

**FOREIGN EXCHANGE RISK MANAGEMENT AND PERFORMANCE
OF FOREX BUREAUS IN KAMPALA
CASE STUDY OF ABC FOREX BUREAU**

**BY
ATUHURA SYLVIA
BBA/35581/113/DU**

**A DISSERTATION SUBMITTED TO THE COLLEGE OF APPLIED
ECONOMICS AND MANAGEMENT SCIENCE IN PARTIAL
FULFILLMENT FOR THE AWARD OF A BACHELOR
DEGREE IN BUSINESS ADMINISTRATION
OF KAMPALA INTERNATIONAL
UNIVERSITY**

April, 2014

DECLARATION

Atuhura sylvia do hereby declare that this dissertation is my original work and has, to the best of my knowledge, not been published or submitted for any degree award to any other University before.

ATUHURA SYLVIA Atuhura

Student) Signature

Date: 25/11/2014

APPROVAL

This is to certify that this dissertation has been submitted for examination in partial fulfillment
for the award of Bachelors Degree in Business Administration with the approval of the
University Supervisor


.....

MR. RUTEGANDA MICHAEL

Date: 25/04/14

DEDICATION

In the Name of GOD, The Compassionate, The Merciful.

This work is a tribute to my dear father, Isingoma Joseph and mother, Akusekera Margret not forgetting my friends; Kusiima Evelyne, Karungi Bridget, Kyagondeze Max among the many for their patience, understanding and love to cause possibilities.

ACKNOWLEDGEMENT

would like to express thanks to my dissertation supervisor. This study has been possible with the attentive supervision of Mr. Ruteganda Michael . In addition, committee reviewers are appreciated for their timely feedback. Their academic support enabled work-in-progress from the proposal to this dissertation.

Gratitude is highly extended to study participants for their resourceful co-operation.

Cooperative face to face interviews with managers of ABC forex bureaus was a memorable source of study data.

Many thanks to the Faculty Lecturers, Management and Staff at College of applied economics and management science for their respective roles during the graduate studies. Appreciation is further extended to workmates, field assistant and course mates for their constant source of motivation, discussion and company.

Finally, appreciation is extended to Katuntu David and Egwau Julius for their historical contribution to my academic life. Family members were very encouraging like Kusiima velyne, Akusekera Margret, Byaruhanga Fred, Kirungi Bonny.

God bless you all.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES.....	ix
ABSTRACT	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Purpose of the Study	3
1.4 Objectives of the Study	3
1.5 Research Questions	3
1.6 Scope of the Study.....	3
1.6.1 Content scope of study	3
1.6.2 Geographical scope of study	3
1.6.3 Time scope	3
1.7 Significance of the Study	4
1.8 Conceptual Framework	4
CHAPTER TWO.....	6
LITERATURE REVIEW	6
2.0 Introduction	6
2.1 Foreign Exchange Risk Management.....	6
2.1.1 Currency Risk Assessment.....	7
2.1.2 Currency Risk Strategies	9
2.2 Human capital	12
2.2.1 Skill	12
2.2.2 Training	13
2.2.3 Experience	13
2.3 Performance	14

2.3.1 Sales Volume.....	14
2.3.2 Profitability.....	14
2.4 Foreign Exchange Risk Management and Performance	15
2.5 Human Capital and Performance	17
2.6 Human Capital, Foreign Exchange Risk Management and Performance	19
2.7 Conclusion.....	20
CHAPTER THREE.....	21
METHODOLOGY	21
3.0 Introduction	21
3.1 Research Design.....	21
3.2 Study Population	21
3.3 Sample Size and Sampling Procedures	21
3.4 Data Sources and Collection Instruments	22
3.5 Validity and Reliability of Research Instruments	22
3.6 Measurement of Study Variables	23
3.7 Data Processing and Analysis	24
3.8 Ethical Considerations.....	24
3.9 Limitations of the Study.....	24
CHAPTER FOUR	25
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	26
4.0 Introduction	26
4.1 Descriptive Statistics	26
4.1.1 Response Rate	26
4.1.2 Firm subcomponent.....	27
4.1.3 Employee size	27
4.1.4 Duration of the firm.....	28
4.1.5 Ownership Structure.....	29
4.1.6 Respondent Demographics.....	29
4.1.7 Cross Tabulations	31
4.2 Rotated Factor Analysis	34
4.3 Pearson Correlation Analysis	38
4.3.1 Foreign Exchange Risk Management and Performance	38

4.3.2 Human Capital and Performance38

4.4 Multiple Regression Analysis39

4.4.1 Combined Effect by Independent Variables.....40

4.4.2 Individual Contribution by Independent Variable.....40

4.5 Other Study Findings40

4.4.1 ANOVA of Ownership by Study Variable.....40

4.4.2 ANOVA of Gender by Study Variable41

4.4.3 ANOVA of Education by Study Variable42

4.4.4 ANOVA of Years in Service by Study Variable.....43

CHAPTER FIVE.....44

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS44

5.0 Introduction44

5.1 Discussion44

5.1.1 Relationship between Foreign Exchange Risk Management and Performance44

5.1.2 Relationship between Human Capital and Performance45

5.1.3 Effect of Human Capital and Foreign Exchange Risk Management on.....45

Performance45

5.2 Conclusions46

5.3 Recommendations46

5.4 Areas of Further Research.....47

REFERENCES.....48

APPENDICES.....54

Appendix I: Time Frame54

APPENDIX II: Research Budget55

Appendix III: Interview Schedule56

IST OF TABLES

age

able 1: Proportionate Stratified Sampling 30

able 2: Pretest Content Validity and Reliability Result 31

able 3: Actual Study Reliability Test 31

able 4: Response Rate 34

able 5: Employee size 36

able 6: Respondent Profile Results 38

able 7: Age Group by Gender Results 39

able 8: Age Group by Highest Education Result..... 40

able 9: Factor Analysis - Human Capital 41

able 10: Factor Analysis - Foreign Exchange Risk Management 42

able 11: Factor Analysis - Financial Performance..... 43

able 12: Zero-order Correlation Matrix 44

able 13: Multiple Regression Analysis 46

able 14: ANOVA of Ownership by Study Variable 47

able 15: ANOVA of Gender by Study Variable 48

able 16: ANOVA of Study Variables by Education 49

able 17: ANOVA of Years in Service by Study Variable..... 50

LIST OF FIGURES

Figure 1: Conceptual Framework 6

Figure 2: Firm Subcomponent 35

Figure 3: Duration of the firm 36

Figure 4: Ownership Structure..... 37

Figure 5 : Final Correlation Model 45

ABSTRACT

The main aim of this study is to empirically examine the relationship between foreign exchange risk management, human capital and financial performance of ABC forex bureaus in Kampala. Drawn from literature, independent variables namely foreign exchange risk management and human capital will be formulated to link each research question per relationship and joint effect on Performance. The research motivation will be the unstable financial performance in sales volume and profitability of ABC forex bureaus within Kampala.

The cross sectional, correlational and descriptive study designs will enable the conceptual framework in the deliberate survey and will ease a structured interview schedule for data collection using proportionate stratified and purposive sampling on 103 firms. This caused a response rate of 90.3 percent (n=93). Statistical Package for Social Scientist (SPSS) Version 17 tested for descriptive, rotated component, correlation, multiple regression and Variance analysis findings show significant factor inter-correlations between dimensions. Pearson's correlation coefficient (r) revealed that Foreign Exchange Risk Management proved a stronger positive association and predictor effect than the moderate Human Capital with regard to Financial performance. In addition, a multiple regression test showed a joint positive impact of 16.6 percent by both human capital and foreign exchange risk management to predict the financial performance. This significantly proved the conceptual and research literature.

Management insights and improvements on the indirect role of human capital and foreign exchange risk management can boost competitive advantage to better financial performance. Forex bureaus should endeavor procedural reforms in operations, in-house training, optimal forex strategies, networking and needs assessment for firm specific human capital.

Key words: Foreign Exchange Risk Management, Human Capital, Financial Performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Since 1990, forex bureaus were liberalized to transact as currency outlets in the private sector of Uganda. Several firms have been incorporated and licensed in Kampala as a dominant currency money market. The Uganda Forex Bureau and Money Remittance Association ([UFBAMRA] 2009) reported over 94 percent of national forex bureaus transact currency trade within Kampala business city due to high foreign currency circulation. However the emergence of global financial crisis in 2008 caused more reactive fluctuations in sales and profit performance. The forex report (2009) stated an annual average of five closures with low business performance as managers regretted low currency spreads and underpricing. Their nature of ongoing business activity was inevitably vulnerable to foreign exchange risk to cause overtime performance variations. Oxelheim (1984) defines foreign exchange risk as the risk of change (gain or loss) in the company's future economic value due change of foreign exchange rates. It is manifested by exposure, the degree to which a company performance is affected by exchange rate changes. Thus, Shapiro (2006) suggests adherence to foreign exchange risk management, which involves currency assessment (identification and quantification) and designed counter-strategies against foreign exchange risk.

The performance of ABC forex bureau is highly financial in nature. It hence affected through low net cash flows, low sales turnover and uncertain profits due to exchange rate volatility in the era of globalization. Mutebile E. (2011) stated that Uganda Shilling (UGX) per US Dollar is undervalued and further depreciation will be counterproductive as seen in Appendix 5. While exchange rate fluctuation is a recurrent event, it is a challenge to acknowledge foreign exchange risk after realizing financial distress by dismal profits or loss performance.

UFBAMRA (2009) indicates that total market turnover from July 2008 to April 2009 declined by about 27 percent from US\$ 16.8 billion to US\$ 12.3 billion. As at December 2009, the ABC forex bureau subsector had overall net after tax loss of UGX 289.8 million (Background to the budget, 2010, 32). This loss debates how foreign exchange risk management handles foreign exchange volatility to achieve earnings. Bank of Uganda ([BOU], 2010) states the January-June purchases (929.86 million US dollars) by forex bureaus outweighed corresponding sales (791.14

million US dollars) by a 17.53 percent to reveal unfavourable sales performance whereas monthly remittances were erratic between 25 million US dollars and 40 million US dollars. ABC forex bureau has consistently faced reduced performance in the money market. This raises concerns as to whether prevailing performance gaps reflect their statistics in Kampala.

Like foreign exchange risk, the human capital is an unpredictable factor whose skill level, trade experience, education qualification and training fluctuates due to liberal entry and exit in the forex sector. At the same time, management of ABC forex bureau target sales returns and profit as key business objectives. While Bartel (1994) and Russell et al., (1985) relates training programs to productive performance, ABC forex bureau in 2009 acknowledged gaps in customer care and service delivery while firm training agenda was rare due to competition.

We would like to encourage our members not to compete on rates, but provide better service delivery to attract and retain their customers. For this reason, we plan to continue capacity building for members on specific needs and performance monitoring through the bureau rating scheme. (Kiiza. C, 2009, p.5)

Uncertainties by the role of foreign exchange risk management and human capital have been acknowledged within the forex bureau association. This calls for an investigation on the low performance statistics of the ABC forex bureau in the current regulatory framework.

2 Statement of the Problem

The ABC forex bureau in Kampala has continued to experience routine fluctuations in annual financial performance. The ABC forex annual report (2009) revealed low multi-currency spreads and limited human capital agenda. The first half of 2010 had low sales volumes and profitability levels which further threatens financial distress on business existence and expansion of ABC forex bureau. Other Stakeholders like BOU and the forex association have partly addressed the unpredictable currency rates and human capacity. Despite management effort for firm-specific human capacity and forex risk control, ABC forex bureau is highly characterised with low financial performance yet adhered to sales and profit objective.

Inadequate practice of foreign exchange risk management and shortcomings in human capital could have a possible direct relationship on the performance of forex bureaus.

1.3 Purpose of the Study

The purpose of the study is to investigate the relationship between foreign exchange risk management, human capital, and performance of ABC forex bureau in Kampala.

1.4 Objectives of the Study

Specifically, the intended objectives of the study are:-

- i. To establish the relationship between foreign exchange risk management and performance of forex bureaus.
- ii. To establish the relationship between human capital and performance of forex bureaus.
- iii. To investigate the effect of human capital and foreign exchange risk management on performance of forex bureaus.

1.5 Research Questions

In order to address the research problem, the following were research questions:-

- i. What is the relationship between foreign exchange risk management and performance of forex bureaus?
- ii. What is the relationship between human capital and performance of forex bureaus?
- iii. What is the effect of human capital and foreign exchange risk management on performance of forex bureaus?

1.6 Scope of the Study

1.6.1 Content scope of study

This study will focus on relationship between study components namely foreign exchange risk management, human capital and performance of ABC forex bureaus.

1.6.2 Geographical scope of study

The study will be confined to ABC forex bureau within the business district of Kampala. BOU (2010) states that Kampala hosts at least 94 percent of national forex bureaus.

1.6.3 Time scope

The study will take a period of 3 months, from March to May, 2014. This period is taken since it will enable the researcher collect enough data concerning the study topic.

