WORKING CAPITAL MANAGEMENT AND ORGANIZATIONAL PERFORMANCE OF MANUFACTURING INDUSTRIES; A CASE OF UGANDA BAATI LIMITED, TORORO

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELORS DEGREE OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I, **Mugerwa Umaru** do declare that this research report is my own original work and has never been submitted for award of a degree at any other university for examination.

Signature .... Date 13th/08/19 ....

MUGERWA UMARU

APPROVAL

I certify that this research report was carried out by the candidate under my supervision and now is ready for submission to the College of Economics and Management of Kampala International University for examination.

Signature .... Date 13/05/19 ....

Mr. Timbirimu Micheal

DEDICATION

I dedicate this pierce of work to my parents, brothers, sisters and friends for their academic support, time, prayers and guidance rendered to me.

May the good Lord reward you all.

ACKNOWLEDGEMENT

My sincere gratitude goes to my supervisor who was always there for me and tirelessly taught me different research techniques.

I am also thankful to my parents who gave me this precious gift of education, encouragement and for their unconditional support throughout my education to date.

And I will always remember you.

Special thanks go to my respondents at Uganda Baati limited.

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LIST OF ABBREVIATIONS

WCM	-	Working Capital Management
EOQ	-	Economic Order Quantity
OLS	-	Ordinary Least Squares

ABSTRACT

The study was to examine the effect of working capital management on organizational profitability in Uganda Baati limited, Tororo branch. The objectives of the study were; to examine the effect of inventory management on profitability in Uganda Baati limited, Tororo branch, to establish effect of accounts receivables management on profitability in Uganda Baati limited, Tororo branch and to establish the effect of accounts payables management on profitability in Uganda Baati limited, Tororo branch. The study used a case study design in collecting data from the field. A sample of 52 respondents was involved in the study. The study employed both questionnaire and interview guide as research instruments in collecting data from the field. Findings of the study indicated that; there is a strong positive correlation between inventory management and profitability of Uganda Baati limited with (R=0.813) that gives evidence that there is a significant strong positive correlation between inventory management in terms of inventory budgeting and profitability of manufacturing companies in terms of increase in the size of equity of the firm; there is a significant relationship between accounts receivable management and profitability of manufacturing companies with (R=0.725) which implies that there is a strong positive correlation between accounts receivable management and profitability of manufacturing firms; there is a significant relationship between accounts payables management and profitability of Uganda Baati limited with (R =0.550) which implies that there is a moderate positive correlation between having payable policies in the organization and increase in the size of equity of the firm. The study recommendations were; Management of inventory is vital, thus Uganda Baati limited should ensure that they obtain the right supplier as this will help enhance on inventory management and ensure that there is stock of right inventory in the right time when required. Also the management of Uganda Baati limited has to handle its debtors with utmost care with specific guidelines and policies. This might reduce on the number of debtors that the business handles and hence improving on equity in the enterprise. Furthermore, the Uganda Baati limited should obtain credit at low interest rates, credit will help to finance operations and hence increase on the output of the industry.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Proper management and control of working capital not only solve the problem of liquidity but also increase the ability of the firm to generate profit. This is because working capital establishes the link between production and sales. Efficient management of working capital is crucial for both profitability and prosperity of any firm (Ankilo & Olufisayo, 2007). The study examined the relationship between Working Capital Management and Organizational Profitability of Manufacturing Industries.

Therefore, this chapter presents the background of the study, research problem, study objectives, research questions, scope of the study, significance of the study, definition of key terms and the conceptual framework

1.1 Back ground of the study.

The viability of any company or business depends much on the proper working capital management. Working capital management is one of the most important aspects in running of a firm (Kumar, 2010). He observed that WC plays a key role in defining the profitability of a business. He also identified three performance ratios of the working capital in determining profitability. These are; working capital ratio (WCR), inventory turnover ratio (ITR) and current ratio (CR). Working capital management components consist of cash management, Accounts receivables management and Inventory management. Companies can be more financially flexible by managing their working capital effectively. Lazaridis and Tryfonidis (2006) while investigating the relationship between working capital management and corporate profitability of listed companies in the Athens Stock Exchange (ASE) indicated that there was a statistical significance between profitability measured through gross operating profits and the cash conversion cycle. Thomas (2011) argued that working capital cycle significantly affects firm profitability negatively, meaning that less profitability of manufacturing firms' longer working capital cycle and that account receivables collection period and account payables payment period each negatively correlates with profitability in the USA, the 2008 global financial crisis and the collapses of colossal organizations such as General Motors and Lehman Brothers affected the industries business operation worldwide and according to the result of 2008 USA working capital survey from REL and CFO magazine shows that there are 863 billion dollar cash flow in US companies, which are not necessary tied up with working capital (REL, 2008).

In Kenya, like other developing countries in the world, management of working capital is vital for development of respective corporations and the nation as a whole. Most manufacturing organizations have huge investments of funds in working capital, thus the way working capital is managed will substantially impact on the profitability of the company (Makori & Jadongo, 2013). For instance, many firms have taken working capital management as a key aspect in ensuring profitability in Kenya more especially those in the manufacturing sector.

In the case of Uganda, manufacturing firms as others world over, utilize working capital for smooth operation. They plan for and manage their inventories, accounts receivables and accounts payables to ensure that requirements in these items are met. However, very little has been done concerning working capital management and this has affected the operations of many manufacturing firms hence affecting their profitability both in the short run and in the long run (Badagawa, 1999). For example, in a case sited in manufacturing firms in Uganda, a summary of Igara Tea Estate Audited financial report (2005), noted its declining profitability from Ushs.589.9 million in 2003 to Ushs.106.6millions in 2005. This declining profitability is therefore, suspected to have been caused by the way this firm manages its working capital.

Profitability is the rate of return on a firm's investment. It is the primary goal of any business and without it, a business will not survive, (Biswajit, 2013). Some of the profitability indicators are return on Equity, Return on total Assets, and Return on Sale. A firm that desires to make profits must effectively and efficiently manage its working capital (Kumar, 2010). Therefore, working capital management in part affects profitability. It is therefore important for a firm to manage its working capital so as to attain profitability with giving a keen focus on the way it is to handle its accounts receivables because when these are well managed, the firm's working capital will not be tied up in the hands of its customers and so such a firm will consequently continue in production and it will make profits in a long run.

Uganda Baati Limited is a member of the Safal Group of companies, Africa's largest producer of steel roofing and the sole producer of Aluminum Zinc coated steel on the continent. It is Uganda's leading manufacturer and supplier of roofing sheets and has the widest range of roofing products with branches in Kampala, Arua and Tororo. Of recent, Uganda Baati limited has encountered challenges in maintaining its working capital since 2012 for instance in case sited in the Tororo branch alone incurred a financial loss of Ugx 3.8 billion as per its Audited financial reports (2014) more and this prompted the researcher to carry out this research.

1.2 Statement of the problem

Working capital management in manufacturing industry is very crucial due to the fact that these companies are the backbone of the economy (Arshad & Gondal, 2013). Administration of working capital is very important part of corporate finance because it directly affects companies' liquidity and profitability. According to the study carried out on working capital management relationship with profitability of the firm, Raheman and Nasr (2007), Ching (2011), Alam et.al (2011), Bagchi and Khamrui (2012), found that there is a negative relationship between the firm's debt and profitability. Further they also identified a positive relationship between the firm's size, logarithm of sale and the profitability. On a controversial note in a similar study, Ganeshan (2007) found out that the relationship is not significant between days of working capital and the profitability.

An effective working capital management mechanism enhances high levels of profitability measured by return on investment, return on equity, and return on assets (Deloof, 2003, Eljelly, 2004). Uganda Baati limited has a well-established policy on how it manages its working capital to ensure that it attain its profitability goal for instance, there is a proper policy on management of accounts receivable, accounts payable, inventory management to ensure smooth operations in the firm. Despite these efforts put forward, (Daily Monitor, Wednesday, January, 18, 2017) points out that Uganda Baati Limited still encounters several challenges in properly sustaining its working capital since 2012 up-to date. Furthermore, the companies' Audited financial report (2014) reveal that Uganda Baati limited profit position has kept on declining and a financial loss of Ugx 3.8 billion as discovered in Tororo branch alone. Therefore, it's on this basis that the researcher to carried out a research to establish the relationship between working capital management and profitability in manufacturing firms with a specific focus on inventory management, accounts receivables management and accounts payables management in Uganda Baati Limited, Tororo branch.

