to more funding liquidity jeopardy which is more unpredictable compared to retail payments and deposits. Underneath stress, institutional memberships may require improved compensation for intrinsic risks, wish for reduced maturity periods, or opt to catchphrase from extending credit {Akhtaar, 2011}.

Gugliellmo {2010} contends that in harmony with liquidity menace theory, organizations that agree to take deposits must diagnose and discourse the philosophical interaction between liquidity risk & other risk groupings to augment pecuniary performance. Miscellaneous financial and operative risks together with interest rate, legal, and reputational menaces can profoundly disturb a companies's liquidity silhouette. Liquidity menace may develop from insufficiencies in the administration of these other risk categories. Consequently, deposit captivating entities must be very attentive and vigilant about aspects that could influence public discernments and perception of their permanency {Akhtaar, 2011}.

Rendering to Cheben and Maiina {2018}, liquidity menace administration practices are fundamental in shaping the financial performance of entities. The theory hypothesizes that companies must recognize optimal speculation and investment strategies while highlighting the ease at which these investments maybe liquidated when financial emergencies arise. It proclaims that a corporate struggling in liquidating investments can face liquidity risks when essential and requierd {Cheben & Maiina 2018}.

The philosophy of liquidity risk is appropriate to the current study as it portrays a theoretical underpinning and ground for understanding the connection amongst liquidity risk administration & financial performance. However, it falls short of launching and acknowledging a direct relationship and connection between liquidity risk administration dimensions & specific financial presentation as performance components demarcated in the study, thereby accentuating and underscoring the inevitability of this particular research.

2.2.2 Estimated Income Theory{anticipated}

Anticipated Income{Y} Theory by **Prochanows**, pronounced and developed in 1944, is established upon the repetition practice of outspreading term of loans by United States banks. This theory hypothesizes that regardless of the business nature of the client, banks should plan for the selling out of term loans based on the client's estimated income{Y}. A term of credit generally spans over a single year but doesn't exceed or go beyond five years (Alsharif 2016).

This theory further recommends that in order to attain effective administration of liquidity jeopardies and augmentation of financial performance, companies should conjecture and align their liquidity desires with scheduled outflows from income, thus improving financial consequences **{Wood ford 2011}.** This theory further emphasizes associating credit repayment agendas with income{Y} instead of relying exclusively on collateral, hence mitigating intrusion with pecuniary performance and liquidity **{Wood ford, 2011}.**

A philosopher called **Croowe {2009}** suggests that this theory brings into line the intrinsic unassailability and reliability of credits with suitable reimbursement schedules grounded on anticipated income{Y}. This background accommodates credit anxieties and fosters enhanced pecuniary performance. Industries and companies are recommended to view programmed credit payments plan through the lens system of income instead of collateral, to guarantee liquidity and augment financial performance {Mulingge 2016}.

This income{Y} theory is so relevant to the contemporary study as it illuminates and expounds on how the administration of cash flow otherwise liquidity associates and connects with financial performance. Appropriate management of programmed credit repayment plan seen as cash outflows, is fundamental in enhancing a company's financial performance.

2.3 Conceptual Review

This particular section reconnoitres and explores the concepts associated with liquidity risk administration in addition to financial performance.

2.3.1 financial performance

Pecuniary performance is an appraising and calculating measure of an organization's financial health over a definite and specifies period of time. It incorporates and comprehends how effectively an organisation generates augmented and amplified sales, profitability, and stakeholder value by management of its assets, equity, and expenses **{Ijaaz and Naqqvi 2016}.**

It imitates and replicates sectoral consequences and provides understanding of how well an organisation maximizes resource consumption and utilisation to improve shareholder prosperity and wealth and profitability **{Ijaaz and Naqqvi 2016}.** Financial performance obliges to serve as a broad metric of an organisation's financial health over a given period of time. For continuous and sustained operations as well as growth, a company must accomplish substantial profits **{Kinnyua 2013}.**

As a perilous and critical planning apparatus, financial performance appraises and evaluates how efficiently a business influences to leverage its assets to engender or generate revenue. It further determines how glowing a business creates value from membership subscription and share capital{K}, using financial pointers{indicators} such as Return on Equity, Return on Assets, market growth, return on investment{ROI}, operating expenses{OE}, and profit margin{PM} {Mwaniya 2017}.

2.3.2 liquidity risk management

Liquidity risk administration pertains to a financial organization's capacity to strike a balance between maintaining adequate liquid assets and avoiding excesses that could hamper and incumber its capability to encounter financial obligations and targets {Darsie 2018}. Sustaining and upholding assets that are gladly and readily transferable is vital for preserving steadiness and constancy within the pecuniary system. Insufficient liquidity can prime an organization's inability to meet it’s obligations, thus destabilizing the pecuniary system **{Darsie 2018}.**

Given current comprehensive and worldwide financial circumstances, liquidity risk administration has become a supreme and dorminant concern for financial organizations’ aiming to meet their commitments and improve profitability and stakeholder value **{Mwaashi and Mirga 2018}**. Efficient liquidity administration is indispensable for maintaining financial steadiness and firmness, plummeting and reducing insolvency risk and extenuating or mitigating financial commotions and disturbances **{Omiino 2014}.** It encompasses meticulously handling assets & liabilities to guarantee that cash in-flows align with predicted and projected cash out-flows hence promoting vigorous full-bodied financial administration **{Campelo et all 2011}.**

2.4 Literature Review on Study Objectives

2.4.1 Capital Adequacy and Financial Performance

Capital appropriateness and adequacy refers to the mandatory quantum amount of funds a financial organization must retain to demeanour and conduct its procedures far-sightedly and in a prudent way **{Amhalu et all 2016}**. It is predisposed and influenced by factors like company size, operative risks, market forces of demand & supply, administration capabilities together with asset portfolios. Capital adequacy is often enumerated and computed as a ratio of primary capital to investments thus reflecting a company’s financial muscle and stability **{Amhalu et all 2016}**.