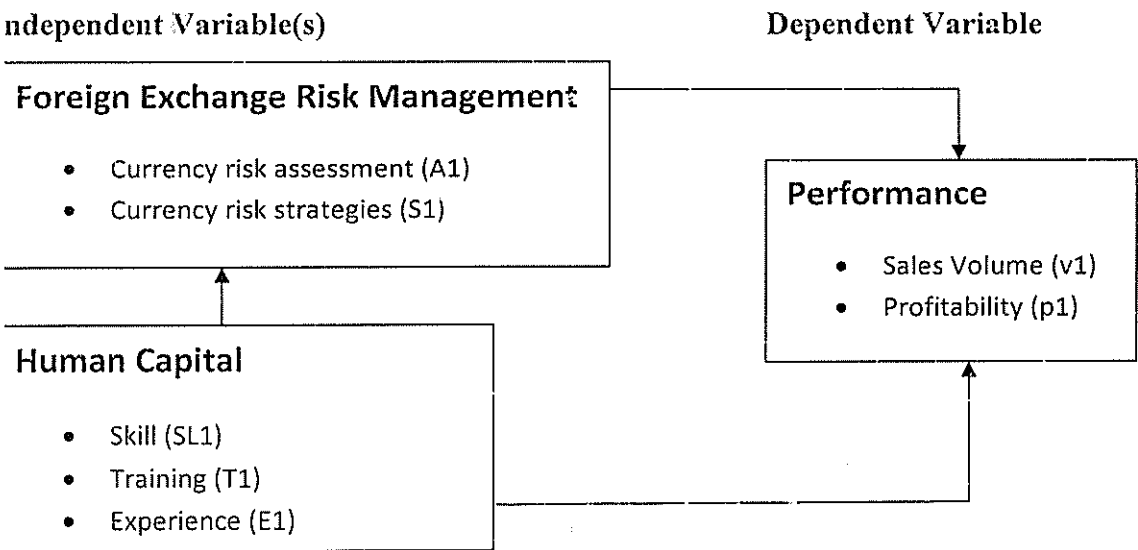
1.7 Significance of the Study

There are possible contributions which this study may cause:-

- i. It will improve knowledge based contribution on active currency risk management practices and human capital components within the currency market. Investors and practitioners will adopt optimal business plans for competitive performance in term of profits and sales volume.
- ii. It will be an academic resource to append to the existing gap between human capital and foreign exchange risk management. Findings will guide further research studies to narrow the theoretical gap with regard to human capital.
- iii. The study will show the state of currency risk management in the ABC forex bureau subsector to cause informed policies by stakeholders. Supplementary internal controls may control potential financial distress due exchange rate volatility.
- iv. Most studies are qualitative and focus human capital to organizational performance of large firms. This quantitative study will link the two independent variables to performance of forex bureaus with respect to managerial responses
- v. It will contribute to human capital literature by focusing on Uganda. Unlike foreign countries which are highly globalized, evidence from this study may provide insights with reference to Kampala.

1.8 Conceptual Framework

Figure 1: Conceptual Framework



Source: Adapted from (Evans et al., 1985; Shapiro 2006), (Barney 1991; Becker 1993), (Gopinathan, 2009a; James, 2009)

The above model, Figure 1 evolved from prevailing literature review for relationships between foreign exchange risk management, human capital and performance. Evans et al., (1985) and Shapiro (2006) state that currency risk assessment and strategies will mitigate foreign exchange risk in exposed firms. Barney (1991) relates trade experience and valuable training to focus on profits while Becker (1993) agree that managerial skills, advanced education, knowledge and intellectual capability have key strategic contributions to firm performance in any business environment. Performance can be viewed in financial perspective through profitability and sales volume or growth. Gopinathan (2009a) and James (2009) emphasized profits/sales affect performance and their ratio analysis can be performed from financial statements to measure performance. From the model, independent variables can have a joint prediction on performance.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter will review prevailing theories, models and concepts of variables and constructs in this study. The related literature is about study variables namely foreign exchange risk management, human capital and performance as well as their interrelationships according to research objectives.

2.1 Foreign Exchange Risk Management

Kirt C. Butler (2008) refers foreign exchange risk as the risk related with the unexpected changes in exchange rates and foreign exchange exposure as the extent to which unexpected changes in exchange rates affect the value of a firm's assets or liabilities. Taggert and McDermott (2000) assert that forex related firms are subject to foreign exchange risk on the payables and receipts in foreign currencies. Evan et al., (1985) defines foreign exchange risk management is a program of assessment (identification and quantification) and counterstrategies to mitigate exchange rate risk and saves firm's economic value. Kirt further adds foreign exchange risk is a financial risk to manage value creation and loss prevention in a firm by internal and external financial tools. Piet and Raman (1995) say spot rate changes are offset by changes inflation though small firms may depend on unstable currency rates for profits.

Forex trade is influenced by the theory of purchasing power parity where exchange rate is determined by the price levels in domestic and foreign countries. Thus foreign exchange risk management is essential on volatile floating exchange system for survival of small forex related firms. Foreign bureaus are business firms exposed to the foreign exchange risk by nature of trade specially in the current financial crisis in Uganda.

2.1.1 Currency Risk Assessment

According to Shapilo (2006) and Evan et al., (1985), currency risk assessment involves a process of identification and quantification of foreign exchange risk. Caution and evaluation is necessary for cost and benefit analysis for sales and profits of the firm treasury.

Identification of Exposure.

The unpredictable features of foreign exchange rates define the typical nature, source and effect of exchange rates to cause exposure. Shapiro (2006) further indicates three types of exposure namely translation (accounting), transaction and economic exposure.

□ *Translation or accounting exposure* – It is the effect of changes in exchange rates on the translated (accounting) values or items of financial statements of a firm in foreign trade. It arises from accounting based changes of reported items in consolidated financial statements due to foreign operations. Allen (2003) treats currencies as an asset class whereas only current assets and liabilities are exposed.

Translation exposure targets on the firm's accounting values while transaction and economic exposures affect cash flows and its impact on the economic or market value of the firm.

Furthermore, financial statements have to be translated in order to facilitate investment and financing decisions.

□ *Transaction exposure* – This describes the financial sensitivity of gains and losses to firm's realized domestic cash flows due to exchange rate changes. Basically, it affects outstanding financial obligations prior to a change in exchange rates.

Eiteman et al., (2001) adds that it determines outstanding financial obligations incurred prior and after exchange rates change. Variations will be inevitable in the financial position of the firm in terms of direct quote rates for receipts or payments. Therefore it is regular for transaction exposure to affect foreign denominated payable or receivable from the moment the seller quotes exchange rates to a potential buyer for orders and bills.

□ *Economic exposure* – This is an effect of exchange rate changes on revenues and operating expenses of a firm. It is also called competitive or strategic exposure because it upsets the firm's long term competitiveness. Pantzalis et al., (2001) adds that future operating cash flows are affected by real assets and liabilities, sales price, sales volume and production cost. Although

both translation and transaction deal with future cash flows, economic exposure refers to cash flows changes generated from operation.

Direct effects on sales volume arise from corporate competitiveness, political climate or investment policies of the domestic country. Identifying of economic exposure is relatively hard due forecasts of future transactions and competitors.

Quantification of Exposure

This concerns measurements of any form of exchange risk exposure.

□ ***Measurement of Translation exposure*** is by the International Accounting

Standard ([IAS] 21.9-44, 2009) that adjusts current asset value by current rate while historical rates convert non-monetary assets. Since exchange rate changes affect assets and liabilities, it is appropriate to translate the statement of comprehensive income and financial position to the home currency.

The current exchange rate is used to translate all account receivables and payables, short and long term debts and inventory and plant equipments with the exception of common stock which is translated at historical exchange rates.

However items in the statement of comprehensive statement can be translated using current rate, an average or weighted average exchange rate over the reporting period. The Monetary/Non-monetary methods of translation accounting translates all monetary assets and liabilities like short term debts at current exchange rates and all non-monetary assets and liabilities such as equipments and machinery at historical exchange. This method assumes that only monetary assets are exposed to exchange risk. Current assets and liabilities like short term debts are translated at current exchange rates while non-current assets and liabilities such as long term debts and machinery are translated at historical exchange rates.

Thus only current assets and liabilities are assumed to exchange risk.

] ***Transactional exposure*** is determined by variability (percentage appreciation and depreciation) of the currencies for outstanding transactions and value-at-risk method.

Variability may be where forex bureaus have account receivable when sold at loss or at a depreciated rate whilst the purchase rate of the inventory currency was higher. For examples buying a US dollar at UGX 2,650 and selling it at a depreciated rate of UGX 2,600. Transaction

exposure arises because there is some risk that the firm might instead receive an amount less than the minimum UGX 2,650 for one unit of US dollar. An appreciating home currency is a cost or transactional disadvantage.

Value-at-risk method employs the historical simulation approach of data of transaction cash flows and simulation. Kirt (2008) says the value at risk is potential losses over a certain time horizon using a certain confidence level or probability hence error margin. This method is widely used in transaction risk measurement by regression modeling.

□ *For economic exposure*, Van .D et al., (2004) and Kirt C. (2008) insist that Value-at-Risk model measures actual and potential loss of portfolio under a certain probability or confidence interval (z%). Economic risk is also the sum of translation and transaction exposure. The present value of a company is measured from changes in future operating cash flows caused by environmental unexpected changes in currency exchange rates.

The analysis of economic exposure assesses dynamic exchange rates on a company's own operations in future position relative to other companies.

1.2 Currency Risk Strategies

These are control techniques to mitigate exchange risk exposure. Shapiro (2006) categorizes hedging strategies by currency risk transfer, reduction and risk retention.

Currency Risk Transfer, This is when consequences of foreign exchange risk are shifted to counterparty by contractual acceptance. Various authors and studies explain risk transfer contracts without impact to risk levels. These include forward contracts, currency futures, money market hedge, currency swaps, currency options and diversification.

Forward contract - Principally, a forward contract involves pre-selling or buying a particular amount of currency at a specified rate now for future delivery. Currency forwards stop exchange rate risk for company's receivables or payables. Giddy and Dufey (2000) notes forward deals with specific currency amount and specified rate now, avoids exposure upon delivery at maturity rate despite locked future gains.

Currency future - It is a commitment to deliver a specific amount of a specified currency at a specified date for an agreed price incorporated in the contract. Futures perform like forwards but differ by marketability, any time liquidity, standard size, flexibility and economy by commission.

In contrast, Van Horne (2002) assures stable cash flows with flexible but standardized currency futures where specific currency volume(s) with independent rates are delivered on future specified date (s) or periodic intervals.

Money market hedge - This is the borrowing of transaction currency amount, immediately convert the loan into the company's operating currency and then repay foreign currency loan within a cash settlement date with the proceeds of a particular transaction. The difference between the money market hedge and the forward hedge is that the cost of money market hedge is determined by different interest rates rather than a forward rate quotation.

Biteman et al., (2007) relates money market hedge with differential interest rates by converting cheap foreign loans into operating currency for gainful transactions to repay using proceeds before settlement date.

Currency swap - Sun et al., (1993) adds currency swap where counterparties exchange equal initial principal of two different currencies by spot rate and comparative advantage. Though a mostly third party offsets default risk. In general terms, a currency swap is when two parties, usually between a bank and a company to exchange payments denominated in one currency for payments denominated in another. The usual aim to replace cash flows scheduled in an undesired currency with flows in a desired currency to raise capital in currencies of no significant revenues. Having raised the capital however, the company may wish to swap its repayment into a currency in which it has future operating revenues.

Currency option - is a derivative instrument where the owner has the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date. It thus avoids potential exposure as counterparties have free and open choice to trade currency amount at specified rate before expiry date. Ross et al, (2005) states the holder may buy a call option while a writer may sell a put option.

The rule is to hedge expected foreign currency cash flows with forwards, and uncertain foreign cash flows with options.

Diversification - Currency diversification is the spreading of your investment across different global currencies such as sterling pound, yen and the Euro. Belk et al., (1993) identifies with diversification as a defensive reaction where exposure is mitigated by spreading risk or currency assets into several portfolios or currency outlay. It is due to comparative advantages of stronger currencies. Uganda's forex bureaus do diversify to

remittance services and may involve shifting markets or service lines. Diversification eases currency conversion and minimizes forex risks by extra flexibility to switch currencies.

International borrowing is used to minimize adverse foreign exchange risk by borrowing a weakening currency. If borrowing is spread across many currencies, it is unlikely that they will appreciate at the same hence low risk level. Borrowing can be done coincidentally with money market hedge methods.

Currency risk transfer techniques have relatively higher cost in negotiation and time than other techniques.

□ **Currency Risk Reduction**, These are methods to reduce the likelihood and severity of foreign exchange risk exposure. A firm can opt to lead or lag, net off, match cash flows and invoice in stable hard currency.

Leading and lagging - An additional operating technique that can be used by companies is leading and lagging foreign currency receipts and payments. Leading reduces exposure by repaying in soft currency and the practice of lagging is about accumulating accruals till the sales quote favours the creditor. The effect of hard currency payables is low hence timing controls exposure.

