EFFECT OF CASH MANAGEMENT ON PERFORMANCE OF MICROFINANCE INSTITUTIONS: A CASE STUDY OF PRIDE MICROFINANCE LTD IN KAMPALA UGANDA

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A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION (ACCOUNTING AND FINANCE) AT KAMPALA INTERNATIONAL UNIVERSITY

SEPTEMBER, 2019
DECLARATION

I KATUSTIIME IMMACULATE, declare that this research dissertation is my original work and has not been presented for any degree or any other academic award in any university or institution of learning. I am entirely responsible for everything written in this dissertation.

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CHAPTER ONE
INTRODUCTION

1.0 Introduction

This chapter presented the background to the study, statement of the problem, the purpose of the study, objectives of the study, research questions and assumptions, scope of the study, significance of the study, and the conceptual framework.

1.1 Background to the study

Globally, cash management is a broad term that covers a number of functions that help individuals and businesses process receipts and payments in an organized and efficient manner. Administering cash assets today often makes use of a number of automated support services offered by banks and other financial institutions (Beranek, 2000). The cash management services range from simple checkbook balancing to investing cash in bonds and other types of securities to automated software that allows easy cash collection.

In Africa, the term microfinance is often used interchangeably with microcredit and connotes a financial venture with interest in rendering services to the poor although with profit-making in view. According to Brinker (2002), microfinance is defined as “the attempt to improve access to small deposits and small loans for poor households neglected by the banks.” This mainly applies to the commercial banks.

In Uganda, the financial system is characterized by the co-existence of formal and informal financial markets in response to satisfy the customers’ needs however the performance of microfinance institutions has not be focused on and thus leading to poor performance of most such institutions.

Cash management is, according to Bort, (2004), not a new phenomenon and organizations have always considered how their liquid capital in the best way should be managed. Even though managing liquid capital always has been done, the term cash management has brought new light to managing liquid capital with focus on the time-dimension of cash flow. During the fifties the first cash management – models were presented and the concept cash management was taken in use.
Chris (2008) cites that a wide range of Micro Finance Institutions (MFIs) have, existed in Uganda in many forms and for many years to respond to the resource gap in the market and are working to become more responsive to the real needs of their clients who constitute low income households, thereby contributing to economic growth however little efforts have been put in place to ensure effective performance of these Micro Finance Institutions (MFIs). To reverse this trend, the government and key stakeholders have started initiating policies aimed at improving on the performance of such micro finance institutions through a number of ways and cash management is one of them. It was against this background therefore that the research intended to find out the impact of cash management on performance of micro finance institutions particularly in Pride Microfinance Ltd in Kampala Uganda

1.2 Statement of the Problem

Micro finance institutions use certain strategies to manage cash which ultimately enhances their performance but this is not the case in some of the financial institutions in Uganda. For instance, even though there exists cash management policies and guidelines, the performance of these institutions has not been effective. This is usually as result cash mismanagement and under capitalization as evidenced by money laundering and fraudulent acts in Pride Microfinance Ltd. If such a situation is not checked, the institution may fail to meet its daily. Given the above situation therefore, the researcher intended to establish whether the decline in performance is as a result of cash mismanagement (Damodaran, 2002).

1.3 Purpose of the study

The purpose of the study was to determine the effect of cash management on performance of Pride Microfinance Ltd, Kampala Uganda

1.4 Specific Objectives

i. To identify the contributions of cash management towards the performance of Pride Microfinance

ii. To establish the cash management techniques used by Pride Microfinance

iii. To examine the relationship between cash management and performance of Pride Microfinance
1.5 Research Questions

i. What are the contributions of cash management towards the performance of Pride Microfinance?

ii. What are the cash management techniques used by Pride Microfinance?

iii. What is the relationship between cash management and performance of Pride Microfinance?

1.6 Research Hypothesis

There was no significant relationship between cash management and performance of Pride Microfinance.

1.7 Scope of the Study

The scope of the study was categorized as geographical, content and time scope. These are;

1.7.1 Geographical Scope

The study was carried out in Pride Microfinance Ltd, Kampala branch, Uganda. The institution was located within the heart of Kampala City within UMA grounds Lugogo- Nakawa. The study focused on the finance department since it involves cash management.

1.7.2 Content Scope

The study was carried out with a purpose of establishing the contributions of cash management towards the performance of Pride Microfinance, the cash management techniques used by Pride Microfinance and the relationship between cash management and performance of Pride Microfinance, Kampala, Uganda.

1.7.3 Time Scope

The study covered a period of three months and took place from June to August 2019 because of the nature of exercise that was undertaken in gathering, editing and processing data.
1.8 Significance of the Study

The study will help the management of Pride Microfinance in determining which cash management techniques to use in order to ensure effective performance.

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

The study will be significant to the researcher in fulfilling one of the requirements for award of a Bachelor's Degree in Business Administration (Accounting and Finance).

1.9 Conceptual framework

The conceptual framework diagrammatically shows the relationship between the different variables in the study. The independent variable was perceived as the cash management whereas the dependent variable was the performance of microfinance institutions.

Cash management
Independent variable
- Accounts Receivable
- Track Expenses
- Credit Lines
- Cash Collection and Disbursement

Performance of Microfinance Institutions
Dependent Variable
- Increased output
- Improved reputation
- Increased profits

Intervening variable
- Technological advancements such as automated cash entries
- Effective cash management personnel

The independent variable was perceived as the cash management and it focuses on accounts receivable, track expenses, credit lines and cash collection and disbursement whereas the dependent variable concerns the increased output, improved reputation, increased profits etc. Conceptually, cash management is associated with performance of microfinance institutions, the better cash management tools, the better the performance of microfinance institutions.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The study reviewed literature from various scholars on the major variables of the study included; the various cash management techniques used by Pride Microfinance, the significances of cash management used by Pride Microfinance and the relationship between cash management and performance of Pride Microfinance.

2.1 The contributions of cash management towards the performance of Pride Microfinance

Brealey (2005) argues that cash is crucial for every business. Every company has to have cash on hand or at least access to cash in order to be able to pay for the goods and services it uses, and consequently, to stay in business. By ensuring the company with the necessary funds for supporting its everyday operations, cash management becomes a vital function for the company.

Campello et al., (2010) stress that cash flows have an impact on the company’s liquidity. Liquidity is the ability of the company to pay its obligations when they come due. It is comprised of: cash on hand, assets readily convertible into cash, as well as ready access to cash from external sources, such as Microfinance loans (Brinker, 2002). If cash flows and liquid funds are not effectively and successfully planned and managed, a company may not be able to pay its suppliers and employees in a timely manner. It may be profitable according to its financial statements, but in fact, this company will not be able to pay its obligations when they come due. Moreover, lack of liquidity will incur increased costs in the form of interest charges on loans, late payment penalties and losing supplier discounts for paying obligations on time.

Proper cash management can avoid the costs of additional funding and can provide the opportunity for more favorable terms of payment (Chris, 2008). In the worst case scenario, if the liquidity shortage continues for the longer term, the company might face no access to external resources, ending into insolvency (Brinker, 2002). Therefore, once again, it follows that cash management has a critical importance for the life of every company.
Chris (2008) suggests that another benefit of cash management to the company is that it makes the company financially flexible. Ready access to cash enables the company to undertake expenditure decisions if and whenever it wishes, without the trouble and constraint of finding new financial support. The ultimate goal of every company is maximizing shareholder value, i.e. maximizing the net present value of future cash flows.

Damodaran, (2002) maintains that cash management contributes to attaining that goal as well. If a firm keeps high levels of cash, it increases its net working capital and the costs of holding cash, both of which decrease the value of the firm. Cash management influences the value of the firm by limiting cash levels so that an optimal balance between the costs of holding cash and the costs of inadequate cash is achieved. “In addition, cash management influences firm value, because its cash investment levels entail the rise of alternative costs, which are affected by net working capital levels. Both the rise and fall of net working capital levels require the balancing of future free cash flows, and in turn, result in firm valuation changes” (Campello et al., 2010).

Cash management involves managing the monies of the firm in order to maximize cash availability. It includes policies and procedures adopted by the management of an entity to assist in achieving the management policies, laws and regulations of cash, the prevention and detection of fraud and error, promoting orderly, efficient operations. According to Damodaran, (2002) cash is the money that a firm can disburse without any restriction. The term cash includes coins, currency and cheques held by the firm and balances on its bank accounts. Sometimes near cash items such as marketable securities or bank time deposits are also included in cash. Damodaran, (2002) noted that cash management is concerned with management of cash flows into and out of the firm, cash flow within the firm and cash balances lent by the firm at a time of financing deficit surplus cash.