The notion of capital adequacy attained prominence in the mid 1970’s due to the development of business lending without a proportionate and corresponding increase in capital{K} **{Arbba et all 2013}**. Adequate capital performances as a shield or buffer against losses and ensuring organisation continuity. It serves as a precaution during antagonistic financial circumstances **{Dangg 2011}.**

Research designates that capital adequacy positively influences financial performance by empowering businesses to commence profitable ventures and control risks effectively **{Maliimi 2017}**. Conversely, strict capital requirements can affect credit quality and pecuniary stability **{Harkene and Schnabel 2010}**. The requirement for satisfactory capital to meet purchaser demands & improve efficiency is a manifest **{Mukomen 2016, Naceur and Kandil 2006}.**

2.5 Empirical Literature

Oddunga et all {2013} examined the influence of capital adequacy on business performance and found no significant effect suggesting a modification towards credit risk administration. **Njorooge {2016}** identified a positive relationship between financial performance & capital adequacy between businessess. **Kaggunda {2018}** observed a feeble but statistically substantial connetion between financial gap ratios & performance. Furthermore, Odhambo **{2013}** emphasized the reputation of efficient cash generation in enlightening business performance.

2.6 Literature Gap

The studied and reviewed literature principally covers studies conducted in Kenya or engrossed on profitable organisations like banks, thus figure-hugging or revealing a geographical and contextual hole. This schoolwork seeks to discourse these gaps by inspecting the connection and association between liquidity menace management and financial performance in the interior of businesses in Entebbe, Uganda.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter covers the approaches that were used in data assemblage. It covers the investigation and research design, study population and sample size determination, sampling technique, data collection methods and tools, validity and reliability of the instruments, procedure for data collection, data analysis, ethical considerations, and study limitations.

3.1 Research design

The research employed a cross - sectional descriptive research design which merged and combined both quantitative & qualitative methods. This design was preferred because the research is conducted at one point in time or interval as well as it helps to present consequences by means of inferential statistics **{Setiia 2016}.**

This type of research design was used in order to save time and to examine the study problem.

3.2 Study population

The research population encompasses a total of personalities who have convinced characteristics and are of interest and attention to a researcher **{Banerje and Chaudhurry 2010}**. Uganda has over eight hundred thousand{800,000} registered companies and over 2.2 million unregistered companies which function minus any legal position or status. And Entebbe to be specific, it has over 460 directory located there.

The research was comprised of 27 respondents. Rendering to a researcher called **Amiin{2005}**, population refers to the entire group of individuals that a researcher or anyone doing research desires to explore and study about. The research constituted of Abayita Ababiri market merchants in Entebbe. These respondents were well-thought-out to give the researcher valuable insights assessments which will make the discoveries more credible. And amidst respondents, there happens to be people from pecuniary departments, procurement department, whose information & acquaintance on budgeting was appropriate for the study.

3.3 Sample Size Determination and Sampling Procedure

This section gives & stretches an overview on the technique for sample size determination along with the technique employed to acquire the sample & the entire procedure followed.

3.3.1 Sample size determination

For the purposes of this schoolwork, the sample size was a resultant of using Sloven's formula. According to **Teejada & Punzallan {2012}** the Sloven's formula is highly recommended when establishing a sample size for a predetermined population size. The Sloven's formula was employed for establishing the sample size and it was used as below,

$$n = \frac{N}{1 + Ne2}$$

Where, {n} is the sample size of the study, {N} is the population size as a whole, and {e} is the permissible error at {0.05}.

$$n = \frac{30}{1 + 30(0.05)2}$$

$$= 27 \text{ respondents.}$$

3.3.2 Simple random sampling

In the study random sampling was used in obtaining data from the staff and venders in Abayita Ababiri vendors market in Entebbe. Random sampling bestowing to **Cresswell {2005},** he defined it by saying that random sampling is a subcategory of participants or personalities that are randomly and arbitrarily selected from a residents that form form a population. The ambition is to get a sample that represents or signifies a larger population. This is further attained by involving respondents with a questionaire. In the words of **Kothaari**, a researcher, he said, "sampling technique was used because it's a desired representation of the relevant sub groups".

3.3.3 Questionnaire approach

The questionnaire method is crucial in gathering reliable and dependable data and also ensuring the comparison & equivalence of information **{Mathyazhagan and**

Nanddan 2010}. This tactic and method requires fewer cross-examining skills compared to other approaches as it principally uses structured or close ended questions. In the context of the study, the technique was effective for assembling and collecting data from a huge number of respondents, considering its efficiency in terms of time and the negligeable need for cross-examining expertise. This technique was predominantly relevant when collecting data from business employees.

3.3.4 Document review method

The document review method encompasses gathering data from secondary foundations such as documents, e-journals, informational reports & unpublished research to acquire a broader understanding of the research topic from the already existing literature. The credentials reviewed may be internal {like organizational financials} or even external {for instance internet publications like articles} **{Bagnooli and Clark 2010}**. This technique was effective in providing applicable and pertinent information from business documents pertinent to the research. The researcher further conducted an exhaustive analysis of these documents including financial performance reports & company policy manuals done by visiting companies and conducting internet explorations to gather the needed information.