A company would lead soft currency receivables and lag hard currency receivables to avoid loss from depreciation and benefit from appreciation of the hard currency respectively

Netting - The strategy of netting applies when the company and its branches net off intra-organizational currency flows at the end of each period and hence hedging. This saves a company branch or subsidiaries by balancing receivables against payables in a two-way intra-organization flow. The net balance is the only exposure to hedge hence risk saving. For example UGX 20 million branch transfer to the main company owing 40 million: A net-off UGX 20 million, rather than the corporation's UGX 60 million transaction is only exposed. Netting further saves transfer and commission costs in the two-way flow in the same currency.

Matching - Timing benefits another tool called *matching*. This is a technique similar to netting where a company strives to match its currency outflows by its anticipated currency outflows with amount and timing. Here outflows suitably paired with inflows of same expected currency amount. Firms produce a benefit in the form of spread-saving (Price Waterhouse Coopers, 1991, 219-221). For example a firm anticipating receipt in a specific currency may match it with an arranged outflow of the same currency hence natural matching.

Parallel matching can be used whereby a company tries to match cash flows in currencies that move closely together over time.

Currency invoicing – By using the strategy of hedging through the choice of invoice currency, a company can shift share or diversify the exchange risk to avoid exchange risk anymore. It has merely shifted from the dealer to the buyer to share exposure for example invoicing half of the bill in home currency and the remaining half in the currency of the buyer. The risk is then halved when a chosen invoice currency is presented at the same time as the sales quote or sales contract. Dominant substantial market power can use this method as, Oi et al., (2004) favors currency invoicing in both stable currency and sales quote. A depreciating currency will maximize profits hence hedge against gross loss.

□ **Currency Risk Retention**, This is an organizational retention of funds to offset unexpected foreign exchange risk where mitigating cost outweighs perceived benefit.

According to Shapiro (2006), some firms are risk neutral to foreign exchange changes in the long run. This calls for investment in higher returns to exceed loss or risk potential overtime.

Foreign exchange risk management tools are not only financial hedge tools but also a strategy associated with certain benefit.

2.2 Human capital

Human capital is getting wider consideration with the recent economic down of 2008.

Winkowski (2000) defines human capital as the know-how, capabilities, skills and expertise of the organization members. Measurable considerations include skills, formal education, knowledge, experience, training, talents and habits embodied in employees to ably add firm's economic value. Rastogi (2000) further states that human capital has no substitute to truly optimize and focus firm strategy.

This confirms that firm's employees to provide agency skills, technical competencies, experience and knowledge to increase financial performance by quality and quantity.

2.1 Skill

Skill is the ability and capacity got through deliberate, systematic and sustained effort to execute complex activities or functions. It involves ideas (cognitive skills), things (technical

skills), and/or people (interpersonal skills). Lengnick-Hall, C & Lengnick-Hall, M. (1988) agreed skilled employees created opportunities to influence strategic choices. Specialist employees can organize skill profiles to meet changing needs. Peteraf & Barney (2003) asserts that employees with proficient industry-specific skills have competitive advantage to optimize firm value. Dess & Picken (1999) calls for self-capacity building on human capital as debate is rooted between firm specific human capital as opposed to the industry specific skills. Ritzer & Stillman (2001) adds that most customer service jobs require little skill due to capital intensive technology. Scripts have eliminated communication skills as opportunities today are determined by computerization instead of improved personal skills. Studies have focused on perceived valued, rare, inimitable and organized skills for firm performance. The challenge for firms to develop strategic plan for accomplishing their mission, strategic goals, objectives and strategies

1.2.2 Training

Joe R.A, (2001) claimed that training is a planned effort by an organization to facilitate employees' learning of job related tasks. It complements development through attitudes, relationships and assessments of personality. Organizations that devote considerable resources to training also understand the value of evaluating the training process. Mann (1996) states that despite investment in training, organizations can frequently fail to evaluate training output. Consistent with eight previous findings concluded that small firms studied had limited use of structured training while Huang (2001) agreed that a well-educated and trained workforce is essential for organization's competitive advantage. With human capital theory, Becker (1993) compliments training with education and skill as the best investment for employees while Anastasias & Helfat (1991) argues that proficiency differences determine the outcomes of competitive advantage.

1.2.3 Experience

This concerns familiarity with a skill or field of knowledge acquired over months or years of actual practice for superior understanding or mastery. Friedman (2006) suggests orientation to create clear sight for new employee's work to create success. A major problem today is employee retention in a competitive business environment. The best talent is quickly taken by their employer. Thus there is need for talent management and effective regulation of human

capital resources. The fundamental aspects of any organization are to generate more revenue and income per employee. Strategic management of human capital is therefore necessary for experienced staff to support the mission and vision. Wright et al., (2001) says human capital transgressed to collective knowledge and organizational processes due to experience.

2.3 Performance

Performance is a measure of the results achieved within an organization. From a financial perspective, Gopinathan (2009a) and James (2009) agree that profitability and sales with respective ratios measure performance based on financial reporting. Maria (2008) pronounced that profit margins are percentage ratios of profits and sales. Measures of performance include sales and profitability as the process of quantifying the efficiency and effectiveness of a firm for example a forex bureau. The statement of comprehensive income reveals objective measures like sales and profit ratios which have unbiased and confidential feedback. Selvarajan (2007) suggests the subjective and perceptual measurement where likert scaling is applied from top management perspectives.

2.3.1 Sales Volume

□ **Sales Volume/Growth Ratio**, Sales volumes is the money generated by all of a company's operations, before deductions for expenses. In forex trade is the number or quantity of currency for a firm's normal operations per period while sales growth ratio is the percentage change in firm's sales between accounting periods. Bernstein (1989) calls for sales forecasts for higher revenues to deduct costs.

$$\text{Sales Volume/Growth} = [(Y2/Y1)-1] * 100 \text{ where } Y1 \text{ and } Y2 \text{ are sales amount for the preceding and current year respectively.}$$

2.3.2 Profitability

□ **Gross Profit Margin/Ratio**, Gopinathan (2009b) defines gross profit as surplus of sales over cost of sales. The gross profit is the total revenue subtracted by the cost of obtaining that revenue. It tells you how much money the business would have made if it did not pay any other

costs or expenses mostly from selling, general and administrative (SGA) expenses. The SGA to Sales ratio is its percentage ratio to sales.

Anderson et al., (2003) warns of unproportional increase of such costs to control overhead expenses and cause profits.

Gross Profit = Total Revenue - Cost of Revenue

The gross profit figure is important because it is used to calculate the Gross Margin.

Gross Profit Margin/Ratio refers to a percentage of profits per unit of sales.

Gross Profit Margin = (Gross Profit/Sales) * 100.

□ **Net Profit Margin/Ratio**, Net Profit is the company's difference between gross profit and expenses. Expenses include selling, general and administrative costs to sale.

A positive difference is profit while a negative difference is a loss and is shown in brackets. For a company to remain healthy and in business, this number needs to be positive most of the time. Most profit making companies strive to make it as big a positive number as possible.

Net Profit determines its margin or ratios. This is the net profit per unit of sale earned after all costs except interest, tax and dividend.

Net Profit Margin/ratio = (Net Profit/Sales) * 100.

The net profit margin is the best profit indicator of financial performance.

4 Foreign Exchange Risk Management and Performance

Bradley and Mole (2002) notes that foreign exchange risk management is a financial function and thus affects the firm's financial position. Volatile exchange rates do reduce cash flows and profitability of any firm. Belk (2002) states the aim of foreign exchange risk management as mitigating volatile forex exposure on the firm's financial performance whereas Shapiro (2006) describes performance in terms of higher profit margin, sales growth and overall liquidity of firm. This relates how currency risk assessment stimulates financial objectives.

Forex managers can implement mitigation measures as competitive advantage to stabilize financial performance in dynamic currency markets for example foreign fixed deposits earn interest with a saved principal. It depends on other currency capabilities, real-time economic notes and reliable payment by wires or online offers of cross-currency deals. Evans et al, (1985) notes efficient cash control promotes profitability by incorporating exposure into the firm's

operational and long term planning. Secured profits and cost control will arrest possible financial distress of forex related firms like forex bureaus.

For Optimal financial performance, forex risk management need be specific to strategies and high efficiency of market information to select ideal tools for sales and profits. Handling currency fluctuation with risk management strategies is befitting in today's enormous size of the forex market of speed and liquidity unlike other markets. Losses exist, but profits are even higher. But just like any other speculative trade, enlarged risks come along with probability for a higher profit/loss. Regardless of forex rate changes, profits or losses prevail with caution of the rate spread. This is consequently translated into the firms' performance through documentary evidence namely statement of comprehensive income and financial position. In the end currencies inventory is converted into the local currency.

Technical analysis is of higher role to have higher sales in any forex related firm. This should be complemented with practical statistical tests and routines. There is need for knowledge of the exit point of the currency market at profit targets. Limit orders let the currency investors stop further trading and leave the market at preset profit objectives. By creating a disciplined trading methodology, limit orders allow the traders to fix a limit of the profits which they want to make, and then exit the market. Also, they are free from the work of continuous monitoring the market sitting in front of their computers all day.

Stop/loss commands also follow the same motive as that of the limit orders, by allowing the investors to set an exit point for a loss. By limiting your losses to a preset position, Stop/loss orders help forex investors control their risk conditions. Under normal situations, management of forex risk should strategically align to objectives for value addition to serve shareholders' interests. Accurate placing of stop and limit orders calls for risk takers. Mitigating strategies can be appropriately structured against forex risk by focusing on one key currency business than currency markets as Allayanis et al., (2001) and Belk & Glaum, (1990) notes risk adverse behaviors of firms.

JFBAMBRA (2010) states currency volumes in the descending order are the US Dollar, UK Pound Sterling, Euro, Kenya Shilling and the South African Rand. This serves to stabilize the earnings to limit probable insolvency. The investor's stop and limit orders determines the amount of risk level hence it is advisable to place your stop/loss orders far from normal market price as changes can trigger the order. Limit orders also reflect a rational hope of expected profits based

on market's trading activity. The forex rate should not be overexposed nor too close to market. Stop-loss and limit orders can lower an investor's exposure to risk by a large proportion.

2.5 Human Capital and Performance

Human capital and performance provide a measurable relationship for creating and sustaining competitive advantage for firms operating in knowledge based era for example forex bureaus.

Though employees are both an asset and cost to firms, most employers are friendly to computing cost side of the human capital equation rather than the asset side. This can compromise human capital by effectiveness and efficiency hence causing no optimal investment and outcomes. Evidence demonstrates a positive linkage between the development of human capital and organizational performance. Market value depends more on the intangible human capital as Doucouliagos (1997) notes motivation creates research and development for positive performance.

Human capital concentrates on the individual employee and the firms as Garavan et al., (2001) argues flexibility and adaptability, individual competencies, development of organizational competencies and individual employability will add individual and organizational outcomes. Improving relevant quality and quantity of human capital measurements thus strengthens performance of an organization. Human capital as a resource based view of the firm, contributes to competitive advantage for strategic positioning in the the forex industry. Investment in education or on-the-job training improves workforce quality to yield returns on firm income. Bates (1990) notes training is related to corporate business life while Goetz and Hu (1996) associates training and greater tendency in business-growth.

Acknowledgement of the Resource Based View (RBV) of Human Capital has led to contributions to competitive advantage for business strategy in any industry by relative balance of competitive forces. The RBV set out that organization build valuable set of resources and combine them dynamic ways to develop firm success. In the perspective of the RBV, competitive advantage is dependent on the valuable, rare, and hard-to-imitate resources that reside within an organization. Human capital in a real sense is best asset and competitive advantage by pooling employee capabilities. 'If the types and levels of skills are not equally distributed, such that some firms can acquire the talent they need and others cannot, then (ceteris

paribus) that form of human capital can be a source of sustained competitive advantage' (Snell et al 1999: 65).

The increasing importance of the RBV has promoted human resource management in particular reference human capital to strengthen the frequent statement that people are best assets for performance of any organization. Human capital can then focus on individuals and organizations through flexibility, enhancement of individual competencies, development of organizational competencies and individual employability to cause additional values to individual and organizational outcomes. Studies have made similar contribution as Bontis and Fitzenz (2002) observes the consequences of human capital management to business outcomes of 25 financial firms. The human capital pool through human resource processes then becomes apparent. Snell et al., (1999) emphasizes skill equity in types and levels to complement talent and sustain competitive performance. Since competitive advantage is a unique firm-specific capability, benefits from higher productivity will yield financial success.

Individuals who have a longer experience with a firm or in a particular industry tend to have good perspective that cannot be easily replaced. The value of experience in business is always appreciated, especially in recruitment and selection. Experience, schooling, and on-the-job training are key influences on performance. Pena (2002) reviewed research studies and indicated an entrepreneur's level of experience is positively associated with firm survival and growth. The emphasis on human capital in organizations reflects the view that market value depends less on tangible resources, but rather on intangible ones, particularly human resources. Recruiting and retaining the best employees, however, is only part of the equation. The organization also has to influence the skills and capabilities of its employees by encouraging individual and organizational learning and creating a supportive environment in which knowledge can be created, shared and applied.

