WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE IN SELECTED PRIVATE SECONDARY SCHOOLS IN WAKISO DISTRICT, UGANDA

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Nambafu Aidat

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DECLARATION A

"This thesis is my original work and has not been presented for a degree or any other academic award in any university or institution of learning".

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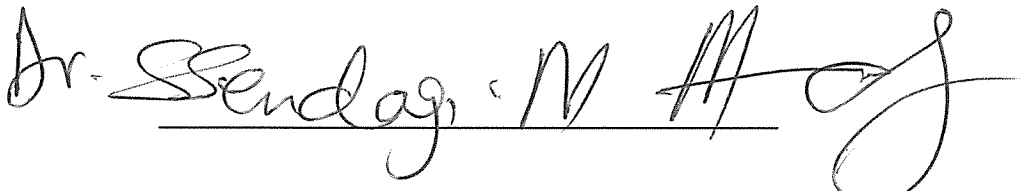
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DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision".



Name and Signature of the supervisor



Date

DEDICATION

This work is dedicated to my family members especially my father Mr. Yahaya Gudoi who rendered me his financial and professional support right from primary to University levels.

ABSTRACT

The topic of this study was, Working Capital Management and Financial Performance in Selected Private Secondary Schools in Wakiso District, Uganda. The general objective was to establish the relationship between working capital management and Financial Performance in Selected Private Secondary Schools in Wakiso District. It was based on the following specific objectives: i) To determine the level of working capital management in terms of cash management, accounts receivables management, accounts payables management and inventory management; ii) To investigate the level of financial performance in terms of profitability, liquidity and efficiency of the selected secondary schools; iii) To establish the relationship between working capital management and financial performance of those selected secondary schools. The research study was based on descriptive approach with co-relational design as well as quantitative methodology. The population was 134 employees of the selected private secondary schools. The sample of 100 was drawn and purposive samplings in form of questionnaires and interviews were used as research instruments. The findings indicated that majority of respondents were male (54%) between 20-39 years (54%) of age, over 72% had completed their undergraduate degree, 46% had experience of five and above years and 67% were teachers. Data analysis using means showed that the overall average of the level of working capital management was high (mean = 2.98). The level of financial performance of selected private secondary schools had the overall average of financial performance in terms of profitability, liquidity and efficiency of the selected private secondary schools in Wakiso District was high (mean = 2.97). Finally, the findings indicated a positive relationship between the level of working capital management and financial perfomance in selected private secondary schools in Wakiso District. Regression analysis results indicated that the level of financial performance that is not affected by working capital management is (Beta = 0.958) and a unit increase in the level of working capital management influences financial perfomance by 0.678. On the whole analysis finds out that change in working capital management accounts for only 25.5% of the variations in financial performance (Adjusted R^2 = 0.255). The recommendations for this study are; there is a need for these schools to regularly inform the suppliers of the delays to avoid charges on late payment and also there is a need to work on registering expenses as they are incurred. This is because there is still a gap between what expenses are and the best. The school administrators should priotise expenses so as to reduce on expenditures.

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LIST OF ACRONYMS

CVI	:	Content Validity Index
MAX	:	Maximum
MIN	:	Minimum
SIG	:	Significance
SPSS	:	Statistical package for social sciences
UK	:	United Kingdom
USA	:	United States of America
VAR	:	Variance
WCM	:	Working Capital Management
S/T	:	SubTotal
S.S.S	:	Senior Secondary School
ST	:	Saint
%	:	Percentage
P.T.A	:	Parents Teachers Association

CHAPTER ONE

PROBLEM AND ITS SCOPE

Background of the study

Working capital management is an essential tool in the success story of any firm in terms of profitability. Aminu (2003:95) defines working capital or gross working capital as a firm's investment in short - term assets that is cash, account receivable, short-term or marketable securities and inventories. A good or positive working capital enables a firm to access finance from short-term creditors and even long term creditors. In the long-run creditors seek firms with a positive working capital since it serves as an assurance of loan repayment. The issue of a positive working capital calls for working capital management which according to (Pandey, 2005) is the administration of all components of working capital-cash, marketable securities, debtors (receivables) and stock (inventories) and creditors (payables). He further states that the financial manager must determine levels and composition of current assets by determining the right source to finance current assets and that current liability are paid in time. The goal of working capital management is to ensure that the firm is able to continue its operation and that it has sufficient cash flows to satisfy both maturing short-term debt and upcoming operational expenses. This will obviously have significant effect on the firm's financial performance According to (Smith,1980) management of these short-term assets and liabilities warrant investigation since working capital management plays an important role in firm profitability and risk as well as its value. This study was about working capital management and financial performance of

schools in Uganda using selected private secondary schools in Wakiso district as a case study. The study is important because it is believed as stated by Karaduman, Akbas and Calison, (2010) that working capital management is the most important decision in the knowledge of financial management. On the other hand educational institutions play an important role in any country. In a European setting, working capital is a very important aspect in the management and development of any private institution. Before accurately considering operation, it is important that all schools have enough capital to purchase all requirements that are needed for passing on education to the students.

However, this is centrally to educational provision in many African states mainly states found within the Sub-Saharan region. Both public and private institutions face problems related to working capital needed especially during operation and purchase of educational equipment. Kajema (2002) indicates that poor performance in many African schools is bound to unavailability of capital to make a worthwhile working environment.

In Uganda there are many private educational institutions, Wakiso district being among those with the highest numbers. For any educational institution to offer quality services, it should be financially healthy. In the present day context of rising capital costs and scarce funds, the importance of working capital needs special emphasis. It has been widely accepted that the profitability of a business concern most likely depends upon the manner in which its working capital is managed.

While the financial performance levels of educational institutions in Uganda have traditionally been attributed to generally many factors,

working capital management practices may also have a consequent impact to their survival and growth (Kargar & Blumenthal, 1994). Kwame (2007) acknowledged that, the existence of efficient and effective working capital management makes a substantial difference between successful and less successful educational institutions. This is in line with the works of (Peel & Wilson, 1994) who state that if working capital management practices improved in the education sector, then few institutions would fail.

Kasekende, (2001) says Working capital management refers to all management decisions and actions that ordinarily influence the size and effectiveness of working capital. It is concerned with the most effective choice of working capital sources and the determination of the appropriate levels of the current assets and their use. It focuses attention to the managing of current assets, current liabilities and the relationships that exist between them. In other words, working capital management may be defined as the management of a firm's liquid assets, that's to say- cash, marketable securities, accounts receivable and cash management (West head, 2003).

Working capital management of a firm has been recognized as an important area in financial management. This field can include decisions about amounts and the combination of current assets and financing them. The process of working capital management includes decisions about different aspect of cash investment, the maintenance of certain levels of inventories and managing of receivable and payable accounts. The main goal of working capital management is to determine and keep an optimized balance between each component of working capital (Gitman, 2009). Business success heavily depends on the ability of financial

executives to effectively manage receivables, inventory, and payables (Filbeck and Krueger, 2005). Firms can reduce their financing costs and/or increase the funds available for expansion of projects by minimizing the amount of investment tied up in current assets. Most of the financial managers' time and efforts are allocated in bringing non-optimal levels of current assets and liabilities back toward optimal levels (Lamberson, 1995).

Kaplan, (1992) contends that, in order to assess financial performance, managers use actions designed to generate sustainable long term improvements. Balunywa, (1998) argues that financial performance can be looked at in terms of competitive performance, financial performance, quality of service, flexibility, resource utilization and innovation. Sand berg et al, (2002) defines the performance of small business as their ability to contribute to job and wealth creation through business start – ups, survival and growth.

The appropriateness of financial performance measures varies with the level of analysis, but in each case, the focus should be on measures that have inherent meaning for a particular research setting (Becker and Gerhart, 1996). Shareholder value may very well be an appropriate measure for larger companies with a notation on the stock exchange. But one can doubt its appropriateness for small, family owned businesses (Sels *et al*, 2003). Focusing on the economic finality of small businesses and the central role of its own managers, there is need to study financial performance from the owner's view and on an organizational level. The challenge then is to identify the measures of financial performance that truly predict long term success of enterprises (Holloway *et al.*, 1995).

Statement of the problem

Financial performance is one of the major indicators of private secondary schools in Uganda. However many private secondary schools in Wakiso district are experiencing deteriorating performance (Ministry of Education, 2012). The poor financial performance of secondary schools have resulted into a number of negative side effects such as poor academic performance, low level of remuneration to teachers and loss of funds on the side of proprietors. This unfortunate situation in secondary can be attributed to many factors; however working capital management may have played a big role.

That is why the Researcher was motivated to establish the influence of working capital management on financial performance of secondary schools in Wakiso District.

Purpose of the study

The study aimed at testing the hypothesis, identifying strengths, weaknesses and gaps of financial performance in the selected educational institutions. Finally were interested in validating the theory of the topic under investigation.

Research objectives

General objective

To establish the relationship between the working capital management and financial performance of the selected private secondary schools.

