
**THE EFFECT OF CASH MANAGEMENT PRACTICES ON THE PERFORMANCE OF MICRO
FINANCE INSTITUTIONS. A CASE STUDY OF EQUITY BANK NAKULABYE BRANCH**

1 Mugalanzi Stephen, 2 Omendo Vincent

1, 2 Metropolitan International University

ABSTRACT

The purpose of the current study was to establish the effect of cash management practices on the performance of micro finance institutions in Uganda while taking a case study of Equity bank in Nakulabye branch. The specific objectives was to establish the various cash management techniques used by equity bank, to determine the Benefits of cash management practices on financial performance, to find out the relationship between cash management and financial performance .the research study employed descriptive research design which enabled the research to come up with relevant information that was required .under this design ,both qualitative and quantitative data collection techniques were employed .the researcher also worked with a sample size of 25 respondents who actively participated in the study .Being on the findings obtained from the study under the data presented in chapter four, it was found that the company has adopted digitalized methods of the managing finance hence this has helped in reducing on the hidden costs more so, the study revealed that proper cash managed by the financial institutions increases on the profit margin realized. From the summary of the findings above, it can be concluded that the application of cash management technique by any financial institution facilitate the smooth operation and the expansion on the organization the role of records keeping makes an organization attain its goal should be effective by having active support for budgeting process from the top management, clear stated daily transactions and forecasting standards. But organization should be carefully in setting the goals for the financial year by making sure that those goals must be achievable in order to avoid wastage of resources. The researcher recommends that the system that has been designed can be installed in equity banks Information Technology System so as to enable Equity Bank achieve its goals, objectives and mission statement. The policy and procedure manuals together with the designed system should strictly be followed if they are to achieve service quality and customer satisfaction as service providers.

Key words: **cash management practices, performance and micro finance institutions**

Background to the study

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Corresponding: Author: research.miu.ac.ug/publications

Globally, software of era via the computerization of banking departments performs an increasing critical role in financial system and society at massive, of which laptop programs understanding is a pre-requisite in each profession, possibilities are greater, something be the character of the profession selected (Polycarp et al., 2023). The presence of this small field in day-to-day function is overpowering and it has emerged as the spine of all banking accounting systems. enterprise depends on computers to deal with all styles of accounting and bookkeeping jobs. Banks use computers to report money deposited and withdrawn (Gracious, 2023).

In Uganda the machine of monetary intermediation can affect monetary overall performance and boom without delay thru the position it plays in savings mobilization. specially, the financial intermediation channels financial savings into the most effective investment projects and as a consequence contributes to higher fees of increase, (Ramadhan et al., 2023). Uganda as a rustic faces low savings rates no matter stable macroeconomic stabilization effort (Frank et al., 2023). It has the bottom savings rate of any growing region, the potential to keep is in particular determined by profits stage, charge of income boom and the dependency ratio i.e., the ratio of population fewer than 16 or above 60 years antique to that of the working age populace, (Rashid et al., 2023). Equity banking sector had a correction over the last few years. via the steerage of our regulator, non-performing loans at enterprise level are right down to around 4-5% from round 10% a few years

back. The credit score Reference Bureau has helped loads to pick out creditworthy clients and related services. Our mortgage eBook has grown highly (Gracious, 2023). The financial institution closed its internet mortgage e-book at round Shs240bn in 2015 and Shs400bn in 2017 we had anticipated Shs800bn in 2020. We believe conventional sectors like actual property, production, agriculture, exchange, production, oil and fuel and related sports become maintain to pressure lending going ahead.

Problem Statement

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The advent of facts generation has subsequently led to the creation of computerized accounting structures in company reporting to help produce relevant and trustworthy consultant monetary reports for both management and external customers for choice making (Ramadhan et al., 2023). They constantly accept as true with that where computers are established changed into require much less human attempt to perform the favored operation on economic

management (Racheal et al., 2023). In the advert of computers, the paintings of accountants and auditors has modified swiftly with the resource of unique software packages; accountants summarize transactions in preferred formats via monetary records and organize facts in unique formants hired in financial evaluation (Moses et al., 2023). Regardless of most high percent profile of the banks having automated accounting structures; there are nonetheless

difficulties in monitoring down errors, cash laundering and fraudulent acts and at the equal time, time eating, Adetayo (2009). for the reason that enterprise performance in banks in various departments were consistently negative. The have a look at therefore supposed to establish the factors in the back of the powerful coins management in commercial banks whilst taking a case examine of fairness bank Nakulabye branch (Faridah et al., 2023).