Barney (1991) further admits experience and training as valuable, rare and unique inputs for profit making. Meanwhile, (Hambrick, 1984; Maimunah, 2008; Watson et al., 1993) agree that diverse education backgrounds and tenure causes positive performance. The challenge of human capital is to define, improve and sustain strategic financial decisions. However there is need for enhanced organizational retention (Robertson et al., 1991). Thus, as a unique human capital increases, firms invest resources into its management and aim to reduce risks and capitalize on productive potentials. Therefore employees need to enhance their competency skills in order to

be competitive in their organizations by leadership practices, engagement, knowledge access, workforce optimization and learning capacity.

2.6 Human Capital, Foreign Exchange Risk Management and Performance

A dynamic business environment will always explain the financial performance of firms.

This is important for strategic reasons of competitive sustainability. A collection of human capital input will enhance business success in sales and profit. Garavan et al. (2001) cites a resource based view where Human capital unites individual abilities, skills, training, education, and experience in their performance of fruitful output through decisions and cost effective techniques.

Foreign exchange risk management strategies require education and on job training for highly skilled technical and managerial employees. Kenyon (1990) suggests that key successful forex trading involves understanding of other risks like liquidity risk and cash risk. Firm employees aim at financial profits by cost control and risk adjustment hence need for loyalty and commitment to specific skills. It is quite ideal that exchange risk control should precede exposure for informed financial decisions. Forex bureaus need specific skills and applications to enable positive net present values through management by objectives, financial plans and stable reserve fund. Therefore forex dealers should appreciate basic currency trading, chart movements, indicators and interpretation. There is limited or no human sphere of influence and wisdom for currency exchange behavior because most knowledgeable traders can no absolute prediction. As such, forex traders are advised to benefit from designed strategies to reduce exposure. Currency markets are highly unpredictable and tentative in nature, as any currency may fluctuate to becoming very expensive or very cheap in relation to other.

Forex risk management calls for collective application of analytical skills, prompt knowledge and experience in a highly efficient currency market. Forex risk management and human capital rely on basics behind an investment, and understanding behind the major market trading. This is the ideal way for higher turnover and profitable currency trading. Skilled technical analysis and good money management skills are the basic essentials to trade well.

Analyze the market and create a position, establishing rational stop loss and profit taking levels. According to Kizza Caroline (2009), Uganda's case is unique as the employees of forex bureaus have various training and educational background. This diversity can be positive or otherwise depending on how they appreciate forex trade and risk management. Though human capital is a

competitive advantage, generally organisations need understand its nature and value to add corporate value through currency risk assessment and counter strategies. It is therefore ideal that costs of employing human capital and currency risk techniques should be less compared to costs of currency risk management. This can be critical in face of today's globalization and knowledge economies.

The knowledge-intensive human capital can undergo a resource based perspective as well as be firm specific to forex business. Human resource audits and appraisals do invaluable contribution in assessing strengths and gaps in forex risk management. Henceforth human capital prevails upon foreign exchange risk management.

Human capital through experience, knowledge and skills is wealth to dictate for information and behaviors in highly efficient markets like the currency market.

2.7 Conclusion

Firm performance should not only be perceived by annual increase in sales and profits but possible organization for greater human capital and forex risk control will make a difference.

Competitive firms like forex bureaus may recruit and retain best employees but it is part of the equation. They have to influence human capital by shared learning, specific skills, capabilities and supportive environment. In addition, foreign exchange risk management is increasingly enforced by regulators after recent global currency-crisis. Forex bureaus should hedge depending on currency risk type and trade volume. Even for smaller-size firms, foreign exchange risk is detrimental to performance through low returns. Though costly, new innovations in hedging instruments have emerged for exposure control. In addition, forex bureaus can develop business plans beforehand.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter will provide a detailed conduct of the study. It will cover research design, study population, sample size, sampling procedures, data source, collection instrument, validity and reliability, measurement of study variables, data processing, and analysis and study limitations.

3.1 Research Design

Quantitative approach, the cross-sectional, correlational and descriptive research designs will be employed for the deliberate sample survey. This will call for applied descriptive and inferential statistics for measurable relationships between foreign exchange risk management, human capital and performance. The ABC forex bureau is the unit of analysis while a top managerial person/representative in-charge will be the only source of primary data.

3.2 Study Population

The composition of the target population will be the 144 respondents from ABC forex bureau branches in Kampala. This represents at least 94 percent of ABC forex bureau employees.

3.3 Sample Size and Sampling Procedures

A sample ($n=103$) of ABC forex bureau employees will be drawn from the population ($N=144$) as determined by Krencie & Morgan (1970). Study units will be selected using proportionate stratified sampling.

Table 1: Proportionate Stratified Sampling

Intended Strata Participants	Number	percentage (%)
Management persons	65	63
Non management persons	38	37
Total	103	100

3.4 Data Sources and Collection Instruments

Primary Data

Primary data will be collected using a structured three-page interview schedule which will ease field data collection. All variables had 60 closed-ended items with a six-point likert scale responses ranging from strongly disagree (1) to strongly agree (6).

Appointments with managerial respondents eased the spot feedback of background data (12 items) and study variables (60 items).

Secondary Data

Secondary data will be retrieved from recent published financial reports, research publications, monthly reviews and journals from Bank of Uganda and Uganda Forex Bureau and Money Remitters Association.

3.5 Validity and Reliability of Research Instruments

The designed interview schedule will be developed with regard to Sekaran (2000). Content Validity Index (CVI) measurement ($Min=0.6$) will be based on a five-point likert scale from not relevant (1) to very relevant (5). Five members of 3 experts and 2 practitioners rated for item relevance. The Cronbach's alpha- α test ($Min=0.6$) will measure the scale reliability for internal consistency of the items.

Table 2 shows the pretest results for study variables.

Table 2: Pretest Content Validity and Reliability Result

Validity Analysis	CVI	Cronbach Alpha- α
Human Capital	0.79	85
Foreign Exchange Risk Management	0.68	75
Performance	0.73	80

Source: Primary Data

Note: Overall average CVI=0.73

Table 3: Actual Study Reliability Test

Variable	Reliability Statistics	
	Cronbach's Alpha	No. of Items
Human Capital		24
Training	0.782	8
Skills	0.822	8
Experience	0.766	8
Foreign Exchange Risk Management		24
Currency Risk Assessment	0.693	12
Risk Strategies	0.781	12
Performance		12
Sales volume	0.801	6
Profitability	0.812	6

source: Primary Data

In the above Table 2 and 3, content validity index and Cronbach alpha coefficients will be well above the minimum 0.6 for overall data quality control.

2.6 Measurement of Study Variables

he dependent variable of performance will be measured using financial measures of profitability and sales volume/growth (Gopinathan 2009a; James 2009). Profit and sales will be the indicators of performance in business firms.

the independent variable of foreign exchange risk management will be have dimensions of currency risk assessment and management strategies from literature (Evans et al., 1985; Shapiro 2005).

Finally, Skill level, training and experience are dimensions of human capital (Barney 1991;Becker 1993).

All variable items will be closed-ended with six-point likert scale of 6=“Strongly Agree”, 5=“Agree”, 4=“Slightly Agree”, 3=“Slightly Disagree”, 2=“Disagree” and 1=“Strongly Disagree”.

3.7 Data Processing and Analysis

Statistical treatment of captured primary data will be involve prior sorting, editing, coding and accurate double entry by MS Access 2010 Edition. The cleaned data file will then be exported to Statistical Package for Social Scientist (SPSS) Version 17 for descriptive and inferential analysis of measurable relationships between study variables. Descriptive statistics will be summarized in categorical frequency tables, charts and cross tabulations for background information. Principal component analysis and varimax rotation methods will be the key applications of factor determination for consequent analysis. According to the study objectives, Pearson’s correlation and multiple regression analysis will be used for associations and predictor contributions respectively. Further findings will be expressed through one way ANOVA output.

3.8 Ethical Considerations

The study will be based on respect, informed consent and assured confidentiality with participants. A copy of introductory letter from Graduate and Research Center will be attached to the interview schedule for personal identification and data collection respectively. Upon an approved report, each participant was promised statistical results.

3.9 Limitations of the Study

The study faced the following limitations:-

- i. There was delayed access to the ideal managerial person due to front-desk bureaucracy and active business schedules. Data collection was extended by three weeks hence affecting the work plan. This called for frequent revisits and patience.
- ii. Unpredictable inflation exposed the research budget during data collection. The costs are independently borne to the researcher as cuts in field costs were inevitable for a manageable study within the allocated time frame and financial resources.

- iii. External factors have unknown significant level(s) and effect to generalise to other firms beyond examination. However they are assumed constant to the outcomes of performance while results are limited to the conceptual model and response rate.

Despite the above limitations, the researcher believed in sufficient data and useful results to answer study objectives and fill the knowledge gaps.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents and explains the analysis of the survey data. Results will include descriptive and inferential statistics for measurable relationships according to the study objectives below:

- . To establish the relationship between foreign exchange risk management and performance of ABC forex bureau.
- i. To establish the relationship between human capital and performance of ABC forex bureau.
- ii. To investigate the effect of human capital and foreign exchange risk management on performance of ABC forex bureau.

4.1 Descriptive Statistics

Background information was expressed in frequency tables and charts. Firm profile included subcomponent, size, duration and ownership status while respondent's features were gender, age, job title /status, education and years in service.

4.1.1 Response Rate

Table 4 shows response distribution by subgroup.

Table 4: Response Rate

	Subgroup	Sample Response No.	Response Rate (%)
Management persons	65	57	55.3
Non management persons	38	36	35.0
Total	103	93	90.3

Source: Primary Data

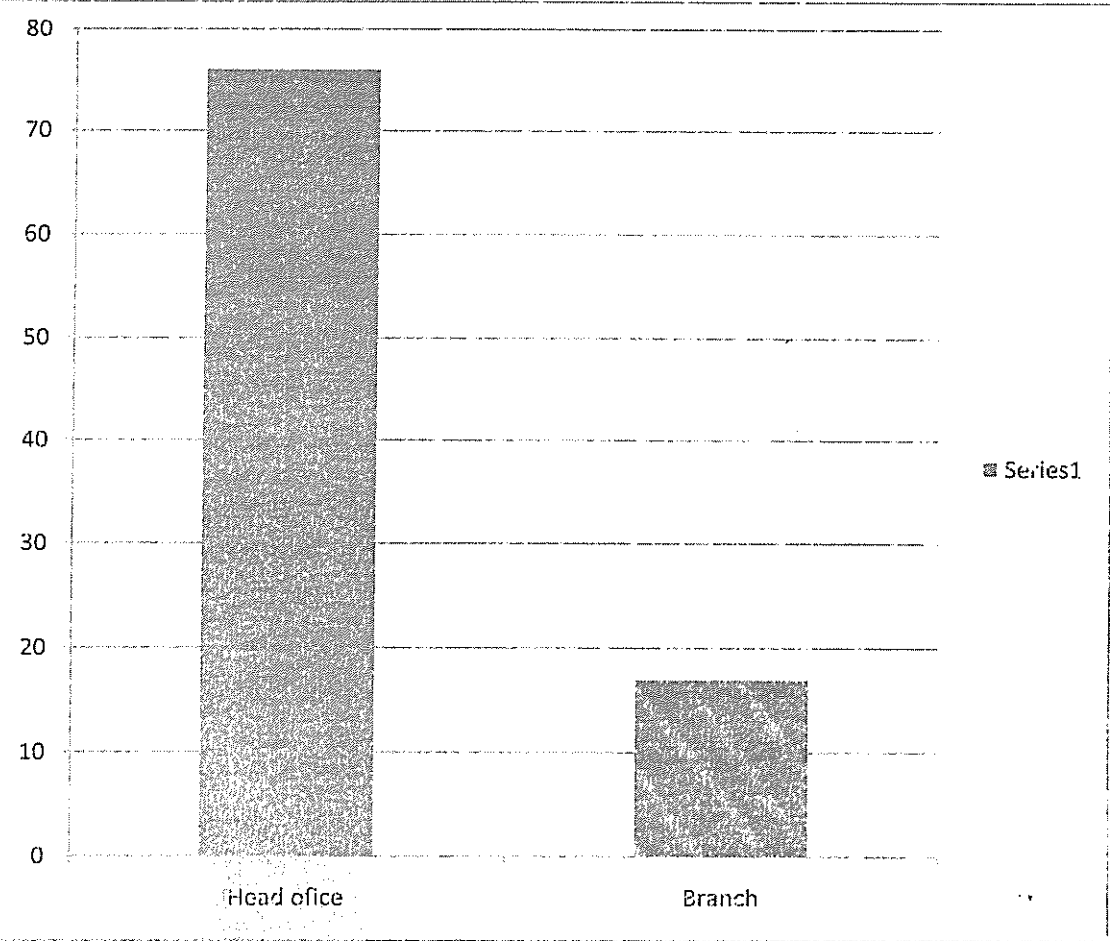
$Response\ rate = (Total\ Respondents / Sample) * 100 = (93 / 103) * 100 = 90.3\%$

A total of 93 forex bureaus provided complete responses to cause 90.3 percent response rate from the anticipated sample (n=103). Forex bureaus offered successive reference.