Specific objectives

1. To determine the level of working capital management in terms of cash management, accounts receivables management, accounts payables management and inventory management.
2. To investigate the level of financial performance in terms of profitability, liquidity and efficiency of the selected secondary schools.
3. To establish the relationship between working capital management and financial performance of those selected secondary schools.

Research Questions

1. What is the level of working capital management in terms of cash management, accounts receivables management, accounts payables management and inventory management?
2. What is the level of financial performance in terms of profitability, liquidity and efficiency in those selected secondary schools?
3. What is the relationship between the levels of working capital Management and level of financial performance of those selected private Secondary schools?

Hypothesis

H_0: There is no relationship between the level of working capital management and level of financial performance in the selected private secondary schools.

Scope of the Study

Geographical scope

The study was conducted in four private secondary schools in Wakiso district, Uganda and these schools include Nansana Senior Secondary School, Mita College, Kinaawa Senior School and ST. Thomas

senior secondary school. Wakiso district was selected because of its big territorial size and it's also being a home for most of the best performing schools. It's also among the districts with the biggest number of private schools in the country.

Content scope

The Study profiled respondents in terms of age, sex, education qualification, working experience, Employment position. It focused on the level of working capital management as an independent variable covering inventory management, accounts receivables Management, accounts payables management, Credit policy, Cash Management. Furthermore it covered the level of financial performance as the dependent variable looking at components such as Profitability, Liquidity and efficiency.

Theoretical scope

The study was based on the "Capital Theory and Investment Behavior" by Dale W (1987). Jorgenson which indicates that every organization has to maintain a certain minimum amount of capital in order to maintain an all round operation in the management and development of the organization.

Time scope

The study covered a period of ten months; from September to December 2012 the thesis proposal was done. From January to June data was collected, encoded to a computer and statistically treated to facilitate logical analysis. By June 30th, 2013 the thesis was submitted to the college of higher degrees and research evaluations.

Significance of the study

The study findings and recommendations will be beneficial to the following;

The **proprietors** of the selected private schools will be able to adopt some of the recommendations advanced in the study. This will enable these schools model themselves into successful and sustainable businesses.

Stakeholders in the academics fraternity will benefit from the study by coming up with policies to manage working capital and how to boost performance especially in secondary schools.

Researchers and academicians will benefit from the study as it will add knowledge to the existing body of literature in the subject area. The study will stimulate further research and it's expected to be used as reference material under literature review in future research.

The **Ministry of Education** will benefit from the study by adopting some of the recommendations in stimulating the private educational sector.

Operational Definitions of Key Terms

For this study, the following terms are defined as they were used in the research:

Working capital: Refers to the capital available for conducting the day-to-day operations of the business and consists of current assets and current liabilities.

Working Capital Management: Refers to the administration of current assets and current liabilities. Effective management of working capital ensures that the organization is maximizing the benefits from net current assets by having an optimum level to meet working capital demands.

Cash Management: is the management of the cash balances of a concern in such a manner as to maximize the availability of cash not invested in fixed assets or inventories and to avoid the risk of insolvency. The most useful technique of cash management is the cash budget.

Accounts Payable management: is the administration of money owed by a business to its suppliers and shown on its Balance Sheet as a liability. An accounts payable is recorded in the Account Payable sub-ledger at the time an invoice is vouched for payment

Accounts Receivables management: Refers to the administration of the amounts of money due owed to a business or professional by customers or clients. Generally, accounts receivable refers to the total amount due and is considered in calculating the value of a business or the business' problems in paying its own debts.

Inventory management is primarily about specifying the size and placement of stocked goods. Inventory management is required at different locations within a facility or within multiple locations of a supply network to protect the regular and planned course of production against the random disturbance of running out of materials or goods. The scope of inventory management also concerns the fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods and demand forecasting

Credit Policy: The term credit policy refers to the combination of three financial decision variables; credit standards, credit terms and collection efforts.

Financial Performance: This refers to a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Liquidity: This refers to the availability of resources to meet short-term cash requirements. It is affected by the timing of cash inflows and outflows along with prospects for future performance.

Profitability. This refers to a company's ability to generate an adequate return on invested capital.

Efficiency. Refers to how productive a company is in using its assets. Efficiency is usually measured relative to how much revenue is generated from a certain level of assets.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Opinions, Ideas from Authors/Experts

Working capital

According to Reheman & Nasr (2007), Working Capital refers to a company's Current Assets. Current Assets are Cash and Equivalents, Accounts Receivable, and Inventory. They State that Working capital management is an important part in a firms financial management decisions. Working Capital Management is applying Investment and Financing Decisions to Current Assets. Working capital management is a very important component of corporate finance because it directly affects the liquidity and profitability of the firm.

Working capital is known as life giving force for any economic unit and its management is considered among the most important function of corporate management. Every organization whether, profit oriented or not irrespective of size and nature of business, requires necessary amount of working capital. Working capital is the most crucial factor for maintaining liquidity, survival solvency and profitability of a business (mukhopadhyay, 2004)

Working capital management is one of the most important area while making the liquidity and profitability comparisons among firms (Eljelly, 2004), involving the decision of the amount and composition of current Assets and the financing of the assets.

Efficient working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short term obligations on the one hand and avoid excessive investment in these assets on the other hand (Eljelly, 2004).

The Researcher agrees with Reheman & Nasrs' statements above because Working Capital refers to a company's Current Assets and these include Cash and Equivalents, Accounts Receivable and Inventory. However, the Researcher defines working capital as the capital available for conducting the day-to-day operations of the business and consists of current assets and current liabilities.

In this thesis, working capital management involves components such cash management, accounts receivables management, accounts payables management and inventory management while financial performance were measured in terms of profitability, liquidity and efficiency as shown below;

Accounts Receivables Management

Accounts receivable is one of a series of accounting transactions dealing with the billing of customers for goods and services received by the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering to the customer, who in turn must pay it within an established time frame called credit or payment terms. Ross, Westerfield, jaffe, and Jordan, (2008) defines accounts receivable as: "amounts not yet collected from customers for goods or services sold to them

Weygandt, keiso, and Kell (2005) define trade receivables as accounts and notes receivables: accounts receivables are amounts by customers on accounts. They result from sale of goods and services. These receivables generally are expected to be collected within 30 to 60 days. They are the most significant type of claim held by a company. Notes receivable represent claim for which instruments normally requires the debtor to pay interest and extends for time period of 60-90 days or longer. Notes and accounts receivables result from sales transactions are often called trade receivables.

The researcher agrees with Ross, Westerfield, jaffe, and Jordans' statements above because accounts receivable is amounts not yet collected from customers for goods or services sold to them. In other words the Researcher defines accounts receivable as the total amount due and is considered in calculating the value of a business or the business' problems in paying its own debts.

Credit policy

A provision of trade credit is normally used by businesses as a marketing strategy to expand or maintain sales (Pandey, 2004). Efficient receivables management augmented by a shortened creditor's collection period, low levels of bad debts and a sound credit policy often improves the businesses' ability to attract new customers and accordingly increase financial performance hence the need for a sound credit policy that will ensure that value is optimized

Ross et al., (2008) adds that Costs of cash discounts, losses of bad debts and costs of managing credit and credit collections constitute the carrying costs associated with granting a credit which increase when the

amount of receivables granted are increased. Lost sales resulting from not granting credit constitute the opportunity cost which decrease when the amounts of receivables are increased. Firms that are efficient in receivables management should determine their optimal credit which minimizes the total costs of granting credit.

As observed by Michalski(2007) in his study, an increase in the level of accounts receivables in a firm increases both the net working capital and the costs of holding and managing accounts receivables and both lead to a decrease in the value of the firm.

The Researcher agrees with pandey's statements that efficient receivables management augmented by a shortened creditor's collection period, low levels of bad debts and a sound credit policy often improves the businesses' ability to attract new customers and accordingly increase financial performance hence the need for a sound credit policy that will ensure that value is optimized. However, the Researcher defines credit policy as the combination of three financial decision variables; credit standards, credit terms and collection efforts.

Accounts payable management

Accounts payable are the major source of unsecured short-term financing for business firms. They result from transactions in which merchandise is purchased but no formal note is signed to show the purchaser's ability to the seller. The purchaser in effect agrees to pay the supplier the amount required in accordance with credit terms normally stated on the supplier's invoice (Gitman, 2003). Notes payable is often

used instead of accounts payable. Notes that are due for payment within one year or less of the balance sheet are classified as current liabilities.

Also according to Deloof, (2003) accounts payable is a component of working capital but is different in the sense that it does not consume resources; instead it is often used as short term source of finance. Thus it helps firms to reduce its cash operating cycle, but it has an implicit cost where discount is offered for early settlement of invoices.

The Researcher agrees with Deloof's statements above because accounts payable is a component of working capital but is different in the sense that it does not consume resources; instead it is often used as short term source of finance. However, the Researcher defines accounts payable as money owed by a business to its suppliers and shown on its Balance Sheet as a liability.

