
**PETTY CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF ORGANIZATIONS, A
CASE STUDY OF MTN UGANDA, LUGOGO BRANCH**

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ABSTRACT

This study was an attempt to examine cash management and financial performance of an organisation, a case study MTN Uganda, Lugogo branch. The key objective was to examine the impact of cash management and financial performance on an organization. The study followed a qualitative research approach, interviews with the General Managers, Internal Auditors, Chief Accountants, Human Resource Managers and Employees. This serves to demonstrate opportunities for and cause of the poor cash flow management and the financial performances in an organization. This study was backed by the theory; Trade-off Theory. According to the tradeoff theory, firms considered the marginal benefits and cost of holding cash to maximize the shareholder's wealth (Dittmar et al., 2003). The benefits of cash holding stem from the theory of Keynes (1936), concerning the motive of liquidity assets: Transaction cost motive, precautionary motive, and speculative motive. In line with the transaction cost motive, holding cash allow firms to avoid or save transaction costs to raise funds or to liquidate assets. The success of any business venture is predicated on how the management has planned and controlled its cash flows. Cash shortage disrupts the firm's smooth operation and can even lead to insolvency. Excessive cash will tie down unnecessarily long-term capital with a result that the return on capital employed will be low. Thus, cash management assumes more significance than other current assets because cash is the most important asset that a firm holds. Therefore, this study shall examine the impact of cash management and the financial performance on an organization.

Key words: petty cash management, financial performance and organizations

Background of the study.

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Petty cash management is a basic tool that focuses on determining the financial position of an organization (Alex & Kazaara, 2023). Pandey (2018) notes that it is a set of guidelines set by management to ensure that the organization has an optimum balance of petty cash at any time to meet the organization's objectives, the petty cash recovered should be matched with the petty cash spent on services so that no unused petty cash balances (Ramadhan et al., 2023). Petty cash management deals with the management of petty cash flow, that is, the inflow and outflow of petty cash, it tries to archive the control of petty cash by paying obligations such as meeting organizational needs (Paul et al., 2023). Indicators of petty cash management include petty cash planning, which is a technique used to plan and control the use of petty cash, security, that is, there should be an option to authorize the use of petty cash, control of petty cash, allocation of petty cash and (Ntirandekura & Christopher, 2022). Budget for petty cash. According to Anderson (2011), financial performance is a subjective measure of how well a firm can use assets from its primary business to generate revenue. It is also a general measure of the overall financial health of firms over a given period of time and can therefore be used to compare firms in the same industries or sectors in an aggregate (Akankwasa et al., 2022). The importance of financial stability according to

Statement of the problem

Anderson (2011) ranges from enabling the organization to have sufficient resources to provide quality services, maximizing service delivery potential increasing the ability to pay employees; sellers and lenders on time and maintain good credit risk (Kazaara & Christopher, 2023). It is also a general measure of the overall financial health of firms over a given period of time and can therefore be used to compare firms in the same industries or sectors in an aggregate. Deloof (2013) observed the existence of a relationship between petty cash management and profitability through the share of the petty cash conversion cycle (Polycarp et al., 2023). Nasr (2017) noted that more often than not, petty cash management policies are related to obtaining better models of finding the optimal balance of petty cash and liquidity, rather than investigating the root cause of the relationship between liquidity, profitability and working capital management practices (Annet et al., 2023). According to Soenen 2013, ignoring industry and sector differences, there is no statistically significant constant relationship between petty cash management and profitability. However, taking into account industry and sector differences, the association between petty cash management variables shows some differences across industries and sectors, being positive in some sectors and negative in others (Lydia et al., 2023).