4.1.2 Firm subcomponent

Results in Figure 2 show composition by head office and representative branch

Figure 2: Firm Subcomponent



Source: Primary Data

As shown in the bar graph above, 76 (81.7%) management persons participated while 17 (18.3%) were non management. ABC Forex bureau is mostly stand-alone main office with a few branch networks in Kampala. The inability to set up branches country wide was also noted in the study.

4.1.3 Employee size

The number of employees relates to human capital as a collective resource to ABC forex bureau. Results in Table 5 show categories of employee size for the participant branches.

Table 5: Employee size

Employee Size	Frequency	Percent	Cumulative Percent
1-5	52	55.9	55.9
6-10	33	35.5	91.4
11-15	4	4.3	95.7
16-20	2	2.2	97.8
> 20	2	2.2	100.0
Total	93	100.0	

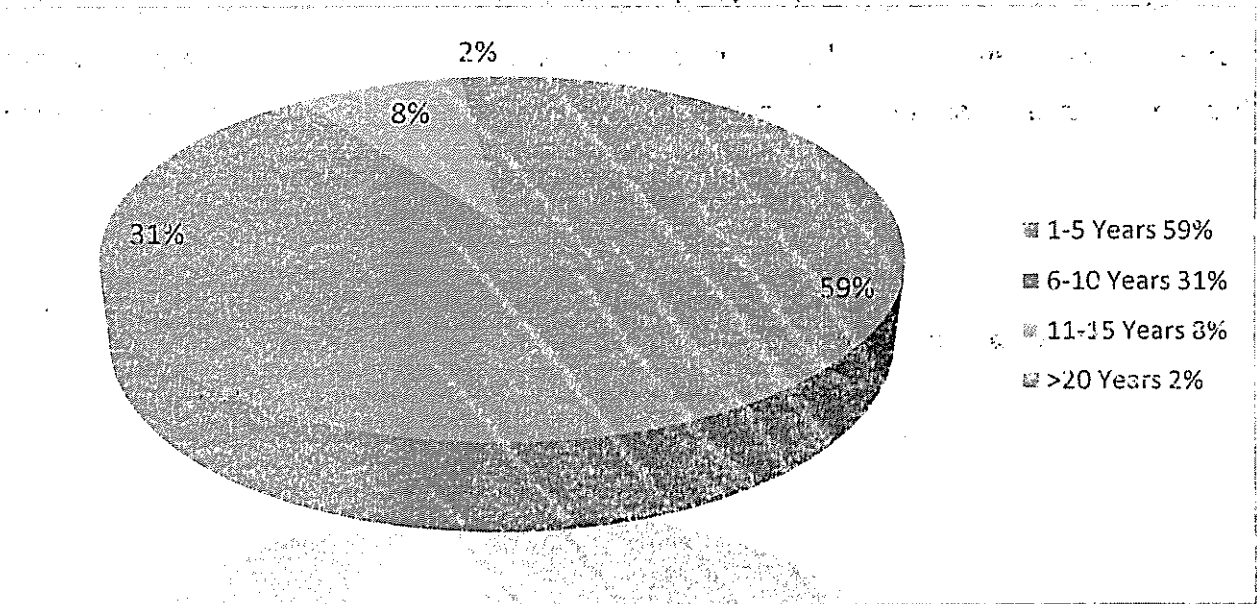
Source: Primary Data

The above table indicates that 52 (55.9%) branches had 1 to 5 employees. 33 ABC forex bureau branches employed between 6 to 10 employees. This proves satisfaction of the minimum four staff requirement. Eight ABC forex bureau branches were outliers (>10 employee) hence had higher operational needs consistent with additional remittance services, transaction volumes and higher market.

1.1.4 Duration of the firm

Duration of the ABC forex bureaus (n=93) is shown in Figure 3 by operational years.

Figure 3: Duration of the firm



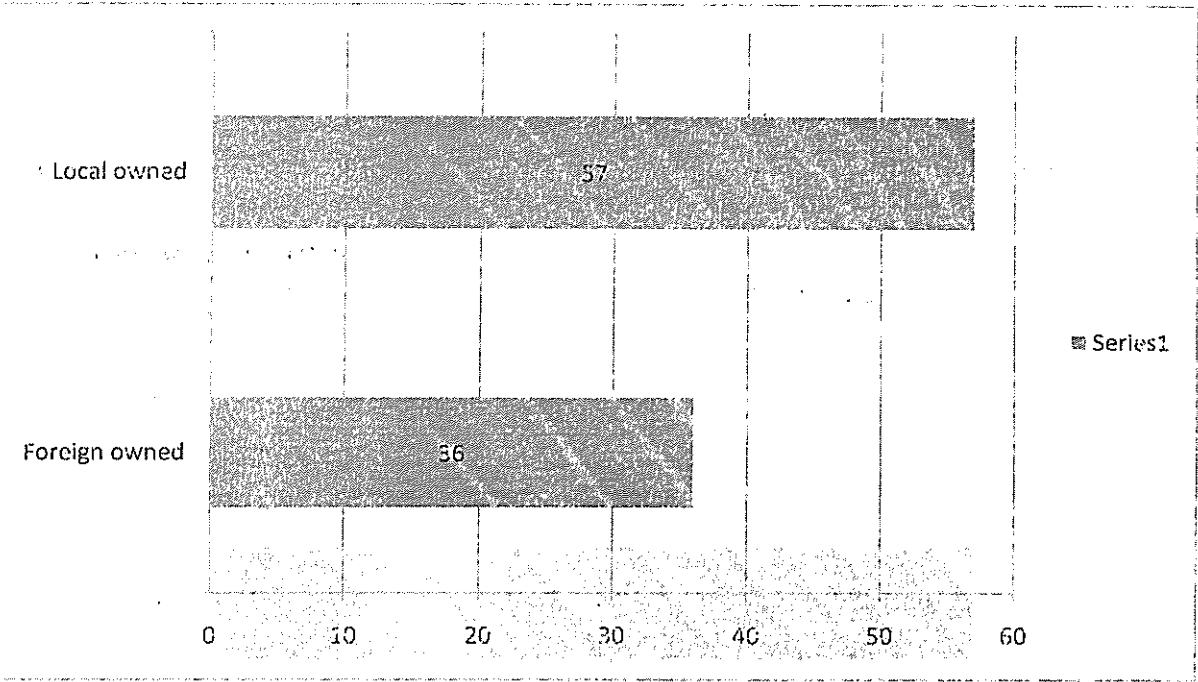
Source: Primary Data

From Figure 3 above, 59 percent ($n=55$) were incorporated in the last five years. The liberalized forex sector accounts for more than half of licensed forex bureaus since 2005. 41 percent ($n=38$) have resourceful firm experience by over five operational years. They imply proven going concerns against the volatile forex rates hence high business existence.

1.1.5 Ownership Structure

Forex bureaus differ by ownership subgroup as seen in Figure 4 below.

Figure 4: Ownership Structure



Source: Primary Data

Results from Figure 4 above show 57 (61%) ABC forex bureau management persons compared to 36 (39%) non management persons.

1.1.6 Respondent Demographics

Table 6 shows frequency distribution graded by respondent characteristics. 36 males (60.2%) outweigh the 37 females by managerial respondents. Thus, responses were male dominated to

prove limited female presence in managerial decision making. Managers ($n=52$) dominated the response distribution while 38 (40.9%) responses proved the active and risk taking youth (25-29 years). This was slightly above the combined respondents in the 30-39 age group ($n=35$). This shows the active youth and middle aged have majority influence in managerial role with most full time commitment ($n=90$). Results for highest education attainment show 96 percent ($n=89$) held at least a Bachelor degree while 4.4 percent shared lesser qualifications. Top management of respondent firms is hereby described as highly educated.

Most respondents ($n=44$) served between two to four year. This was followed by the respondent who served less than one year ($n=7$) and five to seven years ($n=18$). A total of 79 (85.0%) respondents served between 1 to 7 years while 14 (15.0%) had 8 and above years of working life. This implies considerable firm-specific experience in top management and could contribute to more value creation of ABC forex bureau branches in Kampala and country wide.

Table 6: Respondent Profile Results

Characteristics	Frequency	Percent
Gender		
Male	56	60.2
Female	37	39.8
Age Group (Years)		
25	5	5.4
25-29	38	40.9
30-34	17	18.3
35-39	18	19.4
40-44	9	9.7
44	6	6.5
Current Job Title		
Manager	52	55.9
Supervisor	31	33.3

Sales man	5	5.4
Operations Manager	1	1.1
Accountant	2	2.2
Director	2	2.2
Current		
Job Status		
Full Time	90	96.8
Part Time	3	3.2
Highest		
Education		
O-Level	2	2.2
A-Level	2	2.2
Diploma	16	17.2
Bachelors	64	68.8
Masters	7	7.5
PHD	2	2.2
Years in		
Service		
0-1	17	18.3
2-4	44	47.3
5-7	18	19.4
8-10	6	6.5
11-15	4	4.3
16-15	4	4.3

Source: SPSS Output (n=93)

4.1.7 Cross Tabulations

Age and gender are part of respondents' characteristics shared in Table 7.

Table 7: Age Group by Gender Results

Source: SPSS Output (n=93)

The 25-29 age range had a 22 (39.2%) majority male response compared 16 (43.2%) females. This was followed by the 35-39 age range with 12 males doubled 6 females. Overall male responses dominated with a total of 56 (60.2%) compared to females at 37 (37%). This is factual dominance by men in age characteristics and managerial roles. As managerial persons get above 40 years, their presence in management radically dwindles to 9 and 6.

Age Group		Gender		
		Male	Female	Total
<25 years	Count	2	3	5
	Row%	40.0%	60.0%	100.0%
	Column%	3.6%	8.1%	5.4%
25-29 Years	Count	22	16	38
	Row%	57.9%	42.1%	100.0%
	Column%	39.3%	43.2%	40.9%
30-34 years	Count	10	7	17
	Row%	58.8%	41.2%	100.0%
	Column%	17.9%	18.9%	18.3%
35-39 years	Count	12	6	18
	Row%	66.7%	33.3%	100.0%
	Column%	21.4%	16.2%	19.4%
40-44 years	Count	7	2	9
	Row%	77.8%	22.2%	100.0%
	Column%	12.5%	5.4%	9.7%
45-49 years	Count	3	3	6
	Row%	50.0%	50.0%	100.0%
	Column%	5.4%	8.1%	6.5%
Total	Count	56	37	93
	Row%	60.2%	39.8%	100.0%
	Column%	100.0%	100.0%	100.0%

Age and education are features of the human capital. A matrix of age group by gender is shown in Table 8.

Table 8: Age Group by Highest Education Result

Age Group		Highest Education						Total
		O-Level	A-Level	Diploma	Bachelors	Masters	PHD	
<25 Years	Count	0	0	0	4	0	1	5
	Row%	.0%	.0%	.0%	80.0%	.0%	20.0%	100.0%
	Column%	.0%	.0%	.0%	6.3%	.0%	50.0%	5.4%
25-29 Years	Count	0	1	9	26	2	0	38
	Row%	.0%	2.6%	23.7%	68.4%	5.3%	.0%	100.0%
	Column%	.0%	50.0%	56.3%	40.6%	28.6%	.0%	40.9%
30-34 Years	Count	0	0	2	13	2	0	17
	Row%	.0%	.0%	11.8%	76.5%	11.8%	.0%	100.0%
	Column%	.0%	.0%	12.5%	20.3%	28.6%	.0%	18.3%
35-39 Years	Count	0	1	2	12	2	1	18
	Row%	.0%	5.6%	11.1%	66.7%	11.1%	5.6%	100.0%
	Column%	.0%	50.0%	12.5%	18.3%	28.6%	50.0%	19.4%
40-44 Years	Count	1	0	2	5	1	0	9
	Row%	11.1%	.0%	22.2%	55.6%	11.1%	.0%	100.0%
	Column%	50.0%	.0%	12.5%	7.8%	14.3%	.0%	9.7%
45-49 Years	Count	1	0	1	4	0	0	6
	Row%	16.7%	.0%	16.7%	66.7%	.0%	.0%	100.0%
	Column%	50.0%	.0%	6.3%	6.3%	.0%	.0%	6.5%
Total		2	2	16	64	7	2	93
Row%		2.2%	2.2%	17.2%	68.8%	7.5%	2.2%	100.0%
Column%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SPSS Output (n=93)

The 25-29 age bracket had majority of 26 (40.6%) Bachelors degree holders and was followed by the 30-34 age bracket with 13 Bachelors holders. In addition, a count of 64 (68.8%) attained Bachelor as highest education attainment in age by education matrix.

Overall the 25-39 age range had the most educated age category. With more knowledgeable, it could be a prime target for possible human capacity by further education.

1.2 Rotated Factor Analysis

All primary data from study variables underwent principal component analysis for factor loading using varimax rotation with Kaiser normalisation method for easy interpretation. All factor rotations were converged in three iterations. Only items with Eigen values (>1.0) and factor loadings (Min .50) were ideal for Pearson correlation and multiple regression Analysis.

Factor analysis in Table 9 reveals the nature of human capital by Training (1), Experience (2) and Skills (3) in ABC forex bureaus.

