

---

**ASSESSING THE IMPACT OF WORKING CAPITAL ON THE PERFORMANCE  
OF ORGANIZATIONS IN UGANDA, A CASE STUDY OF HARRIS INTERNATIONAL (RIHAM) IN  
KAWEMPE**

**1 Nahwera Joan, 2 Ngiri Andrew**

**1, 2 Metropolitan International University**

**ABSTRACT**

The study aimed at assessing the impact of working capital on the performance of organizations in Uganda and it was guided by the following objectives; To analyze the effect of trade receivables on the organizational performance of Harris International Uganda Ltd, to assess the effect of Trade payables on the organizational performance of Harris International Uganda Ltd and to examine the effect of cash and bank balances on the organizational performance of Harris International Uganda Ltd. The study adopted a descriptive cross-sectional and case study survey research design. The descriptive correlational design was used to establish whether there is a significant relationship between working capital and the organizational performance. The study population constituted mainly the staff and customers of Harris International, Kawempe especially those working in the Working capital and selling departments. The researcher employed several techniques to select the appropriate sample for the study. These include both probability and non-probability sampling techniques

From the findings, the constant 2.439, shown that keeping all other factors constant, performance of Riham International will on average increase by 2.439. The coefficient 6.875 shown that a unit increase in the trade receivables would lead on average to 6.875 increases in the performance of an organization. The p-value (0.00) <0.05 (was statistically significant at 95% confidence level); this implied that; Trade receivables had a significant impact on organizational performance expressed by profitability. The researcher therefore recommends that Riham International should implement an effective working capital management strategy to ensure that it never runs out of working capital

**Key words: working capital, performance and organizations**

**Background of the study**

The term working capital originated with the old Yankee peddler who would load up his wagon and go off to peddle his wares. The merchandise was called “working capital” because it was what he actually sold, or “turned over,” to produce his profits (Annet et al., 2023). According to (Harris, 2015), working capital is defined as money or cash that a firm needs in order to undertake various actions and operating activities in daily functions of the firm such as money to make purchase on raw

materials for production (Polycarp et al., 2023), money for paying workers salaries wages, rent or any other daily repeated expenditure of the firm, It is sometimes obtained demonstrated by taking the difference between current asset of the company and the current liabilities available within the firm. Net working capital is often used to measure the efficiency of working capital of the firm, showing the surplus of current assets of the firms over their current liabilities, it demonstrates the ability of the

**Received: 11.09.2023**

**Accepted: 17.09.2023**

**Published on: 30.09.2023**

---

firms to be in a position meet their short-term obligation when they fall due, (Christopher et al., 2022). The net working capital of the organization can either be positive or negative, where positive net working capital happens at a point in time when there is surplus of current assets over current liabilities of the firm, this means that the firm is in good position to meet its short-term obligations as when they fall due.

In summary, working capital in this study included trade receivables, inventory, cash and bank balances; and trade payables (Alex et al., 2023).

While the share of Uganda's manufacturing sector is in line with the Sub-Saharan African average, it is relatively low compared with that of other developing countries, for example those in Asia. Commentators argue that, given the growth rate Uganda has achieved in the past three decades, the transformation process has been weak (Ramadhan et al., 2023) and the economy has not transformed enough (Kjær and Katusiimeh, 2012). Moreover, Uganda is not very integrated with the world economy, and, despite some limited degree of diversification of its exports, economic growth has not been export-led (Alex & Kazaara, 2023).

#### **Problem Statement**

Hariss International Limited is one of Uganda's leading manufacturers of food and beverages. Since its inception in 2015 the production of both food and beverages have been operating under the brand name RIHAM. Located in Kawempe Uganda, the company competes with Crown Beverages and Century Bottling Company and it has a working capital of over 2 billion Ugandan Shillings (Harris International manual, 2020)

Because the company has enough working capital, it enjoys the benefits of being more flexibility, enabling it to satisfy its customers' orders, expand its business, and invest in new products and services. It also provides the company with a cushion for when it needs a bit of extra cash (Nelson, Christopher, Teddy, et al., 2022). Working capital is a measure of a company's ability to pay off short term expenses or debts and this helps to ensure that the business runs smoothly. Working capital also improves the overall efficiency of the company thus leading to overall operational excellence. One of the company's targets is to take on the challenger position which has been occupied by century bottling company (Coca Cola) after falling from being the market leader for a long time (Kazaara & Christopher, 2023).