Cash Management

Pandey, (2004) states that cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time. Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross et al., 2008) and as stressed by (Atrill, 2006), there is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold.

A study by Kwame (2007) established that the setting up of a cash balance policy ensures prudent cash budgeting and investment of surplus

cash. This finding agrees with the findings by (Kotut, 2003) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms. The assertion by (Ross *et al*, 2008) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance.

The Researcher agrees with Pandey's statements above because cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time. However, the Researcher defines cash management as the management of cash balances of a concern in such a manner as to maximize the availability of cash not invested in fixed assets or inventories and to avoid the risk of insolvency.

Inventory Management

'Inventory' and 'stock' are often used to relate to the same thing (Wild, 2002); yet when inventory management is mentioned, there is however a slight difference with stock. Stock is usually an amount of goods that is being kept at a specific place (in a warehouse for example), sometimes referred to as inventory. Conversely, inventory management is primarily about specifying the size and placement of stocked goods. Inventory management is necessary at different locations within an organisation or within multiple locations of a supply chain, to protect (the production) from running out of materials or goods.

The scope of inventory management is broader than stock. Basically inventory management can be defined as the "management of

will also be reduced. Risks caused by maintaining stocks are again related to costs, because stocks have to be stored secure and have to be protected against these risks, which costs money.

According to Waters, (2003), Economies of scale for example are a reason why inventories are kept. Buying bigger quantities is often more beneficial than ordering small amounts, due to the related discounts. Additionally (Coyle *et al,* 2003) States that ordering one unit at a time that has to be delivered to a specific place every time the user needs it, requires more logistic movements and accordingly raises high costs as well. Also fluctuating prices may form a reason to keep a stock: buying a product at a low price can provide a benefit (Waters, 2003). That is off course when the total costs of keeping additional goods in stock is cost-efficient compared to buying at a higher price, otherwise high stocking costs will immediately diminish the intended profit. In addition to this list seasonal goods can be added (DHL, 2009): crops for example can mostly only be harvested once a year, which makes it impossible to produce according to the just-in-time principle.

The Researcher agrees with Wild's statements above because 'Inventory' and 'stock' are often used to relate to the same thing; yet when inventory management is mentioned, there is however a slight difference with stock. Stock is usually an amount of goods that is being kept at a specific place (in a warehouse for example), sometimes referred to as inventory. Thus the Researcher defines inventory management as is primarily about specifying the size and placement of stocked goods.

Financial Performance

A customer is the most important visitor on business premises; he does not depend on business. Business depends on him. He is not an interruption in business work. He is the purpose of it. He is not an outsider in business. He is part of it. Business men are not doing him a favor by serving him. He is doing them a favor by giving them an opportunity to do so (Alm, 2000). He further argued that the profit motive is not only fundamental to our ability to reward shareholders and pay employees; it's fundamental to excellent journalism. Far from corrupting the craft, profits enhance it. Expansion drives diversity and diversity protects and strengthens our craft. Nevertheless Money is only used for two things. One, it's to make you comfortable, and the more comfortable you are the more creative you will become. And the other purpose is it enables you to extend the service you provide far beyond your own presence.

The country is now universally recognised as a nation on the move and takes its place amongst the successful economies in the region. The future potential is enormous but the country's destiny is in our hands. The time has come to move from small increments to bold, large initiatives. The time has come to stretch the envelope and set goals which were earlier not seen to be possible. The time has come for performance to be measured and for allocated funds of the government to reach the people for whom they were intended (Matovu and Ritva, 2001).

The theories discussed so far all recognize that the attitudes and abilities of the business owner have an important impact on small firm growth and will be reflected in strategic choices and the ways in which he

or she operates the business. The following section will draw from a variety of theoretical and empirical sources on small firm growth for the purpose of developing expected theoretical relationships between particular sets of variables, or factors of growth, and business growth (Matovu and Ritva, 2001).

Profitability

According Chariri and Imam (2001:302), profit is the difference in realized income, transactions that occurred during the period with the costs associated with those revenues. Meanwhile, according Harahap (2001:267), profit is the difference between actual income derived from corporate transactions in a given period less the expenses incurred to earn that income. From the definition of income above it can be concluded that the profit is the difference between the incomes (revenue), which is realized arising from transactions in the period the related expenses incurred during the period. While in this study, is profit before tax.

Investors are one of the main external users of corporate reports that use financial statements to assess how profitable a company in relation to an investment in the company.

According to Dwiatmini (2001) and Khajar (2005) assessment of the level of return on investment by investors based upon the financial performance of the company can be seen from the change in profits from year to year, the investors in assessing the company not only see profits generated in one period but continue to monitor the changes in income from year to year.

Harnanto (1991) and Khajar (2005) said that profitability as a means of projecting a company's earnings, because profitability is able to describe the correlation or relationship between income with capital used to generate income so that managers can analyze and plan for profit in varying degrees of change were planted. Profitability ratios can indicate the health condition of the company which will determine the credibility of a company that eventually a significant effect on earnings growth to be achieved.

According to Horne (2002), measuring performance of a firm is better obtained from analysis and interpretation of various ratios. Maes et al (2000), adds that profitability reflects financial performance in the narrow sense, in particular the ability of a company to yield return on investment.

The Researcher agrees with Chariri and Imam's statements above because profit is the difference in realized income, transactions that occurred during the period with the costs associated with those revenues. Thus the Research defines profit as a company's ability to generate an adequate return on invested capital.

Liquidity

This is a measure of financial performance. According to Maes *et al* (2000), liquidity relates to the settlement of short term debts. A company will face financial problems if the funds are not available to pay off these debts. In case of private schools struggling to survive, liquidity is a very important indicator of the state of financial health.

Williams (2004) defines liquidity as the degree to which debt obligations coming due in the 12 months can be paid from cash and assets that will be turned into cash. It can be measured by current ratio by dividing current assets by current liabilities.

According to Slamet (2003:33), current ratio used to measure a company's ability to meet its short-term debt using the assets smooth. In some of the literature shows that the current ratio of normal companies, this condition means that one part of the debt will be secured by the assets of two parts smooth.

Munawir (2002), a very high current ratio indicates excess cash or other current assets compared to the required current or lower levels of liquidity than the current assets and vice versa.

Efficiency

Narasimhan & Murty, (2001) stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency.

The existence of efficient working capital management practices can make a substantial difference between the success and failure of an enterprise and it is of particular importance to the managers of small scale enterprises, because it is them who strive for finances and the opportunity cost of finances, (Kwame, 2007).

As established by Padachi (2006), efficient management of working capital is vital for the success and survival of the educational sector which

needs to be embraced to enhance performance and contribution to economic growth.

Kakuru (1998) argues that cash collections should be speeded up while cash disbursements are tightly controlled. Wilson, (1996) reports a strong relationship between efficiencies in managing the cash cycle and profitability. Generally poor debtor management erodes profits and can lead to bad debts, which results in poor performance of a firm likewise if there is large investment in stock which leads to tying up of the company's funds will cause liquidity problems and possible loss of profit. Generally, debtor days should be shorter than creditor days (Brookson, 1998). Therefore, as Pandey (1995) argues, the better the management of assets, the larger the amounts of sales.

Theoretical Perspective

Capital Theory and Investment Behavior by Dale W. Jorgenson (1987)

According to the neoclassical theory of capital, as expounded for example by Irving Fisher, a production plan for the firm is chosen so as to maximize utility over time. Under certain well-known conditions this leads to maximization of the net worth of the enterprise as the criterion for optimal capital accumulation. Capital is accumulated to provide capital services, which are inputs to the productive process. For convenience the relationship between inputs, including the input of capital services, and output is summarized in a production function. Although this theory has been known for at least fifty years, it is currently undergoing a great

revival in interest. The theory appears to be gaining increasing currency and more widespread understanding.

By contrast, the econometric literature on business investment consists of ad hoc descriptive generalizations such as the "capacity principle," the "profit principle," and the like. Given sufficient imprecision, one can rationalize any generalization of this type by an appeal to "theory." However, even with the aid of much ambiguity, it is im-possible to reconcile the theory of the econometric literature on in-vestment with the neoclassical theory of optimal capital accumulation. The central feature of the neoclassical theory is the response of the demand for capital to changes in relative factor prices or the ratio of factor prices to the price of output. This feature is entirely absent from the econometric literature on investment.

It is difficult to reconcile the steady advance in the acceptance of the neoclassical theory of capital with the steady march of the econometric literature in a direction which appears to be diametrically opposite. It is true that there have been attempts to validate the theory. Both profits and capacity theorists have tried a rate of interest here or a price of investment goods there. By and large these efforts have been unsuccessful; the naive positivist can only conclude, so much the worse for the theory. I believe that a case can be made that previous attempts to "test" the neoclassical theory of capital have fallen so far short of a correct formulation of this theory that the issue of the validity of the neoclassical theory remains undecided. There is not sufficient space to

document this point in detail here; but I will try to illustrate what I would regard as a correct formulation of the theory in what follows.