Table 9: Factor Analysis - Human Capital

Human Capital Items	Component		
	1	2	3
Training has improved ethical financial management by our employees	.752		
Training programs enhance interpersonal teamwork for firm's sales targets	.708		
We support interested employees to upgrade formal education and learning	.599		
Training has enabled specific abilities like office computing and technology	.595		
On-job orientation and continuous training enables recruits to know tasks	.580		
Employees are trained in friendly and consistent customer care for service	.566		
We assess and train employees for needful skills and knowledge per year	.551		
Our services are unique and innovative to benefit customer satisfaction		.731	
Employees are highly professional and creative to ensure customer loyalty		.672	
Competence is at the most ideal for work requirements and responsibilities		.643	
Our firm has the lowest cost and time per customer transaction or complaint		.663	
Employees understand the firm's financial objectives, goals and regulations		.515	
The firm prides itself on being effective beyond customers' expectation		.563	
Employees display good skills in report writing and decision making in trade			.684
Employees display ability in foreign languages to ease business negotiations			.647
Employees always embrace team work to share skills and meet firm targets			.626

We have adequate tools and environment to ease new ideas and knowledge	.586		
Management attracts and hires most talented people available in the industry	.526		
Employees have basic information technology skills to update customer data	.516		
Employees are constantly supported to upgrade trade skills where possible	.504		
Eigen Values	4.886	3.498	2.581
% of Variance	20.357	14.574	10.753
Cumulative %	20.357	34.931	45.684

From Table 9, 20 items were extracted from training ($var=20.35\%$), experience ($var=14.574\%$) and skills ($var=10.753\%$) to cause human capital variance of 45.6484 percent.

Key factor indices under training show essential emphasis for ethical financial management (.752) and teamwork (.708). It is vital to upgrade formal education and learning (.599), office computing (.595), on job orientation and continuous training (.580), friendly customer care (.566) and annual skills assessment (.511). Experience was highly mapped to unique customer service (.731) while favourable areas include creativity (.572), ideal competence (.643) and transaction efficiency (.663). Skills are more associated to reports and decision making (.684), ability in foreign language (.647), shared skills and sales targets (.626) and adequate tools/environment (.586). Training and skills are more emphasized than experience.

As shown in Table 10, factor analysis for foreign exchange risk management was based currency risk assessment (1) and currency risk strategies (2).

Table 10: Factor Analysis - Foreign Exchange Risk Management

Foreign Exchange Risk Management Items	Component	
	1	2
Management forecasts revenues/costs to determine the effect of forex risk	.752	
We have an updated information system to predict forex risk and exposure	.708	
We quote and invoice in stable and gainful currencies to limit forex risk	.599	
Management uses internal treasury section to forecast its own forex rates	.595	
Management forecasts currency gains or losses due to exchange rate changes	.580	
Our firm has a well-defined and implemented forex risk management policy	.566	
Management has internal funds to manage and offset forex risk exposure	.551	
Swap contracts of currency flows has saved sales and profit from forex risk		.857
Use of future currency contracts of trade has saved expected sales and profits		.840
Use of forward contracts has saved sales and profit from future forex risk		.750
We borrow gainful currencies to limit forex risk by unstable local currency		.714
Use of currency options has saved sales and profitability from forex risk		.695
We balance or net out currency receipts and purchases between our branches		.509
Eigen Values	3.913	3.752
% of Variance	16.304	15.657
Cumulative %	16.304	31.961

Results in Table 10 show currency risk assessment ($var=16.304\%$) and currency risk strategies ($var=15.657\%$) account for total variance 31.961 per cent in foreign exchange risk management. Currency risk assessment was more related and emphasised revenue/cost forecasts (0.752), updated information system prediction (0.708) and cheap invoicing (0.599).

Other notable contributions currency risk assessment were quoting and invoicing in gainful currencies (0.599), internal treasury forecast of rates (0.595), forecasts currency gains or losses due to exchange rate changes (0.580). Other considerable practices were a well-defined and implemented forex risk management policy (0.566) and internal funds to manage and offset forex risk exposure (0.566). As regards currency risk strategies, factor analysis noted more encouragement and interest to adopt risk control and reduction techniques (>0.7). With limited branch network, item coefficient for netting and balancing was moderate (.509).

Table 11 shows factor analysis on performance by Profitability (1) and Sales Volume (2)

Table 11: Factor Analysis - Financial Performance

Financial Performance Items	Component	
	1	2
Overall, business gross profit has grown in the past two years	.858	
We have been meeting sales targets or expectations since last year	.856	
We are able to fund business growth from retained profits of last year	.804	
Customer base has steadily been increasing since last year	.796	
Sales intensity has been improving since the last 6 months	.788	
Sale of currency quantity has been steadily high in the last 6 months	.760	
The gross profit margin has been stable since the last 6 months	.696	
Overall financial performance and future outlook is encouraging	.674	
Overall, sales growth in quantity has been achieved in the last 2 years	.647	
We budget to forecast costs and revenues to meet monthly operations	.518	
Maximum sales rather than maximum profits is our main objective		.876
Maximum profits rather than maximum sales is our key objective		.624
Eigen Values	5.834	1.375
% of Variance	48.618	11.458
Cumulative %	48.618	60.076

Table, 12 items were extracted with valid item coefficients. Profitability claims a higher variance effect ($var=46.618\%$) compared to sales volume ($var=11.548\%$) henceforth a total performance variance of 60.076 percent. The variations of performance metrics are only by financial perspective. To address profitability, forex bureaus argued annual profit growth in past year (.858), meeting sales targets (.856), investment from retained profits (.804), increased customer base (.796), increased sales intensity (.788) and sales quantity (.760). Monthly budget forecasts for costs and revenues to meet monthly operations (.518) should not be overlooked by forex bureaus.

As regards sales volume, forex bureaus emphasize that maximum sales rather than maximum profits is our main objective (.876). By contrast, results reveal a lower coefficient (.624) for the item - Maximum profits rather than maximum sales is our key objective.

4.3 Pearson Correlation Analysis

According to study objectives (i) and (ii) in chapter one, Table 12 shows coefficients of Pearson correlation for the tested conceptual relationships between independent variables (human capital and foreign exchange risk management) and the dependent performance.

Table 12: Zero-order Correlation Matrix

Study Variable	1	2	3
1. Human Capital	1.000		
2. Foreign Exchange Risk Management	.397**	1.000	
3. Performance	.385**	.480**	1.000

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

Source: Primary Data

The above correlation matrix shows proven association that human capital (1) and foreign exchange risk management (2) relate to performance (3).

4.3.1 Foreign Exchange Risk Management and Performance

Study results in Table 12 reveals an observed significant positive relationship between foreign exchange risk management and performance ($r(93)=0.480, p<0.01$). The 48.0 percent coefficient of linear association supports the degree to which foreign exchange risk management relates with performance by 48.0 percent.

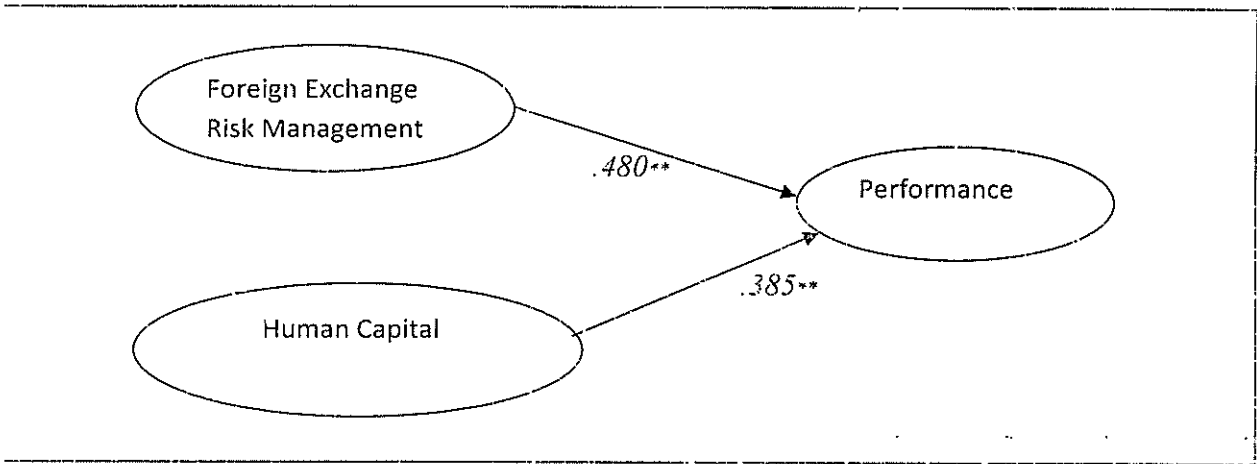
This substantive relationship implies a better currency risk assessment and strategies is a likely observation for better financial performance. It eventually enhances sales volume and profitability.

4.3.2 Human Capital and Performance

Results in Table 12 indicate a significant positive relationship ($r(93)=.385, p<0.01$), between human capital and performance. The collective role of training, skills and experience related with performance by a moderate positive correlation. Therefore more favourable human capital associates with improved financial performance.

The final model for the conceptual relationships is seen in Figure below.

Figure 5 : Final Correlation Model



** $p < 0.01$

The above Figure 5 assumes no causal consequences and coefficient results corroborates with initial studies in the literature review regardless of industrial contexts.

1.4 Multiple Regression Analysis

Consistent with Ezejelue, A.C., Ogwo, O. E., and A. D. Nkannebe (2003), Table 13 addresses the third study objective for a combined effect of two predictor variables (foreign exchange risk management and human capital) on the dependent financial performance.

Table 13: Multiple Regression Analysis

Coefficients					
Model	Un standardized		Standardized		
	Coefficients		Coefficients		
	B	Std Error	Beta	t	Sig
(Constant)	.772	.722		1.069	.288
Human Capital (<i>hc</i>)	.264	.114	.219	2.319	.022
Foreign Exchange Risk Management	.535	.155	.326	3.461	.001
R Square = .428			Std Error of the Estimate = .852		
F. change= 10.760			Adjusted R Square = .166		
Dependent Variable: Financial Performance ^a (n=93)					

Results above show a significant model ($F=10.76$, $Sig=0.001$) to explain a multi regression equation of financial performance $(y) = .772 + .264(hc) + .535(ferm)$

4.4.1 Combined Effect by Independent Variables

Table 13 shows both human capital and foreign exchange risk management predicts a combined effect of 16.6 percent in financial performance. Both predictors cause 18 percent variations in financial performance at a coefficient of multiple determination ($R^2=.183$).

4.4.2 Individual Contribution by Independent Variable

Foreign exchange risk management ($\beta=.326$, $Sig=.001$) had a better predictor weight than human capital ($\beta=.219$, $Sig=.022$) on financial performance. Investment in both predictor variables will appreciate more multiple effects on financial performance of ABC forex bureaus.

4.5 Other Study Findings

The study used one-way ANOVA test to establish differences between study variables and demographic features for the sample like ownership, gender, education and years in service.

4.4.1 ANOVA of Ownership by Study Variable

Variance analysis indicates that there is a difference in the way ownership subgroups perceive and apply human capital, forex exchange risk management and performance.

Table 14 shows considerable mean variation in human capital with highest significant difference between local and foreign owned forex bureaus.

Table 14: ANOVA of Ownership by Study Variable

Variable	Ownership	N	Mean	Df	F	Sig
HUMAN CAPITAL	Local	57	4.63			
	Foreign	36	4.52	1	.444	.507
	Total	93	4.59			
FOREIGN EXCHANGE	Local	57	4.14			
RISK MANAGEMENT	Foreign	36	4.05	1	.218	.642
	Total	93	4.11			
PERFORMANCE	Local	57	3.98			
	Foreign	36	3.89	1	.518	.474
	Total	93	3.95			

The above table shows mean difference in human capital (*diff.11*), forex exchange risk management (*diff.09*) and performance (*diff.09*). Local and foreign owned forex bureaus are almost similar in independent variables or dimensions. Generally, most responses show significant agreement to items of the collection instrument.

48

3.4.2 ANOVA of Gender by Study Variable

Table 15 indicates a significant difference (*diff.25*) in the way respondents relate to performance. On the contrary, there is no significant variation in the way male and female respondents emphasized on human capital and forex exchange risk management.

Table 15: ANOVA of Gender by Study Variable

Variable	Gender	N	Mean	Df	F	Sig
HUMAN CAPITAL	Male	56	4.60	1	.287	.593
	Female	37	4.53			
	Total	93	4.57			
FOREIGN EXCHANGE RISK MANAGEMENT	Male	56	3.86	1	.017	.897
	Female	37	3.87			
	Total	93	3.87			
PERFORMANCE	Male	56	4.24	1	1.639	.204
	Female	37	3.99			
	Total	93	4.14			

In the above results, the highest mean difference observed in performance (*diff.0.25*) followed by human capital (*diff.0.07*). Overall, most male respondents gave an impressive emphasis on human capital (*M=4.60*) while all responses agreed on both human capital and performance but foreign exchange risk management.