Research objectives

- To establish the various cash management techniques used by equity bank
- To determine the Benefits of cash management practices on financial performance
- To find out the relationship between cash management and financial performance

Research questions

- What are the various cash management techniques used by equity bank
- What are the benefits of cash management practices on financial performance?
- What is the relationship between cash management and financial performance?

Methodology

Research Design

The study used descriptive research that involved application of both qualitative and quantitative research approaches. This was chosen as the most appropriate research strategy. Kothari, (2004) define a case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence. The qualitative research design is descriptive in nature

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hence enabled the researcher to meet the objectives of the study. A statement was used to assign variables that were not adequately measured using numbers and statistics. The quantitative research design was used in form of mathematical numbers and statistics assigned to variables that are not easily measured using statements or theme.

Population.

The target population of this study was comprised of the staff of equity bank Nakulabye Branch. The study was focused particularly on the senior, middle and low-level staff that is directly dealing with the day-to-day operation of the bank

Sampling procedures, Technique and Sample size**Sampling Procedure**

The researcher was work with a sample of the population that was selected as representatives of the population. Kothari (2004) observes that collecting data from the entire population would be practically impossible and it would be very difficult to examine every element in the population. The study sample produced more reliable and quick results as fewer errors were made during the data collection exercise. The sample size was determined using the table by Morgan and Krejcie (1970, as cited in Amin, 2005).

Sampling Technique

The study applied simple random and stratified sampling. This was aimed at getting all the population at the bank and it had to be done in equal and independent chances of being included in the sample.

Sample Size

Sample size is defined as a small section of a part that represents the larger whole (Saunders et al., 2009). Gill and Johnson (2010) argue that an adequate sample size depends on several issues. Gill and Johnson (2010) add that what is important is not the proportion to the research population that gets sampled, but the absolute size of the sample selected relative to the complexity of the population, the aims of the research and the kinds of statistical manipulations was used in data analysis. For the purpose of this study, a sample size of respondents, representing 100% of the target population was used for the study, the sample size was determined using the table of Krejcie and Morgan, 1970. The sample size also took statistical and non-statistical consideration and the nature of population which is homogenous and thus small.

Table 1 Population Distribution

Strata	Population	Sample size
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Administrators	5	5
Teller	15	8
Finance manager	3	3
Loans officers	7	4
Bank agents	5	2
Records officers	3	3
Total	35	25

Source: (Krejcie& Morgan, 1970- table and group participation (2020)

Data collection methods and instruments

Data collection involved going out to the field and contacting the respondents. The data collection methods were comprised of the following; face to face interviews, phone interviews, Questionnaires. Questionnaires were designed and a copy was given to each respondent.

Questionnaire

The questionnaires were designed in a way that reflected the objectives of the study. Structured and unstructured questions were used to obtain data from the field. Closed ended questions were included in data collection from the respondents. The questionnaires were distributed to equity bank staff members targeted during working hours; the researcher personally delivered the questionnaires to the bank.

Data Analysis

After collecting all the necessary data, the data was coded and edited, analyzed and rephrased to eliminate errors and ensure consistency using SPSS (Nelson et al., 2022). This involved categorizing, discussing, classifying and summarizing of the responses to each question in coding frames, basing on the various responses. This was intended to ease the tabulation work. Data collected from the field with the use of study instruments was classified into meaningful categories.

RESULTS

Table 1: Frequency distribution on Different cash management practices used by the bank

Statements	1 SD	2 D	3 N	4 A	5 SA

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We keep records of all cash payment on all daily basis		0	0	0	10	15
		00%	00%	00%	40%	60%
Use of accounts receivable database		0	4	0	11	10
		00%	16%	00%	44%	40%
Maintenance of optimal cash balance		3	2	0	6	14
		12%	8%	00%	24%	56%

Source: primary data 2020

The results above show that the majority of the respondent were positively agreeing with the statement that there is daily keeping of records on payment with 60% who strongly agreed with the statement, 40% agreed. There no one found disagreeing with the statement. This indicated that taking of daily transaction is done on daily basis by the bank.