Stated baldly, the purpose of this paper is to present a theory of investment behavior based on the neoclassical theory of optimal accumulation of capital. Of course, demand for capital is not demand for investment. The short-run determination of investment behavior depends on the time form of lagged response to changes in the demand for capital. For simplicity, the time form of lagged response will be assumed to be fixed. At the same time a more general hypothesis about the form of the lag is admitted than that customary in the literature. Finally, it will be assumed that replacement investment is proportional to capital stock. This assumption, while customary, has a deep justification which will be presented below. A number of empirical tests of the theory is presented, along with an analysis of new evidence on the time form of lagged response and changes in the long-run demand for capital resulting from changes in underlying market conditions and in the tax structure.

Summary of the Theory

Demand for capital stock is determined to maximize net worth. Net worth is defined as the integral of discounted net revenues; all prices, including the interest rate, are taken as fixed. Net revenue is defined as current revenue less expenditure on both current and capital account, including taxes. Let revenue before taxes at time I be R(t), direct taxes, D(t), and r the rate of interest. Net worth, say W, is

$$W = \int_0^\infty e - rt[R(t) - D\ (t)]dt$$

We will deduce necessary conditions for maximization of net worth for two inputs-one current and one capital-and one output. The approach is easily generalized to any number of inputs and outputs.

The theory relates to the research in the way that every organization needs to maintain its capital for longer in order to keep in production. Just like any organization, Private schools need to manage their capital flow in order to meet the required demands in order to provide the required services.

Related Studies

Charitou *et al.* (2010) in their study "Management on firm's profitability in emerging market in Cyprus" empirically investigated the effect of working capital. Their data set consisted of educational facilities in Cyprus for the period 1998 – 2007. The findings on the study indicate that cash conversion cycle and its entire major component are associated with the firm's profitability. Gill *et al* (2010) also affirms that there is a statistically significant relationship between the cash conversion cycle and profitability, measured through gross operating profit. Dang and Soo (2010), evaluated the relationship between working capital management and private schools profitability in Vietnam during the years 2006-2008 years. Results show that there are a negative relationship between profitability and cash conversion cycle.

Raheman *et al* (2010) investigated the impact of working capital management on firms' performance in Pakistan for the period 1998 to 2007. The results indicate that the cash conversion cycle, net trade significantly affects the performance of firms. The study also concludes

that firms in Pakistan were following the conservative working capital management policy, which is, needed to concentrate and improve their collection and payment policies.

Oghloo & Jence, (2008) conducted a study about the effect working capital management had on corporate profitability in Turkey for a period of 1998-2007. They used regression method and some accounting variables for evaluating working capital management. Results show that receivable collection period, inventory turnover and leverage had a negative effect on corporate profitability but corporate size affects positively on profitability. Sing and Penny (2008) carried out a study about the effect of working capital management on corporate profitability during the years 1990-2008. They found out that current ratio, acid test ratio and receivable turnover had sizable effect on working capital.

Anvar *et al* (2007) investigated the relationship between working capital management and corporate performance. They used panel data method and companies accepted in Malaya Stock Exchange for a period of 1996-2006. Also they use cash conversion cycle as evaluating criterion of working capital management. Research findings show that there were meaningful relationship between cash conversion cycle and corporate profitability.

Chiou and Cheng (2006) examined the effect of some factors on working capital management for a period of 2000-2005. In this study, it is stated that different factors like firm scale, the effect of industry, operating cash flow, growth opportunities, firm size and firm performance can have some effect on working capital management. Results show that

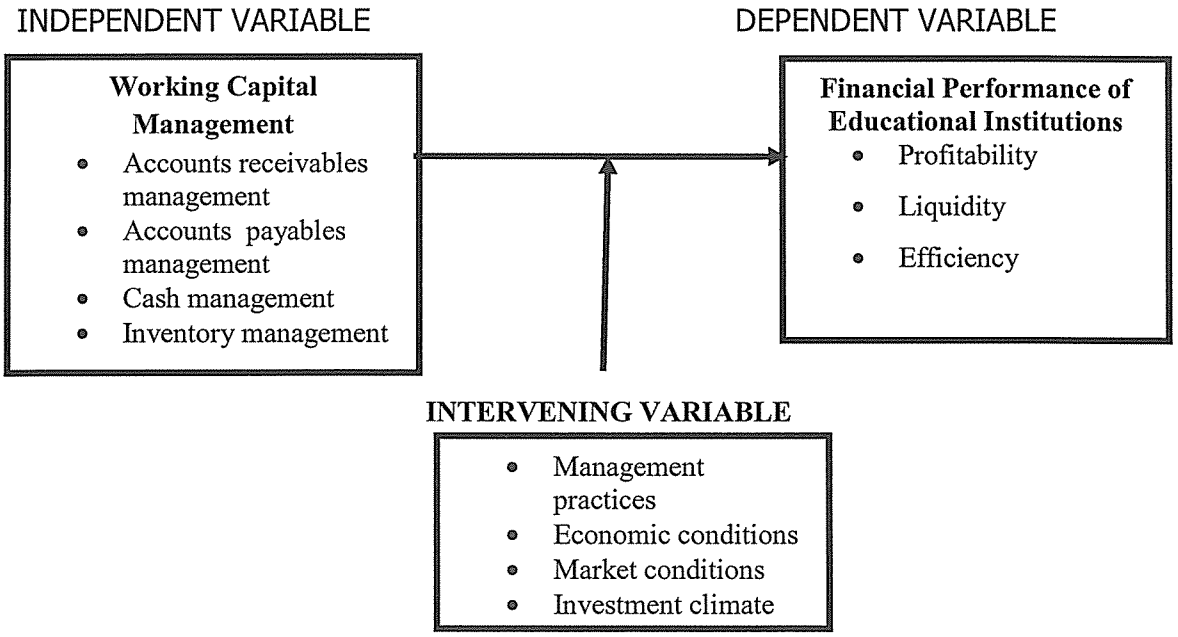
leverage and operating cash flow had significant relationship with net liquidity balance and working capital requirements.

Conceptual framework

From the above literature, it can be said that private schools which recognize the need to adopt Working capital management practices in the areas of financial management are more likely to succeed in financial performance terms.

In this study therefore, the independent variable, which is working capital management and the dependent variable that is financial performance have been conceptualized as shown in the diagram below.

Figure 1: Conceptual framework



Source: Modified from the works of (Dobbins & Barnard, 2000), (Ruth, 2006) and (Kwame, 2007).

The Conceptual framework was developed after review of existing literature to investigate the research questions at hand. The framework shows working capital management practices as the independent variables used to explain financial performance as the dependent variable. In order to facilitate the study, the researcher developed a conceptual Frame work drawn from the works of Dobbins and Barnard (2000). Financial performance was described in terms of profitability, liquidity and efficiency. For the purpose of this research, working capital management was determined in respect to cash management, Accounts payables, Accounts receivables and inventory management. However financial performance of educational facilities is also dependent on other factors that compete with working capital management practices to influence financial performance and these are the intervening variables. These included management practices, economic conditions, market conditions and investment climate.

Looking at the above related studies, none of the studies were carried out in Wakiso District, Uganda and there was no study on private secondary schools in that same District. Also, none of the related studies related working capital management to financial performance. Lastly, all the studies were done by 2010 and earlier. Therefore, the researcher was motivated to carry out the study in order to fill the gaps.

CHAPTER THREE

METHODOLOGY

Introduction

This section presents the research methodology used to investigate the relationship between working capital management and financial performance of the selected private schools in Wakiso District. The chapter describes the research design, area of study and targeted population, data collection procedures, administration of research instruments and measures. It further discusses the statistical analysis used in the study.

Research design

The researcher in the study used a descriptive correlational design. Descriptive studies are none – experimental researches that describe the characteristics of a particular individual or of a group. It deals with the relationship between variables, testing of hypothesis and development of generalizations and use of theories that have universal validity. It also involved events that had taken place and may be related to the present conditions. This research approach was used in describing variables that could be measured in qualitative terms like the respondents' opinions, attitudes and reactions to working capital practices.

Study Population.

The target population comprised of 10 proprietors, 8 finance officers (Bursars), 8 Top Administrators, 90 teachers and 18 parents Teachers Association (PTA) members. This made a target population total number of

134 people. The reason for this selection is that this particular population stands to be the facilitator of private schools under study.

Sample size

In view of the nature of target population where both managers and proprietors were concerned, a sample was taken from each category. Table 1 below shows the distribution of respondents of the study from different categories Owners and managing officers. The Slovenes formula below was used to determine the minimum sample size.

$$n = \frac{N}{1+N(e)^2}$$

Where: n = sample size

N = population size

e = margin of error desired

$$= \frac{134}{1+134X0.05X0.05}$$

$$= \frac{134}{1+0.335}$$

$$= 100$$

Alternatively, the researcher employed KREJCIE and MORGAN in determining the sample size.