Overall, males had higher mean statistics as affirmative agreement to items under human capital and performance.

4.4.3 ANOVA of Education by Study Variable

There is a significant difference in the way respondents' level of education relates to forex exchange risk management and performance of forex bureaus. Table 16 indicates a higher mean for diploma and bachelors holders in human capital and forex exchange risk management.

Overall, respondents at all education attainment emphasized more on both human capital and performance compared to forex exchange risk management. This is observed by the closeness of their closely related mean values for agree responses.

Table 16: ANOVA of Study Variables by Education

Variable	Education	N	Mean	Df	F	Sig
HUMAN CAPITAL	O-Level	2	4.98	5	.491	.782
	A-Level	2	4.54			
	Diploma	16	4.33			
	Bachelors	64	4.59			
	Masters	7	4.35			
	PHD	2	4.73			
	Total	93	4.57			
FOREIGN EXCHANGE RISK MANAGEMENT	O-Level	2	3.94	5	.173	.972
	A-Level	2	3.63			
	Diploma	16	3.91			
	Bachelors	64	3.86			
	Masters	7	3.68			
	PHD	2	3.63			
	Total	93	3.87			
PERFORMANCE	O-Level	2	4.42	5	.258	.935
	A-Level	2	4.33			
	Diploma	16	4.33			
	Bachelors	64	4.07			
	Masters	7	4.17			
	PHD	2	4.36			
	Total	93	4.14			

4.4.4 ANOVA of Years in Service by Study Variable

There is a significant difference in the way respondents' years in service relates to performance of ABC forex bureaus. Table 17 indicates all respondents regardless of years of service agreed on human capital and performance. The 11-15 year category had higher mean statistic in all study variables. There was no major difference across study variabies.

Table 17: ANOVA of Years in Service by Study Variable

Variable	Years in Service	N	Mean	Df	F	Sig
HUMAN CAPITAL	0-1	17	4.49	5	1.967	0.091
	2-4	44	4.69			
	5-7	18	4.58			
	8-10	6	4.12			
	11-15	4	4.77			
	>15	4	4.11			
	Total	93	4.57			
FOREIGN EXCHANGE	0-1	17	3.86	5	1.130	0.350
RISK MANAGEMENT	2-4	44	3.87			
	5-7	18	3.96			
	8-10	6	3.72			
	11-15	4	4.19			
	>15	4	3.55			
	Total	93	3.87			
PERFORMANCE	0-1	17	4.22	5	0.0492	0.781
	2-4	44	4.07			
	5-7	18	4.30			
	8-10	6	3.79			
	11-15	4	4.48			
	>15	4	3.96			
	Total	93	4.14			

Overall, sample responses by ownership, gender, education and years in service had agree response scales (*approx. and min=4*) for the data.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, conclusions are drawn from the discussed results and findings from previous chapter. The implications of the study are then examined for both research and business practice of foreign bureaus. Future areas of research thereby suggested. The generated findings do relate with prevailing literature and conceptual framework.

5.1 Discussion

The presented findings are discussed according to research objectives and questions:-

5.1.1 Relationship between Foreign Exchange Risk Management and Performance

As shown in Table 12, a correlation run test revealed that there was a significant positive association between foreign exchange risk management and financial performance. The collective role of currency risk assessment and strategies has positive relationship to performance of ABC forex bureaus. This confirms improvement of foreign exchange risk management in forex bureaus will result into improved financial performance and inadequacies of foreign exchange risk management will cause low financial performance.

This is in agreement with Kirt (2008) whose study proved foreign exchange risk management is about wealth value in a firm through cost effective and innovative techniques of currency risk control. ABC Forex bureaus were able to identify that foreign exchange risk as a problem to their business profit and sales turnover. This is consistent with studies by Taggart and McDermott (2000) who argued foreign exchange risk is inevitable in forex related firms. This is because foreign exchange risk is the dominant financial risk affecting their book value and transactions. The nature of forex business holds international currencies as diversified inventory against the unpredictable forex rates hence active application of currency risk assessment and counter strategies for business survival. Relatedly, Evan et al., (1985) asserted foreign exchange risk management as the outright solution. In addition, it is possible to earn higher profits and sales in currency trade regardless of currency appreciation and depreciation. Similarly, forex bureaus had predictable strength (Table 13). and agreeable response scales for foreign exchange risk

management (Table 14) for financial performance. The mean results of the two variables consolidate works by Giddy & Dufey (2002) that firms should quantify and report currency risk exposure to determine wealth through loss or profits.

5.1.2 Relationship between Human Capital and Performance

Results in Table 12 revealed agreeable significant positive and moderate relationship between human capital and financial performance of the forex bureaus. The findings show that skill, training and experience which compose human capital affect financial performance to achieve sales volumes and gainful profitability. It is in agreement with a study by Fitzenz (2002) who distinguished that the consequence of human capital and its management influence business outcomes of 25 financial firms. Snell et al., (1999) affirms human capital pool through a resource based view becomes apparent and financial performance is abound. Becker (1993), Rastogi (2000) and Peteraf & Barney (2003) still sustain the concept of employee human capital is irreplaceable to truly optimize and focus firm value. However human capital deficiencies are visible due to a lower coefficient of association and weaker predictive effect on financial performance. This was consistent with Mann (1990) who argued that despite investment in training, evaluation of training output is frequently low as small firms under study had limited use of structured training. Human capital development through skill, training and experience should thus be of strategic implementation and consequence to the forex bureaus in Kampala.

5.1.3 Effect of Human Capital and Foreign Exchange Risk Management on

Performance

Results in the multiple regression model (Table 13) addressed the third study objective.

The regression indicated a reliable combined effect of predictor independent variable to contribute onto the dependent variable. This implies that human capital and foreign exchange risk management influences changes in performance of ABC forex bureaus in Kampala. Thus as performance progresses, human capital and foreign exchange risk management have a joint effect. The conceptual model holds true that firms with both predictor variables are likely to post improved performance than other counterparts. This is sustainable effect since human capital and foreign exchange risk management positively associates with financial performance of ABC

forex bureau. Investment in cost effective currency risk management regresses towards financial performance. In addition, adaption of skill, training and on job experience facilitates jointly with foreign exchange risk management to predict a vibrant financial performance in terms of overtime sales and profits for ABC forex bureaus.

5.2 Conclusions

According to the preceding discussions, the following are the conclusions:-

Results show that existence of human capital practices and foreign exchange risk management in ABC forex bureaus. This study provides unique findings on the relationships between foreign exchange risk management, human capital and financial performance. There is evidence of significantly positive linear relationship between foreign exchange risk management, human capital and financial performance of ABC forex bureaus in Kampala. The survey reveals that foreign exchange risk management practices are more valued and applied by management of ABC forex bureaus compared to human capital. Adoption of currency risk assessment tools is thus aimed to immediately identify, quantify and mitigate effects of foreign exchange risk for sales revenue and profit margin from currency spreads. Unlike human capital, foreign exchange risk management proved a significantly stronger positive association and predictive contribution to financial performance. In addition, both human capital and foreign exchange risk management had a joint positive and moderate effect on financial performance hence a call for more investment in the same. This further closes the literature gap between human capital and foreign exchange risk management in the local context. Both independent variables contribute to target performance in sales and profits.

5.3 Recommendations

With findings and conclusion, the following recommendations are presented to management of ABC forex bureaus with reference to needful human capital and improvement in foreign exchange risk management

ABC Forex bureaus should enforce a forex business plans, operational manuals and framework, which evidently shows the what and how of currency risk assessment procedures and implementation of currency risk management strategies. Necessary changes should prompt forex bureaus for market efficiency to prevail in a dynamic business and knowledge. Monitoring and evaluation should be periodic for opportunities to improve.

Forex bureaus should organize routine and optimal investment in own employee human capital in form of updated firm specific skills and more in house training. This should add on training by the forex association. The forex market is information efficient hence calling for faster business and investment decisions. Aggressive investment in information technology will cause gains through forex risk management practices.

Management should opt for cost effective strategies for more significant positive relationship between foreign exchange risk management, human capital and financial performance. It would be profitable strategy to adopt them only when possible their costs are low because investment gains are small relative business size. The gross margin per unit transaction is still meager due to small spreads. Currency risk retention should be used if losses and gains are high during currency fluctuations.

ABC Forex bureaus should network and share human capital concerns with member firms in the forex association and stakeholders in the line ministry like BOU. A robust human capital agenda and a business research desk or institute will link human capital component to members' strategic goals. UFBAMRA should develop a unique consortium research and development section in addition to its human resource (HR)/Training unit.

Monthly reports will accordingly address regional and firm human capital changes.

Management of ABC forex bureaus should set up HR incharge to source firm specific human capital. The HR incharge should further create human capital database to identify gaps in human capital and champion industrial specific abilities compared to commercial banks. Training needs assessment should be updated documented and consolidated to target needs in knowledge, skills and technology for successful performance.

6.4 Areas of Further Research

This study outcome creates future areas for academic and business research;

Forex trade is influenced by external stakeholders like uncertain retail customer base. A cross sectional study should examine relational customer capital and performance of ABC forex bureaus. This will reveal customers' role as forex.

Due to known effect of forex risk exposure, an investigation should aim at cost effectiveness of forex risk techniques and financial performance of ABC forex bureaus.

Foreign exchange risk management had a positive association of 48 percent to financial performance. Investigation in non-forex risk profiles like operational risk or management risk management should be related to financial performance of ABC forex bureaus.

With lower correlation and predictive effect, human capital components change overtime.

Future longitudinal studies should examine trends in human capital practices and financial performance of ABC forex bureaus in Kampala.

With low multiple variations in performance; other external factors deserve investigation like firm governance, employee behavior against financial performance of ABC forex bureaus.

REFERENCES

Allayannis, G., Ihrig, J., & Weston, J. (2001). Financial vs. operational strategies. *American Economic Review Papers and Proceedings*, 91, 391-395.

Allen, S. L. (2003). *A Practitioner's guide to managing market and credit risk*. New Jersey: John Wiley and Sons.

Anderson, M., Banker, R., & Janakiraman, S. (2003). Are selling, general, and administrative costs sticky? *Journal of Accounting Research*, 41, 47-63.

Bank of Uganda (2010). *Bureaux and inter-bank transactions*, Kampala: Research Department.

Barney, J. (1991). Firm resource and sustained competitive advantage. *Journal of Management*, 17, 99-120. doi: 10.1177 /014920639101700108.

Bartel, A. P. (1994). Productivity gains from the implementation of employee training programs. *Industrial Relations*, 33, 411-425.

Bates, T. (1990). Entrepreneur human capital inputs and small business longevity. *The Review of Economics and Statistics*, 72, 551-559. Retrieved April 20, 2014 from: <http://www.mendeley.com/research/entrepreneur-human-capital-inputs-small-business-longevity>.

Becker, G.S. (1993). *Human capital*. Chicago: University of Chicago Press.

Belk, P.A, Bidgood, V.H., & Doungploy, O. (1993). *Comparative analysis of UK & US firms* Research Series No. 13), Loughborough University Business School.

Belk, P.A. (2002). Managing strategic exchange risks exposures. *Evidence from UK firms*. *Managerial Finance*, 28, 29-39.

Belk, P.A., & Glaum, M., (1990). The management of foreign exchange risk in UK multinationals. *An Empirical Investigation*, 21, 3-23.

Bernstein, L.A (1989). *Financial statement analysis*: Illinois: Richard D. Irwin Inc.

Bontis, N., & Fitzenz, J. (2002). Intellectual capital ROI. *Journal of Intellectual Capital*, 3, 223-247.

Bradeley, K., & Moles, P. (2002). Managing strategic exchange risks exposures. *Managing Finance*, 28, 29-39.

Castanias, R.P., & Helfat, C.E. (1991). Managerial resources and rents. *Journal of Management*, 17, 155-171.

Doucouliaqos, C. (1997). The aggregate demand for labor in Australia. *Australian Economic Papers*, 36, 224-42.

Dzinkowski, R. (2000). The measurement and management of intellectual capital. *An Introduction, Management Accounting*, 78, 32-36.

Eiteman, D., Stonehill, A., & Moffet, M. (2007). *Multinational business finance* (12th ed.). London: Pearson International.

Eiteman, D., Stonehill, A., & Moffet, M. H. (2001). *Multinational business finance* (9th ed.). New Jersey: Addison-Wesley Longman Inc.

Evans, T.G., Taylor, M.E., & Holzman, O. (1985). *International accounting and reporting*. (2nd ed.). New York: Macmillan Publishing.

Ezejelue, A.C., Ogwo, O. E., & Nkamnebe, A. D. (2008). *Basic principles in managing research projects* (2nd ed.). Aba: Afritowers Ltd.

Faravan, T., Morley, M., Gunnigle, P., & Collins, E. (2001). The role of human resources management. *Journal of European Industrial Training*, 25, 48-68.

Fiddy, I.H., & Gufey, G. (2002). *Management of foreign exchange risk*. University of Michigan.

Goetz, S. J., & Ha, D. (1996). Simultaneity and extended convergence tests. *Economics Letter*, 51, 355-362.