According to Gitman, (2008), it is essential to keep some of the organization’s resources in cash by any business unit. The need to hold cash may be attributed to the following motives, the transaction motive, precautionary motive and speculate motive. Transaction motive recognized that the organization has to carryout daily transactions in order to protect its profitability position. Cash is needed to pay labor, materials and utilities in order to ensure smooth operations (Hurdon, 2001).

Precautionary motive, cash is needed to Cashion the organization against any unforeseen problems like failure of emergency work force problems, failure of electric system and such
problems have negative implications on the organizations profitability. Therefore the availability of cash resource mitigates their effects and keeps the organization profits in balance (Hurdon, 2001).

For speculative motive the organization maintains cash balances in order to take advantage of any profitability venture that may unexpectedly crop up like a sudden fall in price of scholastic materials. Once the organizations cash is stripped, it will not be able to take on such advantages and additional incomes and savings from such events will be lost (Gitman, 2008). According to Hurdon, (2001) said that transaction motive is the need to hold cash to facilitate day to day transactions of the firm. A firm needs cash to pay for wages and salaries, purchase raw materials cater for administrative expenses and to pay taxes, dividends, etc. The need to hold cash would not arise if there was perfect synchronization between cash receipts and payments. The transaction motive therefore refers to holding cash to meet anticipated payments whose timing is not perfectly matched with cash receipts.

According to Pandey (2002) said that, asserted that corporate firms hold cash for transactional motive; these firms need cash to make payments like purchase, wages and other operating expenses like taxes and dividends. He explained that the need to hold cash would not rise if there was perfect synchronization between cash payments and cash receipts. He further noted that the transactions motive mainly refers to holding cash to meet anticipated payments whose timing is not perfectly matched with cash receipts.

Saleemi, (2001) creates a model in which a decision maker invests his wealth in an interest bearing asset and a non-interest bearing cash balance. Receipts and expenditures are not perfectly synchronized, which creates the need for transaction balances (Saleemi, 2001). The transfer of funds between the two assets comes with transaction costs. So the decision maker faces a trade-off. On the one hand he earns interest from investing in the interest bearing asset, but on the other hand he incurs transaction costs from selling the illiquid interest bearing asset when he needs to make certain payments. The demand for money increases with the transaction costs of transferring funds from the interest bearing asset to the cash balance and decreases with the interest rate or the opportunity costs of the cash holdings.

Keynes' second motive, the 'precautionary-motive', pays regard to a company's need to provide for unsuspected expenses and "unforeseen opportunities of advantageous purchases". The strength of the 'precautionary-motive' is determined by the risk of a sudden contingency
and the probability of a profitable acquisition. Thus, if a firm operates in a highly volatile sector of activity, its precautionary cash holding will be higher than that of firms which act in a less risky environment. According to Brinker (2000), firms hold cash for solving contingencies in future which helps these firms to overcome some unexpected emergencies, he further narrated the precautionary amount of cash depends on the predictability of cash flows that if cash flows can predicted with accuracy lee cash will maintained. When cash is put a side take care of some emergency that so much can affect the firm’s progress, then that cash can be used to solve the problem hence profitability of a firm.

According to Saleemi, (2001), cash management is concerned with management of both cash inflows and cash outflows and that inside the firm, the cash balance held by the firm at point of time by financing deficit or investing surplus cash. More so Saleemi, (2001) stated that cash management is very important in corporate firms. This is because it is through cash inflows in form of revenues that expenses incurred in financial period are settled. So these firms to meet such operating expenses like rent, electricity, salaries and wages should keep some cash at hand.

According to the precautionary motive, the cash holdings of financially constrained firms should increase when cash flows are higher. In other words, financially constrained firms should have a positive cash flow sensitivity of cash. For financially unconstrained firms no such relation should be found. Saleemi, (2001) uses different approaches to divide the firms into subsamples based on measures of financial constraints. As measures of financial constraints they use payout policy, asset size, bond ratings, commercial paper ratings, and an index that combines different measures. The results show that for firms that are financially constrained the cash holdings are positively related with cash flows. This cash flow sensitivity of cash holdings is not found for financially unconstrained firms.

A totally different explanation for holding cash stems from the tax incentives that multinational firms face (Saunders, 2005). In the U.S. a firm’s foreign income is taxed. However; firms are allowed to defer their taxes if they do not repatriate their foreign income. So the U.S. tax system grants multinationals an incentive to retain earnings abroad, often in the form of cash holdings. Saunders, (2005) investigates whether higher tax costs associated with repatriation lead to larger cash holdings using a sample of U.S. firms for the period from 1982 to 2004. There are four main findings from their study. First, firms that face high repatriation tax costs hold larger
amounts of cash than firms with low repatriation tax costs. Second, firms that face a high repatriation tax burden hold a larger share of their cash abroad.

Agency costs can be another reason for firms to hold cash balances. Agency costs of debt arise out of differing interests between equity holders and debt holders and raise the costs of outside funds (Saleemi, 2001). The incentives of equity holders to maximize the value of their shares are not necessarily consistent with the incentive to maximize the total value of the firm's debt and equity (Ross et al., 2003). On the contrary, equity holders often have an incentive to take actions that reduce the value to debt holders. Lenders anticipate the self-interested incentives of equity holders and therefore charge higher interest rates on their loans. So in the end, the equity holders bear the costs of their own future adverse incentives by paying higher interest rates on their borrowings.

According to Pandey (2003) cash planning is a technique used to plan and control the use of cash. It involves preparation of forecasts of cash receipts and payments so as to give out an idea of the future financial requirements. Therefore the management of the school needs to determine the schedules of monthly disbursements and collection schedules of creditors. With efficient cash planning system, the financial needs of the school will be met, with reduced possibility of the cash balances which lowers the school's profitability and cash deficits which can lead to school'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 (Hurdon, 2001). The researcher is wondering whether bank of African for inflows and outflows of cash.

According to Aksoy (2005), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques you could find yourself running short of cash just when you need it the most. That could leave you unable to pay suppliers, develop the marketing plan you need or even pay your employees. Fortunately there are a number of techniques companies can use to maximize cash flow management and keep the business running smoothly.

2.2 Cash management techniques used by Pride Microfinance

Cash flow synchronization
Brinker (2002) argues that cash flow synchronization represents timing the cash flows in such a way that cash receipts coincide with cash requirements of the company. Imperative here is the improving of cash flow forecasting, so that the company is able to predict when cash receipts and disbursement will occur in the future. By achieving synchronized cash flows, companies can reduce their transaction balances to a minimum. Some companies organize the billing of their customers, as well as the payments of their own bills on regular “billing cycles” throughout the month. The synchronization of cash flows ensures cash when needed and allows for reduction of cash balances needed to maintain the operations of the company (Ross et al., 2003).

**Speeding up collections**

Gitman (2008) notes that in light of the recent financial crisis, the focus on the collection cycle has become an imperative one for treasurers. Improving the collection processes and the days sales outstanding performance contribute not only to boosting a company’s liquidity through internal sources, but also to bolstering its credit rating and thus gaining an easier and more favorable access to external sources of funds. Now more than ever, treasurers are striving to reduce their dependence on Microfinances and capital markets by unraveling the capital trapped within the company, by finding ways to release the cash tied in accounts receivable (A/R) and accounts payable (A/P) (McLaney, 2006).

**Controlling payments**

Hurdon, (2001) cites that when devising the cash disbursement system of a company, or the Procure to pay process, the accent is placed on controlling and slowing down the outflow of cash the longest possible without jeopardizing or worsening the relationships with suppliers (Ross et al., 2003). The basic principle regarding payments is that they should be made at the right time, i.e. on the due date. If the invoice is paid before the due date, that increases the capital employed and causes interest cost or reduces the interest income. On the other side, payment must not be made after the due date as that might incur penalty interest, reminder fees, handling reminder letters, and finally, worsening supplier relations or bad reputation (Damodaran, 2002).

**Efficient short-term investing of cash surpluses**

Konoid et al (2007) argues that one of the techniques of cash management represents efficient investing of cash surpluses, which are supposed to be predicted within the cash forecasting
technique. What is understood by efficient investing depends on the size of the company and the available tax relieves.