However, having enough working capital has caused the company a number of challenges ranging from paying its suppliers late to the threat of bankruptcy/liquidation; it also requires a lot of capital invested in the purchases, inventory, cash at hand and bank (Kizito, 2018). An excess of working capital can reveal that the business isn't taking opportunities to grow or isn't aware of them. It can limit the success of the company (Allan et al., 2023). The company put at rest the development of the firm due to inadequate working capital is unable to implement the profitable projects. Also in the absence of adequate working capital, fixed assets cannot be fully utilized. As a result, return on investment decreases and management cannot take the advantages of business opportunities; the production process could stop due to lack of raw material. This study

**Received: 11.09.2023**

**Accepted: 17.09.2023**

**Published on: 30.09.2023**

---

therefore seeks to examine the effect of working capital on the organizational performance using Harris International as a case study.

**Specific objectives of the study**

1. To analyze the effect of trade receivables on the organizational performance of Harris International Uganda Ltd
2. To assess the effect of Trade payables on the organizational performance of Harris International Uganda Ltd
3. To examine the effect of cash and bank balances on the organizational performance of Harris International Uganda Ltd

**Research Questions**

1. What is the effect of trade receivables on the organizational performance of Harris International Uganda Ltd?
2. What is the effect of Trade payables on the organizational performance of Harris International Uganda Ltd?
3. What is the effect of cash and bank balances on the organizational performance of Harris International Uganda Ltd?

**Methodology****Research Design**

The study adopted a descriptive cross-sectional and case study survey research design. The descriptive correlational design was used to establish whether there is a significant relationship between working capital and the organizational performance. The ex-post facto design was used because respondents were asked things that had already happened. The cross-sectional design was employed because a cross-section of respondents was selected to participate in the study all at once.

**Quantitative Design**

Quantitative design was used to process data which could be quantified and was numeric in nature. For example, the respondents' age, income, and number of times they had purchased a given product in a given period of time, etc. According to Creswell et al. (2017), quantitative research helps in getting an in-depth analysis of the problem under investigation.

**Qualitative Design**

This was used to describe qualitative data which could not be quantified in numbers. This included respondents' opinions and ideas. Qualitative research was also applied in order to describe current conditions or to investigate relationships, including effects and relationships. In addition, it helped in answering questions concerning the current state of the subject under study

**Population of the study****Received: 11.09.2023****Accepted: 17.09.2023****Published on: 30.09.2023**

---

The study population constituted mainly the staff and customers of Harris International, Kawempe especially those working in the Working capital and selling departments. According to the Human Resource officer, this population amounts to 60 staff. This population was chosen because it was assumed to have adequate knowledge of the subject under investigation and the research variables under investigation.

**Sample Size**

The sample size was 40 respondents of which 10 was marketing staff, 10 was selling staff and 20 was customers of Harris International, Kawempe.

**Sampling Technique**

The researcher employed several techniques to select the appropriate sample for the study. These include both probability and non probability sampling techniques

In this study a purposive sampling, a non-probability sampling was employed in selecting respondents from the population. This technique enabled the researcher to give an opportunity to only eligible participants by selecting from each unit within the population of the study. In this case, the researcher ensured that participants from different categories like sales staff, marketing staff and clients of the company had equal chance to participate.

**Data Collections Instruments****Survey Questionnaires**

This study used self-administered questionnaires for the respondents. These were distributed among the staff in their respective departments. The justification for using this instrument is that questionnaires are easy to quantify and analyze. In addition, the questionnaire was used because the study focused on opinions, attitudes, feelings and perceptions of the respondents.