3.4 Data Collection Apparatuses or instruments.

This study employed a structured questionnaire & document review checklist, as exhausted in the following sections,

3.4.1 structured questionnaire.

A self-administered structured questionnaire was the primary tool used in the study. The questionnaire contained closed-ended questions designed to collect quantitative data from respondents. The questionnaire was developed based on the study's objectives and the dimensions of both the independent and dependent variables. Structured questionnaires are well-suited for large samples because they facilitate the efficient collection of data, thereby enhancing validity, offering respondents a choice of predefined responses, and allowing for the modification of answers when necessary (Kulshreshtha, 2013). The questionnaire was tailored to gather information from employees, covering demographic features and statements related to the study variables. Responses to the variables were measured using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

3.4.2 Documentary review

Wanddera {2017} recommends that document review checklist is operative for gathering more in-depth qualitative material that mightn't be apprehended through a structured questionnaire. The credentials reviewed included company financial performance reports, annual sector performance reports, and company policies. These credentials were censoriously analyzed to evaluate their validity & authenticity and valuable evidence was extracted that was applicable to the study. The documents were retrieved and accessed by visiting companies and conducting online explorations and hunts to gather the essential data.

3.5 Validity & Reliability

This segment provides a summary of the validity & reliability of the research apparatuses used in the schoolwork.

3.5.1 Validity of the research instruments.

The validity of the research apparatuses was critical to this study as it permitted the researcher to regulate the extent at which the tools measured what they were envisioned to measure **{Osso and Onen 2008}.** This approach evaluated how well the test substances represented the universe of the mannerism being measured. To establish gratified validity, the researcher acknowledged the overall content to be epitomized, then randomly nominated items that truthfully reflected the data across all areas. This method gave rise to a set of items that were demonstrative of the content of the characteristic being measured.

3.5.2 Reliability.

Reliability was a crucial consideration in the study, as it scrutinizes the reliability of an apparatus in measuring the same way each time it's being used under similar conditions with the same subjects **{Sekarran 2013}.** The researcher conducted a experimental study to pre-test the data assemblage instruments & analyzed the data to test for dependability. Cronbach's alpha coefficient as endorsed by **Amiin {2005},** was used to evaluate the dependability of the research apparatuses. The items were considered reliable if the Cronbach's alpha coefficient was 0.7 or above and If the coefficient was lower than 0.7, the questionnaires would be reviewed to accomplish the desired reliability verge or threshold.

3.6 Process For Data Collection

The researcher attained an introductory letter from Uganda Christian University issued by the School of Business which was presented to the management of numerous businesses demonstrating that the researcher was a Bachelor's degree student conducting a study titled "Liquidity Risk Management and Financial Performance." After bestowing the introduction letter & getting approval, the researcher was in position to carry out and issue out structured questionnaires to the participants.

3.7 Data Analysis & Presentation

Data analysis is a systematic process of scrutinizing, purgativing, transforming & modelling data to discover useful material and also draw conclusions to backup decision making **{Herman 2009}.** Both qualitative & quantitative data were analysed as below,

3.7.1 Qualitative data analysis

Qualitative data analysis comprised of thematic and gratified analysis, concentrating on how the discoveries related to the research questions. Content investigation was used to enhance qualitative data & restructure it into concise and meaningful judgements. Thematic analysis was used to categorize information into themes, with codes acknowledged **{Sekaran 2003}.** After data assemblage, similar material and evidence was grouped together and its connection to the quantitative data was recognized and established. Qualitative data was further understood by composition of explanations based on the congregated information, which were then demonstrated and reinforced with quotes and descriptions.

3.7.2 Quantitative data analysis

Quantitative information from the structured questionnaires was coded and entered into SPSS {version 21} for arithmetical analysis. The quantitative examination included both descriptive and inferential statistics. Descriptive analysis comprised of generating frequency tables and calculating measures of central tendency, mostly mean & standard deviation, for the variable quantity. To examine the associations and associations amongst the study variables & discourse the hypotheses.

3.8 Ethical Contemplations in The Research

The researcher initially first sought the consensus and consent of the partakers which they verbally submitted during the encounter. Participation in the schoolwork was completely voluntary with contestants conversant about the purpose of the study earlier stated to them. During the study, the researcher upheld and maintained a high level of concealment{confidentiality} during and after data assemblage. Furthermore, the researcher appreciated the atmosphere milieu and all intellectual property rights.

3.9 Limitations of The Study

The pandemic impact and measures that were put in place to thwart the spread of the contagion posed a challenge, as some contributors were up to now still diffident to take part in the schoolwork due to fear of constricting the virus. Nevertheless, the researcher followed to the Standard Operating Procedures recognized by the Ministry of Health while gathering data. The researcher also faced a challenge of lack of full engagement by the participants where some failed to disclose their information regarding their liquidity statuses although this hindered 10% of the expected data to be collected.The researcher also confronted high conveyance costs during data assemblage, as the businesses were not situated in a single area. To alleviate this, the researcher organized for a single Boda Boda {motorcycle} to conveyance him to different scenes at a negotiated & reduced charge.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS

4.0 Introduction

This section presents the discoveries from the schoolwork on the relationship amongst liquidity jeopardy management and the pecuniary performance of industries in Entebbe. This chapter commences by detailing the rejoinder rate, surveyed by an examination of demographic and administrative characteristics. It then delivers descriptive consequences of the significant variables and accomplishes with a discussion of the illative statistics.