Every company, once in a while, is required to hold and invest surplus funds, which might have arisen from different reasons, either from regular operations (for example from seasonal a synchronization between cash inflows and outflows), or irregularly (a onetime cash injection preceding an investment project) (Hurdon, 2001). If the company has an efficient cash forecasting technique in place, it should be able to provide the cash manager the information on the amount, currency and location of the cash funds which are in excess of the daily requirements and also, on the next point in time when the cash will be needed. Based on that, the cash manager has to make the most appropriate decision for investing those surplus funds (Gitman, 2008).

Economical financing of cash shortages

Malcolm & Bronwyn (2010) notes that one of the most important responsibilities of the cash manager is to make sure that the company has sufficient unused funding resources at its disposal for the need of covering unanticipated and temporary shortfalls in working capital (McLaney, 2006). As will be shown, if the cash manager is backed up by efficient cash forecasting system, he would be in position to timely and in advance negotiate favorable terms on financing resources offered by potential financiers, and, when the need arises, to choose the most favorable one. The borrowing need will be determined by seasonal factors, timing of cash flows as well as by the general economic conditions. When arranging for adequate borrowing funds, the cash manager has to make sure that their costs are reasonable and that the terms are not burdensome with regard to restrictions and covenants. As there is a large number of choices for funding, choosing the most appropriate one will depend on the concrete requirements and use of the funds (Pinkowitz, and Williamson, 2004)

Cash pooling

Pinkowitz and Williamson, (2004) argue that cash pooling is another cash management technique used for optimizing the management of company's various accounts. It generally refers to the offset of deficits with surpluses, regardless of how it is achieved. Generally, there are two types of cash pooling: cash concentration (or zero balancing or physical pooling) and notional cash pooling, but also numerous other cash pooling products exist, variations of the basic types, such as target balancing, cross currency, cross country and intraday pooling (Rebel, 2005). Cash concentration represents an automatic transfer of the balances from clearly specified subaccounts
to a single account, named master or header cash pool account, on a value date basis (Zucknick, 2008). It can be achieved domestically or cross border, depending on the corporate structure, however only currency by currency.

Cash flow forecasting

Saunders (2005) stresses that forecasting is anticipating, estimating or projecting some event or condition in the future which is out of the organization's direct control. Therefore, cash flow forecasting represents an attempt to estimate and evaluate the liquidity position of the company. Forecasting cash flows is one of the most important tasks and tools of cash management. Its purpose is to manage short term liquidity fluctuations optimally and to be able to make sure that sufficient liquidity reserves are available when needed (Damodaran, 2002). It shows how the cash funds flow within the company and thus it can help predict whether the expected cash will be sufficient to cover the operation costs and to keep the business going or whether new source of cash will be needed. Effective cash flow forecasting makes the future less unpredictable and thus renders the company more adaptive and prepared to any situation that may come up in its everyday activities (Damodaran, 2002).

Damodaran (2002) also noted that building an accounts receivable database is one of the best ways to keep track of what you are owed. Once the tables have been created and the database has been designed, all your accounts receivable clerks need to do is press a button to open a query showing the details of each outstanding invoice.

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

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

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

Preparations and Implementations of cash budget: - Gitman (2008) states that, a cash budget is a statement of the firm have planned inflows and outflows of cash. It is used by the firm to estimate its short term requirement with particular attention being paid to planning for surplus cash or for cash shortages. Hurdon, (2001) 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.

Aksoy, (2005) asserts that budgets are the financial road map companies’ use, when planning business expenses and tracking the cash flow throughout the business year. Vanhorne (2001) says that, a common cash management tool found in companies is a cash budget. Most companies prepare budgets on the departmental level and roll these individual budgets into one master budget. Creating several smaller budgets, can help managers determine which operations use more cash and struggle to stay on the projected budget amounts. This discovery gives managers an idea of when improvements needed to correct the company’s cash flow problems. Therefore, cash budgeting is another aid to an effective cash management.

According Beranek (2000) asserts that, in order for a cash budget to be implemented effectively there has to be a budget committee comprising the high level executive officers of the organization and officers representing the minor segments. Gitman (2008) agrees with Bort, (2004) that a budget manual should also be introduced in the preparation of a cash budget.
Brealey (2005) 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.

According to Brinker (2002), 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.

Külter, and Demirgüneş (2007), noted that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three "floats" are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash to pay their bills (Brinker, 2002).

Cash management attempts, among other things, to decrease the length and impact of these "float" periods. A collection receipt point closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment (check) is one way to speed up the collection. The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds.
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 management knows a company’s optimal cash balance. There are a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time (hopefully with something left over for emergency purposes). One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations (Brealey, 2005).

Brealey (2005) 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.

Managing surplus and deficit cash balance. According to Hurdon (2001), the purpose of managing cash balance is to avoid having idle cash reserves or having deficits that cannot be invested preferably in short term ventures like treasury bills and other forms of commercial paper. Since investments are near cash, the liquidity of the organization is not comprised by the investment plan while profitability is also enhanced. The investment selected for this purpose should meet the following criteria.

They should be safe in that search for profitability does not increase the risks of liquidity. The instruments should have a low default risk so that interest and principle repayment will be realized (Hurdon, 2001). He further notes that such investments in Uganda include fixed accounts and government treasury bills. Investments can easily and quickly be converted into cash with minimum possibility of a loss. In case of deficits, arrangements for financing should be in advance to avoid hurried solutions which rob the business of the opportunity to strike a fair deal and hence acquiring the resources at costs higher than those of the decisions that were taken in a relaxed atmosphere (Pandey 2003).
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 (Hurdon, 2001). The way of delaying disbursements that were generally agreed upon by above scholars include; Predicting banking habits of the work force and paying out the wage bill accordingly. Wages should not be paid in advance when workers are willing to accept delayed payments. During this period the school will be able to make profits out of that money. In the same payments should be cheque as the bank clearance will always delay for some days. Maximising the disbursement float through selecting geographical optimal disbursement banks. These banks should be such that cheques drawn on them will maximize the days the cheques remain uncollected.

According to Brealey (2005), he defined profitability as an income accruing to the equity holders in the same sense as wages accrue to labour, rent to the owners of rentable assets and interest to the money lenders. Profitability is form profits which is denoted by Greek letter \( \pi \) and it is defined to be the difference between total revenue (TR) and total cost (TC) that is to say profits = total revenue-total cost. When total revenue is the total money received from the sale of goods and service and total costs being the amount of money the firm spent to produce these goods/services (Brinker, 2002).

In support to Hurdon, (2001) also defined profitability as the difference between the revenue generated by corporate firm and expenses incurred during the operation of the business. He further classified that various costs incurred by these firms some of which are fixed costs like rent while other are variable costs which can easily change for example electricity expenses and the corporate firms can easily achieve increased sales revenue through extensive sales promotions so it is so important to these firms to reduce these costs while maximizing sales revenue.

More So Brinker (2002), defined profitability as the difference between the revenue generated and the costs incurred to produce the same revenue during a given accounting period so to him corporate firms should aim at increasing sales revenue and reduce costs incurred so that they achieve the desired levels of profitability. In support to Brinker, Pandey (2002) defined profitability as the difference between revenues and expenses over a period of time.
(usually a year) where profit is the ultimate output of a company so he concluded that affirm no future is it fails to make sufficient profits.

Hurdon, (2001) noted that organizational profitability is affected by factors such as cost of input, management of cash flows, government policy and borrowing culture. If the school relies more on loans, costs such as interest rates will not be avoided and this has a negative impact on profitability. Hurdon, (2001) provided that organizational profitability is affected by the cost of capital. In this case the cost of capital is usually increased by related dividends and interest rates from providers.

Konoid et al (2007) noted that default risk is one of such factors that threaten organizational profitability. The greater the default risks the higher the interest rates lenders charge on loans and the lesser the profitability. Contrary the chances of default, the lesser the interest rate charged, the cheaper the cost of capital, the higher the profitability that will be earned on capital. According to McLeaney (2006) organization profitability is affected by many factors and this include change in demand, change in prices of both inputs and output such as capital and labor4 then level of staff productivity. According to Saleemi (2001), profitability is the main goal of a business organization. No matter how it is measured or defined, profit of a long period of time is the clearest indication of firms’ ability to satisfy the principle claims and desires of employees and stake holders.

A cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay change funds, but also employs bill and coin handling technology, as well as its own operating system. Today’s cash management systems connect to corporate networks to facilitate data exchange and remote management of the system to improve performance and profitability (Pinkowitz and Williamson, 2004). The cost of a cash management system is very quickly recovered through the recurring savings garnered by the system itself. What initially may appear to be a “cost” quickly becomes a “profit generator” that produces annualized cash and non-cash savings. Typical cash management systems pay for themselves within 6-9 months yet continue to produce savings indefinitely (Ross, 2003).

2.3 Relationship between cash management and performance of microfinance institutions

A cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay change funds, but also employs bill and coin handling technology, as well as its own operating system. Today’s cash management systems connect to corporate
networks to facilitate data exchange and remote management of the system to improve performance of microfinance institutions (Aksoy, 2005).

According to Beranek (2000), retailers have found recurring cash savings in many areas. Specifically, internal theft is dramatically reduced (cash received but not deposited into the safe); detection and rejection of counterfeit currency; and reduced armored car requirements and thus reduced costs involved and hence improved performance of microfinance institutions.

Deploying a cash management system involves support and coordination among multiple departments including Finance, Operations, IT, Security and Loss Prevention to improve performance of microfinance institutions. (Brealey, 2005). Picking the right cash management provider who can coordinate the physical and technological installation of the system can significantly expedite and improves on the general performance of the institutions.

Working capital is also a major external source of capital for especially small and medium sized and high-growth firms and thus without effective cash management, it can be difficult to improve on their performance. These firms have relatively limited access to capital markets and tend to overcome this complication by short-term borrowing. Working capital position of such firms is not only an internal firm-specific matter, but also an important indicator of risk for creditors (Hurdon, 2001). Higher amount of working capital enables a firm to meet its short-term obligations easier. This results increase in borrowing capability and decrease in default risk because it involve stringent cash management policies to reduce losses. So, it is possible to state that efficiency in cash management affects not only short-term financial performance but also long-term financial performance.

Considering operating assets like receivables and inventories with cash and cash-equivalent assets is illogical for basic principles of cash management. Besides, mentioned traditional ratios are also not meaningful in terms of cash flows since they play a vital role in ensuring improved performance of microfinance institutions (Brealey, 2005). Closely related with operating cycle, cash conversion cycle is, in brief, the part of operating cycle financed by the firm itself to increase profits (Gitman, 2008) and is simply calculated by adding inventory period to accounts receivables period and then subtracting accounts payables period from it. It focuses on the length of time between the acquisition of raw materials and other inputs and the inflow of cash from the sale of goods (Saleemi, 2001).
Cash available for trade activities of the firm has an important multiplier effect due to its turnover ratio. A higher cash turnover ratio enable managers to minimize short-term investments whose rates of return are relatively lower compared to long-term investments and consequently improves on the performance of the microfinance institutions. Studies regarding cash management by Nasr (2007) revealed that cash management policies are mostly related with improving models to determine optimal liquidity and cash balance, rather than analyzing underlying reasons of relationships between liquidity, working capital management practices and performance.

Though foundations and assumptions of these models are not well-established in terms of applicability, cash management procedures inform managers about problems related with working capital management practices (Saleemi, 2001). As mentioned before, traditional measures of liquidity are in lack of expressing the effects of cash flows; hence, the effectiveness (and quality) of working cash management practices in terms of performance of MFIs should be revised by components of cash conversion cycle.

In a study by Konoid et al (2007), about working capital management practices in retailing firms, it has been concluded that there is a reverse relationship between cash management cycle and performance. However, McLaney (2006), contradicts the same idea as he noted that in case of overlooking industrial differences, there does not exist any statistically constant relationship between cash conversion cycle and performance of MFIs. However, in case of considering industrial differences, the relationship between the mentioned variables has shown dissimilarities across industries as positive in some industries and negative in others.

Chris (2008), also disclosed relationships between cash management and performance by dividing cash conversion cycle into its components (inventory, accounts receivables and accounts payables periods). Results of the study have concluded that increases in all of these periods affect performance of the MFIs negatively. Findings by (Brinker, 2002) also noted that there existed a relationship between cash management and performance of the institutions.

According to Damodaran, (2002), retailers have found recurring cash savings in many areas. Specifically, internal theft is dramatically reduced (cash received but not deposited into the safe); detection and rejection of counterfeit currency; and reduced armored car requirements. The latest and most exciting area of cash savings is now being gained through the retailer receiving “provisional credit” for funds in the cash management systems and not yet deposited.
in the bank. Non-cash savings include a drastic reduction of management time previously required to reconcile the transaction log with cash and preparation of bank deposits, as well as instant accounting and deposit preparation.

Deploying a cash management system involves support and coordination among multiple departments including Finance, Operations, IT, Security and Loss Prevention to improve profitability in a company (Saunders, 2005). Picking the right cash management provider who can coordinate the physical and technological installation of the system can significantly expedite and smooth the process of ensuring profit maximisation. Each department should carefully consider features and functionality that will be required for a successful deployment and utilization of cash management which also increases profitability.

It is possible 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. So, most of the time, it is reasonable to term short-term financial management as working capital management because both contribute to profitability in a company (Ross, 2003).

Efficiency in cash management is so vital for especially production-firms whose assets are mostly composed of current assets (Damodaran, 2002) as it directly affects liquidity and profitability of any firm. According to Saunders, (2005), bankruptcy may also be likely for firms that put inaccurate working cash management procedures into practice, even though their profitability 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.

Working capital is also a major external source of capital for especially small and medium sized and high-growth firms. These firms have relatively limited access to capital markets and tend to overcome this complication by short-term borrowing. Working capital position of such firms is not only an internal firm-specific matter, but also an important indicator of risk for creditors (Damodaran, 2002). Higher amount of working capital enables a firm to meet its short-term obligations easier. This results increase in borrowing capability and decrease in default risk because it involve stringent cash management policies to reduce losses. So, it is
possible to state that efficiency in cash management affects not only short-term financial performance (profitability), but also long-term financial performance (firm value maximization).

Considering operating assets like receivables and inventories with cash and cash-equivalent assets is illogical for basic principles of cash management. Besides, mentioned traditional ratios are also not meaningful in terms of cash flows since they play a vital role in ensuring profitability (Brealey, 2005). Closely related with operating cycle, cash conversion cycle is, in brief, the part of operating cycle financed by the firm itself to increase profits (McLaney, 1997) and is simply calculated by adding inventory period to accounts receivables period and then subtracting accounts payables period from it. It focuses on the length of time between the acquisition of raw materials and other inputs and the inflow of cash from the sale of goods (Saleemi, 2001).

Traditional approach to interaction between cash conversion cycle and profitability posits that relatively long cash conversion periods tend to decrease profitability. Trade activities of a firm can be considered as a process in circulation where cash is converted into assets and assets into cash (Saunders, 2005). Cash available for trade activities of the firm has an important multiplier effect due to its turnover ratio. Higher cash turnover ratios enable managers to minimize short-term investments whose rates of return are relatively lower compared to long-term investments and consequently increase profitability. Studies regarding cash management by Nasr (2007) revealed that cash management policies are mostly related with improving models to determine optimal liquidity and cash balance, rather than analyzing underlying reasons of relationships between liquidity, working capital management practices and profitability.

Though foundations and assumptions of these models are not well-established in terms of applicability, cash management procedures inform managers about problems related with working capital management practices (Saleemi, 2001). As mentioned before, traditional measures of liquidity are in lack of expressing the effects of cash flows; hence, the effectiveness (and quality) of working cash management practices in terms of firm profitability should be revised by components of cash conversion cycle.

In a study by Myers (2003), about working capital management practices in retailing firms, it has been concluded that there is a reverse relationship between cash management cycle and profitability. However, Hurdon, (2001) contradicts the same idea as he noted that in case of
overlooking industrial differences, there does not exist any statistically constant relationship between cash conversion cycle and profitability. However, in case of considering industrial differences, the relationship between the mentioned variables has shown dissimilarities across industries as positive in some industries and negative in others.

Chris, (2008), also disclosed relationships between cash management and profitability by dividing cash conversion cycle into its components (inventory, accounts receivables and accounts payables periods). Results of the study have concluded that increases in all of these periods affect profitability negatively.