1.3 Objectives of the study

1.3.1 General objective

To examine the effect of working capital management and profitability of manufacturing industries.

1.3.2 Specific objectives

i. To examine the effect of inventory management on profitability in manufacturing industries.

ii. To find out the effect of accounts receivables management on profitability in manufacturing industries.

iii. To establish the effect of accounts payables management on profitability in manufacturing industries.

1.4 Research questions

i. What is the effect of inventory management on profitability in manufacturing industries?

ii. What is the effect of account receivables management on profitability in manufacturing industries?

iii. What is the effect of accounts payables management on profitability in manufacturing industries?

1.5 Scope of the Study

1.5.1 Content scope.

The study concentrated on working capital management as an independent variable with dimensions of; inventory management, accounts receivables management and accounts payables management. On the other hand, the dependent variable was Organizational profitability in manufacturing firms measured by return on equity, return on assets and return on investment.

1.5.2 Geographical Scope

The study was conducted in Uganda Baati Limited in Tororo District which is bordered by Mbale District to the north, Manafwa District to the north-east, Kenya to the east, Busia District to the South, Bugiri District to the South-West, and Butaleja District to the north-west. Tororo, the largest town in the district and the location of the district headquarters, is approximately 230 kilometers (140 miles), east of Kampala, the capital and largest city of Uganda.

1.5.3 Time Scope.

This study covered a period of 3 years. Thus, between 2017-2019.The period provided an adequate length of time to observe the variables that were investigated in this study.

1.6 Significance of the Study

The findings of the study may be of significance to the firm which could use them together with the recommendations in implementing decisions of what policies to strengthen and accelerate their working capital management.

It will also help policy makers in these firms to come up with informed policies/decisions on how finances should be well managed hence formulating proper ways on improving the financial management practices in the economy.

Academicians. The study findings may be useful in guiding students and other readers/researchers for further and future referencing as starting point to carry out similar research on the topic and add to their existing knowledge. They can extend their efforts in the areas which may not be covered by this study.

1.7 Justification

Globalization has brought in it a lot competition thus the call for timely research and recommendation to address the problems. Many researchers have written on the topic of working capital management but few of these have been in relation to profitability with the case study of Uganda Baati Limited, Tororo. Therefore, considering the numerous benefits of the findings of this study, the researcher believes that without this research, the unveiling of this important and timely information will not be possible and this justifies the need for this study undertaking.

1.8 Definitions of key terms

Working Capital

Working capital (WC) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity (Madishetti & Kibona, 2013).

Inventory management

Refers to keeping or maintaining the firm's stocks at a level that a firm will only incur the least cost consistent with other management's set objectives or targets. (Kwadwo,2016).

Receivables management

Refers to the process of making decisions relating to investment in trade debtors. Certain investment is necessary to increase the sales and the profits of the firm (Shruthi Nair 2015)

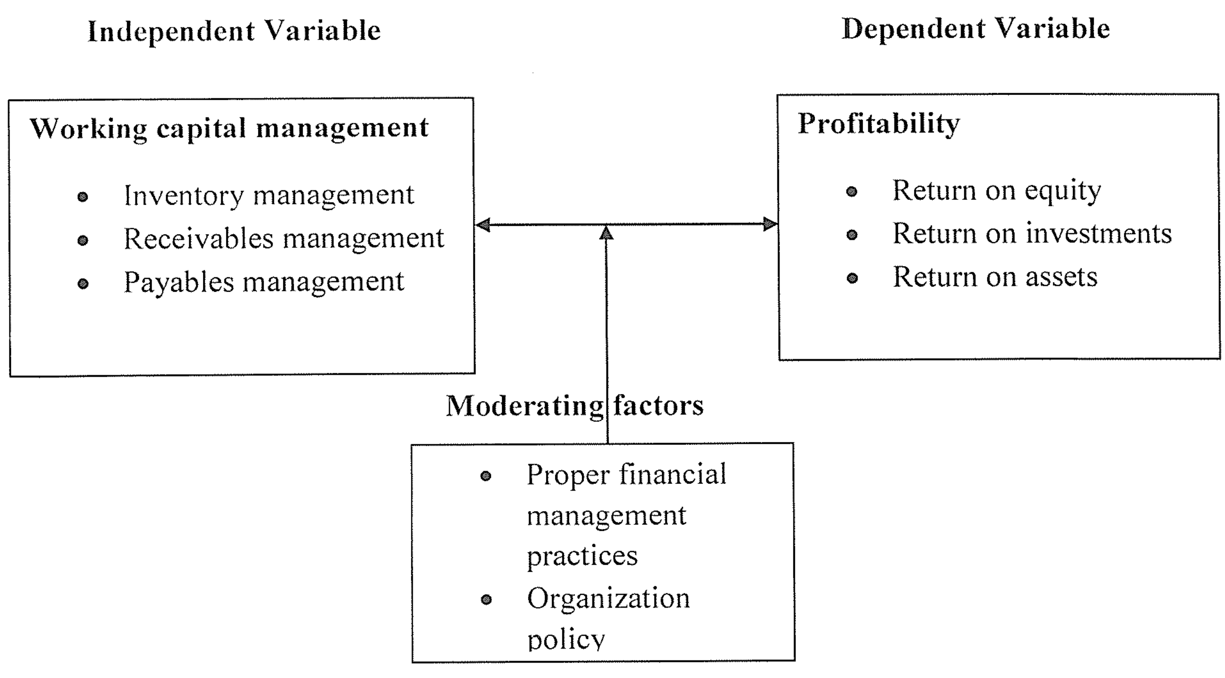
Payables management

Refers to a set of policies, procedures, and practices employed by a company with respect to managing its credit purchases (HTMW Team 2013)

Return on investment

ROI is the most common profitability measure ratio. There are several ways to determine ROI, but the most frequently used method is to divide net profit by total assets (Andrew Beattie, 2017).

1.9 Fig. 1.1: Conceptual frame work.



Source: (Arnold, 2008, p.529-530).

The conceptual framework above shows the relationship between the independent variable, which is 'working capital management', and 'profitability' as the dependent variable. Working capital management is reflected in terms of inventory management, receivables management and payables Management. On the other hand, profitability is measured by the return on equity, return on investment and return on assets. However, besides working capital management, one cannot ignore the role played by the Moderating variables like financial management practices and organizational policy in influencing profitability

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is divided into two main parts namely theoretical review and empirical/ actual literature review.

Theoretical review explains different theories written by different scholars on the study variables. Definition and discussion on key terms were covered, on the other hand, empirical review attempts to explain the gaps identified from different studies done on similar subject and hence try to bridge those gaps. Conceptual framework, on which the study is based, also will be developed.

2.1 Theoretical review

A theoretical review can be defined as a collection of interrelated ideas based on theories. It is a reasoned set of prepositions which are derived and supported by data or evidence. This section provided the theoretical framework, and two key theories were included in this study, namely stewardship theory and strategic choice theory (Mugenda and Mugenda, 2011).

2.1.1 Baumol Model by Baumol (1952)

The Baumol Model of cash management provides a formal approach for determining a firm's optimum cash balance under certainty. Cash management is considered similar to inventory management. Firms attempt to minimize the cost of holding cash and the cost of converting marketable securities into cash. The model makes the assumption that the firm is able to forecast its cash needs with certainty; the firm's cash payment occurs uniformly over a period of time; the opportunity cost of holding cash is known and it does not change over time; and firm will incur the same transaction cost whenever it converts securities to cash (Baumol 1952).

The firm incurs a holding cost known as opportunity cost for keeping the cash balance. The opportunity cost is the return forgone on the marketable securities. If the opportunity cost is k, then the firm's holding cost for maintaining an average cash balance (C) is calculated as follows; Holding cost= K(C/2).