It is given by the formula

$$s = \frac{X^2NP(1-P)}{d^2(N-1)+X^2P(1-P)}$$

Where

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be 0.50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (0.05).

Applying the formula

$$s = \frac{(3.841)(134)(0.5)(1-0.5)}{(0.05)^2(134-1)+(3.841)(0.5)(1-0.5)}$$

$$s = 99.5347 \boldsymbol{s} \cong \mathbf{100}$$

Table 1

Respondents of the study

TEGORY	POPULATION					SAMPLE SIZE				
	Nansana S.S.S	Kinaawa S.S.S	St. Thomas S.S.S	Mita College	S/T	Nansana S.S.S	Kinaawa S.S.S	St.Thomas S.S.S	Mita college	S/T
ıprietors ıners)	2	2	4	2	10	2	2	2	2	8
ministrator	2	2	2	2	8	2	2	2	2	8
ance icers ırsars)	2	2	2	2	8	2	2	2	2	8
achers	22	22	23	23	90	16	16	17	18	67
.A	4	4	4	6	18	2	2	3	3	9
tal	134					100				

Sampling Procedures

This study employed purposive sampling technique in respondents' selection. The technique was employed based on different criteria amongst the following: qualification, area of specialization, duration in service, training acquired and frequency of training, roles and responsibilities among others.

The criterion used was to consider one year and above experience of the respondents that provided right and reliable information about the organization

Research Instruments

The study tools that were used in the study include the following (i) Face sheet to gather data on the respondent's demographic characteristics area of specialization (ii) The Researcher devised questionnaires to determine the level of working capital management and level of financial performance (iii) Items concerning the level of working capital management and level of financial performance.

Also interviews were conducted face to face with the top management to supplement information given from the questionnaires to confirm and clarify certain aspects of the study variables of both working capital management and financial performance so that the researcher could get first hand information.

Validity of the Instrument

In order to test for the validity of the research instrument, the instrument was given to three supervisors who scored the relevance of each item on the questionnaire.

Content Validity Index was computed using the formula

CVI = number of items declared valid by the judges divided by Total number of items on the questionnaire.

The overall CVI was 0.75, which is acceptable.

Reliability of the Instrument

Reliability of the questionnaire was measured using the Cronbach Alpha's Reliability analysis test using the SPSS computer program. First the questionnaire was pretested on 21 respondents, data was entered into the

SPSS and a Cronbach Alpha's Reliability analysis was conducted. The overall Cronbach Reliability coefficient was 0.660 which is acceptable (Sekaran, 2003).

Data Gathering procedures

Before the administration of the questionnaires

An introduction letter was obtained by the researcher from the College of higher degrees and research evaluations at Kampala International University, requesting the Directors of the selected private secondary schools to allow the researcher to collect data from the institutions.

On approval, the researcher secured a list of the targeted respondents from the selected private secondary to arrive at the minimum sample size.

The respondents were briefed about the study and requested to sign the informed consent form.

More than enough questionnaires were produced for distribution to the respondents.

During the Administration of the Questionnaires

- The respondents were requested to answer all the questions to the best of their abilities.
- The researcher and research assistants emphasized retrieval of the questionnaires within five days from the date of distribution.
- On retrieval, all returned questionnaires were checked to ensure that all were answered.

After the administration of the questionnaire

- The data gathered was correlated and input in a computer for statistical analysis.

Data Analysis

Frequency and percentage distribution was used to determine the demographic characteristics of the respondents.

Mean item analysis was used to evaluate the level of working capital management and the level of financial performance based on indicators of strengths and weaknesses. From these recommendations to the study were formulated.

A correlation analysis was carried out to test the hypothesis on relationship between working capital management and financial performance (H_0) at 0.05 level of significance using the t - test was employed. Also, bivariate regression analysis was carried out to test the strength of relationship between these variables as well.

The regression equation was based on the basic linear regression assumptions that include, Homoskedasticity and normality. The regression equation was;

$$y = \alpha + \beta x$$

Where,

y = financial performance

α = regression constant (the level of financial performance that does not depend on Working Capital Management)

β = rate of change of financial performance to change in Working Capital Management

x = Working Capital Management

Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in the study, the following activities were implemented by the researcher.

- The respondents were coded instead of reflecting the names through a written request to the concerned officials of the selected private schools in order to access data from them.
- The researcher requested the respondents to sign the informed consent form (appendix). Specifically, participants were informed about the aim and nature of the research
- The researcher acknowledged the authors quoted in the study through citations and referencing.
- Findings to the study were presented in a generalized manner to enhance privacy and confidentiality.

Limitations of the study

In view of the following threats to validity, the researcher claimed an allowable 5% margin of error. Mitigating measures were taken to minimize if not to eradicate threats to validity of findings of the study as shown below;

- *Extraneous variables* which would be beyond the researchers control such as respondents honesty, personal biases and uncontrolled setting of the study.
- *Instrumentation:* The research instruments on resource availability and utilization are not standardized. Therefore a validity and reliability test was done to produce credible measurements of the research variables.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

Introduction

This chapter shows the profile information of respondents in terms of Age, Sex, Education qualification, Working Experience, and Employment position, to determine the level of working capital management in terms of cash management, accounts receivables management, accounts payables management and inventory management, to determine the level of financial performance in terms of profitability and liquidity and efficiency of the selected secondary schools and to determine the significant relationship between working capital management and financial performance of those selected secondary schools.

Profile of respondents

Respondents were asked to provide information regarding their Age, Sex, Education qualification, Working Experience, and Employment position. Their responses were summarized using frequencies and percentage distributions as indicated in table1;

Table 1

Demographic characteristics of respondents

	Frequency	Percent
Gender		
Male	54	54.0
Female	46	46.0
Total	**100**	**100.0**
Age		
20-39	54	54.0
40-59	28	28.0
60+	18	18.0
Total	**100**	**100.0**
Education level		
Certificate	1	1.0
Diploma	3	3.0
Undergraduate Degree	72	72.0
Postgraduate Degree	24	24.0
Total	**100**	**100.0**
Years of experience		
one to three years	12	12.0
three to five years	42	42.0
more than five years	46	46.0
Total	**100**	**100.0**
Job Employment position		
Owner	8	8.0
Teachers	67	67.0
PTA	9	9.0
Finance officers	8	8.0
Top Administrators	8	8.0
Total	**100**	**100.0**

Source: Primary Data (2013)

Results in table1 indicate that respondents in this sample were dominated by male 54(54%), indicating gender imbalance among respondents.

Regarding age, results indicated that respondents in this sample were dominated by those between 20 - 39 years (54%), suggesting that most of the respondents are youths.

With respect to highest educational level, results indicate that majority of respondents had obtained undergraduate degree (72%), confirming that majority of respondents had obtained the required educational levels.

Concerning years of experience, results indicate that majority of respondents had obtained more than five years of experience 46(46%). With respect to job employment position, majority of respondents were teachers (67%).

Level of Working Capital Management

The independent variable in this study was the level of working capital management of selected private secondary schools in Wakiso District, for which the researcher wanted to determine its level. The level of working capital management of selected private secondary schools in Wakiso District was broken into four categories (Accounts payable management with 5 questions, Accounts Receivable management with four questions, Cash Management with 5 questions and inventory management with 4 questions). Each of these questions was based on the four Likert scale, where 1= strongly disagree, 2= disagree, 3= agree and

4= strongly agree. Respondents were asked to rate the level of working capital management by indicating the extent to which they agree or disagree with each question and their responses were analysed using SPSS and summarized using means as indicated in tables 2A, 2B, 2C and 2D below;

Table 2:

Level of working capital management in selected private secondary schools in Wakiso District

Table 2A:

Accounts Payable Management

Accounts Payable Management	Mean	SD	t - statistic	Interpretation	Rank
The organization regularly pay creditors in time	2.58	0.890	2.898876	High	4
The organization usually maintains records of what it owes to suppliers.	3.01	0.595	5.058824	High	2
The organization usually pays using the payment mode required by our suppliers (cash, draft, cheques)	3.39	0.909	3.729373	Very High	1
The company's suppliers are regularly informed of the delays to avoid charges on late payment	2.43	0.856	2.838785	Low	5
The organization normally keeps a stringent/delay payment policy	2.93	0.769	3.810143	High	3
Average	2.87			High	

Source: Primary Data (2013)

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very high
2.51 - 3.25	Agree	High
1.76 - 2.50	Disagree	Low
1.00 - 1.75	strongly disagree	Very low

On accounts payable management, as one of the categories under the level of working capital management, results in table 2A indicate that this category was rated high on average (mean = 2.87), still results indicate that the highest rated item under this category was rated very high; which is about the payment mode (mean=3.39), hence confirming that the schools pays through cash, draft or cheques. Its standard deviation is (SD = 0.909) showing how respondents deviated from the mean. This shows a less deviation meaning that respondents had similar belief about the item. The lowest rated item under this construct was; the organization regularly pay creditors in time (mean=2.58), and its standard deviation was (SD = 0.856) indicating that the schools still lag behind on paying regularly their creditors since respondents did not deviate much from the mean.