Cash mismanagement affects profitability negatively. According to the findings of another study from a different perspective, it has been concluded that the effect of cash conversion cycle on profitability is stronger than the effect of current ratio on it (Brinker, 2002). Empirical results show that, for the mentioned sample and period, accounts receivables period, inventory period and leverage significantly and negatively affect profitability of Turkish manufacturing firms, 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 profitability can be increased by shortening accounts receivables and inventory periods through proper cash management. The negative relationship between accounts receivable period and profitability may be due to that customers want more time to assess quality of products they buy from firms with declining profitability (Chris, 2008).

2.4 Empirical Studies

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

McLaney (2006) noted that one of the major aims of cash management is to accelerate cash inflows and delay cash out flows. However McLaney 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. McLaney (2006) further noted that delaying cash out flows may result in ethical issues and costs. Over delaying to pay staff salaries and wages may result in 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 Pandey (2003) cash management 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 Hurdon, (2001) if cash management concentrates on boosting the liquidity, high balances of cash will be maintained. However, the higher these balances are, the more profitability will be foregone. This is risky especially to people who expect profitable ventures. On the other hand, if cash management seeks to boost profitability, investments are highly risky but profitable and the business is threatened as there will be no cost to meet the operating obligations as they fall due. If care is not taken profitability will be short lived as the commercial bank will be forced to close due to illiquidity.

According to Hurdons (2001), 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. This model provides a formal approach for determining the commercial bank optimum cash balance under certainty. The commercial bank attempt to minimize the sum of holding cash and cost of converting marketable securities to cash and guarantee profitability (Saleemi, 2001). The limitation of Baumol is that it does not
allow cash flows to fluctuate. Commercial bank uniformly does not use their cash balances nor are they able to predict daily cash outflows and inflows.

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

3.1. Introduction

This chapter discussed the methods the researcher used to collect data. It focused on the Research design, organization of the study, data collection, and data collection procedure and data analysis.

3.2. Research Design

The study applied a cross-sectional research design to reflect aspects of perception, feelings, experiences, facts and emotional feelings of the study respondents in finding out the impact of cash management on the performance of microfinance institutions particularly in Pride Microfinance in Kampala, Uganda. This is because the research questions that were generated necessitated observing explanatory, descriptive and analytical aspects of the research.

Both quantitative and qualitative methods were used in data collection and analysis and general information on the subject matter was collected from the different stakeholders involved in the study. Qualitative design involved in-depth interviewing of the top managers of Pride Microfinance. On the other hand, the quantitative design involved use of close-ended questionnaires which were issued to the officials from accounts and finance department of Pride Microfinance as the method was convenient for them to fill during their free time.

3.3 Study Population

The study took place at Pride Microfinance Kampala, Uganda. The Microfinance was purposely selected because of its’ convenient location and also bore the necessary and required study elements. The study population involved 270 participants where by 6 were Top administrators of Pride Microfinance, 15 Marketing officers, 13 Accounts & finance department officials, 236 Microfinance customers or clients who were available.
3.4 Sample Size

Sample size determination is the act of choosing the number of observations or replicates to include in a sample in an empirical study in which the goal is to make inferences about a population from a sample (Wikipedia). The nature of data that has been generated required different techniques for better understanding of the research problem under investigation. Besides, the approach is also commonly known for achieving higher degree of validity and reliability as well as eliminating biases.

The Sloven’s formula (2012) was used to determine the minimum sample size.

\[ n = \frac{N}{1 + Ne^2} \]

\[ n = \frac{270}{1 + 270(0.005)^2} \]

\[ n = 161 \text{ respondents} \]

\( n \) = sample size
\( N \) = the population size
\( e \) = level of significance, fixed at 0.05

Therefore according to the Solven’s formula, the sample size for this study were 161 respondents.

Table 1: Showing Research Population and sample size

<table>
<thead>
<tr>
<th>Type of population</th>
<th>Target Population</th>
<th>Sample size</th>
<th>Sampling techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top administrators of Pride Microfinance</td>
<td>6</td>
<td>4</td>
<td>Purposive sampling</td>
</tr>
<tr>
<td>Marketing officers</td>
<td>15</td>
<td>10</td>
<td>Random sampling</td>
</tr>
<tr>
<td>Accounts &amp; finance department officials</td>
<td>13</td>
<td>8</td>
<td>Purposive sampling</td>
</tr>
<tr>
<td>Microfinance customers or clients</td>
<td>236</td>
<td>139</td>
<td>Random sampling</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>161</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)
3.5 Sample Procedure

The sample was purposively and randomly selected. The top administrators and accounting officers of Pride Microfinance were purposively selected because they headed the selected departments and thus had knowledge about the impact of cash management on performance of microfinance institutions particularly the Pride Microfinance, Kampala in Uganda.

Marketing officials and Microfinance customers or clients were randomly selected to give each an equal chance of representation. All respondents were assumed to have vital information on the subject matter of the research. Respondents who were willing to participate were approached.

3.6 Sources of Data

3.6.1 Primary Data

This was obtained through use of self-administered questionnaires and interviews to the respondents.

3.6.2 Secondary Data

This was acquired from text books and other related works of outstanding scholars such as published magazines, written data sources including published and unpublished documents, company reports and internet sources which were all referred to, to provide more information on the impact of cash management on performance of microfinance institutions particularly the Pride Microfinance, Kampala in Uganda.

3.7 Data Collection tools

3.7.1 Interview guide

The researcher organized key informant interviews with the top administrators of Pride Microfinance who enriched the study findings. The researcher therefore had to interact with the respondents, face to face and ask them relevant questions to the study. The method was used purposely because it provided for a systematic flow of information due to the order of questions and it also helps in covering information that would have been skipped in the questionnaires.
3.7.2 Self-administered questionnaires

Self-administered questionnaires were used in the collection of data and these were distributed to the officials from accounts and finance department of Pride Microfinance to provide answers. The instrument was purposely selected because it sought personal views of the respondents and thus enabled the respondents to use their knowledge in providing a wide range of data as they would never shy away in any way.

3.8 Data Processing

The processing of data was done after the collection of data for verification of the information that was gathered and for attainment of completeness, accuracy and uniformity. Data editing involved checking the information for errors, which was an added advantage because it enabled the researcher to delete and eliminate possible errors that were traced which in the end would have manipulated the results of the study. Data was analyzed concurrently to avoid duplication thereby guiding the entire study for balanced and critical analysis. The researcher used hypothesis based on the questionnaire and for other items, tabulation and percentage and simple statistical methods were used for data presentation, analysis and qualification.

3.9 Data Analysis

The study explained, described, and presented the findings basing on the specific objectives of the study and research questions, where data analysis was initially done through sketchy and generalized summaries of the findings from observation and conclusions in the process of data collection. Data analysis was done using simple statistical percentages and frequencies and thereafter were presented in charts.

3.10 Ethical Consideration

The researcher carried out the study with full knowledge and authorisation of the administration of Pride Microfinance Kampala, Uganda. The researcher first of all acquired an introductory letter from the University which she would use to eliminate suspicion. The researcher thereafter went ahead to select respondents, and arrange for dates upon which she would deliver questionnaires as well as pick them in addition to making appointments for interviews to be conducted. The researcher was charged with a task of ensuring that she would assure the respondents of their confidentiality as this was paramount to research.
CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

This chapter covers the presentation of the findings according to themes of the study which were: to identify the contributions of cash management towards the performance of Pride Microfinance, to establish the cash management techniques used by Pride Microfinance and to examine the relationship between cash management and performance of Pride Microfinance.

4.1 Demographic Characteristics of Respondents

Under this section, the researcher was interested in finding out the demographic characteristics of the respondents presented as follows:

4.1.1 Gender of respondents

The first measure of demographic characteristics to be investigated was the gender of the respondents. The study results are indicated in table 4.1 below.

<p>| Table 4.1: Sex of respondents |</p>
<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>88</td>
<td>54.7</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>45.3</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

In Table 4.1, the study revealed that most of the respondents were male as they formed 88 (54.7%) while the female respondents constituted only 73 (45.3%). This shows that most of the respondents were male due to societal beliefs that men are more hardworking than women. This implies that majority of the respondents were men since this category of people is the one that is mostly involved in the majority of the microfinance institutions.
4.1.2 Age distribution of respondents

The study also indicated age groups of respondents. The study results are presented in Table 4.2 as illustrated below.