The firm incurs a transaction cost whenever it converts its marketable securities to cash. Total number of transactions during the year will be the total funds requirement, T, divided by the cash balance, C. The assumption is that the cost per transaction is constant. If the cost per transaction is F, the total transaction cost will be;

Transaction cost=F (T/C)

The total Cost= Opportunity Cost + Trading Cost

= K(C/2) + F (T/C)

2.1.2 Keynesian Theory of Money by Keynes (1956)

Keynes (1956) discussed that the level of cash and marketable securities held by firm is determined by the motive of holding them. The speculative motive is the need to hold cash to be able to take advantage of bargain purchase and favorable exchange rate fluctuations. For most firms, reserve borrowing ability and marketable securities can be used to satisfy speculative motive. The precautionary motive is the need for safety supply to act as financial reserve. However, there is no need of holding such substantial amount of money given that the money market instruments are quite liquid. Cash is also needed for transaction motive. Firms will have the need to have cash so as to settle bills. The disbursement of cash includes; payment of salaries trade debts, taxes and dividends.

2.2 Review of main concepts of the study

2.2.1 Working Capital Management

Working capital sometimes called gross working capital refers to current assets used in operations (Brigham & Ehrhardt, 2005). Working capital management (WCM) is the management of short-term financing requirements of a firm, and involves finding the optimal levels for cash, marketable securities, accounts receivable, and inventory and then financing that working capital for the least cost (Brigham & Houston, 2007).

The financial executive probably devotes more time to working capital management than any other activity, this is because current assets by their nature are changing daily and managerial decisions have to be made. Unlike long term decisions there can be no deferral of action, short term decisions on working capital determines if the firm gets to the long term (Block & Hirt, 2009).

There are two concepts of working capital, which are net and gross working capital. Gross working capital refers to the firm's investment in current assets, which refers to those assets which can be converted into cash within an accounting year and includes; short term securities, accounts receivable, and inventories. Net working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders, which are expected to mature within an accounting year they include creditors, and outstanding expenses. The two concepts of working capital gross and net are not exclusive rather they have equal significance from the management point of view (Pandey, 2005).

The consideration of level of investment should avoid either excessive or in adequate investments in current assets. Excessive investment should be avoided as it impairs the firm's profitability. On the other hand, inadequate amount of working capital may expose the firm to insolvency. Whenever a need for working capital arises due to increasing level of business activity, financing arrangement should be sought quickly. Similarly, if surplus funds arise they should be invested in short term securities (Pandey, 2008).

2.2.2 Organizational Profitability

Profitability is a widely used financial measure of performance and is the ultimate goal of every business entity. All the strategies designed and activities performed thereof are meant to realize this grand objective, this does not mean that they have no other goals, since the business could also have additional social and economic goals. However, the intention of this study is related to the first objective, profitability.

To measure the profitability, there are a variety of ratios used of which Return on Asset, return on Equity and Net Profit Margin are the major ones (Ongore & Kusa 2013). Profitability, in this reference may be defined as the return earned on the total assets of the company. Profit is determined by matching revenue against cost associated with it and without profit business will not survive in the long run (Salauddin, 2001). Profitability is measured with income and expenses; income is money generated from the activities of the firm. However, money coming into the firm from activities such as borrowing does not create income but is simply a cash transaction between the firm and the lender to generate cash for operating the business. Although one year of losses may not permanently harm the business, consecutive years of losses or net income insufficient to cover the expenditure may jeopardize the viability of the business (Block & Hirt 2009).

2.3 Empirical literature review

2.3.1 Effect of inventory management on Organizational profitability.

Inventory management policies and procedures are normally designed to ensure that a firm or an organization uses its inventory in a way that it is able to maximize its profit from the least inventory investment amount without encroaching or affecting customer's levels of satisfaction (Anene, 2014). Inventory constitutes a large portion of total investment, it is vital that a firm adapts a good inventory management system to enable firm's growth and enhancement of firm's profitability (Anichebe & Agu, 2013). As such, the Economic Order Quantity (EOQ) theory states for a firm to maximize benefits from inventory management it should hold an optimal inventory, which minimizes both ordering cost and holding cost of inventories. The Just in Time (JIT) model proposes that firms should produce or to purchase products or components as they are required by customers or for use rather than holding stock (Sitienei & Memba, 2015). Efficient management of inventory is important in order to facilitate the firm's operations. Enhancing the inventory management enables a firm to avoid tying excess capital in idle stock at the expense of other viable ventures (Lazaridis & Tryfonidis, 2006). Too much stock causes additional costs in form of potential spoilage, obsolescence and storage costs (Brooks, 2013).

Inadequate inventory has an adverse potential effect on the smooth running of the business, while excess inventory involves extra cost, which can reduce the firm's profits (Panigrahi, 2013). Excessive stock is not desirable for longer periods because high inventory levels increase carrying cost and as inventory is increases; the profitability decreases (Priyank & Hemant, 2015).

As such, a well-functioning inventory system has a great effect on total firm's performance as well as that of the firm's managers (Akindipe, 2014).

Inventories are part of current assets, which are convertible to other forms of working capital (cash and other receivables) in less than one year (Milicevic, Davidovic & Stefanovic, 2010).

In their study, Duru, Oleka and Okpe (2014) analyzed effect of inventory management on profitability and revealed that inventory turnover had significant and negative effect on the profitability. Additionally, Siyanbola (2012) also studied effect of stock valuation on profitability of manufacturing industries. The study established that high stock cost affects profit negatively and stock also affects the company's profitability. Lwiki et al. (2013) also studied effect of inventory management practices on financial performance. The study established a positive and statistically significant correlation between management of inventory and return on sales. The main goal and objective of inventory management system is to keep at the necessary required inventory at any time so that production runs smoothly without interruption whatsoever (Panigrahi, 2013). Inventory is the second largest assets as shown in the statement of financial position in brewery industry. It's only exceeded by equipment and the physical facilities (Eneje, Nweze, & Udeh, 2012).

Profit of an organization can easily be maximized with the help of an effective inventory management system in place. Profit maximization is all about cost minimization and revenue maximization. An effective inventory management improves the firm's total performance through matching inventory management practices and a competitive advantage especially now that most organizations operates in a more competitive industries or sectors all over the world (Mahidin et al., 2015). A study by Koumanakos (2008) on effect of inventory management on performance of some firms established that a rate of returns is significantly affected by the level of inventory held. That is, high inventory level lowers the rate of returns. Khaled & Hayam (2016) studied the relationship that exists between management of inventory and the general firm's performance. The study established that inventory to sales ratio affects organization performance negatively in the initial growth stage and the maturity stage; it exerts a positive and significant coefficient on performance in either the rapid growth stage or the revival stage. Further, Kwadwo (2016) investigated effect of efficient management of inventory on profitability of manufacturing firms. The study revealed that a significantly and positive correlation between raw materials inventory management and profitability of manufacturing firms in Ghana.

Mohamad, Suraidi, Rahman and Suhaimi (2016) in a case study of a textile chain store in Malaysia, examined the relation between inventory management and company performance and found that their inventory days was significantly related to return on assets (used proxy for company performance). The study identified that the textile chain store company had unorganized inventory arrangement, large amount of inventory days and lacked accurate stores balances due to unskilled workers. Also, Victoire (2015) investigated the impact of inventory management on profitability in Rwanda using a manufacturing company as case study. The findings indicate that inventory management had significant impact on the company's financial performance. Mwangi & Thogori (2015) explored the role of inventory management on the performance of food processing firms in Kenya. The study used a sample of 110 respondents and a questionnaire for data collection. The study findings established that a unit increases in maintaining production, cost control, record reduced loss and continuous supply will lead to an increase in the scores of the performance of food processing company. The study recommended that inventory management should be well articulated and there should be a good management on cost control such as carrying cost, ordering cost as well and maintain production should be managed to meet demand, increase production turnover and identify opportunity

Prempeh (2015) studied the impact of efficient inventory management on the profitability of manufacturing firms in Ghana, using raw material inventory management and profit as variables. Cross sectional data from the annual reports of four manufacturing firms listed on the

Ghana Stock Exchange were analysed using Ordinary Least Squares (OLS) and multiple regression techniques. The study found a significantly strong and positive relationship between raw material inventory management and profitability. Also in Ghana, Ebenezer and Asiedu

(2013) examined the effect of working capital management on profitability of manufacturing companies. Among the independent variables adopted inventory days had influence on profitability. In a related study, Sitienei and Memba (2015) using similar analysis techniques examined the effect of inventory management on the profitability of cement manufacturing companies in Kenya. Their study findings revealed that inventory turnover, inventory conversion period, and inventory storage costs were negatively related to profitability.