On the statement whether the bank uses accounts receivable database, there was also a positive response on this statement in that 44% (11) agreed, 40% strongly agreed with the statement with only 16% of the respondents were found disagreeing with the statement. This showed that although there is use of database system, but it is not used to its maximum. Furthermore, on statement about maintained of optimal cash balance in the organization, 56% (14) strongly agreed with the statement, with 24% who agreed with the statement. A total of 20% from the contacted respondents did not agree with the statement. the results indicated some downfalls on the side of cash management by the bank.

Table 2: Frequency distribution on benefits of cash management

Statements	1 SD	2 D	3 N	4 A	5 SA
Increasing level of deposits and accounts openings	2	3	2	7	11
	8	12	8	28	44
There is Increase in resource productivity	1	2	0	10	12
	4	8	00	40	48
There is Reduced costs of operations realized by the bank	1	2	00	7	15
	4	8	00	28	60
Financial performance being higher at the end of the financial period	0	2	3	7	13
	00	8	12	28	52

Source: primary data 2020

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The study investigated the extent to which application of cash management techniques benefit the organization. There was large positive response on this statement in that a total of 72% (18) were in support with the statement that there is increasing level of deposits and accounts openings, 8% were not sure with the statement, and a total of 20% respondents did not agree on increase of deposits as a result of application of cash management systems for performance of micro finance institutions. While on the statement about the increase of resource productivity, 48% (12) strongly agreed with the statement, 40% agreed with on 8% of the respondents who strongly disagreed with the statement.

On statement whether reduced costs of operation have been enjoyed by the bank for the last 5years, total of 88% agreed with the statement, with only 12% of those who were found disagreeing with the statement. 52% strongly agreed about the financial performance to being higher at the end of the year 28% agreed with the statement and 12% of the respondents were not sure about the statement.

The relationship between cash management practices and performance of micro finance institutions

Table 3: Frequency distribution on the relationship between cash management and performance of micro finance institutions

Statements	1 SD	2 D	3 N	4 A	5 SA
Proper cash management policies reduce losses	3	2	0	9	11
	12	8	00	36	44
There is a positive relationship between cash management and performance of micro finance institutions	2	0	1	10	12
	8	00	4	40	48
Cash management increases liquidity and profitability of any bank	2	4	3	6	10
	8	16	12	24	40
Cash management improves coordination among multiple department	0	2	3	7	13
	00	8	12	28	52

Source: primary data 2020

From the results presented in the table above, the researcher found that majority of the respondents agreed with the statement that proper cash management policies reduce losses with 44% who strongly agreed with the statement, 36% agreed, 12% strongly disagreed with the statement, 8% disagreed. Still on statement that there is positive relationship between cash management and performance of micro finance institutions, majority of the respondents strongly agreed with statement followed by those who agreed with a total percentage of 88% of those

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who supported the statement mean while on the other side, 24% were found disagreeing with the statement. On the statement whether cash management increases the liquidity and profitability of the bank, a total of 24% of the respondents disagreed with the statement, 12% were not sure with the statement 24% agreed and those who strongly agreed with the statement were 40%. The findings indicated that there is positive relationship between cash management and performance of micro finance institutions.

Conclusions

From the summary of the findings above, it can be concluded that the application of cash management technique by any financial institution facilitate the smooth operation and the expansion on the organization the role of records keeping makes an organization attain its goal should be effective by having active support for budgeting process from the top management, clear stated daily transactions and forecasting standards (Musaibah et al., 2023). But organization should be carefully in setting the goals for the financial year by making sure that those goals must be achievable in order to avoid wastage of resources.

Recommendations

The researcher recommends that the system that has been designed can be installed in equity banks Information Technology System so as to enable Equity Bank achieve its goals, objectives and mission statement (Christopher et al., 2022).

The researcher recommends research geared towards the development of a monitoring system to be carried out encompassing all the banks within the country. This system if developed shall enable all banks to monitor individual accounts' performance and be able to reject loan applications for typical defaulters (Tasha et al., 2023). The bank recommended implementing that system is bank of Uganda and it will require co-operative effort from commercial banks and micro finance institutions in order to overcome the challenge of lack of information about bad customers.

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