Table 4.2: Age group of Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-25</td>
<td>31</td>
<td>19.3</td>
</tr>
<tr>
<td>26-30</td>
<td>67</td>
<td>41.6</td>
</tr>
<tr>
<td>31-35</td>
<td>41</td>
<td>25.5</td>
</tr>
<tr>
<td>42-46</td>
<td>17</td>
<td>10.6</td>
</tr>
<tr>
<td>Above 46</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

It was found out that majority of the respondents belonged to the age group of between 26-30 years at it had 67(41.6%) in the table 4.2, whereas those between 31 and 35 years were 41(25.5%) composition. Respondents who were between 19-25 years were 31(19.3%). Those between and 41-46 years were 17(10.6%). Respondents who were above 46 were 5(3.1%). The study results imply that there were more young people at Pride Microfinance than there were older ones. This implies that most of the respondents were middle aged adults who have capacity of making better decisions.

4.1.3 Educational qualifications of respondents

The researcher established educational qualification of the respondents. The details are shown in Table 4.3 below.
Table 4.3: Educational Qualification

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master</td>
<td>15</td>
<td>9.3</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>21</td>
<td>13.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>58</td>
<td>36.0</td>
</tr>
<tr>
<td>Certificate</td>
<td>31</td>
<td>19.3</td>
</tr>
<tr>
<td>Other</td>
<td>36</td>
<td>22.4</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

The study results illustrated in the Table 4.3 above indicate that 15 (9.3%) were master's holders, 21 (13%) were bachelor degree holders, 58 (36%) were diploma holders, 31 (19.3%) were certificate holders and the remaining 36 (22.4%) were in the others category. This implies that most of the respondents were relatively educated and hence had adequate information regarding cash management and performance of microfinance institutions.

4.2 Descriptions of Responses to Items of the Questionnaire

Under this section, the study entails the analysis of the descriptive statistics relating to how the respondents answered to the questions as given in the questionnaires.

4.2.1 The contributions of cash management towards the performance of Pride Microfinance

The first objective of the study was to examine the contributions of cash management towards the performance of Pride Microfinance. The study results are indicated in the tables below;
Table 4.4: Proper cash management can avoid the costs of additional funding

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>24</td>
<td>14.9</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>64</td>
<td>39.8</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

In table 4.4 above, 24(14.9%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed and the remaining 68(42.2%) strongly agreed that proper cash management can avoid the costs of additional funding. This implies that that majority of the respondents strongly agreed with this statement which implies that they were aware of the vital role played by cash management in an attempt to improve on the performance of the microfinance.

Table 4.5: Cash management can provide the opportunity for more favorable terms of payment

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>21</td>
<td>13.0</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>66</td>
<td>41.0</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>69</td>
<td>42.9</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Study findings illustrated in Table 4.5 indicate that 21(13%) disagreed, 5(3.1%) were undecided, 66(41.0%) agreed and the remaining 69(42.9%) strongly agreed that cash management can provide the opportunity for more favorable terms of payment. This implies that majority of the respondents were aware that there is a close connection or relationship between local communities and the local governments through cash management. This implies that with decentralized system in place, it helps to improve on service delivery within the area and thus leading to performance of microfinance institutions.
Table 4.6: Cash management makes the company financially flexible since it can be able to undertake various expenditure decisions

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>21</td>
<td>13.0</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>64</td>
<td>39.8</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>70</td>
<td>43.5</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Table 4.6 indicates that 1(0.6%) strongly disagreed, 21(13%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed, 70(43.5%) strongly agreed that cash management makes the company financially flexible since it can be able to undertake various expenditure decisions. This implies that majority of the respondents were knew how cash management helps to enhance the performance of the Microfinance.

Table 4.7: Cash management influences the value of the firm by limiting cash levels

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>23</td>
<td>14.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>66</td>
<td>41.0</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>67</td>
<td>41.6</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

It was revealed in the Table 4.7 above that 23(14.3%) disagreed, 5(3.1%) of the respondents were undecided, 66(41%) agreed, 67(41.6%) strongly agreed that Cash management influences the value of the firm by limiting cash levels. This implies that most of the respondents were
aware that the Cash management plays an important role in boosting the performance of the microfinance.

Table 4.8: Cash management influences firm value, because its cash investment levels entail the rise of alternative costs, which are affected by net working capital levels

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>59</td>
<td>36.6</td>
</tr>
<tr>
<td>Undecided</td>
<td>35</td>
<td>21.7</td>
</tr>
<tr>
<td>Agree</td>
<td>49</td>
<td>30.4</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>13</td>
<td>8.1</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Study results in Table 4.8 indicated that 5 (3.1%) strongly disagreed, 59 (36.6%) who disagreed, 35 (21.7%) of the respondents were undecided, 49 (30.4%) agreed and the remaining 13 (8.1%) strongly agreed that cash management influences firm value, because its cash investment levels entail the rise of alternative costs, which are affected by net working capital levels. This implies that most of the respondents were of the view that cash management is very important tool used by most of the microfinance institutions to improve on their performance.

4.2.2 Cash management techniques used by Pride Microfinance

To achieve this objective, the respondents were asked the cash management techniques used by Pride Microfinance. These are presented as follows:
Table 4.9: Cash flow synchronization represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>20</td>
<td>12.4</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>64</td>
<td>39.8</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>71</td>
<td>44.1</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

In Table 4.9, study findings illustrate how cash flow synchronization represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company. The Table indicated that 1(0.6%) of the respondents strongly disagreed, 20(12.4%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed and the remaining 71(44.1%) strongly agreed that cash flow synchronization represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company. This implies that most of the respondents were aware that Cash flow synchronization remains to be the most frequently used method in cash management.

Table 4.10: Speeding up collections help in boosting a company’s liquidity through internal sources thus gaining an easier and more favorable access to external sources of funds

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>22</td>
<td>13.7</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>66</td>
<td>41.0</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Table 4.10 informs that 22(13.7%) disagreed, 5(3.1%) of the respondents were undecided, 66(41%) agreed, 68(42.2%) of the respondents strongly agreed that speeding up collections
help in boosting a company’s liquidity through internal sources thus gaining an easier and more favorable access to external sources of funds. This implies that most of the respondents were aware that through speeding up collections, microfinance institutions such as Pride Microfinance can be able to boost and enhance their overall performance.

Table 4.11: Cash pooling is a cash management technique used for optimizing the management of company’s various accounts

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>69</td>
<td>42.9</td>
</tr>
<tr>
<td>Undecided</td>
<td>36</td>
<td>22.4</td>
</tr>
<tr>
<td>Agree</td>
<td>31</td>
<td>19.3</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>25</td>
<td>15.5</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Table 4.12 above indicates that 69(42.9%) disagreed, 36(22.4%) of the respondents were undecided, 31(19.3%) agreed, 25(15.5%) of the respondents strongly agreed that cash pooling is a cash management technique used for optimizing the management of company’s various accounts. This implies that most respondents were not aware of how cash pooling plays an instrumental role in ensuring smooth operations of the microfinance institution.

Table 4.12: Cash flow forecasting involves anticipating, estimating or projecting some event or condition in the future which is out of the organization’s direct control

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>24</td>
<td>14.9</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>64</td>
<td>39.8</td>
</tr>
<tr>
<td>strongly agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)
It was revealed in the Table 4.12 above that 24 (14.9%) of the respondents disagreed, 5 (3.1%) of the respondents were undecided, 64 (39.8%) of the respondents agreed, 68 (42.2%) strongly agreed that cash flow forecasting involves anticipating, estimating or projecting some event or condition in the future which is out of the organization’s direct control. This also implies that most of the respondents were aware that cash flow forecasting helps in ensuring proper utilization of cash flow and hence leading to improved performance of the microfinance institution.

Table 4. 13: When devising the cash disbursement system of a company, or the procure to pay process, the accent is placed on controlling and slowing down the outflow of cash

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>4</td>
<td>2.5</td>
</tr>
<tr>
<td>Undecided</td>
<td>1</td>
<td>.6</td>
</tr>
<tr>
<td>Agree</td>
<td>72</td>
<td>44.7</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>84</td>
<td>52.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

In table 4.13 above, majority of the respondents 84 (52.2%) strongly agreed, 72 (44.7%) agreed, 1 (0.6%) of the respondents were undecided and the remaining 4 (2.5%) disagreed that when devising the cash disbursement system of a company, or the procure to pay process, the accent is placed on controlling and slowing down the outflow of cash. This implies that majority of the respondents were aware that with a devised cash disbursement system in place, the microfinance institution can be able to operate with smooth cash flow and hence leading to improved performance.