A study by Munyao et al. (2015) examined the role of inventory management practices in performance of the production department by manufacturing firms in Mombasa County. The study adopted the descriptive research design and a sample of 45 manufacturing firms while data was collected using questionnaires. The study findings revealed that manufacturing firms use various inventory management techniques such as the action level methods, JIT, EOQ and periodic review technique. The study found that despite the fact that that MRP was most effective in contributing to performance of the production department most organizations in the manufacturing industry used action level methods.

2.3.2 Effect of accounts receivables management on Organizational profitability.

According to Pandey (2007) a debt is created when a firm sells its products or services for which payment is expected to be collected in the near future. Account receivables (debtors) are customers who have not yet made payment for goods or services that the firm has provided to them. The main objective of account receivables management is to minimize the time-lapse between completion of sales and receipt of payment. In order to significantly increase sales for a business, the customers should be given credit transaction policy. Credit policy and collection policy have to be actively managed because they affect the timing of cash inflows, sales, profits and accounts receivable risks (Gitman, 2009). Any changes in credit and collection policy have a direct impact on the average outstanding accounts receivable balance maintained relative to a business's annual sales.

In establishing credit standards, Horne (2000), suggests a means of categorizing customers for the purpose of approving or refusing credit to them. This will enable the firm to avoid investigating the credit worthiness of customers who fall into the refused category. As a basis for credit extension to those who qualify, he suggests the comparison between the expected cost of credit extension and expected profit to be forgone in the absence of credit. Kelly and McGowen (2010) suggest that credit customers who pay late or don't pay at all only aggravate the problem. Thus, it is important for the financial manager or account receivables manager to establish a good policy that controls the advantages of offering credit with the associated costs.

The credit policy of the firm affects the working capital by influencing the level of accounts receivable. Liberal credit policy can be detrimental as it can lead to difficulties in debt collection. This may lead to tying of huge funds and increased bad debts. The business firm should follow a rationalized credit policy to avoid tying of funds unnecessarily. Cash flow can be significantly enhanced if the amounts owing to a business are collected faster. Slow payment has a crippling effect on business; in particular, on small businesses who can least afford it (Block & Hirt, 2009). Longer credit terms may increase turnover, but will also increase the risk of bad debts. In order to operate its trade receivables policy, a company needs to set up a credit analysis system, a credit control system and a trade receivables collection system (Gitman, 2008).

Credit sales are a norm in most industries and imperative for survival in the industry. (Van Horne and Dhamija, 2006) are of the view that credit sales are a tool for both customer acquisition and retention. According to Bhattacharya (2014), the decision to grant trade credit may be a part of marketing strategy or finance strategy. An organization may be compelled to provide credit to a large number of its customers but this means that the short-term funds are tied-up for the period for which the credit is provided to these customers. It is important that a firm manages its debtors in such a way that the debtors' collection period is reduced resulting in an increase in debtors' turnover. This may have a favorable impact on the firm's profitability.

Research conducted by Ikechukwu and Nwakaego (2015) found significant positive impact of accounts receivable on profitability, measured by return on total assets, of Nigerian firms manufacturing building materials, chemicals and paints. They did not find any significant impact of debt ratio or sales growth on the profitability of these firms.

Another research conducted by Enekwe (2015) studied how financial ratios such as total asset turnover ratio, debtors' turnover ratio, debt equity ratio, creditors' turnover ratio and interest coverage ratio affected the profitability (return on total assets) of oil and gas companies in Nigeria. Interest coverage ratio, total assets turnover ratio and debtors' turnover ratio were found to have a significant positive relationship with profitability of these companies. Similarly, Ezejiofor et al. (2015) found that credit policy, that is the debtors' collection period, affected the profitability of manufacturing companies in Nigeria.

In ksenija (2013), he investigates how public companies listed at the regulated market in the republic of Serbia manage their accounts receivable during recession times. A sample of 108 firms is used. The accounts receivables policies are examined in the crisis period of 2008-2011. The short-term effects are tested and the study shows that between accounts receivables and two dependent variables on profitability, return on total asset and operating profit margin, there is a positive but no significant relation. This suggests that the impact of receivables on firm's profitability is changing times of crisis.

Mbula, Memba and Njeru (2016) analysed the effect that accounts receivables had on the financial performance of Kenyan firms with venture capital funding from the government. They observed a positive effect of accounts receivables on the financial performance of these firms. They concluded that managers of these firms should improve efficiency of management of accounts receivable.

Research studies by Deloof (2003) Laziridis and Tryfonidis (2006) Garcia-Jeruel and Martinez-Solano (2007), Samiloglu and Demrigunes (2008) and Mathura (2010), in Belgium, Greece, U.S.A, Spain, turkey and Kenya respectively, all point out to a negative relation between accounts receivable and firm profitability. Contradicting evidence is found by Sharma and Kumar (2011) who find a positive relation between ROA and accounts receivable. Singh and Pandey (2008) had an attempt to study the working capital components and its impact on profitability of hildalco industries limited for a period 1990 to 2007. Results of the study showed that receivable turnover ratio had statistical significant impact on the profitability of hibdalco industries limited Jack and Matthew (1994) state in their article management of accounts receivable That the simplest means of recovering your accounts receivable is to take active steps to avoid the process entirely.

Deloof, (2003) studied the effect of average collection period on corporate profitability using a sample of 1,009 large Belgian non-financial firms. His correlation and regression tests, revealed a significant negative effect of average collection period of firms on the gross operating income. He suggested that managers could increase corporate profitability by reducing the average collection period. Padachi (2006) found a negative effect of accounts receivables" days on profitability. Likewise, Gill et al, (2010) found that a slow collection of accounts receivables is correlated with low profitability. Managers can improve profitability by reducing the credit period granted to customers. After studying a sample of 50 non-financial Nigerian firms quoted on the Nigerian Stock Exchange, Falope and Ajilore (2009) found a significant negative correlation between net operating profit on one hand and the average collection period and average payment period on the other hand. Mathuva (2009) examined the influence of receivables management on corporate profitability by using a sample of 30 firms listed on the Nairobi stock exchange (NSE) for the periods 1993 to 2008. After data analysis he found a highly significant negative correlation between the average collection period and Profitability of firms. Ramana et al (2013) found a mixture of good and poor receivables management in their study of cement companies in India. The study showed a significant impact on accounts receivables management on working capital management and profitability. Similarly Padachi, (2006) found that accounts receivable days correlated negatively with profitability. Madishetti and Kibona (2013) studied 38 Tanzanian SMEs for the period 2006 to 2011. They used regression analysis in determining the impact of average collection period on gross operating profit. The results indicated a significant negative correlation between average collection period and profitability.

2.3.3 Effect of accounts payables management on Organizational profitability.

Accounts payable refers to the credit which has been extended to a business by its suppliers. The decision to make use of supplier credit needs should be carefully assessed in terms of alternative sources of finance, discounts, credit limits, public image with respect to its credit rating, transaction costs, administrative costs, information costs, control costs, the value of the relationship with creditors, buying power of the purchasers, the credit terms, stability and general practices of suppliers, and risk factors. Accounts payable is one of the major sources of unsecured short-term financing (Gitman, 2009). Further, he stated that accounts payable management objective is to pay creditors as slowly as possible without damaging its credit rating. Accounts payable and accruals are the two major spontaneous liability sources of short-term financing for a typical firm. Accounts Payables are the major unsecured short-term financing for businesses. They result from transactions in which merchandise (inventory) is purchased. The suppliers might give credit terms together with allowing discount to the purchasers.

Accounts payable ratio (AP) represents the rate firms pay to their suppliers. It is one of the major sources of secured short-term financing (Gitman, 2009). Utilizing the value of relationship with payee is a sound objective that should be highlighting as important as having the optimal level of preventions. Accounts payable are suppliers whose invoices for goods or services have processed but who have not yet been paid. Organizations often regard the amount owing to creditors as a source of free credit. As a consequence, strong alliance between company and its suppliers will strategically improve production lines and strengthen credit record for future expansion. Singh,(2004) stated that the liquidity of particular firm mainly depends upon accounts receivable and payable deferred policy as well as inventories conversion period of firm. Creditor is a vital part of effective cash position. Purchasing initiates cash outflows and overzealous purchasing function can create liquidity problem. There is an adage in business that if you can buy well then you can sell well. Management of your creditors and suppliers is just as important as the management of your debtors.