Gopinathan, T. (2009a). Financial statement analysis with ratios can reveal problems.

14, *Journal of Financial Ratio Analysis for Performance Evaluation*.

Gopinathan, T. (2009b). Profit ratios work with gross, operating, pretax and net profits.

Journal of Profitability Ratio Measure Margin and Return. Retrieved April 8, 2011, from iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01

Hambrick, D. C., & Mason, P. A. (1984). The organization as a reflection of its top managers. *Academy of Management Review*, 9, 193-206.

Hitt, M., Bierman, L., Shimizu, K., & Kochhar, R. (2001). A resource based perspective.

Academy of Management Journal, 44, 13-28.

Huang, T.C. (2001). The relation of training practices and organizational performance in small and medium size enterprises. *Education and Training* 43, 437-444.

International Accounting Standards Board (2009). The effects of changes in foreign exchange rates. *Standard* 21, 39-44. Retrieved April 18, 2011, from

<http://www.ifrsissues.com/viewforum.php?f=1>

Journal of Profitability Ratio Measure Margin and Return

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

Retrieved April 18, 2011, from <http://iv.diva.portal.org/smash/get/diva2:323754/FULLTEXT01>

- James, C. (2009). Accounting 101 – Income Statement: Financial reporting and analysis of profit and loss, *Journal of Income Statement*, Retrieved April 18, 2011, from http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards.
- Kenyon, A. (1990). *Currency risk & business management*. Unpublished manuscript, Oxford University, Oxford, United Kingdom.
- Kliiza, C. (2009, October). From The Secretariat, *Forex News*, 10, 5.
- Kirt C. B. (2008). *Multinational finance*. New Jersey: John Wiley & Sons Ltd.
- Krejcie, R.V., & Morgan, D.W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30, 607-610.
- Lengnick-Hall, C. A., & Lengnick-Hall, M. L. (1988). A review of the literature and a proposed typology. *Academy of Management Review*, 13, 454-476.
- Maimunah, I. & Lawrence, A. (2008). A human resource development perspective towards organizational performance. *European Journal of Social Sciences*, 6, 244-25.
- Mann, S. (1996). What should training evaluations evaluate? *Journal of European Industrial Training* 20, 14-20.
- Maria, Z. (2008). Different types of calculations that determine a firm's profits. *Journal of Profitability Ratio Analysis*, Retrieved April 8, 2011, from <http://diva.portal.o.g/snash/ge>.
diva 2:323754/FULLTEXT01.
- Ministry of Finance (2010). Background to the Budget 2010/11 fiscal year: *Strategic Priorities to accelerate Growth, Employment and Socio-Economic Transformation for Prosperity*, 1, 32.
- Mutebile, E. (2011 January). Currency crisis: *Statement on the Exchange Rate*, Kampala: Bank of Uganda Press.
- Joe, R.A. (2001). *Employee Training and Development*. Illinois: McGraw-Hill Publishing Co.
- Ni, H., Otani, A., & Shirota, T. (2004). The Choice of invoice currency in international trade: *Implications for the Internationalization of the Yen*. 27-63 Retrieved February 20, 2011, from <http://www.imes.boj.or.jp/English/publication/imes/2004/me22-1-2.pdf>.
- Oxelheim, L. (1984). Foreign exchange risk management in the modern company. *A Total Perspective*, Stockholm: Scandinavian Institute for Foreign Exchange Research.
- Pantzalis, C., Simkins, B.J., and Laux, P. A. (2001). Operational hedges and the foreign exchange exposure of U.S. multinational corporations. *Journal of International*

Business Studies, 32, 793-812.

Peteraf, M.A., & Barney, J.B. (2003). Unraveling the resource-based tangle. *Managerial and Decision Economics*, 24, 309-323.

Price Waterhouse Coopers, (1991). *International treasury management*, London:

Euromoney Books.

Rastogi, P.N. (2000). Sustaining enterprise competitiveness – is human capital the answer?

Human Systems Management, 19, 193-203.

Ritzer, G. & Stillman, T. (2001). From person-to system-oriented service. In Study.

Grugulis, A.I. and Willmott, H. (Eds.), *Empowerment and entrapment* (102-116)

London: Palgrave.

Ross, S., Westerfield, R., & Jaffe, J. (2005). *Corporate Finance* (7th ed.). Irwin:McGraw- Hill.

Russell, J. S., Terborg, J. R., & Powers, M. L. (1985). Organisational performance and organisational level training and support. *Personnel Psychology*, 38, 849-863.

Selvarajan, T. T., Ramamoorthy, N., Flood, P. C., Guthrie, J. P., MacCurtain, S., & Liu, W.

(2007). The role of human capital philosophy in promoting firm innovativeness and performance. *International Journal of Human Resource Management*, 18, 1456-1470.

Serakan, U. (2000). *Research methods for business*. New York: John Wiley & Sons, Inc.

Shapiro, A.C. (2006). *Multinational financial management*, New York: John Wiley & Sons, Inc.

Snell, S.A., Lepak, D.P., & Youndt, M.A. (1999). Implications for strategic human resource management. In Ferris, G.R. (Eds.), *Research in Personnel and Human Resource Management*, (pp159-174). Greenwich: JAI Press.

Sun, T., Sundaresan, S., & Wang, C. (1993). An empirical investigation. *Journal of Financial Economics*, 34, 132.

Uganda Forex Bureau and Money Remitters Association (2010, December). Members. Retrieved March 09, 2011, from <http://www.ugandaforex.com/members.htm>

Uganda Forex Bureau and Money Remitters Association (2009). Special Report: *Forex News*, 10, 14.

Van Deventer, D.R., Imai, K., & Mesler, M. (2004). *Advanced financial risk management* (2nd ed.). New Jersey: John Wiley and Sons.

Van Horne, J.C. (2002). *Financial Management and Policy*. Singapore: Pearson Education.

- Watson, E., Kumar, K., & Michaelsen, L. (1993). Comparing homogeneity and diverse task groups. *Academy of Management Journal*, 36, 590-603.
- Wright, P.M., Dunford, B.B., & Snell, S.A. (2001). Human resources and the resource-based view of the firm. *Journal of Management*, 27, 701-721.

APPENDICES

Appendix I: Time Frame

The study will take 12 weeks, from March to May 2014. The activities of the study will comprise of the following.

No.	ACTIVITY	DURATION IN WEEKS
1	Proposal Writing	4
2	Designing Research Instrument	2
3	Orientation and Formalization of the Organization	2
4	Reviewing of the documents of the organization	1
5	Administering the Interviews and observation	1
6	Data interpretation and Analysis	1
7	Report writing and submission	1
	TOTAL	12

APPENDIX II: Research Budget

The researcher will be required to have sufficient funds for conducting the study. The source of funds to finance the study will be from friends and relatives.

ITEM	TRANSACTION	SUB-TOTAL (UGX)	TOTAL (UGX)
Stationeries	Stationary	30,000	30,000
Secretarial services	➤ Typing	35,000	75,000
	➤ Photocopying	20,000	
	➤ Binding	20,000	
Transport	➤ To campus	18,000	30,000
	➤ To the work station	12,000	
Meals	➤ Break fast	25,000	65,000
	➤ Lunch	40,000	
Communication	Communication	15,000	15,000
Other related expenses	-	10,000	10,000
TOTAL			225,000

Appendix III: Interview Schedule

Kampala International University
Foreign Exchange Risk Management, Human Capital and Performance of ABC Forex
Bureaus in Kampala.

Dear Participant,

Am thankful for your service to the business community. As an academic requirement, research is being conducted to cause a dissertation report and your response will be **strictly confidential**. Only grouped data will be presented. With help of an assistant, this is to kindly request for frank and independent responses to the questionnaire.

A copy of final report will be availed to your contact.

E-mail: _____

Your participation is highly appreciated in this academic endeavor.

Thankful,
_____(contact)
Research Student

Instructions: Please fill or tick your response where appropriate.

Background Information

A - Business Profile

- .0 Name of Firm _____
- .1 Location (Street/No.) _____
- .2 Firm subcomponent 1=Head Office 2=Branch _____
- .3 Employee size ____Male(s) + ____Female(s) = ____ Total Employees _____
- .4 Duration of the firm ____Years _____
- .5 Ownership Structure
1=Local
2= Foreign

3 - Personal Profile

2.0 Gender

- 1=Male
- 2=Female

2.1 Age group

- 1= <25
- 2= 25-29
- 3= 30-34
- 4= 35-39
- 5= 40-44
- 6= >44

2.2 Current job title

- 1=Manager
- 2=Supervisor
- 3=Other, Specify.....

2.3 Current job status

- 1=Fulltime
- 2=Part Time

2.4 Highest education

- 1= O-Level
- 2=A-Level
- 3=Diploma
- 4=Bachelors
- 5=Masters
- 6=PHD
- 7=Professional course(s)-Specify

2.5 Years in service

- 1=0-1
- 2=2-4
- 3=5-7
- 4=8-10
- 5=11-15
- 6=>15

Instructions: Based on actual and current situation, please tick [] your response in the appropriate box after each statement.

Response Scale:

- 1 Strongly Disagree
2 Disagree Slightly
3 Disagree Slightly
4 Agree
5 Agree
6 Strongly Agree

SECTION 1: HUMAN CAPITAL

SECTION 2: FOREIGN EXCHANGE RISK MANAGEMENT

No.		1	2	3	4	5	6
	Training Response						
	We assess and train employees for needful skills and knowledge per year						
	On-job orientation and continuous training enables recruits to know tasks						
	Training has improved ethical financial management by our employees						
	Training has enabled specific abilities like office computing and technology						
	We support interested employees to upgrade formal education and learning						
	Training programs enhance interpersonal teamwork for firm's sales targets						
	Acquired forex knowledge is distributed to all management levels in the firm						
	Employees are trained in friendly and consistent customer care for service						
	Skill						
	Our employees are creative and bright widely considered best in the industry						
0	Employees display ability in foreign languages to ease business negotiations						
1	We have adequate tools and environment to ease new ideas and knowledge						
2	Employees always embrace team work to share skills and meet firm targets						
3	Management attracts and hires most talented people available in the industry						
4	Employees have basic information technology skills to update customer data						
5	Employees display good skills in report writing and decision making in trade						

6	Employees are constantly supported to upgrade trade skills where possible						
	Experience						
7	Employees are highly professional and creative to ensure customer loyalty						
8	Our services are unique and innovative to benefit customer satisfaction						
9	Employees have worked for many years in the firm (low employee turnover)						
10	Our firm has the lowest cost and time per customer transaction or complaint						
11	Competence is at the most ideal for work requirements and responsibilities						
12	Employees understand the firm's financial objectives, goals and regulations						
13	The firm prides itself on being effective beyond customers' expectation						
14	Generally, employees are risk takers than risk averse in the currency business						
	No currency Risk Assessment Response						
15	Our firm has a well defined and implemented forex risk management policy						
16	Exchange rate risk is a potential financial risk identified by the firm treasury						
17	The rate of forex rate fluctuations and exposure since last year is very high						
18	Forex rate changes affects values in financial statements to cause losses						
19	Forex rate changes affects currency contracts for future sales and purchases						
20	Future transactions and market operations are affected by forex rate changes						

SECTION 3: PERFORMANCE

1	We have an updated information system to predict forex risk and exposure						
2	Financial values are changed into home currency as per reporting standards						
3	Management forecasts currency gains or losses due to exchange rate changes						
4	Management forecasts revenues/costs to determine the						

	effect of forex risk						
15	Management uses internal treasury section to forecast its own forex rates						
16	Management uses external financial services/bankers to forecast forex rate						
	Currency Risk Strategies						
17	Use of forward contracts has saved sales and profit from future forex risk						
18	Use of future currency contracts of trade has saved expected sales and profits						
19	We borrow gainful currencies to limit forex risk by unstable local currency						
20	Swap contracts of currency flows has saved sales and profit from forex risk						
21	Use of currency options has saved sales and profitability from forex risk						
22	We diversify in as many different currencies to promote sales and profits						
23	Our firm limits forex risk by advance payments of purchases and expenses						
24	Our firm limits forex risk by delayed payments of purchases and expenses						
25	Our firm offsets costs with revenues of same currencies to reduce forex risk						
26	We balance or net out currency receipts and purchases between our branches						
27	We quote and invoice in stable and gainful currencies to limit forex risk						
28	Management has internal funds to manage and offset forex risk exposure						
	No Sales Volume/Quantity Response						
29	Overall, sales growth in quantity has been achieved in the last 2 years						
30	Sale of currency quantity has been steadily high in the last 6 months						
31	Sales intensity has been improving since the last 6 months						
32	We have been meeting sales targets or expectations since last year						
33	Customer base has steadily been increasing since last year						
34	Maximum sales rather than maximum profits is our						

	main objective						
	Profitability						
5	Overall, business gross profit has grown in the past two years						
6	The gross profit margin has been stable since the last 6 months						
7	We are able to fund business growth from retained profits of last year						
8	We budget to forecast costs and revenues to meet monthly operations						
9	Maximum profits rather than maximum sales is our key objective						
10	Overall financial performance and future outlook is encouraging						

-----END-----

Thank You for Your Time