4.2.3 Relationship between cash management and performance of microfinance institutions

To achieve this objective, the respondents were asked the relationship between cash management and performance of microfinance institutions. These are presented as follows:
Table 4.14: A cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay in refunding the funds

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>24</td>
<td>14.9</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>64</td>
<td>39.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

The study findings revealed that 24(14.9%) disagreed, 5(3.1%) undecided, 64(39.8%) of the respondents agreed and the remaining 68(42.2%) of the respondents strongly agreed that a cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay in refunding the funds. This implies that most of the respondents were aware that cash management remains to be very important in enhancing the performance of the microfinance institutions.

Table 4.15: Picking the right cash management provider who can improve on the general performance of the institutions

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>21</td>
<td>13.0</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Agree</td>
<td>67</td>
<td>41.6</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Study findings illustrated in the Table 4.15 above indicate that 21(13%) disagreed, 5(3.1%) were undecided, 67(41.6%) agreed, 68(42.2%) strongly agreed that picking the right cash management provider who can improve on the general performance of the institutions. This implies that most of the respondents were aware that with a right cash management provider, the performance of institution stabilizes.
Table 4.16: Efficiency in cash management is so vital for especially production- firms whose assets are mostly composed of current assets

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>23</td>
<td>14.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>agree</td>
<td>65</td>
<td>40.4</td>
</tr>
<tr>
<td>strongly agree</td>
<td>68</td>
<td>42.2</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

It was revealed that 23(14.3%) of the respondents disagreed, 5(3.1%) were undecided, 65(40.4%) agreed and the remaining 68(42.2%) of the respondents strongly agreed that efficiency in cash management is so vital for especially production- firms whose assets are mostly composed of current assets. This implies that majority of the respondents were aware that there is always need to ensure efficiency within cash management since it helps in improving on the overall performance of the organization.

Table 4.17: Cash available for trade activities of the firm has an important multiplier effect due to its turnover ratio

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>3.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>59</td>
<td>36.6</td>
</tr>
<tr>
<td>Undecided</td>
<td>35</td>
<td>21.7</td>
</tr>
<tr>
<td>Agree</td>
<td>48</td>
<td>29.8</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>14</td>
<td>8.7</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

It was also discovered that 5(3.1%) of the respondents strongly disagreed, 59(36.6%) disagreed, 35(21.7%) of the respondents were undecided, 48(29.8%) agreed, 14(8.7%) of the respondents strongly agreed that cash available for trade activities of the firm has an important multiplier effect due to its turnover ratio. This implies that most of the respondents were aware
that cash management contributes significantly towards the performance of the microfinance institution.

Table 4.18: Considering operating assets like receivables and inventories with cash and cash-equivalent assets is illogical for basic principles of cash management

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>undecided</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>Agree</td>
<td>79</td>
<td>49.1</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>59</td>
<td>36.6</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

Information illustrated in Table 4.18 indicates that 1(0.6%) of the respondents strongly disagreed, 11(6.8%) of the respondents disagreed, 11(6.8%) were undecided, 79(49.1%) agreed and the remaining 59(36.6%) of the respondents strongly agreed that considering operating assets like receivables and inventories with cash and cash-equivalent assets is illogical for basic principles of cash management. This implies that most of the respondents were of the view that cash management is closely related to the performance of the microfinance institution.
CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of findings, conclusions and recommendations of the findings in relation to the study objectives of the study.

5.1 Discussion of findings

5.1.1 Demographic Characteristics of Respondents

The study revealed that most of the respondents were male as they formed 88 (54.7%) while the female respondents constituted only 73 (45.3%). This shows that most of the respondents were male due to societal beliefs that men are more hardworking than women. This implies that majority of the respondents were men since this category of people is the one that is mostly involved in the majority of the microfinance institutions. It was found out that majority of the respondents belonged to the age group of between 26-30 years at it had 67(41.6%) in the table 4.2, whereas those between 31 and 35 years were 41(25.5%) composition. Respondents who were between 19-25 years were 31(19.3%). Those between and 41-46 years were 17(10.6%). Respondents who were above 46 were 5(3.1%). The study results imply that there were more young people at Pride Microfinance than there were older ones. This implies that most of the respondents were middle aged adults who have capacity of making better decisions. The study results illustrated in the Table 4.3 above indicate that 15(9.3%) were master's holders, 21(13%) were bachelor degree holders, 58(36%) were diploma holders, 31(19.3%) were certificate holders and the remaining 36(22.4%) were in the others category. This implies that most of the respondents were relatively educated and hence had adequate information regarding cash management and performance of microfinance institutions.

5.1.2 The contributions of cash management towards the performance of Pride Microfinance

The study findings revealed that 24(14.9%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed and the remaining 68(42.2%) strongly agreed that proper cash management can avoid the costs of additional funding. This implies that that majority of the respondents strongly
agreed with this statement which implies that they were aware of the vital role played by cash management in an attempt to improve on the performance of the microfinance.

Study findings revealed that 21(13%) disagreed, 5(3.1%) were undecided, 66(41.0%) agreed and the remaining 69(42.9%) strongly agreed that cash management can provide the opportunity for more favorable terms of payment. This implies that majority of the respondents were aware that there is a close connection or relationship between local communities and the local governments through cash management. This implies that with decentralized system in place, it helps to improve on service delivery within the area and thus leading to performance of microfinance institutions.

It was found out that 1(0.6%) strongly disagreed, 21(13%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed, 70(43.5%) strongly agreed that cash management makes the company financially flexible since it can be able to undertake various expenditure decisions. This implies that majority of the respondents were knew how cash management helps to enhance the performance of the Microfinance.

It was revealed in the Table 4.7 above that 23(14.3%) disagreed, 5(3.1%) of the respondents were undecided, 66(41%) agreed, 67(41.6%) strongly agreed that Cash management influences the value of the firm by limiting cash levels. This implies that most of the respondents were aware that the Cash management plays an important role in boosting the performance of the microfinance.

Study results discovered that 5(3.1%) strongly disagreed, 59(36.6%) who disagreed, 35(21.7%) of the respondents were undecided, 49(30.4%) agreed and the remaining 13(8.1%) strongly agreed that cash management influences firm value, because its cash investment levels entail the rise of alternative costs, which are affected by net working capital levels. This implies that most of the respondents were of the view that cash management is very important tool used by most of the microfinance institutions to improve on their performance.

5.1.3 Cash management techniques used by Pride Microfinance

It was found out that cash flow synchronization represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company. The Table indicated that 1(0.6%) of the respondents strongly disagreed, 20(12.4%) disagreed, 5(3.1%) were undecided, 64(39.8%) agreed and the remaining 71(44.1%) strongly agreed that cash flow synchronization
represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company. This implies that most of the respondents were aware that Cash flow synchronization remains to be the most frequently used method in cash management.

The study discovered that 22(13.7%) disagreed, 5(3.1%) of the respondents were undecided, 66(41%) agreed, 68(42.2%) of the respondents strongly agreed that speeding up collections help in boosting a company’s liquidity through internal sources thus gaining an easier and more favorable access to external sources of funds. This implies that most of the respondents were aware that through speeding up collections, microfinance institutions such as Pride Microfinance can be able to boost and enhance their overall performance.

The study found out that 69(42.9%) disagreed, 36(22.4%) of the respondents were undecided, 31(19.3%) agreed, 25(15.5%) of the respondents strongly agreed that cash pooling is a cash management technique used for optimizing the management of company’s various accounts. This implies that most respondents were not aware of how cash pooling plays an instrumental role in ensuring smooth operations of the microfinance institution.

It was revealed that 24(14.9%) of the respondents disagreed, 5(3.1%) of the respondents were undecided, 64(39.8%) of the respondents agreed, 68(42.2%) strongly agreed that cash flow forecasting involves anticipating, estimating or projecting some event or condition in the future which is out of the organization’s direct control. This also implies that most of the respondents were aware that cash flow forecasting helps in ensuring proper utilization of cash flow and hence leading to improved performance of the microfinance institution.

It was found out that majority of the respondents 84(52.2%) strongly agreed, 72(44.7%) agreed, 1(0.6%) of the respondents were undecided and the remaining 4(2.5%) disagreed that when devising the cash disbursement system of a company, or the procure to pay process, the accent is placed on controlling and slowing down the outflow of cash. This implies that majority of the respondents were aware that with a devised cash disbursement system in place, the microfinance institution can be able to operate with smooth cash flow and hence leading to improver performance.
5.1.4 Relationship between cash management and performance of microfinance institutions

The study findings revealed that 24(14.9%) disagreed, 5(3.1%) undecided, 64(39.8%) of the respondents agreed and the remaining 68(42.2%) of the respondents strongly agreed that a cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay in refunding the funds. This implies that most of the respondents were aware that cash management remains to be very important in enhancing the performance of the microfinance institutions.