A study by Mathuva (2009) examined the influence of payables management on corporate profitability by using a sample of 30 firms listed on the Nairobi stock exchange (NSE) for the periods 1993 to 2008. He used Pearson and Spearman's correlations, the pooled ordinary least Square (OLS), and the fixed effects regression models to conduct data analysis. The key findings of his study were: i) there exist a highly significant negative relationship between the ACP and Profitability; ii) there exist a highly significant positive relationship between the APP and Profitability.

2.4 Conclusion

According to the literature, working capital management involving proper inventory management, accounts receivables management and accounts payables management leads to proper organizational profitability. A number of studies have been done on the relationship between working capital management on organizational profitability as given in the literature. However most of these studies have been general and no study has specifically considered the manufacturing sector especially in Uganda and particularly in Uganda Baati Limited. This therefore leaves a gap for more research.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the description of research design, area of the study, study population, sampling design which included sample size and sampling techniques, data collection methods and instruments, quality control methods, data management and processing data analysis, ethical considerations and limitations of the study.

3.1 Research Design

The study used a case study design to investigate the effect of working capital management on organizational profitability in Uganda Baati Limited, Tororo branch. The case study design was used because its findings were based on the data collected from a geographical location of Uganda Baati limited, Tororo branch area of which was used as a case study. The research employed both qualitative and quantitative methods. The qualitative approach was used in comprehending views obtained from respondents through questionnaire and interviews. The quantitative approach on the other hand was used in computing data that involving figures hence this enabled the use of percentages in data analysis and hence it will ease the interpretation process.

3.2 Area of the study

The area of the study was Uganda Baati Limited, Tororo branch. Because it is strategically located and the researcher can easily get access to the respondents. The area of the study refers to the anthropological or sociological research which is intended to gather and relate data on various aspects of a geographical region and its inhabitants, as natural resources, history, language, institutions, economic characteristics and field investigation into human ecology.

3.3 Study population

The study was conducted at Uganda Baati limited Tororo branch. According to Human resource department records (2012), there 270 established employees; there are 60 employees on a permanent contract. The study population therefore consisted of 60 respondents which comprised of 3 respondents from the Finance, Administration and management 19, Procurement 11, marketing 15and production 12, leading to a total population of 60 respondents.

3.4 Sampling procedures

3.4.1 Sample size and Selection

A sample size of 52 respondents were selected out the population of 60 from the Uganda Baati Limited, Tororo branch for the study. The sample size was determined using Morgan and Krejcie table as given by Amin, (2005) (Appendix III)

Table 3.1: Showing category, population, sample size and sampling technique.

SN	Category	Population	Sample size	Sampling technique
1	Finance	3	2	Purposive sampling
2	Administration and management	19	17	Purposive sampling
3	Procurement	11	9	Simple random sampling
4	Marketing	15	14	Simple random sampling
5	Production	12	10	Purposive sampling
	Total	**60**	**52**	

3.4.2 Sampling techniques

The study used both probabilistic and non-probabilistic techniques. These included simple random and purposive sampling techniques.

A simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. A simple random sample is meant to be an unbiased representation of a group. Simple random sampling was used for the study because it is considered a fair way of selecting a sample from a given population since every member is given equal opportunities of being selected.

Purposive sampling was used for selecting respondents from the support staff and Administration and management department. This was preferred by the researcher because; it excludes people who are unsuitable for the study and remain with the most suitable candidates, it is less time consuming, reduces the costs for carrying out the sampling project, the results of purposeful sampling are usually expected to be more accurate than those achieved with an alternative form of sampling.

3.5 Data Collection Methods and Instruments

Saunders (2007) described data as facts, opinion and statistics that have been collected together and recorded for reference or for analysis.

To collect a large quantity of data, the following data collection methods were used: questionnaire and face-face interviews. Data collection instruments included both primary and secondary data.

3.5.1 Data Collection Methods

Questionnaires:

A structured questionnaire was used to collect data and in this study, questionnaires were used to collect data from members and staff of Uganda Baati limited, Tororo branch on issues surrounding working capital management on profitability. Questionnaires were used because apart from being easier to administer, they are more reliable and also easier to analyze (Amin, 2003). Using an introductory letter from the university, the researcher delivered the blank questionnaire to the selected respondents in Uganda Baati limited, Tororo branch and provided an appropriate time for them to complete them and then collected them.

Interviews

Face to face interviews were held to collect data from the management and employees of Uganda Baati limited Tororo, in order to collect in-depth data on working capital management on organizational profitability with the aid of an interview guide. During the process, a set of closed ended questions were asked and this enabled the respondents explain themselves. At the end of the interview process, the researcher went over what had been captured to ensure that no useful information was left out. Interview method was also used because of its flexibility in enabling probing especially where specific answers are needed and where the respondent is unable to understand the questions.

3.5.3 Data collection instruments

Questionnaire

A 5 point Likert-scale was employed in the administration of questionnaire with scales ranging from "Strongly Agree" denoted by 1, Agree denoted by 2, Neutral denoted by 3, Disagree denoted by 4 and "Strongly Disagree" represented by 5.

Interview Guide

An interview guide was used during the data collection process and this was done where the research held face –to-face discussions with the administrators of Uganda Baati Limited. The interview guide contained closed ended questions which enabled the researcher to get in depth information about working capital management and profitability. These questions were set in line with the specific objectives of this study.

3.6 Validity and Reliability of Instruments

3.6.1 Validity

Kothari (2009) defines validity as a measure of the degree to which differences are found with a measuring instrument to depict the differences among the items being measured.

Validity of the instrument was determined by computing the Content Validity Index after rating of the items by the supervisor. The researcher requested the supervisor to rate the items in the data collection instruments as Very Relevant (VR), Relevant (R), Somewhat Relevant (SWR) or Not Relevant (NR). From the rating, the researcher used the formula below to compute the Content Validity Index (CVI), which is an indicator of the level of validity of the instrument.

Formula to be used: CVI $= \frac{VR + R}{K}$; Where VR is for Very Relevant, R for Relevant and K is for total number of items in the instrument.

The value of Content Validity Index (CVI) obtained was interpreted using the George and Mallery (2003) scale.

3.6.2 Reliability of the Instrument

Reliability refers to consistency in delivering results. According to Kothari (2007), reliability is the extent to which data collection process yields consistent results. This term means to what extent does the repeated measurement of the same object, using the same instrument, yield the same or very similar results. To ascertain reliability, the researcher pre-tested the research instrument on a reasonable number of staffs within Uganda Baati limited, who were not used in the final data collection process. After pre-testing, the Chronbach's Alpha formula was used to compute the reliability coefficient which was an indicator of the level of reliability of the instrument. A reliability coefficient value of 0.7 was obtained indicating acceptable reliability (George and Mallery, 2003).

3.7 Analysis of Data

Data collected was first be cleaned and scrutinized for any missing values before actual analysis.

3.7.1 Quantitative Data analysis

Quantitative data collected was entered into the Statistical Package for Social Scientists (SPSS) computer software. The software was commanded to generate descriptive statistics such as frequencies, percentages and means. Then correlation analysis was run using the SPSS software to establish the relationship between working capital management on organizational profitability in Uganda Baati limited.

3.7.2 Qualitative Data analysis

Analysis of qualitative data was done through a process of establishing themes, verification and drawing conclusions. The qualitative data was analysed for content and language used by thorough transcribing of recorded interviews looking out for similarities and differences to identify themes and develop categories according to the objectives. Data cleaning, editing and coding of the items in the questionnaire was employed to cross check and interpret qualitative data and generate theoretical relations for making conclusions. The interplay between the findings solicited by both quantitative and qualitative data enabled the researcher to draw conclusions and subsequently make recommendations.

3.8 Ethical Considerations

The researcher respected anonymity of the respondents by ensuring confidentiality of the respondents and the data provided. This was done through assurance that the information they provided was purely for academic purposes and that their identity would not be disclosed to anyone. This was highlighted in the introductory part of the questionnaire or before the interview session and objectivity was considered during report writing to avoid personal bias.

3.9 Limitations of the Study

The researcher experienced high financial costs to meet all the necessary data or information regarding the study like getting information from the internet cafes, photocopying of materials and the transport costs were quite expensive to maintain.

Absenteeism of some key respondents on interdiction affected researcher

The researcher also faced challenges of delays in accessing information about the subject matter because the officers to provide the information were ever busy.