**Data Analysis, Interpretation and Presentation**

Data was analyzed using SPSS (Nelson, Christopher, & Milton, 2022). It was presented in form of tables, graphs, pie charts and triangulation. Qualitative data analysis was done by narrative as was recorded during face-to-face interview and through observation. The researcher used a quick impressionist summary in analyzing qualitative data; he summarized key findings by noting down the frequent responses of the respondents during the interview on various issues concerning working capital and how it affects the organizational performance.

**RESULTS****Correlation analysis**

**Table 1 Shows the relationship between trade receivables and organizational performance of Riham International**

|  |                   |                            |
|--|-------------------|----------------------------|
|  | Trade Receivables | Organizational Performance |
|--|-------------------|----------------------------|

**Received: 11.09.2023****Accepted: 17.09.2023****Published on: 30.09.2023**

|                            |                     |        |        |
|----------------------------|---------------------|--------|--------|
| Trade Receivables          | Pearson Correlation | 1.000  | .823** |
|                            | Sig. (2-tailed)     |        | .000   |
|                            | N                   | 63     | 63     |
| Organizational Performance | Pearson Correlation | .823** | 1.000  |
|                            | Sig. (2-tailed)     | .000   |        |
|                            | N                   | 63     | 63     |

Source: Statistical Package for Social Scientists (SPSS)

The relationship between the variables was tested using Pearson correlation coefficient. This was used because the trade receivables and organizational were assigned numerical values. From the table above, it is clearly indicated that there is a strong relationship between trade receivables and organizational performance in Uganda (Ntirandekura et al., 2022). This is indicated by positive results of Pearson Correlation, where  $r = 0.823$ ,  $p < .01$ . It therefore implies that trade receivables management strongly affects organizational performance in Uganda. The leadership of Riham International should therefore continue managing the portfolio of trade receivables to ensure smooth running and excellent performance of the organization.

**Table 2: Regression Analysis**

**Model Summary (b)**

| Model | R       | R Square | Adjusted Square | Std. Error of the Estimate |
|-------|---------|----------|-----------------|----------------------------|
| 1     | .816(a) | .666     | .334            | 4.107                      |

a Predictors: Trade receivables.

b Independent Variable: Working Capital.

The R-square measures the goodness of fit. Therefore, the R-square 0.666 shows that 66.6% of the variations in the performance of an organization can be explained by trade receivables while only 33.4% can be explained by other factors. Therefore, since  $R\text{-square } 0.666 > 0.5$ , hence a good fit (Nelson et al., 2023).

**Coefficients (a)**

| Model        | Unstandardized Coefficients |            | Standardized Coefficients | T   | Sig. |
|--------------|-----------------------------|------------|---------------------------|-----|------|
|              | B                           | Std. Error | Beta                      |     |      |
| 1 (Constant) | 2.439                       | 3.343      |                           | 730 | .468 |

Received: 11.09.2023

Accepted: 17.09.2023

Published on: 30.09.2023

|                       |       |      |       |        |      |
|-----------------------|-------|------|-------|--------|------|
| Profitability         | 6.875 | .637 | .815  | 10.790 | .000 |
| Increased sales       | 1.049 | .882 | -.089 | 4.189  | .001 |
| Competitive advantage | .252  | .462 | .041  | 2.545  | .018 |
| Other factors         | 4.875 | .437 | .615  | 8.790  | .234 |

a. Dependent Variable: Organizational Performance

The constant 2.439, shows that keeping all other factors constant, performance of Riham International will on average increase by 2.439.

The coefficient 6.875 shows that a unit increase in the trade receivables would lead on average to 6.875 increases in the performance of an organization. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; Trade receivables have a significant impact on organizational performance expressed by profitability (Musaibah et al., 2023).