Table 2B:

Accounts Receivable Management

Accounts Receivable Management	**Mean**	**SD**	**t – statistic**	**Interpretation**	**Rank**
The organization always succeeds in collecting of debts on time	3.29	0.891	3.69248	Very High	2
The organization regularly maintains and updates records in dealing with its debtors	2.75	0.903	3.045404	High	4
The organization always ensures that its debtors keep to their payment schedules through regular follow up	2.91	0.726	4.008264	High	3
The organization always try to secure our debts using either collateral, social pressure, information about the customer or any other method available	3.38	0.908	3.722467	Very High	1
Average	**3.08**			**High**	

Source: Primary Data (2013)

On accounts receivable management, as one of the categories under the level of working capital management, results in table 2B indicate that this category was also rated high on average (mean= 3.08), still results indicate that the highest rated item under this category was rated very high; which is about how the organisation secure debts

(mean=3.38), confirming that the schools secure debts using either collateral, social pressure among others. Its standard deviation was (SD = 0.908). This shows that the standard deviation from the mean, was less than 1. This shows that most of the respondents had the same view about the item. The lowest rated item under this construct was about The organization regularly maintains and updates records in dealing with its debtors (mean=2.75), rated high, which still indicates that the school regularly maintains and updates records in dealing with its debtors. This item had an (SD = 0.903).

Table 2C:

Cash Management

Cash Management	Mean	SD	t - statistic	Interpretation	Rank
The organization experiences cash deficits in its operations	2.56	0.914	2.800875	High	5
The company's cash flows are characterized by more inflows than outflows.	2.97	0.745	3.986577	High	2
The company has efficient cash flow management systems	3.35	0.744	4.502688	Very High	1
The organization carries out careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold.	2.95	0.962	3.066528	High	3
cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms	2.76	0.933	2.958199	High	4
Average	2.92			High	

Source: Primary Data (2013)

Regarding cash management, as one of the categories under the level of working capital management, results in table 2C indicate that this category was also rated high on average (mean = 3.92). Still results indicate that the highest rated item under this category was rated very

high; which is about cash flow management systems (mean = 3.35), confirming that the schools have efficient cash flow management systems. It had the standard deviation of (0.744), this means that most of the respondents, their responses did not deviate from the mean. The lowest rated item under this category was; experiences of cash deficits in its operations (mean = 2.56), rated high, which still indicates that the school experiences cash deficits in its operations. Its standard deviation is 0.914. This shows less deviation from the mean.

Table 2D:

Inventory Management

Inventory Management	**Mean**	**SD**	**t – statistic**	**Interpretation**	**Rank**
Orders are placed on timely basis	3.16	0.849	3.722026	High	2
Purchase orders are properly authorized	2.97	0.893	3.325868	High	3
Employees and management are provided the information they need to control the process of obtaining material and supplies	2.93	0.879	3.333333	High	4
Receipts of materials and supplies are properly authorized	3.35	3.170	1.056782	Very High	1
Average	**3.10**			**High**	
OVER ALL AVERAGE	**2.98**			**High**	

Source: Primary Data (2013)

The last category under the level of working capital management was inventory management. Results in table 2D indicate that this category was also rated high on average (mean= 3.10). Still results indicate that the highest rated item under this category was rated very high; which is "Receipts of materials and supplies are properly authorized" (mean = 3.35), implying that the head of schools properly

authorize receipts of materials and supplies. However it had a high standard deviation (SD = 3.170). The lowest rated item under this category was; provision of information to employees and management (mean=2.93), rated high, which still indicates that information is provided to employees and management. Its standard deviation is (SD = 0.879).

The overall average of the level of working capital management was (mean = 2.98) interpreted as high. This means that the level of working capital management is high, as indicated in table 2D. The highest ranked item was; the organization usually pays using the payment mode required by our suppliers (cash, draft, cheques) (mean = 3.39) and the lowest rated item was; the company's suppliers are regularly informed of the delays to avoid charges on late payment (mean = 2.43) interpreted as low.

Level of Financial Performance

The third objective of the study was to determine the level of financial performance in terms of profitability and liquidity and efficiency of the selected secondary schools. The level of financial performance of selected private secondary schools in Wakiso District was broken into three categories (profitability with 5 questions, liquidity with 4 questions and efficiency with 4 questions). Each of these questions was based on the four Likert scale, where 1= strongly disagree, 2= disagree, 3= agree and 4= strongly agree. Respondents were asked to rate the level of financial performance by indicating the extent to which they agree or disagree with each question and their responses were analysed using SPSS and summarized using means as indicated in tables 3A, 3B, and 3C below;

Table 3

Level of Financial Performance in Terms of Profitability and Liquidity and Efficiency of the Selected Secondary Schools

Table 3A:

Profitability

Profitability	Mean	SD	t – statistic	Interpretation	Rank
The organisation business net profits have been increasing	3.00	4.132	0.726041	High	3
The organisation often a to meets its financial annual objectives	3.06	0.649	4.714946	High	2
The organisation regularly make losses	3.41	0.793	4.300126	Very High	1
The organization regularly registers expenses as they are incurred	2.57	0.967	2.657704	High	5
usually cash payments are preferred in the organisation	2.83	0.796	3.555276	High	4
Average	**2.97**			**High**	

Source: Primary Data (2013)

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very high
2.51 - 3.25	Agree	High
1.76 - 2.50	Disagree	Low
1.00 - 1.75	strongly disagree	Very low

On profitability, as one of the categories under the level of financial performance, results in table 3A indicate that this category was rated high on average (mean=2.97). The results indicate that the highest rated item under this category was rated very high; which is about making losses by

the schools (mean=3.41), hence confirming that the schools regularly makes losses. This item had a standard deviation of (SD = 0.793). Since the standard deviation is even less than one, then this can be justified by little deviation from the mean. The lowest rated item under this construct was; the organization regularly registers expenses as they are incurred (mean = 2.57), indicating that the schools do less recording of losses as they are incurred. Its Standard deviation was (SD = 0.796), which shows less deviation from the mean.

Table 3B:

Liquidity

Liquidity	**Mean**	**SD**	**t – statistic**	**Interpretation**	**Rank**
The organisation always has cash at hand to spend	3.27	0.920	3.554348	Very High	1
The organisation always meets costs of operation	2.68	0.909	2.948295	High	4
The organisation has a fully-fledged billing department to ensure cash and credit collections	2.83	1.393	2.031587	High	3
Regularly cash needs and forecasts are carried out in our organization	3.05	0.770	3.961039	High	2
Average	**2.96**			**High**	

Source: Primary Data (2013)

The second category under the level of financial performance was liquidity. Liquidity was rated high, indicated in the table 3B above. The item that was rated the highest was; the organisation always has cash at hand to spend (mean = 3.27), interpreted as very high. This means that

schools always has cash at hand for contingencies and any other issue that may deem money. The standard deviation for this item was (SD = 0.920). This mean that the respondents did agree with in the same extents. The item rated the lowest was about meeting the costs of operation by the schools (mean = 2.68), indicating that schools sometimes faces the challenge of meeting its costs of operation in their daily operations. Its standard deviation was (SD = 0.770).

Table 3C :

Efficiency

Efficiency	**Mean**	**SD**	**t - statistic**	**Interpretation**	**Rank**
The organization continually reviews, evaluates, and improves processes in a quest for optimization	3.06	0.862	3.549884	High	1
The company regularly delivers more relevant solutions and higher value to customers	2.89	0.898	3.218263	High	3
The organization usually Recognizes superior financial results; increased productivity yields increased revenue with a more efficient cost structure	2.91	0.922	3.156182	High	2
The organization's assets are put into their best use	3.06	0.962	3.180873	High	1
Average	**2.98**			**High**	
OVER ALL AVERAGE	**2.97**			**High**	

Source: Primary Data (2013)

The last category in the determining of the level of financial efficiency was efficiency. It was rated high as shown in the table 3C above, with (mean = 2.98). Two items were the highest with (mean = 3.06), interpreted as high, which were; "The organization continually reviews, evaluates, and improves processes in a quest for optimization and the organization's assets are put into their best use." This implies that schools reviews, evaluates and improves processes for optimization and uses their own assets well. Their standard deviations were (0.862 and 0.962) respectivelly. The item that was rated the lowest was about delivering relevant solutions and higher value to customers (mean = 2.89), still interpreted as high. Its standard deviation was (SD = 0.898).

The overall average of the level of financial performance in terms of profitability and liquidity and efficiency of the selected private secondary schools in Wakiso District was (mean = 2.97). This means that schools in Wakiso District perform well in their finances. The item rated the highest was; The organisation regularly make losses (mean = 3.41) interpreted as very high. The item rated the lowest was; The organization regularly registers expenses as they are incurred (mean = 2.57) interpreted as high.