Study findings revealed that 21(13%) disagreed, 5(3.1%) were undecided, 67(41.6%) agreed, 68(42.2%) strongly agreed that picking the right cash management provider who can improve on the general performance of the institutions. This implies that most of the respondents were aware that with a right cash management provider, the performance of institution stabilizes.

It was revealed that 23(14.3%) of the respondents disagreed, 5(3.1%) were undecided, 65(40.4%) agreed and the remaining 68(42.2%) of the respondents strongly agreed that efficiency in cash management is so vital for especially production- firms whose assets are mostly composed of current assets. This implies that majority of the respondents were aware that there is always need to ensure efficiency within cash management since it helps in improving on the overall performance of the organization.

It was also discovered that 5(3.1%) of the respondents strongly disagreed, 59(36.6%) disagreed, 35(21.7%) of the respondents were undecided, 48(29.8%) agreed, 14(8.7%) of the respondents strongly agreed that cash available for trade activities of the firm has an important multiplier effect due to its turnover ratio. This implies that most of the respondents were aware that cash management contributes significantly towards the performance of the microfinance institution.

It was discovered that 1(0.6%) of the respondents strongly disagreed, 11(6.8%) of the respondents disagreed, 11(6.8%) were undecided, 79(49.1%) agreed and the remaining 59(36.6%) of the respondents strongly agreed that considering operating assets like receivables and inventories with cash and cash-equivalent assets is illogical for basic principles of cash management. This implies that most of the respondents were of the view that cash management is closely related to the performance of the microfinance institution.
5.2 Conclusions

5.2.1 Contributions of cash management towards the performance of Pride Microfinance

The study concludes that every company has to have cash on hand or at least access to cash in order to be able to pay for the goods and services it uses, and consequently, to stay in business. By ensuring the company with the necessary funds for supporting its everyday operations, cash management becomes a vital function for the company.

It concludes that cash flows have an impact on the company's liquidity. Liquidity is the ability of the company to pay its obligations when they come due. It is comprised of: cash on hand, assets readily convertible into cash, as well as ready access to cash from external sources, such as Microfinance loans.

Proper cash management can avoid the costs of additional funding and can provide the opportunity for more favorable terms of payment. In the worst-case scenario, if the liquidity shortage continues for the longer term, the company might face no access to external resources, ending into insolvency.

It was concluded that ready access to cash enables the company to undertake expenditure decisions if and whenever it wishes, without the trouble and constraint of finding new financial support. The ultimate goal of every company is maximizing shareholder value, i.e. maximizing the net present value of future cash flows.

5.2.2 Cash management techniques used by Pride Microfinance

It was concluded that cash flow synchronization represents timing the cash flows in such a way that cash receipts coincide with cash requirements of the company. Imperative here is the improving of cash flow forecasting, so that the company is able to predict when cash receipts and disbursement will occur in the future.

The study concluded that in light of the recent financial crisis, the focus on the collection cycle has become an imperative one for treasurers. Improving the collection processes and the days sales outstanding performance contribute not only to boosting a company's liquidity through internal sources, but also to bolstering its credit rating and thus gaining an easier and more favorable access to external sources of funds.
It was concluded that when devising the cash disbursement system of a company, or the Procure to pay process, the accent is placed on controlling and slowing down the outflow of cash the longest possible without jeopardizing or worsening the relationships with suppliers. The basic principle regarding payments is that they should be made at the right time, i.e. on the due date.

The study concluded that cash pooling is another cash management technique used for optimizing the management of company’s various accounts. It generally refers to the offset of deficits with surpluses, regardless of how it is achieved. Generally, there are two types of cash pooling: cash concentration (or zero balancing or physical pooling) and notional cash pooling, but also numerous other cash pooling products exist, variations of the basic types, such as target balancing, cross currency, cross country and intraday pooling.

It was concluded that forecasting is anticipating, estimating or projecting some event or condition in the future which is out of the organization’s direct control. Therefore, cash flow forecasting represents an attempt to estimate and evaluate the liquidity position of the company. Forecasting cash flows is one of the most important tasks and tools of cash management.

5.2.3 Relationship between cash management and performance of microfinance institutions

The study concluded that a cash management system incorporates traditional benefits of a safe, such as robbery prevention and time delay change funds, but also employs bill and coin handling technology, as well as its own operating system.

It was concluded that deploying a cash management system involves support and coordination among multiple departments including Finance, Operations, IT, Security and Loss Prevention to improve performance of microfinance institutions.

Efficiency in cash management is so vital for especially production- firms whose assets are mostly composed of current assets as it directly affects performance of microfinance institutions.

The study concluded that working capital is also a major external source of capital for especially small and medium sized and high-growth firms and thus without effective cash management, it can be difficult to improve on their performance. These firms have relatively
limited access to capital markets and tend to overcome this complication by short-term borrowing.

5.3 Recommendations

The study recommends the adoption of the cash management and performance of microfinance institutions in Kampala of dilemma. The cash management models were recommended as a useful design for practicing microfinance institutions with respect to the implementation of best practice.

The study results support the view that cash management drivers have a significant effect on performance of microfinance institutions in Uganda. However, the influence of each driver varies from one microfinance institution to another.

It is recommended that managers should study and select the driver that best suits their microfinance institutions in order to achieve maximum performance. It was found that management policies influenced receivables management.

It is recommended to the microfinance institutions management to ensure that the microfinance institutions have put in place policies and procedures to be adhered during trade credit. The microfinance institutions' management is also urged to ensure that there are standardized and written manuals with the policies regarding trade credit and its management.

There is need for the regulator to introduce cash management controls that will be applied across all the effect of cash management on the performance of microfinance institutions in Kampala. This will go way further towards increased cash management in the sector and contributes towards better performance in the microfinance institutions sector.

5.4 Areas for further research

More research needs to be done on the following:

- Impact of cost control on performance of microfinance institutions
- Effect of cash management on profitability of microfinance institutions


SECTION B:
Please indicate your response mode by writing only the score in the blank spaces provided for each of the items or statement stated below.

KEY
Response mode  Score
Strongly agree  5
Agree  4
Not sure  3
Disagree  2
Strongly disagree  1

PART 2:

<table>
<thead>
<tr>
<th>Construct</th>
<th>The contributions of cash management towards the performance of Pride Microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proper cash management can avoid the costs of additional funding</td>
</tr>
<tr>
<td>2</td>
<td>Cash management can provide the opportunity for more favorable terms of payment</td>
</tr>
<tr>
<td>3</td>
<td>Cash management makes the company financially flexible since it can be able to undertake various expenditure decisions</td>
</tr>
<tr>
<td>4</td>
<td>Cash management influences the value of the firm by limiting cash levels</td>
</tr>
<tr>
<td>5</td>
<td>Cash management influences firm value, because its cash investment levels entail the rise of alternative costs, which are affected by net working capital levels</td>
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</table>

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<thead>
<tr>
<th>Construct</th>
<th>Cash management techniques used by Pride Microfinance</th>
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<td>Cash flow synchronization represents timing the cash flows in such a way that cash receipts coincides with cash requirements of the company</td>
</tr>
<tr>
<td>2</td>
<td>Speeding up collections help in boosting a company's liquidity through internal sources thus gaining an easier and more favorable access to external sources of funds</td>
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</tbody>
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Cash pooling is a cash management technique used for optimizing the management of company’s various accounts.

Cash flow forecasting involves anticipating, estimating or projecting some event or condition in the future which is out of the organization’s direct control.

When devising the cash disbursement system of a company, or the procure to pay process, the accent is placed on controlling and slowing down the outflow of cash.

<table>
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</tbody>
</table>

Thanks for your Response

End
APPENDIX II

INTERVIEW GUIDE

Key Issues

1. What are the contributions of cash management towards the performance of Pride Microfinance?
2. To what extent has the performance of Pride Microfinance improved due to cash management strategy?
3. What are the cash management techniques that are used by Pride Microfinance?
4. To what extent have the cash management techniques been effective at Pride Microfinance?
5. What is the relationship between cash management and performance of financial institutions?
6. To what level is the relationship between cash management and performance of financial institutions significant?