The coefficient 1.049 shows that a unit increase in trade receivables would lead to an average 1.049 increase in sales. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; trade receivables have a significant positive relationship with increased sales

The coefficient 0.252 shows that a unit increases in trade receivables would lead on average 0.252 increases in the competitive advantage of an organization. The p-value (0.00) < 0.05 (is statistically significant at 95% confidence level); this implies that; trade receivables have a significant positive relationship with competitive advantage.

#### Effect of trade payables on organizational performance

**Table 4 showing the effect of trade payables on organizational performance.**

| Response                                                                                          | Response       |    |       |    |          |   |          |    |                   |   |       |     |
|---------------------------------------------------------------------------------------------------|----------------|----|-------|----|----------|---|----------|----|-------------------|---|-------|-----|
|                                                                                                   | Strongly agree |    | Agree |    | Not sure |   | Disagree |    | Strongly disagree |   | Total |     |
|                                                                                                   | F              | %  | F     | %  | F        | % | F        | %  | F                 | % | F     | %   |
| Harris International has a portfolio of trade payables                                            | 15             | 37 | 17    | 43 | 3        | 8 | 2        | 4  | 3                 | 8 | 40    | 100 |
| Trade payables safeguard the company's cash position                                              | 26             | 65 | 14    | 35 | -        | - | -        | -  | -                 | - | 40    | 100 |
| Trade payables facilitate the growth of the organization by increasing revenue and higher margins | 23             | 57 | 13    | 33 | -        | - | 4        | 10 | -                 | - | 40    | 100 |

Received: 11.09.2023

Accepted: 17.09.2023

Published on: 30.09.2023

|                                                                  |    |    |    |    |   |   |   |   |   |   |    |     |
|------------------------------------------------------------------|----|----|----|----|---|---|---|---|---|---|----|-----|
| Trade payables help to create a diversified network of suppliers | 15 | 37 | 20 | 51 | 2 | 4 | - | - | 3 | 8 | 40 | 100 |
|------------------------------------------------------------------|----|----|----|----|---|---|---|---|---|---|----|-----|

**Source: Primary data 2021**

From table 4 above, it can be observed that 15 (37%) of the respondents strongly agreed to the assertion that Harris International has a portfolio of trade payables 17 (43%) agreed, 3 (8%) were not sure, 2 (4%) disagreed while 3 (8%) strongly disagreed. This implies that indeed Harris International has a portfolio of trade payables.

Respondents were also asked whether trade payables safeguard the company's cash position. 26 (65%) strongly agreed, 14 (35%) agreed, and none neither disagreed nor strongly disagreed nor were not sure. Since all of the respondents strongly agreed and agreed to the assertion, it can therefore be stated that trade payables safeguard the company's cash position in the operations of the business.

Further still, 23 (57%) strongly agreed to the assertion that trade payables facilitate the growth of the organization by increasing revenue and higher margins, 13 (33%) agreed and 4 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. This vividly implies trade payables indeed facilitate the growth of the organization by increasing revenue and higher margins (Ronet et al., 2023)

Finally, respondents were asked whether trade payables help to create a diversified network of suppliers. 15 (37%) strongly disagreed, 20 (51%) agreed, 2 (4%) were not sure, none disagreed while 3 (8%) strongly disagreed to the assertion. It can therefore be stated that trade payables help to create a diversified network of suppliers. This is because the organization can have different suppliers of different items from whom it can get items on credit.

#### ***Effect of cash and bank balance on organizational performance.***

**Table 5 showing the effect of cash and bank balance on organization performance**

| Effect of cash and bank balance on organizational performance                                       | Response       |    |       |    |          |   |          |    |                   |   |       |     |
|-----------------------------------------------------------------------------------------------------|----------------|----|-------|----|----------|---|----------|----|-------------------|---|-------|-----|
|                                                                                                     | Strongly agree |    | Agree |    | Not sure |   | Disagree |    | Strongly disagree |   | Total |     |
|                                                                                                     | F              | %  | F     | %  | F        | % | F        | %  | F                 | % | F     | %   |
| Cash and Bank balances safeguard the organization from liquidity and insolvency issues              | 6              | 5  | 14    | 35 | -        | - | -        | -  | -                 | - | 40    | 100 |
| Cash and Bank balances enables the organization to fulfill its recurrent obligations and expenses . | 23             | 57 | 13    | 33 | -        | - | 4        | 10 | -                 | - | 40    | 100 |