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Many organizations in Uganda mainly look at the profit output because of the amount of money invested in a given time frame (Faridah et al., 2023). Ugandan firms have registered high embezzlement rates due to poor petty cash management techniques used (Wanje, 2014). They tend to overlook the drivers of profit maximization, which include managing petty cash flows, employee well-being, and more (Micheal et al., 2023). Petty cash management is an important part of working capital management. Many studies report the relationship between working capital management and financial performance of various organizations (Racheal et al., 2023). Petty cash management enables capital expenditure planning, enables business financing and better performance, Ability to meet petty cash flows, conditions (Jac & Kazaara, 2023). And on the other hand, the lack of proper management of petty cash also has great

damage to the organization, including delays in providing income and expenditure statements, creating fraud and reducing transparency among employees (Isaac et al., 2023). However, to date, only limited studies have examined the impact of petty cash management and financial performance, particularly in the context of emerging economies, which noted that the majority of failed businesses believed that all or most of their failures were due to petty cash flows. problems (Mark et al., 2023). Thus, the relationship that exists between petty cash management and financial performance in Uganda remains unresolved and requires investigation. The researcher therefore intends to investigate the impact of petty cash management and financial performance on an organization in Uganda on the case study of MTN Uganda (Akankwasa et al., 2022).

Objectives of the study

1. To identify the impact of petty cash flow on return on investment of MTN Uganda
2. To determine the impact of petty cash management on the profitability of MTN Uganda
3. To establish the impact of petty cash management on sales turnover of MTN Uganda

Methodology

The study was a mixed research approach, namely quantitative and qualitative research approaches. The quantitative approach was used for descriptive statistics and statistical inferences. The qualitative approach complemented the quantitative approach by providing in-depth information for qualitative analysis (Fassinger & Morrow, 2013). The information gathered by this design represented what was going on at the particular point in time. This significantly helped in obtaining useful data in a relatively short period (Bordens & Abbott, 2011). This was because the study required an explanation on the impact of petty cash management and financial performance of an organisation find so as to find out if the relationship between the variables is common to them or not. In this research study, the selected set of people that was interviewed include; the Members Board of Directors, auditors and Accountants, other employees like causal workers, machine operators, consumers of the products of MTN Uganda in the period between 2010 to 2020. The participants in this study were 20 People,

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three (3) board of directors, five (5) Auditors and Accountants, ten (10) other employees, two (2) Consumers of the products packed in plastic bottles. This group of people was selected to represent the entire population as a whole, three (3) Consumers of the products produced by MTN Uganda. This group of people was selected to represent the entire population as a whole. The Sample was selected using two sampling. Using simple random sampling, each individual was chosen by chance which guaranteed each individual in the population the same probability of being chosen for the study (Oso & Onen, 2019). On the other hand, purposive sampling was used to select respondents to provide in-depth responses for qualitative analysis. The study employed a questionnaire Survey on top administrative officers and board of directors. The format to be used was a simple- multiple-choice based on the ordinary scale. Data was analysed in form of tables, frequencies and percentages using SPSS & STATA (Nelson et al., 2022).

Results

Findings on the effects of cash management on financial performance at MTN Uganda .

Table 1:

Category	Frequency	Percentage
Strongly agree	10	50%
Agree	4	20%
Not sure	2	10%
Disagree	2	10%
Strongly disagree	2	10%
Total	20	100%

Results above reveal that 70% strongly agree that cash management is a management tool, 25% agreed that MTN Uganda utilizes cash management as a technique used in maintaining its cash, whereas the 5% were not sure. The MTN Uganda maintains a cash book, petty cash book and other related books. It is from these documents that informed decisions can be made as regards forecasts, budgets, disbursements, allocations and controls and any other relevant aspect beneficial to the Sacco (Derrick et al., 2023). The findings properly coincided with Pandey (2003) idea of cash planning as a technique employed to direct and control the movement of cash. Having good cash planning in place shall lead to proper utilization of this cash as per planned utilities. Investments and hence leading to growth and expansion of the Sacco. In an interactive interview with the chairperson of MTN Uganda Mr. Lule Joseph Wilson emphasized the rational of planning for cash in any institution where cash is used as a medium of exchange with other goods or services provided.