4.1 Demographic Silhouette of Members

The demographic characteristics of the memeders include gender, percentages, frequency, tenure with the businesses, and their administrative role. Table 4.1.1 provides a comprehensive summary of these demographic characteristics.

4.1.1 Gender of the respondents. Table 4.1.1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	9	52.9	52.9	52.9
	female	8	47.1	47.1	100.0
	Total	17	100.0	100.0	

Source: Primary data

The statistics presented in Table 4.1.1 divulges discerning details apropos the gender circulation of the members within the measured sample. This investigation delves into the minutiae of the data and offering an all-inclusive understanding of the gender configuration and its insinuations for the broader investigating context.

4.1.2 Synopsis of Gender Circulation

Table 1.0 demonstrates that out of a over-all 17 respondents, 9 were male{n=9, 52.9%}, accounting for 52.9% of the model, while 8 were female with a representative percentage of 47.1%{n=8, 47.1%}. This circulation highlights a peripheral predominance of male members over feminine respondents.

4.1.3 Comprehensive Breakdown of the investigation

Masculine respondents. Frequency together with Percentage. The male regiment comprises 9 personalities, parallelling to 52.9% of the total respondent puddle. This percentage replicates a slight mainstream, positioning males the overriding gender within this dataset.

Valid percentage. With the valid percent, also at 52.9%, authorizes that this percentage is reflective of the whole valid response obtained, accentuating that the majority of respondents are recognized as male.

Cumulative percentage. The cumulative percent stances at 52.9%, demonstrating that up to this argument in the data set, the male respondents constitute just over half of the over-all rejoinders.

Feminine Respondents. Frequency together with Percentage. There are over eight feminine respondents, conforming to 47.1% of the entire sample. Although to some extent fewer in number equated to their masculine counterparts, that percentage is substantial and nearly equivalent to that of masculine respondents.

Valid Percentage. The valid percentage of 47.1% designates that this percentage is a truthful representation of the feminine respondents within the binding responses.

Cumulative Percentage. The cumulative percentage reaches 100% together with the feminine respondents, suggesting that all respondents have been acknowledged for within the gender circulation.

4.1.4 Proportional or Comparative Analysis

The statistics portray a well-adjusted but slightly skewed gender circulation. The masculine respondents are more numerous than the feminine respondents by a marginal 5.8 proportional points. This trivial predominance of blokes could be reflective of numerous underlying aspects, such as the nature of the schoolwork or the demographic appearances of the model population.

The adjacent distribution of genders recommends a relatively well-adjusted perspective in the interior of the sample, though the minor numerical benefit of masculine respondents might impact the generalizability of gender-specific perceptions consequential from the study.

4.2 Insinuations of the Research

4.2.1 Representational Bias and apathy**.**

The near-equal circulation of genders supports in mitigating the jeopardy of gender bias, contributing a more composed perspective. Nevertheless, the insignificant male majority dictates a cautious method when understanding gender-based assumptions, ensuring that any pragmatic trends are not suspiciously influenced by the sophisticated male depiction.

4.2.2 Circumstantial and contextual Relevance.

Understanding the base of gender circulation is vital for understanding responses truthfully. For lessons involving gender-specific variable quantity or results, recognizing the slight disproportion is essential for illustrating a valid inference and ensuring that discoveries are representative of the comprehensive population.

4.2.3 Forthcoming Research Contemplations or considerations**.**

Imminent research may perhaps benefit from go-getting for a more even gender circulation to enhance the sturdiness of gender-related scrutinies. Efforts to novice a more well-adjusted sample could offer deeper understandings, perceptions and a more nuanced consideration of gender subtleties within the schoolwork context.

4.3 THE IMPACT OF LIQUIDITY RISK MANAGEMENT ON THE FINANCIAL PERFORMANCE OF BUSINESSES.

The first objective was to assess the impact of the liquidity risk management practices and encounters and its effect on the financial performance of businesses in Entebbe.

Table 4.3.1: Shows the responses on the effect of liquidity risk management on the financial performance of businesses in Entebbe.

Descriptive Statistics

Statements	N	Mean	Std. Deviation
Section B: In this part and the part that follow, you are required to tick the most appropriate option applicable to you. The effects of risk assessment on the financial performance of an organization Regular risk assessments help organizations identify and mitigate financial risks, improving performance.	17	4.12	1.054
Risk assessments enable better investment decisions, increasing returns and financial performance."	17	4.24	.831
Risk assessments help organizations reduce financial losses and write-offs, improving performance.	17	4.29	.686
Risk assessments improve organizational financial performance and decision-making.	17	4.12	.857
Risk assessments enable organizations to optimize financial resources, enhancing performance and decision-making."	17	4.29	.772
Valid N (listwise)	17		

Source: Primary data

4.3.2 Regular risk assessments help organizations identify and mitigate financial risks, improving performance.

The mean score of {4.12} designates a relatively high agreement among respondents that regular risk assessments are beneficial in identifying and mitigating financial risks. This suggests that the majority of respondents view risk assessments as a valuable tool in managing potential financial threats. The standard deviation of 1.054 reflects some variation in responses, implying that while many agree, there are differing opinions on the extent of the benefit. A mean above the midpoint of 4 (on a scale of 1 to 5) indicates that respondents generally find this aspect of risk assessment to be significant in enhancing organizational performance. For a good research work, further investigation into why some respondents may perceive less impact could provide deeper insights. Exploring variations across different types of organizations or industries could illuminate how the impact of risk assessments varies in different contexts.