**Received: 11.09.2023**

**Accepted: 17.09.2023**

**Published on: 30.09.2023**

|                                                                                 |    |    |    |    |   |    |   |    |   |    |    |     |
|---------------------------------------------------------------------------------|----|----|----|----|---|----|---|----|---|----|----|-----|
| Cash and Bank balances help the organization to ensure efficient cash flows     | 5  | 37 | 16 | 41 | 4 | 10 | 2 | 4  | 4 | 10 | 40 | 100 |
| Cash and Bank balances help to ensure continuous operations of the organization | 26 | 65 | 14 | 35 | - | -  | - | -  | - | -  | 40 | 100 |
| Cash and Bank balances facilitate profitability of the organization             | 23 | 57 | 13 | 33 | - | -  | 4 | 10 | - | -  | 40 | 100 |

**Source: Primary data 2020**

Table 5 above shows that 26 (65%) strongly agreed to the assertion that cash and Bank balances safeguard the organization from liquidity and insolvency issues, 13 (33%) agreed, and none neither disagreed nor strongly disagreed nor were not sure. Since all of the respondents strongly agreed and agreed to the assertion, it can therefore be stated that cash and Bank balances safeguard the organization from liquidity and insolvency issues (Emmanuel et al., 2023).

Further still, 23 (57%) strongly agreed to the assertion that cash and bank balances enables the organization to fulfill its recurrent obligations and expenses., 13 (33%) agreed and 4 (10%) disagreed. Neither of the respondents were not sure nor strongly disagreed. It can therefore be stated that cash and bank balances enables the organization to fulfill its recurrent obligations and expenses. This would help the organization to build and sustain trust with all its partners (Brighton et al., 2023).

Furtherstill, 15 (37%) strongly disagreed, 16 (41%) agreed, 4 (10%) were not sure, none disagreed while 4 (10%) strongly disagreed to the assertion that cash and bank balances help the organization to ensure efficient cash flows. It can therefore be stated that cash and bank balances help the organization to ensure efficient cash flows (Winny et al., 2023).

Respondents were asked to respond as to whether cash and bank balances help to ensure continuous operations of the organization. 26 (65%) of the respondents strongly agreed; and 14 (35%) agreed to the assertion. None respondents disagreed nor were unsure. This implies that indeed, cash and bank balances help to ensure continuous operations of the organization

Finally, 23 (57%) of the respondents strongly agreed that cash and bank balances facilitate profitability of the organization , 13 (33%) agreed while 4 (10%) were not sure. None of the respondents disagreed. This implies that indeed cash and bank balances facilitate profitability of the organization (Pdu et al., 2023).

### Conclusions

Findings revealed that there was a positive relationship between trade receivables and organizational performance

**Received: 11.09.2023**

**Accepted: 17.09.2023**

**Published on: 30.09.2023**

The study further concludes that organizations should manage a sizeable portfolio of trade receivables which are usually in form of credit sales and services rendered but not yet paid for. The researcher also concludes that working capital which includes trade receivables, payables, cash and bank balances are paramount for the survival and profitability of the organization

### Recommendations

The researcher therefore recommends that Riham International should implement an effective working capital management strategy to ensure that it never runs out of working capital

The study recommends that organizations should be cautious when accumulating the trade payables because it may affect its profitability in the long run.