Wrong information in some cases due to misinterpretations of the questions by the respondents and personal bias.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE RESEARCH FINDINGS

4.0 Introduction

This chapter presents data presentation, analysis and interpretation of the research findings on the objectives of the study i included what the chapter was covered and re-state the objectives

4.1 Descriptive analysis RATHER call it Background information

Table 4.1 shows the age bracket of respondents

Age bracket	Frequency	Percent
20 and below	17	33.3%
21-30 years	26	50.0%
31-40 years	09	16.7%
Total	52	100%

Source: field data (2019)

The findings show that 50% of the respondents were in the age bracket of 21-30 years, 33.3% of the respondents were 20 years and below and 16.7% of the respondents were in the age bracket of 31-40 years. Uganda Baati employs basically youth and this as increased efficiency since the youth have a lot of zeal towards work.

Table 4.2 shows the gender of the respondents

Gender	Frequency	Percentage
Male	35	66.7%
Female	17	33.3%
Total	52	100%

Source: field data (2019)

The findings from the study show that 66.7% of the respondents were male, 33.3% of the respondents were female. The findings imply that there are more male employees at Uganda Baati Tororo branch compared to the female.

Table 4.3 shows the education level of respondents

Education level	Frequency	Percentage
Certificate	09	16.7%
Diploma	17	33.3%
Bachelor's degree	26	50%
Total	52	100%

Source: field data (2019)

The findings from table 4.3 show that 50% of the respondents were bachelor degree holder, 33.3% of the respondents were diploma holders and 16.7% of the respondents were certificate holders. The findings from the study imply that Uganda Baati employs mostly literate people and this has enhanced efficiency in accomplishing tasks of the organization.

Table 4.4 shows the period of the respondents working at Uganda Baati

Duration	Frequency	Percent
between 2-4 years	17	33.3%
5-7 years	26	50.0%
8-10 years	09	16.7%
Total	52	100%

Source: field data (2019)

The findings from the study show that 50% of the respondents have worked at Uganda Baati for a period of 5- 7years, 33.3% of the respondents have worked at Uganda Baati for 2-4 years, 16.7% of the respondents have spent working at Uganda Baati for 8-10 years. The findings from the study imply that most employees have spent 5-7 years working at Uganda Baati and this shows that they have experience in whatever they do

4.2 Inventory management and profitability at Uganda Baati

Table 4.5 shows how inventory management affects profitability levels of Uganda Baati Limited.

Inventory management	SA	A	N	D	SD	Mean
Inventory budget is prepared to ensure optimal inventory is available for smooth operations of the firm	91.7%	8.3%	0%	0%	0%	1.08
The level of inventory is reviewed to ensure optimal stock is maintained	66.3%	33.7%	0%	0%	0%	1.33
Economic order quantities (EOQ) are set to enable a firm to reduce on the ordering and carrying cost of inventory.	58.3%	41.7%	0%	0%	0%	1.42
Proper inventory management has enhanced organizational profitability in Uganda Baati Limited.	25%	66.7%	8.3%	0%	0%	1.92
The firm's inventory management has improved customer's levels of satisfaction.	50%	41.7%	8.3%	0%	0%	1.58

Source: field data (2019)

Findings from table 4.5 reveal that majority of respondents, 91.7% strongly agreed that inventory budget is prepared to ensure that inventory is available for smooth operations of the firm, 8.3% of the respondents agreed with the statement. The mean was 1.08. The findings from the study imply that inventory budgets ensure optimal availability of inventory within the organization.

This means that majority of respondents agreed that inventory budget is prepared to ensure optimal inventory is available for smooth operations of the firm. This implies that UBL budgets it inventory that make it available for work hence improved organizational profitability or maybe continuous flow of materials etc

Findings from table 4.5 above show that majority of the respondents 66.7% strongly agreed that the level of inventory is reviewed to ensure optimal stock is maintained, 33.3% of the respondents agreed with the statement, the mean is 1.33. The findings from the study imply that review of inventory ensures that there is availability of optimal inventory in the organization.

Results from table 4.5 show that 58.3% of the respondents strongly agreed that economic order quantities are set to enable the firm reduce on the ordering and carrying cost of inventory, 41.7% of the respondents also agreed with the statement, the mean is 1.42. The findings imply that economic order quantities reduce carrying cost of inventory within an organization.

Finding in the table above reveal hat 66.7% of the respondents agreed that inventory management has enhanced the organization profitability in Uganda Baati Limited, 25% of the respondents also strongly agreed with the statement respectively, 8.3% of the respondents were neutral about the statement, the mean is 1.92. The findings from the study imply that inventory management leads to increase in the profit levels of the organization. These findings are in line with (Mahidin et al., 2015), who argues that an effective inventory management improves the firm's total performance through matching inventory management practices and a competitive advantage especially now that most organizations operates in a more competitive industries or sectors all over the world.

Results from table 4.5 above show that majority, 50% of the respondents strongly agreed that the firm's inventory management has improved the customers' level of satisfaction. 41.7% of the respondents also agreed with the statement. 8.3% of the respondents were neutral about the statement. The mean is 1.58. The findings from the study imply that inventory management enhance the customers' satisfaction.

As a company, we have got a proper policy when it comes to inventory and indeed this has seen us earn more profits because we always have enough raw materials in our stores and this has helped us to avoid shortages of inventories.

Table 4.6 shows a regression relationship between inventory management and profitability of manufacturing industries

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.715	.610	.055

a. Predictors: (Constant), inventory budget ensure optimal inventory availability

Source: field data (2019)

The findings from the study show that there is a strong positive correlation between inventory management and profitability of manufacturing companies. (R=0.813) gives evidence that there is a significant strong positive correlation between inventory management in terms of inventory budgeting and profitability of manufacturing companies in terms of increase in the size of equity of the firm.

4.3 Accounts receivable management and profitability of manufacturing companies

Table 4.7 shows how accounts receivable management affects the profitability of manufacturing companies

Accounts receivables management	SA	A	N	D	SD	Mean
All customers pay their debts due to the firm timely.	66.7%	33.3%	0%	0%	0%	1.33
Interest is charged on the customers overdue accounts.	58.3%	41.7%	0%	0%	0%	1.42
Customers receive a discount if their accounts are settled within a given specified period.	50%	50%	0%	0%	0%	1.50
Uganda Baati Limited emphasizes proper management of accounts receivables to increase on their profitability.	41.7%	58.3%	0%	0%	0%	1.58
Proper management of debtors has improved overall profitability in Uganda Baati Ltd	33.3%	58.3%	0%	8.3%	0%	1.83

Source: field data (2019)

The findings from the table 4.7 above reveal that majority of the respondents, 66.7% strongly agreed that all customers pay their debts due to the firm timely, 33.3% of the respondents also agreed with the statement. The mean is of the respondents. Findings imply that all debtors to Uganda Baati clear their debt obligations in due time.

Results from table 4.7 show that 58.3% of the respondents strongly agreed that there is an interest charged on the customers' overdue accounts. 41.7% of the respondents also agreed with the statement. The findings imply that an interest charged on overdue ensures that debts are cleared in time and this increases liquidity within the organization. The mean is1.42.

Findings from the above table reveal that 50% of the respondents strongly agreed and agreed that customers receive a discount if their accounts are settled within a given period of time respectively. The findings from the study imply that customer discounts stimulates the customers in settling their accounts promptly. The mean is 1.50.

Results from table 4.7 show that majority of the respondents, 58.3% agreed that proper management of receivables accounts increases profitability. 41.7% of the respondents also agreed with the statement. The findings from the study imply that proper management of receivable accounts increases profitability within the organization. The mean is 1.58.

Findings from the above table reveal that 58.3% of the respondents agreed that proper management of debtors has overall improvement in profitability in Uganda Baati limited. 4.7% the respondents also strongly agreed with the statement. The findings imply that managing debtors is essential in business and should be done with strict policies. The mean is 1.83.

Accounts receivables management affects all businesses both negatively and positively but for our own case we try as hard as we can to see that our customers are reminded to clear any outstanding debt that they owe the company and so in doing, I can say we have on good policy concerning our receivables here.