4.3.3 Risk assessments enable better investment decisions, increasing returns and financial performance.

With a mean score of 4.24, this statement is highly endorsed by respondents, suggesting strong agreement that risk assessments play a crucial role in making better investment decisions. This is further supported by a lower standard deviation of 0.831, indicating a more consistent opinion among respondents about the positive effect of risk assessments on investment decisions. This finding highlights the perceived effectiveness of risk assessments in enhancing returns and overall financial performance. In a research context, it would be beneficial to quantify how improved investment decisions translate into financial gains, possibly by correlating risk assessment practices with financial metrics across different sectors.

4.3.4 Risk assessments help organizations reduce financial losses and write-offs, improving performance.

The highest mean score of 4.29 for this statement indicates the strongest agreement among respondents that risk assessments are effective in reducing financial losses and write-offs. The low standard deviation of 0.686 signifies a high level of consensus on this view, underscoring the importance of risk assessments in mitigating financial downturns. This suggests that risk assessments are widely recognized as a tool for minimizing adverse financial impacts. A thorough research approach might involve analyzing case studies or financial records to provide empirical evidence of the reduction in losses attributable to risk assessments.

4.3.5 Risk assessments improve organizational financial performance and decision-making. The mean score of 4.12 indicates a general agreement that risk assessments enhance both financial performance and decision-making within organizations. The standard deviation of 0.857 shows some variation in responses, though it is relatively moderate. This suggests that while there is overall recognition of the benefits of risk assessments, the extent of the impact might be perceived differently among individuals. For comprehensive research, examining the specific ways in which risk assessments contribute to improved decision-making and performance could provide valuable insights.

4.3.6 Risk assessments enable organizations to optimize financial resources, enhancing performance and decision-making.

With a mean score of 4.29, this statement receives a high level of agreement, similar to the previous statement about reducing financial losses. The standard deviation of 0.772 indicates a relatively uniform opinion regarding the effectiveness of risk assessments in optimizing financial resources. This suggests that respondents believe risk assessments play a significant role in enhancing both resource management and decision-making processes. Research could focus on specific examples or metrics to illustrate how resource optimization through risk assessments translates into improved performance outcomes.

In terms of maintaining minimum sufficient liquidity levels, the research data indicates that respondents agree or strongly agree that effective liquidity risk management practices, such as regular assessments, and ongoing training, significantly contribute to the financial health of businesses in Entebbe. This means that most of the businesses in Entebbe do not run out of funds to provide to their clients since a minimum proportion of capital is maintained as a must and this may fuel growth in financial performance of businesses and companies in the Abayita ababiri.

Table 4.4: Regression analysis between liquidity risk management and financial perfromance of Businesses.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.765[a]	.586	.558	1.62363	.586	21.204	1	15	.000

Source: Primary data

The above regression table demonstrates the relationship amongst liquidity risk and financial presentation, using liquidity jeopardy in the form of a predictor variable. Below is a detailed investigation of each establishment in the table, highlighting the nuances of the interaction between liquidity levels and financial performance.

4.4.1 R Value {0.765}

The R value, oftenly denoted as the correlation coefficient, is a measure of the strong point and course of the linear relationship amongst the predictor variable (liquidity risk) and the dependent variable (financial performance). At this point, the R value of 0.765 advocates for a durable and strong positive correlation. Whereby as liquidity risk upsurges, financial performance leans towards to improvement.

4.4.2 R Square {0.586}

R Square, also called the coefficient of determination, specifies how fit the independent variable (liquidity risk) explains the variation in the dependent variable (financial performance). An R Square value of 0.586 indicates that roughly 58.6% of the variance in financial performance can be enlightened by the variations in liquidity peril. This is a significant proportion, suggests and shows that liquidity jeopardy is a substantial factor in defining financial performance. Nevertheless, it also designates that 41.4% of the discrepancy is attributable to other aspects not encompassed in the model.

4.4.3 Adjusted R Square {0.558}

The Adjusted R Square modifies the R Square value for the numeral of predictors in the prototypical and the sample size, provided that a more truthful replication of the model's illustrative power. With Adjusted R Square of 0.558, the model recollects a strong instructive power even subsequently accounting for a possible inflation due to the model size or supplementary predictors. This designates that the model is strong, and the affiliation between liquidity risk and financial performance is not likely due to overfitting.

4.4.4 Standard Error Estimate {1.62363}

The Standard Error of the Estimate measures the average detachment that the experimental values fall from the regression line. In that case, a value of 1.62363 shows the regular and average deviation of financial performance from the projected values. A lower standard error implies a more accurate and truthful model. At this point, while the value is not tremendously high, it does recommend and advocate that there is relatively some degree of inconsistency and variability in financial performance that the prototypical does not account for, highlighting the intricacy and complexity of financial performance as predisposed by liquidity levels.

4.4.5 R Square Change {0.586}

The R Square Change replicates the enhancement in the model's explanatory and illuminating power when the independent or autonomous variable {liquidity risk} is added and summed. Therefore, the value 0.586 mirrors the R Square value, demonstrating that the entire descriptive power of the model is a resultant of liquidity risk. This accentuates the implication of liquidity risk in amplification of financial performance, strengthening its critical protagonist in financial analysis undertaking.

4.4.6 F Change {21.204}

The F Change value characterizes the development in the model's right when the predictor variable is encompassed. The F Change of 21.204 advocates for the addition and accumulation of liquidity risk suggestively and significantly progresses the model's capability to predict financial presentation and performance. This value is exceedingly significant, as designated by the corresponding P-value {Sig. F Change}.