### References

- Alex, I., & Kazaara, A. G. (2023). *Internal Controls and Financial Performance of Saccos in Wakiso District*. 7(3), 47–56.
- Alex, I., Kazaara, A. G., Lukman, P. N., & Edris, P. (2023). *CORRUPTION PRACTICES AND PUBLIC FINANCE MANAGEMENT IN*. 2(5), 754–767.
- Allan, K., Charles, N., Moses, N., Kazaara, A. G., & Nelson, K. (2023). *The Effect of Operation Wealth Creation on Youth Farmers Development : A Case Study of Labongo Layamo Sub County , Kitgum District*. 7(2), 50–63.
- Annet, N., Andrew, N., Kazaara, A. G., Christopher, F., & Moses, N. (2023). *Impact of Budgeting On the Profitability of a Manufacturing Company , a Case Study of Harris International*. 7(2), 112–126.
- Brighton, B., Deus, T., Kazaara, A. G., Nelson, K., Alex, K., Christopher, F., & Benefansi, I. (2023). *The Effect Of Covid-19 Pandemic On The Education System And Institutions In Wakiso District A Case Study Of Gombe Sub County* . 7(2), 55–61.
- Christopher, F., Moses, N., Muhindo, M. E., & Komunda, T. R. (2022). Employee Training and Organizational Performance: A Case Study of African College of Commerce and Technology in Kabale District, South Western Uganda. *International Journal of Academic Pedagogical Research*, 6(5), 1–7.
- Emmanuel, E., Rebecca, N., Kazaara, A. G., & Nicholas, K. (2023). *The Effects Of Job Training On Performance Of Local Government Employees In ganda : A Case Study Of Molo Sub- County , Tororo District* . 7(2), 65–73.
- Kazaara, A. G., & Christopher, F. (2023). *Impact of Micro Credit Financing on Agricultural Production A case Study of Bundibugyo District In The Western Region Of*. 7(3), 56–62.
- Musaibah, N., Kazaara, A. G., Kazaara, A. I., & Deus, T. (2023). *The Organizational Factors Affecting Employee Performance in Non-Governmental Organizations in Uganda . A Case Study of the Uganda Women Parliamentary Association*. 7(3), 221–231.
- Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata*. 6(7), 84–122.

**Received: 11.09.2023****Accepted: 17.09.2023****Published on: 30.09.2023**

- 
- Nelson, K., Christopher, F., Teddy, A., & Alex, A. (2022). *Customer Care and Sales Volume of Miami Hotel in Kabale District , South Western Uganda*. 6(6), 26–33.
- Nelson, K., Kazaara, A. G., & Kazaara, A. I. (2023). *Teach Yourself E-Views*. 7(3), 124–145.
- Ntirandekura, M., Friday, C., & Muhammad, M. (2022). Rewards and Staff Retention in Public Sector in Uganda: An Empirical Study from Kabale District Local Government. *International Journal of Academic Management Science Research*, 6(7), 165–170.
- Pdu, A. C. O., Government, M. L., Gracious, A., & Kazaara, A. I. (2023). *Corruption Practices on Service Delivery in the Public Sector in*. 7(3), 312–319.
- Polycarp, K., Kazaara, A. G., Kazaara, A. I., Prudence, K., & Nicholas, K. (2023). *The effect of loan defaults on profitability of financial institutions in Uganda : a case study of post bank , Anaka branch , Nwoya district*. 7(3), 172–178.
- Ramadhan, B., Alex, I., Kazaara, A. G., Nelson, K., Deus, T., & Pascal, T. (2023). *Taxation and the Development of Small Businesses in Uganda , a Case Study of Iganga District*. 7(2), 136–149.
- Ronet, C., Micheal, T., Kazaara, A. G., Nelson, K., & Ismail, L. (2023). *Assessing of the Impact of Stock Controls on Management of Costs in Organizations ; a Case Study of Mukwano Group of Companies*. 7(2), 160–178.
- Winny, N. D., Kazaara, A. G., Kazaara, A. I., & Deus, T. (2023). *Effect Of Motivation On Employee Performance In Non- Government Organizations ( NGOS ) : A Case Of Mbale City*. 7(3), 67–71.