Relationship between the Level of Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District

The last objective in this study was to establish whether there is a relationship between level of Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District. For this, the researcher stated a null hypothesis that there is no relationship between level of Working Capital Management and Financial Performance

of Selected Private Secondary Schools in Wakiso District. Therefore to achieve this objective and to test this null hypothesis, the researcher correlated the means of Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District using the Pearson's Linear Correlation Coefficient, as indicated in table 4;

Table 4

Relationship between Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District

Variables Correlated	r – value	Signifance	Interpretation	Decision on H0
Working Capital Management **VS** Financial Performance	0.512	0.000	Significant relationship	Reject H_0

Source: Primary Data (2013)

Results in Table 4 indicated a positive relationship between the level of Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District, since the sig. value (0.000) was less than 0.05, which is the maximum level of significance required to declare a relationship. This implies that improved working capital management improves financial performance. Therefore basing on these results the stated null hypothesis was rejected and a conclusion is made that improved working capital management improves financial performance.

Table 5

Regression Analysis between Working Capital Management and Financial Performance of Selected Private Secondary Schools in Wakiso District

Variable regressed	**Adj – R^2**	**F - value**	**p. Value**	**Interpretation**	**Decision on H_0**
Working Capital Management and Financial Performance	0.255	34.118	0.000	Significant	Reject H_0
Coefficients	**Beta**	**t - test**	**Sig.**	**Interpretation**	**Decision**
Constant	0.958	2.749	0.007	Significant	Reject H_0
Working Capital Management (x)	0.678	5.841	0.000	Significant	Reject H_0

Source: Primary data (2013)

Regression model:

$$y = \alpha + bx$$

Where

y is Financial Performance

α is the constant of regression

b is the rate of change of y to x

x is Working Capital Management

$y = 2.208 + 0.225\ x$

The Linear regression results in table 5 above indicate that Working Capital Management has a effect on Financial Performance (F=34.118, sig =0.000< 0.05). The results indicate that Working Capital Management accounts for 25.5%% of the variations in Financial Performance (Adjusted R^2 =0.255). The coefficients section of this table indicates the extent to which the explanatory variable (Working Capital Management) explains the explained variable (Financial Performance) and this is indicated by Beta values. From table 5, if the explanatory variable which is Working Capital Management increase by one unit it implies that the explained variable (Financial Performance) increases by 0.678. If the explanatory variable is zero, the explained is 0.958.

Regression Model for Working Capital Management on Accounts Payable Management (AP), Accounts Receivable Management (REC), Cash Management (CM) and Inventory Management (IM)

The researcher carried out the regression analysis to check the extent to which Accounts Payable Management (AP), Accounts Receivable Management (REC), Cash Management (CM) and Inventory Management (IM) affected the Working Capital Management. The results of regression analysis are shown in the table 6 below.

Table 6

Regression Model for Working Capital Management on Accounts Payable Management (AP), Accounts Receivable Management (REC), Cash Management (CM) and Inventory Management (IM)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.607E-15	0.000		.000	1.000
	AP	0.278	0.000	0.297	8.442E7	0.000
	REC	0.222	0.000	0.227	7.247E7	0.000
	CM	0.278	0.000	0.350	9.305E7	0.000
	IM	0.222	0.000	0.576	1.761E8	0.000
a. Dependent Variable: IV						

Source: Primary Data (2013)

Regression Model:

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4$$

y is the Working Capital Management

α is the y intercept

x_1 is the Accounts Payable Management (AP)

x_2 is the accounts Receivable Management (REC)

x_3 is the Cash Management (CM)

$x_4$is the Inventory Management (IM)

β_1 is the rate of change Working Capital Management with Accounts Payable Management

β_2 is the rate of change Working Capital Management with accounts Receivable Management

β_3 is the rate of change Working Capital Management with Cash Management

β_4 is the rate of change Working Capital Management with Inventory Management

So the regression equation therefore becomes

$$y = -1.607E-15 + 0.278x_1 + 0.222x_2 + 0.278x_3 + 0.222x_4$$

From the equation above, it shows that the rate of Working Capital Management that is not affected by Accounts Payable Management (AP), Accounts Receivable Management (REC), Cash Management (CM) and Inventory Management (IM) is $-1.607E-15$ which is very very small. The results from regression further shows that a unit change in Accounts Receivable Management (REC) and Inventory Management (IM) affects Working Capital Management by 0.222, each. On the other hand Accounts Payable Management (AP) and Cash Management (CM), a unit change in them affects Working Capital Management by 0.278 each. Since the significance values of Accounts Payable Management (AP), Accounts Receivable Management (REC), Cash Management (CM) and Inventory Management (IM) are all less than 0.05 (sig. < 0.05), the conclusion can be made that there is a significant relationship between Working Capital Management and Accounts Payable Management (AP), Accounts

Receivable Management (REC), Cash Management (CM) and Inventory Management (IM).

CHAPTER FIVE

FINDINGS, CONLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the findings, conclusions, recommendations and suggested areas that need further research following the study objectives and study hypothesis.

Findings

This study was set to find out the relationship between working capital management and financial performance in selected private secondary schools in Wakiso District. It was guided by three specific objectives, that included determining the; i) determining the level of working capital management; ii) the level of financial performance; iii) the relationship between working capital management and financial performance in selected private secondary schools in Wakiso District.

The findings indicated that majority of respondents were male (54%) between 20-39 years (54%) of age, over 72% had completed their undergraduate degree, 46% had experience of five and above years and 67% were teachers.

Data analysis using means showed that the overall average of the level of working capital management was (mean = 2.98) interpreted as high. This means that the level of working capital management is high, as indicated in table 2D. The highest ranked item was; the organization usually pays using the payment mode required by its suppliers (cash, draft, cheques) (mean = 3.39) interpreted as very high, showed in table

2A. The lowest rated item was; the organisation's suppliers are regularly informed of the delays to avoid charges on late payment (mean = 2.43) interpreted as low in table 2A.

The level of financial performance of selected private secondary schools had the overall average of the level of financial performance in terms of profitability, liquidity and efficiency of the selected private secondary schools in Wakiso District was (mean = 2.97), interpreted as high. This means that schools in Wakiso District performed well in their finances. The item rated the highest was; the organisation regularly meet its profit margin earned on sales (mean = 3.41) interpreted as very high. The item rated the lowest was; the organization regularly registers expenses as they are incurred (mean = 2.57) interpreted as high.

Finally, the findings indicated a positive relationship between the level of working capital management and financial performance in selected private secondary schools in Wakiso district. This is shown by the fact that the sig. value was less than the maximum sig. value of 0.05 considered in social sciences. This finding agrees with Gill *et al* (2010) and Dang *et al* (2010).

Regression analysis results indicated that the level of Financial Performance that is not affected by Working capital management is (Beta = 0.958) and a unit increase in level of Working Capital Management influences Financial Performance by 0.678. On the whole analysis finds out that change in Working Capital Management account for only 25.5% of the variations in Financial Performance (Adjusted R^2 =0.255).

These findings agrees with Charitou *et al* and Gill *et al* (2010) whose findings showed a positive correlation between working capital management and cash conversion cycle and cash conversion cycle and profitability respectively. Also, Raheman *et al.* (2010) investigated the impact of working capital management on firms' performance in Pakistan for the period 1998 to 2007. The results indicate that the cash conversion cycle, net trade significantly affects the performance of firms. This also agrees with the findings of this study.

Conclusions

From the purpose of the study, the researcher generated the following conclusions;

Strengths

Most of the Teachers were in their youthful age and had attained their undergraduate degree qualification and had worked for five and above years in their schools.

The level of working capital management is generally high, which indicated that schools in Wakiso district have good working capital management skills. On aspects like; the organization usually pays using the payment mode required by our suppliers (cash, draft, cheques) was very high.

The level of financial performance was also found to be high and this indicated that these schools always did their financial planning very effectively. The item rated the highest was; the organisation regularly

meets its profit margin earned on sales (mean = 3.41) interpreted as very high

Weaknesses

Under the level of working capital management, the lowest rated item was; the organisation's suppliers are regularly informed of the delays to avoid charges on late payment (mean = 2.43) interpreted as low which means that there is always poor communication between schools and suppliers.

On aspects of the organization regularly registering expenses as they are incurred (mean = 2.57) interpreted as high. Though it is the one with the lowest mean, it is still high. This means that the school usually registers expenses as they are incurred.

Hence this agrees with the theory which states that an existence of efficient working capital management practices can make a substantial difference between the success and failure of an enterprise and it is of particular importance to the managers as based on the correlation that showed a positive relationship.

Testing of Hypothesis

There was a positive relationship between the level of working financial management and financial performance in selected private secondary schools in Wakiso district. This means that improved working capital management, enhances financial performance.

Recommendations

From the above findings, the researcher recommends the following:

There is a need for these schools to regularly inform the suppliers of the delays to avoid charges on late payment. This is because, according to the findings, concerning whether the schools inform the suppliers about the delays on time, this was rated low. It is therefore important that the top Administrators in conjunction with school bursars to always communicate on time to the suppliers of different requirements such as food and scholastic materials. These should always be done before the deadlines.