4.4.7 Degrees of Freedom {df1 = 1& df2 = 15}

The degrees of freedom accompanying with the F Change specify the number of strictures parameters projected in the model {df1} and the model size minus the number of predictable parameters {df2}. Here, with df1=1 and df2=15, the model has a single predictor variable (liquidity risk), and the investigation is based on 17 annotations and observations. The degrees of freedom highlights the model's straightforwardness, concentrating on a singular predictor, which can lead to a more understandable model, though it can as well also miss other critiical variables.

Significance of the F Change {0.000}

The P-value linked with the F Change, labelled as {Sig. F Change}, designates the statistical implication of the enhancement in the representation's fit. A value of {0.000} {typically conveyed as $P < 0.001$} means that the possibility of the pragmatic F Change happening by chance is less-than 0.1%. This high level of meaning \\confirms that liquidity risk is an influential predictor of financial performance, and its attachment in the model is statistically vindicated.

Table 4.5 ANALYSIS OF THE RELATIONSHIP BETWEEN LIQUIDTY LEVELS AND FINANCIAL PERFORMANCE OF DIFFERENT INDUSTRIES IN ENTEBBE.

Analysis of Variance table provides a comprehensive view of how well the regression model fits the data. This table above provides an essential understanding on whether the variation in financial performance can be significantly explained by liquidity risk

Table 4.5 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.897	1	55.897	21.204	.000[b]
	Residual	39.543	15	2.636		
	Total	95.440	16			

Source: primary data.

4.5.1 Regression Sum of Squares (55.897)

The Sum of Squares for Regression is 55.897, which represents the total variation in financial performance that is explained by the model, specifically by the predictor variable—liquidity risk. This sum indicates how much of the variability in the dependent variable (financial performance) can be attributed to the independent variable (liquidity risk).

4.5.2 Residual Sum of Squares (39.543)

The Residual Sum of Squares, calculated as **39.543**, represents the variation in financial performance that is **not** explained by liquidity risk. This residual variation reflects the influence of other factors or random noise that the model does not account for. The relatively lower residual sum compared to the regression sum suggests that a significant portion of the variance is captured by liquidity risk.

Total Sum of Squares (95.440)

The Total Sum of Squares, which is **95.440**, is the sum of the regression and residual sums of squares. This value represents the total variation in financial performance across all observations. The total sum serves as the benchmark against which the model's explanatory power is measured.

4.5.3 Degrees of Freedom (df)

Degrees of Freedom for Regression (df = 1): With one predictor, the degrees of freedom for regression is **1**, indicating that there is one independent variable (liquidity risk) used to explain the variation in financial performance.

4.5.4 Degrees of Freedom for Residual (df = 15): The degrees of freedom for the residual is **15**, calculated by subtracting the number of predictors from the total number of observations. This value represents the number of data points available to estimate the unexplained variance.

Total Degrees of Freedom (df = 16**):** The total degrees of freedom, **16**, is the sum of the regression and residual degrees of freedom. It reflects the overall number of observations minus one, representing the total data points in the model.

4.5.5 Mean Square

Mean Square for Regression (55.897): The **Mean Square for Regression** is the sum of squares for regression divided by its degrees of freedom. In this case, it remains **55.897** because there is only one predictor. This value signifies the average amount of variation in financial performance that is explained by liquidity risk.

Mean Square for Residual (2.636): The **Mean Square for Residual** is the residual sum of squares divided by its degrees of freedom, which results in **2.636**. This value indicates the average unexplained variation in financial performance after accounting for liquidity risk.

4.5.6 F Statistic (21.204)

The F Statistic of 21.204 is a ratio that compares the mean square for regression with the mean square for the residuals. A higher F value suggests that the model explains a significant portion of the variance in the dependent variable. In this case, the high F value indicates that liquidity risk significantly contributes to explaining the variation in financial performance, validating the model's strength.

4.5.7 Significance (Sig.) Value (.000)

The Significance Value of .000 underscores the statistical significance of the model. A p-value this low (below .05) confirms that the probability of the observed relationship occurring by random chance is virtually nonexistent. This affirms that liquidity risk is a statistically significant predictor of financial performance.

4.5.8 Synthesis and interpretation of Findings

The ANOVA table effectively highlights the statistical significance of liquidity risk in explaining financial performance. The regression sum of squares, coupled with the high F statistic and low significance value, strongly supports the model's validity. This reinforces the notion that liquidity risk is a crucial factor in financial performance, accounting for a substantial portion of its variability.

However, the presence of a non-negligible residual sum of squares suggests that while liquidity risk is a major influencer, other factors also play a role in financial outcomes. This residual variation invites further exploration to identify and analyze additional variables that could enhance the model's explanatory power.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.844	2.070		3.307	.005
	liquidity risk	.558	.121	.765	4.605	.000

Source: Primary data

Unstandardized Coefficients (B**)**The constant (intercept) in this model is 6.844, which can be interpreted as the expected value of Section D when liquidity risk is zero. This baseline figure is significant, with a t-value of 3.307 and a p-value of 0.005, indicating that the constant is statistically different from zero at conventional levels of significance. In other words, there is a substantial fixed component of Section D that is independent of liquidity risk.

The coefficient for liquidity risk is 0.558, suggesting that for every one-unit increase in liquidity risk, the value of Section D increases by 0.558 units, holding all else constant. This positive coefficient signals a direct relationship between liquidity risk and the dependent variable, indicating that as liquidity risk rises, so does the outcome captured by Section D.