Effects of cash budget on the financial performance of MTN Uganda Logogo branch**Table 2: cash budget**

Category	Frequency	Percentage		
Strongly agree	30	75%		
Agree	7	18%		
Not sure	3	7%		
Disagree	0	0%		
Strongly disagree	0	0%		
Total	40	100%		

The findings reveal that 75% of the sample population strongly agreed that cash spent according to the budget drawn by MTN Uganda, 18% agreed also with the statement. It was found out that MTN Uganda makes flexible budgets in order to cater for unexpected occurrences like drought that may affect farms of their clients or members. Budgeting is one way to hedge risks as already stated by Eugen (1995). As one way against misuse and theft, Cash is safeguarded as a control from fraud and embezzlements and hence cash will be available for any profitable investments (Innocent et al., 2023).

Table 3: Effect of cash management on the financial performance of MTN Uganda Logogo branch.

Category	Frequency	Percentage
Strongly agree	32	80%
Agree	8	20%
Not sure	0	0%
Disagree	0	0%
Strongly disagree	0	0%
Total	40	100%

The findings revealed that 80% strongly agreed that there were cash controls at MTN Uganda Logogo branch, 20% agreed to the statement. The findings clearly bring out the ideas of Kakuru 2019, Van Holmes 1995 as well as Pandey 2017 that cash should only be out when delay is no longer necessary and possible and non-beneficial. This means that good cash control eliminates and minimizes fraud and embezzlement of MTN Uganda funds there by leading to its growth and expansion in the country especially Logogo branch (Ivan & Kazaara, 2023).

Table 4: Relationship between cash management and financial performance of MTN Uganda Correlations

			Cash	Financial
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			management	performance
Spearman's rho	Cash management	Correlation Coefficient Sig. (2-tailed) N	1.000 . 40	.669* .035 40
	Financial performance	Correlation Coefficient Sig. (2-tailed) N	.669* .035 40	1.000 40

*. Correlation is significant at the 0.05 level (2-tailed).

The table shows a strong significant positive relationship as indicated by spearman correlation coefficient as 0.669 and correlation is significant at 0.05(2-tailed) (Nelson et al., 2023). This implies that with proper cash management in place, the financial performance will in turn increase. This is because cash management has an influence on financial performance for example if cash management, cash collection, cash allocation, cash budget is emphasized when carrying out cash management then better financial performance is guaranteed.

Conclusions.

The researcher concluded that cash planning leads to effective cash management, this ensures timely provision of cash resources necessary to support the MTN Uganda operations. Whether MTN Uganda is flush with cash or experiencing a shortfall of funds, good cash planning is critical to the success of every firm contributing to the same view, further notes that the cost of holding cash includes low rate of return of assets because of liquidity premium and possibly tax disadvantage while the benefit of holding cash is twofold: The firms save transaction costs to raise funds and liquidate assets to make payments. Of the major areas that were focused on was cash management and financial performance, the general findings are that cash management is a control tool in any organization. Given the size and complexity of the organization and the partnership as a whole, business without cash management would have been a big dream. Despite errors which may be inevitable and system huddles which may be encountered time and again, a lot of good work goes on and the level of staff dedication is paramount.

Recommendations

The researcher recommended MTN Uganda to increase on the number of signatories of the accounts of the Sacco this reduces embezzlement of the Sacco's funds by a few individuals who may connive to utilize the funds for their selfish interests. The researcher further recommended MTN Uganda to prepare petty cash books to make sure all the small expenses made on day-to-day basis have accountability.

The researcher recommended MTN Uganda to operate a flexible budget, this helps to cater for unexpected disasters like drought that happen for a long time and affect their clients who deal in agricultural products. He

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further recommended that, a strong cash control is put in place, this is one with tight budgetary control over cash received, cash banked and effective control cash balances, cash brought down. Therefore, an obvious aim of any organization is to control and manage its cash affairs in such a way as to keep cash balance at a minimum level and invest surplus cash in investment opportunities.

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