Also there is a need to work on registering expenses as they are incurred. This is because there is still a gap between what expenses are and the best. The school administrators should priotise expenses so as to reduce on expenditures.

There is need to keep records for the schools in order to meet the capital flow and maintenance as reflected by the Capital Theory and Investment Behavior by Dale W. Jorgenson (1987) which agitates for keeping capital constant for company operations.

Areas for further research

Prospective researchers and even students should be encouraged to research on the following areas:

- Number of students and financial performance in selected schools in Wakiso districts.
- An investigation between the private and public schools in terms of financial performance
- Record keeping and financial performance of selected schools in Wakiso district.

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APPENDICES

APPENDIX1 A

TRANSIMITTAL LETTER

KAMPALA INTERNATIONAL UNIVERSITY

Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256 - 414 - 266813 / +256 - 772 - 322563
Fax: +256 - 414 - 501 974
E-mail: admin@kiu.ac.ug
Website: www.kiu.ac.ug

OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND MANAGEMENT SCIENCES
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Date: 23rd February,2013

RE: REQUEST OF NAMBAFU AIDAT MBA/35204/113/DU TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing Masters in Business Administration (Finance and Accounting).

She is currently conducting a research entitled " **Working Capital Management and Financial Performance in Selected Private Secondary Schools in Wakiso Distirct, Uganda."**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with pertinent information she may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Dr. Malinga Ramadhan
Head of Department,
Economics and Management Sciences, (CHDR)

NOTED BY:

Dr. Sofia S. T. Gaite
Principal-CHDR

"Exploring the Heights"

KINAAWA HIGH SCHOOL
(KAWEMPE CAMPUS)
P.O. Box 9093
Kampala - Uganda
TEL: 0772433641
0414568025
0414567925

05/03/ 2013

The Head of Department.

Economics and Management science

College of Higher Degrees and Research

RE: ACCEPTANCE OF NAMBAFU AIDAT MBA/35204/113/DU

We are here by writing to inform you that we have accepted the above mentioned person to conduct her research with us.

Yours truly,

Haj. Kayiira Musa

Head teacher

KINAAWA HIGH SCH. KAWEMPE
DEPUTY HEADTEACHER
05 MAR 2013
P.O.BOX 9093, KAMPALA
UGANDA

MITA COLLEGE - KAWEMPE

P.O. Box 17, Kawempe - Kampala - Uganda
Tel: 0772 - 669350
0772 - 640451
0772 - 685740
0771 - 886558

MITA COLLEGE - KAWEMPE
Date: 05/06/2013
TEL: 0772 669350/0712 864433

Our Ref: .....

Your Ref: .....

The Head of Department
Economics and Management Sciences
Kampala International University

Dear Sir

RE: NAMBAFU AISAT.

This serves to notify you that the above named person has been accepted to conduct her research exercise from our institution.

God bless You
Yours faithfully

KAYONGO ADAM
Head Teacher

NANSANA SENIOR SECONDARY SCHOOL

UNEB CENTRE NO. U1086 P.O. BOX 25568 KAMPALA
TEL: 0200903060 MOB: 0782 958496

Our Ref: NASEC / 4 / 3 / 13 Date 25-3-2013

Your Ref: .....

The Head of Department,
Economics and management Science.
College of higher Degrees and Research.

RE; ACCEPTANCE OF NAMBAFU AIDAT MBA/35204/113/DU.

I write to express to you our acceptance of the above named person to carry out her research with us.

Thank you.

Yours,

NANSANA SECONDARY
25 MAR 2013
DIRECTOR
JUNIOR SCHOOLS

.....
Kimeza Abdul.
Director.

APPENDIX IB

TRANSMITTAL LETTER FOR RESPONDENTS

Dear respondent,

My name is **Nambafu Aidat** a student of Kampala International University carrying out an academic research on the level of Working Capital Management and level of Financial Performance of private Selected Secondary Schools in Wakiso District. You have been randomly selected to participate in the study and you are therefore kindly requested to provide an appropriate answer by either ticking the best option or give explanation where applicable. The answers provided will only be used for academic purposes and will be treated with utmost confidentiality.

NB: Do not write your name anywhere on this paper.

May I retrieve the questionnaire within five days (5)?

Thank you very much in advance.

Yours faithfully,

Nambafu Aidat

APPENDIX II

CLEARANCE FROM ETHICS COMMITTEE

Date_____

Candidate's Data

Name: Nambafu Aidat

Reg. # MBA/35204/113/DU

Course: MBA (Accounting and Finance)

Title of Study **Working Capital Management and Financial Performance in selected private secondary schools in Wakiso District, Uganda.**

Ethical Review Checklist

The study reviewed considered the following:

- Physical Safety of Human Subjects
- Psychological Safety
- Emotional Security
- Privacy
- Written Request for Author of Standardized Instrument
- Coding of Questionnaires/Anonymity/Confidentiality
- Permission to Conduct the Study
- Informed Consent
- Citations/Authors Recognized Results of Ethical Review

Results of Ethical Review

- Approved
- Conditional (to provide the Ethics Committee with corrections)

— Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members _____

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of **Ms. Nambafu Aidat** that will focus on the level of working capital management and level of financial performance.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the options of refuse and right withdraw of my participation anytime. I have been informed that the research is voluntary and that the result will be given to me if I ask for it.

Initial: _____

Date: _____

APPENDIX IV A:

RESEARCH INSTRUMENT

FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Please tick in the blanks provided as your response

Gender:

- _____Male
- _____Female

Age:

- _____20 – 39
- _____40 – 59
- _____60 +

Education level

- _____Certificate
- _____Diploma
- _____Undergraduate degree
- _____Post graduate degree

Years of experience

- _____One to three years
- _____Three to five years
- _____More than five

Job employment position _____

APPENDIX IV B

QUESTIONAIRE TO DETERMINE THE LEVEL OF WORKING CAPITAL MANAGEMENT.

Direction 1: Please write your answer to the statement below. Kindly use the rating guided as follows:

1. Strongly disagree
2. Disagree
3. Agree
4. Strongly agree

a) Accounts payables management

— The organisation regularly pays creditors on time

— The organisation usually maintains records of what it owes to suppliers.

— The organisation usually pays using the payment mode required by our suppliers (cash, draft, cheques)

— The organisation suppliers are regularly informed of the delays to avoid changes on late payment

— The organisation normally keeps astringent/delay payment policy

b) Accounts Receivables Management

— The organisation always succeeds in collecting debts on time

— The organisation regularly maintains and updates records in dealing with its debtors

— The organisation always ensures that its debtors keep to their payment schedules through regular follow up

— The organisations always try to ensure our debts using either collateral,social pressure, information about the customer or any other method available

c) Cash management

— The organisation expriences cash deficits in its operations

— The organisation's cash flows are characterised by more inflows than outflsows

— The organisation has efficient cash flow management systems

— The organisation carries out careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold

— Cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the organisation

d) Inventory management

— Orders are placed on a timely basis

— Purchase orders are properly authorised

— Employees and management are provided the information they need to control the process of obtaining material and supplies

— Receipts of materials and supplies are properly authorised

KAMPALA INTERNATIONAL UNIVERSITY
DATE 10942
LIBRARY
P.O. BOX 20000 KAMPALA

APPENDIX IV C

QUESTIONNAIRE TO DETERMINE THE LEVEL OF FINANCIAL PERFORMANCE OF YOUR SCHOOL

Direction 2: Please write your answer to the statement below. Kindly use the rating guided as follows:

1. Strongly disagree
2. Disagree
3. Agree
4. Strongly agree

a) Profitability

— The organisation business net profits have been increasing
— The organisation often meets its financial annual objectives
— The organisation regularly meets its profit margin earned on sales
— The organisation regularly registers expenses as they are incurred
— Usually cash payments are preferred in the organisation

b) Liquidity

— The organisation always has cash at hand to spend
— The organisation always meets costs of operation
— The organisation has afullyfledged billing department to ensure cash and Credit colllections.
— Regularly cash needs and forecasts are carried out in our organisation

C) Efficiency

— The organisation continually reviews, evaluates, and improves processes in a quest for optimization

— The organisation regularly delivers more relevant solutions and higher value to customers
— The organisation usually recognizes superior financial results; increased revenue with a more efficient cost structure
— The organisation's assets are put into their best use

Professional Qualifications

Computer literate in;

- Microsoft Word
- Microsoft Excel
- Microsoft PowerPoint
- Microsoft Access
- Visual basic 6.0 for database programming
- Quick books
- Database Administration using Oracle 10g
- Tally Sheets
- and internet

Driving skills with a permit

Languages Spoken

- English
- Lugisu
- Luganda
- Kiswahili

Interests and Hobbies

- Learning new things
- Watching news
- Travelling to new places
- Meeting new people and making friends
- Reading newspapers and magazines

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2013

INTERNATIONAL UNIVERSITY
DATE 16/4/25
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O BOX 20000 KAMPALA