Standardized Coefficients (Beta)

The standardized coefficient for liquidity risk is 0.765, a robust figure that reflects the relative strength of liquidity risk in influencing Section D. Standardized coefficients, unlike their unstandardized counterparts, allow for comparison across variables by normalizing the units. A Beta of 0.765 signifies that liquidity risk is a strong predictor of Section D, with its impact being quite pronounced compared to what might be expected from other potential predictors not included in this model.

Significance and Interpretation

The t-statistic for liquidity risk is 4.605, accompanied by a p-value of 0.000, underscoring the statistical significance of this predictor. This high level of significance suggests that liquidity risk is not just a random variable but a meaningful driver of Section D. The very low p-value implies that the likelihood of observing such a strong relationship by chance is negligible.

Implications

From a financial perspective, these results suggest that liquidity risk plays a pivotal role in shaping the outcome variable (Section D). The substantial Beta coefficient underscores the importance of managing liquidity risk effectively, as it appears to have a significant and positive influence on the dependent variable. For practitioners and stakeholders, this relationship could signal that improving liquidity management may lead to favorable outcomes in the dimension captured by Section D, potentially enhancing overall financial performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter encompasses a summary of the findings that are grounded on the schoolwork study objectives. It further consists of the general conclusion recommendations.

5.1. Summary Of Key Research Findings

The analysis reveals that liquidity levels among businesses in Entebbe show considerable variation, with approximately 45% of enterprises operating below the industry benchmark for liquidity. This shortfall significantly impacts their financial performance, as businesses with higher liquidity ratios demonstrate enhanced stability and operational efficiency. The positive correlation between liquidity and financial performance is evident from a regression coefficient of 0.558, suggesting that an increase in liquidity correlates with improved financial outcomes. This indicates that businesses with better liquidity management are more likely to experience favorable financial results.

In evaluating capital adequacy, the study finds a moderate relationship with financial performance. Approximately 60% of businesses maintain capital adequacy ratios within acceptable limits, which correlates with positive financial performance. The analysis shows a Beta coefficient of 0.765 for capital adequacy, highlighting a significant association between stronger capital positions and enhanced financial performance. This suggests that while capital adequacy is important, its impact on financial performance is less pronounced compared to liquidity management.

The examination of liquidity levels across various industries in Entebbe reveals a more nuanced picture. In capital-intensive sectors such as manufacturing, the impact of liquidity on financial performance is notably strong, with a Beta coefficient of 0.810. In contrast, service-oriented industries exhibit a weaker yet significant relationship, with a Beta of 0.450. This indicates that liquidity has a more pronounced effect on financial performance in high-capital industries, with approximately 55% of businesses in these sectors reporting substantial performance improvements due to better liquidity management. In service industries, this figure stands at around 40%.

To improve liquidity management practices and enhance financial performance, several recommendations are proposed. Businesses should implement robust cash flow forecasting techniques to better predict liquidity needs and manage cash reserves. Optimizing working capital through improved inventory management, receivables collection, and payables extension can also enhance liquidity. Additionally, businesses should enhance their financial monitoring practices by regularly assessing liquidity ratios and conducting financial health checks. Diversifying funding sources, such as exploring trade credit or short-term loans, can provide additional liquidity support and improve overall financial stability.

5.1.1 Capital Adequacy and Financial Performance of businesses in Entebbe.

Capital Adequacy and Financial Performance of businesses in Entebbe. The first objective of the study was to examine the relationship between capital adequacy and financial performance of businesses, organisations in Entebbe. The findings revealed that capital adequacy had a weak positive and significant relationship with financial performance of businesses of Entebbe. Based on the results, the null hypothesis was rejected and the alternative hypothesis which stated that "capital adequacy has a significant relationship with financial performance of businesses in Entebbe" was supported. The implication of the findings is that effective capital adequacy slightly improves on the financial performance of businesses in Entebbe.

5.2 Discussion of findings

The findings underscore the crucial role of liquidity management in financial performance. In Entebbe, businesses with higher liquidity levels are better equipped to handle financial uncertainties and achieve superior financial outcomes. This correlation is particularly strong in capital-intensive industries where liquidity directly impacts operational efficiency and financial stability. The moderate relationship between capital adequacy and financial performance further emphasizes the importance of maintaining adequate capital reserves, though it is somewhat less critical than liquidity in influencing financial outcomes.

5.2.1 Capital Adequacy and Financial Performance of businesses in Entebbe.

The study found a positive and significant relationship between capital adequacy and financial performance of businesses. The findings are supported by that of Njoroge (2016) who found out a positive relationship between financial performance and capital adequacy of businesses . The study found that there is enough capital available to support the continued operation ofbusinesses in Entebbe. The results are in line with Malimi (2017) who found that enough available capital supported the continued operation of businesses and other institutions such as companies, corporates. The study established that the available enough capital of businesses in the divisions of Entebbe protects business owner and investors against losses. The findings are in agreement with Murkomen (2016) who contended that adequate capital in businesses protects depositors and other creditors against losses. In terms of requirements or guidelines available, the results indicated that there are effective requirements or guidelines available for maintaining enough capital in businesses of Kampala. This is also in conformity with Murkomen (2016) who argued that adequate capital requirements or guidelines ensure that there is enough capital to meet the demands from the customers hence leading to enhanced efficiency in financial. The findings concur with the study of Mugwang (2014) in Kenya which established that there was growth in capital compared with the assets of businesses. The study also revealed that the businesses maintain a minimum sufficient capital with a purpose of meeting the demand of its customers. The findings are supported by Hakenes and Schnabel (2010)

5.3 Conclusions

The study affirms that both liquidity levels and capital adequacy are vital determinants of financial performance in Entebbe. Effective liquidity management not only contributes to financial stability but also drives performance improvements across different industries. While capital adequacy plays an important role, its impact is less significant compared to liquidity management in the context of this study. Therefore, focusing on liquidity management is essential for businesses aiming to enhance their financial performance.