Table 4.8 shows a regression relationship between accounts receivable management and profitability of manufacturing industries

Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725[a]	.616	.648	.512

a. Predictors: (Constant), all customers pay their debts accounts receivable

Source: field data (2019)

Findings from regression analysis show that there is a significant relationship between accounts receivable management and profitability of manufacturing companies. (R=0.725) shows that there is a strong positive correlation between accounts receivable management and profitability of manufacturing. The findings imply that proper accounts receivable management ensures that there is liquidity within the organization hence smooth running of the operations increased emphasis on accounts receivable management will lead to increase organizational profitability. Therefore UBL should improve accounts receivable management if organizational profitability is to be improved.

4.3 Accounts payable management and profitability of manufacturing companies

Table 4.9 shows how accounts payable management affects the profitability of manufacturing companies

Accounts payable management	SA	A	N	D	SD	Mean
Uganda Baati Ltd has in place Payables policies to avoid liquidity risks.	66.7%	33.3%	0%	0%	0%	1.33
Payables payments are monitored to ensure timely supply of raw materials.	58.3%	41.7%	0%	0%	0%	1.42
Credit policies are reviewed to ensure optimal credit is maintained at all times.	33.3%	50%	16.7%	0%	0%	2.00
Credit facilities have enabled the firm to adequately finance its operations.	25%	50%	8.3%	16.7%	0%	2.17
Proper management of accounts payables has improved overall profitability in Uganda Baati Ltd	16.7%	66.7%	0%	16.7%	0%	2.17

Source: field data (2019)

The findings from the study show that 66.7% of the respondents strongly agreed that Uganda Baati limited has put in place payable policy to avoid liquidity risk, 33.3% of the respondents also agreed with the statement. The findings from the study imply that payable policies reduce on the chances of having bad debts in the business. The mean is 1.33.

Results from table 4.9 above reveal that 58.3% of the respondents strongly agreed that payables payments are monitored to ensure timely supply of raw materials, 41.7% of the respondents agreed with the statement. The findings from the study imply that monitoring expenditures in business ensure the availability of inventory and hence customer satisfaction. The mean was 1.42.

Findings from table 4.9 reveal that majority of the respondents 50% agreed that credit policies are reviewed to ensure optimal credit is maintained at all times, 33.3% of the respondents also strongly agreed with the statement, 16.7% of the respondents were neutral about the statement. The findings from the study imply that credit policies maintain optimal credit levels within the business. The mean is 2.00.

Results from the above table show that 50% of the respondents agreed that credit facilities have enabled the firm to adequately finance its operation. 25% of the respondents strongly agreed with the statement. 16.7% of the respondents disagreed with the statement and 8.3% of the respondents were neutral about the claim. The findings from the study imply that credit facilities enable adequate finance of operations in manufacturing companies. The mean is 2.17.

Findings from table 4.9 reveal that majority of the respondents 66.7% agreed that proper management of accounts payables has improved overall profitability in Uganda Baati limited, 16.7% of the respondents strongly agreed and disagreed with the statement respectively. The findings from the study imply that proper management of payables accounts has ensured overall profitability in Uganda Baati. The mean is 2.17.

As a company we have also got some people or companies to settle some outstanding bills for and so this to does reduce on our profits but still you have to clear them off.

Table 10 shows a regression analysis between payment accounts management and profitability of manufacturing companies

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550[a]	.463	.473	.500

a. Predictors: (Constant), there are payable policies to avoid liquidity risks

The findings from the regression show that there is a significant relationship between payment accounts management and profitability of manufacturing industries. (R=0.550) shows that there is a moderate positive correlation between having payable policies in the organization and increase in the size of equity of the firm. The findings imply that payments accounts management positively affects profitability of manufacturing industries

4.4 Profitability in Uganda Baati Limited

Table 4. 11 shows the profitability performance of Uganda Baati Limited Tororo branch

Profitability performance	SA	A	N	D	SD	Mean
Uganda Baati Ltd has increased in the size of the firm's equity for the last two years.	66.7%	33.3%	0%	0%	0%	1.33
There has been an increased on return on assets in the past two years.	33.3%	66.7%	0%	0%	0%	1.33

The firm has a good investment policy that has enhanced its profitability levels.	58.3%	33.3%	8.3%	0%	0%	1.50
Uganda Baati Limited net profit margin has gone above average.	33.3%	33.3%	16.7%	16.7%	0%	2.17
Proper management of working capital has led to overall improvement in organizational profitability in Uganda Baati Ltd	25%	41.7%	0%	25%	8.3%	2.50

Source: field data (2019)

The findings from the study show that 66.7% of the respondents strongly agreed that Uganda Baati limited has increased in the size of the firm's equity for the last two years, 33.3% of the respondents also agreed with the statement. The findings imply that there is an increment in equity in Uganda Baati due to effective working capital management. The mean is 1.33.

Finding s from table 4.11 above reveal that 66.7% of the respondents agreed that there has been an increased return on assets in the past two years, 33.3% of the respondents also agreed with the statement. The findings from the study imply that there has been an increment in return on assets due to effective accounts payable management. The mean was 1.33.

Results from table 4.11 above reveal that 58.3% of the respondents strongly agreed that a good investment policy has enhanced the profitability level of Uganda Baati, 33.3% of the respondents of the respondents also agreed with the statement. 8.3% of the respondents were neutral about the statement. The findings from the study imply that good investment policies ensure better returns in manufacturing business. The mean is 1.50

Findings from the table indicate that 33.3% of the respondents strongly agreed and agreed that Uganda Baati Limited's net profit margin has gone above average respectively. 16.7% of the respondents were neutral and disagreed with the statement respectively. There has been an increase in the net profit margin at Uganda Baati. The mean is 2.17.

Results from table 4.11 indicate that 41.7% of the respondents agreed that proper management of working capital has led to overall improvement in organization profitability, 25% of the respondents strongly agreed and disagreed with the statement respectively. 8.3% of the respondents strongly disagreed with the statement. The findings imply that proper management of working ensures improvement in the profit levels of the organization. The mean is 2.50.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND AREA OF FURTHER STUDIES

5.0 Introduction

This chapter presents the summary of the findings, conclusions, recommendations and area of further studies.

5.1Summary of the findings

5.1.1 Effect of inventory management on profitability in manufacturing industries?

Results indicate that 91.7% of the respondents strongly agreed that inventory budget is prepared to ensure inventory is available for smooth operations of the firm. Findings from the study imply that inventory budgets ensure optimal availability of inventory within the organization, 66.7% of the respondents strongly agreed that the level of inventory is reviewed to ensure optimal stock is maintained. Findings from the study imply that review of inventory ensures that there is availability of optimal inventory in the organization, 58.3% of the respondents strongly agreed that economic order quantities are set to enable the firm reduce on the ordering and carrying cost of inventory, findings imply that economic order quantities reduce carrying cost of inventory within an organization. 66.7% of the respondents agreed that inventory management has enhanced the organization profitability in Uganda Baati Limited; findings from the study imply that inventory management leads to increase in the profit levels of the organization. 50% of the respondents strongly agreed that the firm's inventory management has improved the customers' level of satisfaction, findings from the study imply that inventory management enhance the customer's satisfaction

The findings from the study show that there is a strong positive correlation between inventory management and profitability of manufacturing companies. (R=0.813) gives evidence that there is a significant strong positive correlation between inventory management in terms of inventory budgeting and profitability of manufacturing companies in terms of increase in the size of equity of the firm.

5.1.2 Effect of account receivables management on profitability in manufacturing industries?

Findings reveal that 66.7% of the respondents strongly agreed that all customers pay their debts due to the firm timely, Findings imply that all debtors to Uganda Baati clear their debt obligations in due time. 58.3% of the respondents strongly agreed that there is an interest charged on the customers' overdue accounts, findings imply that an interest charged on overdue ensures that debts are cleared in time and this increases liquidity within the organization .50% of the respondents strongly agreed and agreed that customers receive a discount if their accounts are settled within a given period of time respectively. The findings from the study imply that customer discounts stimulates the customers in settling their accounts promptly. 58.3% of the respondents agreed that proper management of accounts receivable increases profitability, findings from the study imply that proper management of accounts receivable increases profitability within the organization. 58.3% of the respondents agreed that proper management of debtors has overall improvement in profitability in Uganda Baati limited. Findings imply that managing debtors is essential in business and should be done with strict policies.