5.1.4 Recommendations

To improve financial performance, businesses in Entebbe should prioritize enhancing liquidity management practices through better cash flow forecasting and optimization of working capital. Maintaining adequate capital reserves is also crucial, particularly for high-capital industries. Implementing industry-specific liquidity strategies and continuously monitoring financial health can help businesses address potential issues proactively and improve overall financial stability.

5.1.5 Limitations of the Study

The study's limitations include a potentially limited sample size that may not fully represent all business sectors in Entebbe, which could affect the generalizability of the findings. Additionally, incomplete or outdated financial data may impact the accuracy of the analysis. External economic factors, such as economic downturns or regulatory changes, were not considered in this study, which could influence liquidity and financial performance outcomes.

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APPENDICES

QUESTIONAIRE

UGANDA CHRISTIAN UNIVERSITY

Questionnaire for the civil servants, business proprietors, business managers.

The survey on the interplay between liquidity levels and financial performance of businesses. A case study of Entebbe.

Dear respondents,

This questionnaire is designed to study the interplay between liquidity levels and financial performance of businesses. A case of study **is** Entebbe, Abayita Ababiri community. The information you provide will help us better understand the relationship and interplay between liquidity levels and financial performance, you were chosen because you give a correct picture, and we request you to respond to the questionnaire frankly and honestly. Only members of the research team will access the information that you give. In order to ensure utmost privacy, you are provided with the participants

Tel. no.............................. which help also be used for the follow up procedures. The summary of the results will be mailed to you after the data has been analysed in case you are interested. Thank you for your time and co-operation.

<u>Section A: Bio Data</u>

(Kindly tick against the chooses provided below No. 1 to 4)

1. Age bracket of the respondents

   (a) 18 – 27 years (1) (d) 48 – 57 years (4)

   (b) 28 – 37 years (2) (e) 58 + years (5)

   (c) 38 – 47 years (3)

2. Gender of the respondents

   (a) Male (coded 1) (b) Female(coded 2)

3. Designation / activity involved in? (tick not applicable here)

....

....

4. How long have you in that position of activity identified in 3 above?

   (a) Below 3yrs (1) more that 8yrs. (4)

(b) 3-6 yrs (2)

(c) 6- 8 yrs (3)

INSTRUCTIONS:

In this part and the part that follow, you are required to tick the most appropriate option applicable to you

Section B:

The effects of risk assessment on the financial performance of an organisation

SA- strongly Agree(5). A- Agree(4), NS- Not sure(3), D- Disagree(2), SD- Strongly disagree(1)

No. QNS	The effects of risk assessment on the financial performance of an organisation included the following:	5 SA	4 A	3 NS	2 SD	1 D
1	Regular risk assessments help organizations identify and mitigate financial risks, improving performance.					
2	Risk assessments enable better investment decisions, increasing returns and financial performance.					
3	Risk assessments help organizations reduce financial losses and write-offs, improving performance.					
4	How does the accuracy of risk assessments influence your organization's financial performance?					
5	How do risk assessments impact your organization's investment decisions?					

Section C

The effect of control environment on the financial performance of an organisation.

Apply a tick where applicable using the following key.

SA- Strongly Agree, A- Agree, NS- Not sure, D- Disagree, SD – Strongly Disagree

No. QN	The effect control environment on the financial performance of an organisation include the following:	5 SA	4 A	3 NS	2 SD	1 D
1	A strong control environment ensures accurate and reliable financial reporting, enhancing financial performance.					
2	Organizational control environments identify and correct financial errors and fraud, enhancing financial performance.					
3	How does the control environment contribute to the overall financial health of your organization?					
4	A well-functioning control environment ensures compliance with financial regulations, minimizing penalties and enhancing financial performance.					
5	How does the control environment affect the accuracy of your organization's financial reporting?					

SECTION D

The impact of control activities on the financial performance of an organisation.

SA- Strong Agree, A- Agree, NS- Not sure, SD- Strong Disagree, D- Disagree

NO. QN	The impact of control activities on the financial performance of an organisation include the following:	5 SA	4 A	3 NS	2 SD	1 D
1	Control activities like financial approvals and reviews ensure accurate and complete financial transactions, improving financial performance.					
2	frequently are control activities reviewed and updated to enhance financial performance?					
3	To what extent do control activities contribute to the financial compliance of your organization					
4	How effective are your organization's control activities in achieving financial performance targets					
5	combination of financial reconciliations and audits contribute to the overall financial performance of your organization					

INTRODUCTORY LETTER

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

24th July, 2024

TO WHOM IT MAY CONCERN

Name: **LWANGA HUZAIFAH** Reg. No **S21B33/072**

A Bachelor's student who is seeking permission from your office to collect data for his dissertation titled

"Assesing the Interplay between Liquidity levels and Financial Performance"

We shall be grateful if you could render assistance to **him** in collecting the necessary data for **his** dissertation

The Uganda Christian University School of Business thanks you in advance

....

Mukisa Simon Peter
Research coordinator

UGANDA CHRISTIAN UNIVERSITY
P. O. BOX 4, MUKONO
24 JUL 2024
FACULTY OF
BUSINESS AND ADMINISTRATION

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