Findings from regression analysis show that there is a significant relationship between accounts receivable management and profitability of manufacturing companies. (R=0.725) shows that there is a strong positive correlation between accounts receivable management and profitability of manufacturing. The findings imply that proper accounts receivable management ensures that there is liquidity within the organization hence smooth running of the operations

5.1.3 Effect of accounts payables management on profitability in manufacturing industries?

Findings reveal that66.7% of the respondents strongly agreed that Uganda Baati limited has put in place payable policies to avoid liquidity risks, findings from the study imply that payable policies reduce on the chances of having bad debts in the business. 58.3% of the respondents strongly agreed that payables payments are monitored to ensure timely supply of raw materials. Findings from the study imply that monitoring expenditures in business ensure the availability of inventory and hence customer satisfaction. 50% of the respondents agreed that credit policies are reviewed to ensure optimal credit is maintained at all times findings from the study imply that credit policies maintain optimal credit levels within the business.50% of the respondents agreed that credit facilities have enabled the firm to adequately finance its operation, findings from the study imply that credit facilities enable adequate finance of operations in manufacturing companies.66.7% of the respondents agreed that proper management of accounts payables has improved overall profitability in Uganda Baati limited, findings from the study imply that proper management of payables accounts ensure overall profitability in Uganda Baati limited.

The findings from the regression show that there is a significant relationship between accounts payable management and profitability of manufacturing industries. (R-=0.550) shows that there is a moderate positive correlation between having payable policies in the organization and increase in the size of equity of the firm. The findings imply that payments accounts management positively affects profitability of manufacturing industries.

5.1.4 Profitability performance of Uganda Baati limited

Findings reveal that 66.7% of the respondents strongly agreed that Uganda Baati limited has increased in the size of the firm's equity for the last two years, findings imply that there is an increment in equity in Uganda Baati due to effective working capital management.66.7% of the respondents agreed that there has been an increased return on assets in the past two years; findings from the study imply that there has been an increment in return on assets due to effective accounts payable management.58.3% of the respondents strongly agreed that a good investment policy has enhanced the profitability level of Uganda Baati, findings from the study imply that good investment policies ensure better returns in manufacturing business.33.3% of the respondents strongly agreed and agreed that Uganda Baati Limited's net profit margin has gone above average respectively, there has been an increase in the net profit margin at Uganda Baati. 41.7% of the respondents agreed that proper management of working capital has led to overall improvement in organization profitability; findings imply that proper management of working ensures improvement in the profit levels of the organization.

5.2 Conclusions

5.2.1 What is the effect of inventory management on profitability in manufacturing industries?

Inventory budget ensure that there is availability of inventory in the organization, review of inventory ensure that there is optimal stock of inventory in the industry. Economic order quantities reduce carrying costs of inventory. Inventory management ensures customer satisfaction since they get the commodities or products on time.

5.2.2What is the effect of account receivables management on profitability in manufacturing industries?

Interest is charged on customers who have overdue accounts with the industry. Discounts stimulate the customers in settling their accounts promptly. Proper management of receivable accounts increases profitability within the organization. Managing debtors is essential in business and should be done with strict policies.

5.2.3 What is the effect of accounts payables management on profitability in manufacturing industries?

Accounts payable policies reduce on the chances of having bad debts in the business. Monitoring expenditures in business ensure the availability of inventory and hence customer satisfaction. Credit policies maintain optimal credit levels within the business; credit facilities enable adequate finance of operations in manufacturing companies. Proper management of payables accounts ensures overall profitability in Uganda Baati.

5.2.4 Profitability performance of Uganda Baati limited

There has been an increment in return on assets due to effective accounts payable management; good investment policies ensure better returns in manufacturing business. There has been an increase in the net profit margin at Uganda Baati limited.

5.3 Recommendations

5.3.1What is the effect of inventory management on profitability in manufacturing industries?

Management of inventory is vital, thus Uganda Baati limited should ensure that they obtain the right supplier and this will enhance on inventory management.

5.3.2 What is the effect of account receivables management on profitability in manufacturing industries?

Debtors should be handled with utmost care with specific guidelines and policies. This might reduce on the number of debtors that business handles and hence improving on equity in the enterprise.

5.3.3 What is the effect of accounts payables management on profitability in manufacturing industries?

Manufacturing industries should obtain credit at low interest rates, credit will help to finance operations and hence increase on the output of the industry.

5.4 Areas of further study

The study suggests the following areas:

Impact of receivables and payables management on the profitability of Manufacturing Firms

Impact of Inventory Management Practices on Financial Performance of Manufacturing Firms

Effect of Accounts Receivable on the profitability of manufacturing Firms

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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR STAFF MEMBERS

Dear Respondent,

My name is **Mugerwa Umaru,** a Student of Uganda Kampala International University, pursuing a Bachelors Degree of Business Administration. I am carrying out a research on the relationship between working capital management and organizational performance on manufacturing firms in Uganda Baati Limited, as a partial fulfillment of the requirements for the award of the mentioned course. You have been carefully selected to take part in this study because of the position you occupy in the company.

The information given will be treated with at most confidentiality and purely will be used for academic purposes.

Thank in advance.

SECTION A: BIO DATA OF RESPONDENTS

Please, give your appropriate view by ticking in the given boxes.

1). Age Bracket (in years)

i. 20 and below ☐ ii.21- 30 ☐ iii. 31- 40 ☐ iv. Above 41 ☐

2). Gender of the respondent

i. Male ☐ ii. Female ☐

3). Highest Level of education

i. UCE ☐ ii UACE ☐ iii. Certificate ☐ iv. Diploma ☐ v. Bachelor's Degree ☐

vi Post graduate ☐ vii. Others..

4). Period of time working in Uganda Baati Limited

i. 1 year and below ☐ ii. Between 2 - 4yrs ☐ iii. 5-7yrs ☐ iv.8- 10yrs ☐

v. 11years and above ☐

Relationship between working capital management on organizational profitability.

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

Please use the above scale to Tick your appropriate view /opinion on the following statement below.

Section B: Inventory management in Uganda Baati Limited

No	Statement	1	2	3	4	5
1	Inventory budget is prepared to ensure optimal inventory is available for smooth operations of the firm					
2	The level of inventory is reviewed to ensure optimal stock is maintained					
3	Economic order quantities (EOQ) are set to enable a firm to reduce on the ordering and carrying cost of inventory.					
4	Proper inventory management has enhanced organizational profitability in Uganda Baati Limited.					
5	The firm's inventory management has improved customer's levels of satisfaction.					

Section C: Accounts receivables management in Uganda Baati Limited

No	Statement	1	2	3	4	5
1	All customers pay their debts due to the firm timely.					
2	Interest is charged on the customers overdue accounts.					
3	Customers receive a discount if their accounts are settled within a given specified period.					
4	Uganda Baati Limited emphasizes proper management of accounts receivables to increase on their profitability.					
5	Proper management of debtors has improved overall profitability in Uganda Baati Ltd					

SECTION D: Accounts payables in Uganda Baati Limited

No	Statement	1	2	3	4	5
1	Uganda Baati Ltd has in place Payables policies to avoid liquidity risks.					
2	Payables payments are monitored to ensure timely supply of raw materials.					
3	Credit policies are reviewed to ensure optimal credit is maintained at all times.					
4	Credit facilities have enabled the firm to adequately finance its operations.					
5	Proper management of accounts payables has improved overall profitability in Uganda Baati Ltd					

SECTION E: Organizational Profitability in Uganda Baati Limited

No	Statement	1	2	3	4	5
1	Uganda Baati Ltd has increased in the size of the firm's equity for the last two years.					
2	There has been an increased on return on assets in the past two years.					
3	The firm has a good investment policy that has enhanced its profitability levels.					
4	Uganda Baati Ltd's net profit margin has gone above average.					
5	The company has increased number of assets in the recent past					
6	Proper management of working capital has led to overall improvement in organizational profitability in Uganda Baati Ltd					

APPENDIX II: INTERVIEW GUIDE

i. How does your company ensure proper working capital management?

ii. Do you think accounts payables management has any effect on the firm's profitability?

iii. In your opinion, do you think accounts receivables management in one way or the other has any effect on the firm's profitability?

iv. In your opinion, do you think there is a good relationship between the firm and its accounts receivables?

   If yes, has it helped in debt recovery?

v. How does the company ensure proper inventory management and in your opinion, has it had any effect on the level of profitability?

APPENDIX III: Table for determining sample size from a given population

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

Note: "N" is population size

"S" is sample size.

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