



NEAR EAST UNIVERSITY
INSTITUTE OF GRADUATE STUDIES
DEPARTMENT OF BANKING AND FINANCE

**THE RELATIONSHIP BETWEEN WORKING CAPITAL MANAGEMENT
AND PROFITABILITY TROPICAL BANK-KAMPALA UGANDA**

M.Sc. THESIS

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Nicosia

Janaury, 2022

ABDIRISAK ABDULLAHI **WORKING CAPITAL MANAGEMENT AND PROFITABILITY** **NEU**
ROBLE **OF TROPICAL BANK – KAMPALA UGANDA** **2022**

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M.Sc. THESIS

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APPROVAL

We certify that we have read the thesis submitted by Abdirisak Abdullahi Roble titled **“The Relationship between Working Capital Management and Profitability of Tropical Bank-Kampla Uganda (in bold)”** and that in our combined opinion it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Educational Sciences.

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DECLARATION

I hereby declare that all information, documents, analysis and results in this thesis have been collected and presented according to the academic rules and ethical guidelines of Institute of Graduate Studies, Near East University. I also declare that as required by these rules and conduct, I have fully cited and referenced information and data that are not original to this study.

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ABSTRACT

Working capital management and profitability Tropical Bank-Kampala Uganda Roble, Abdirisak Abdullahi

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The investigation's main goal was to look into the connection among capital working administration and profitability at Tropical Bank – Kampala. For the most part, the study's objectives the following were the results:: to investigation the link Among accounts receivable Profitability and administration of Tropical Bank – Kampala; to investigation the link among accounts payable administration and Profitability of Tropical Bank – Kampala; and to investigation the link among cash administration and profitability of Tropical Bank – Kampala. The study used a correlational research design to achieve its objectives. A total number of 64 people respondents participated in the research, all of whom were chosen through a census-based inquiry. All the selected respondents participated in filling closed ended questionnaires which were the only data collection instruments since the study was purely quantitative. Data was entered into SPSS after it had been collected, and Pearson's correlation analysis was done to determine if there was or was not any association between the research variables. Results demonstrated the existence of a positive and significant statistically relationship among accounts receivable administration practices and economic efficiency of Tropical Bank – Kampala ($r = .472$, $P = .05$); there exists a positive and significant link among payables accounts control and profitability of Tropical Bank – Kampala ($r = .354$, $P = .05$); and there is an exist positive link among cash administration practices and economic efficiency of Tropical Bank – Kampala ($r = .354$, $P = .05$). Based on these observations, it was recommended that Tropical Bank management needs to start imposing penalties on the customers' overdue accounts and at the same time carry out adequate and regular monitoring of its credit customers. It also needs always make a

payment creditors on moment and at the same moment negotiate for discounts from its creditors when it clears its accounts payables on time. Furthermore, it needs to put in place adequate security measures to guard against theft of cash.

KEYWORDS: working capital management practices, bank profitability; accounts receivables; accounts payable; cash management.

ÖZET

İşletme sermayesi yönetimi ve karlılık Tropical Bank-Kampala Uganda

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Danışman: Yrd.Doç.Dr Ahmed Samour

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Araştırmanın amacı, Tropical Bank – Kampala'da sermaye işletme yönetimi ile karlılık arasındaki bağlantıyı incelemektir. Çalışmanın amaçları çoğunlukla aşağıdaki gibidir: Tropical Bank – Kampala's alacak yönetimi ile karlılığı arasındaki ilişkiyi incelemek; Tropical Bank – Kampala's borç hesapları yönetimi ile karlılığı arasındaki ilişkiyi incelemek; Tropical Bank – Kampala's nakit yönetimi ile karlılığı arasındaki ilişkiyi incelemektir. Çalışma, amaçlarına ulaşmak için ilişkisel bir araştırma tasarımı kullandı. Araştırmaya, tamamı nüfus sayımına dayalı bir soruşturma yoluyla seçilen toplam 64 katılımcı katıldı. Seçilen tüm katılımcılar, çalışma tamamen nicel olduğu için tek veri toplama aracı olan kapalı uçlu anketleri doldurmaya katıldı. Veriler toplandıktan sonra SPSS'ye girildi ve araştırma değişkenleri arasında ilişki olup olmadığını belirlemek için Pearson korelasyon analizi yapıldı. Sonuçlar, Tropical Bank – Kampala'nın alacak hesap yönetimi uygulamaları ile finansal performansı arasında pozitif ve istatistiksel olarak anlamlı bir ilişki olduğunu göstermiştir ($r = .472$, $P = .05$); Tropical Bank – Kampala'nın borç hesabı kontrolü ile karlılığı arasında pozitif ve anlamlı bir ilişki vardır ($r = .354$, $P = .05$); ve Tropical Bank – Kampala'nın nakit yönetimi uygulamaları ile finansal performansı arasında pozitif bir ilişki vardır ($r = .354$, $P = .05$). Bu gözlemlere dayanarak, Tropical Bank yönetiminin müşterilerin vadesi geçmiş hesaplarına cezalar uygulamaya başlaması ve aynı zamanda kredi müşterilerini yeterli ve düzenli bir şekilde izlemesi tavsiye edildi. Ayrıca her zaman alacaklılara anında ödeme yapması ve aynı zamanda borçlarını zamanında kapattığında alacaklılarından indirimler için pazarlık yapması gerekir. Ayrıca, nakit hırsızlığına karşı koruma sağlamak için yeterli güvenlik önlemleri alınması gerekir.

ANAHTAR KELİMELER: işletme sermayesi yönetimi uygulamaları, Banka karlılığı; alacak hesapları; ödenebilir hesaplar; nakit yönetimi.

CONTENTS TABLE

APPROVAL	1
DECLARATION	2
ACKNOWLEDGMENT	3
CONTENTS TABLE	7
LIST OF TABLE	9
LIST OF THE FIGURS	11
ABBERVIATION	12
CHAPTER I	13
Introduction	13
Problem statement	15
The Study's Hypothesis.	17
The Study's Significance	18
CHAPTER II	20
Accounts receivable Management and profitability.....	20
Research Gap	23
Administration Accounts payable and profitability	23
Research Gap	26
Cash administration and profitability	26
Research Gap	29
CHAPTER III	31
Methodology	31
Population and sample of study.....	31
CHAPTER III	36

CHAPTER V58

Conclusions58

 Recommendations59

 Recommendations According to Findings59

 Recommendations for Additional Studies.....60

REFERENCES61

APPENDIX A69

SECTION B.....70

LIST OF TABLE

Table 3. 1: indicating the population of the study, the sample size, and the sampling techniques.....32

Table 3. 2: Reliability Statistics34

Table 4. 4: How long have you been employed by Tropical Bank in Kampala?39

Table 4. 5: Tropical bank evaluates capacity of all its credit customers before giving them credit.....40

Table 4. 6: Tropical bank makes regular provisions for loan losses (bad debts)41

Table 4. 7: Tropical bank usually imposes penalties on the customers’ overdue accounts42

Table 4. 8: Tropical bank carries out adequate monitoring of its credit customers43

Table 4. 9: All Tropical bank credit customers are asked to offer collateral security before getting credit44

Table 4. 10: Pearson’s Correlation Results45

Table 4. 11: Tropical bank sometimes gets goods or services from its suppliers on credit46

Table 4. 12: Tropical bank considers accounts payable as a source of financing.....47

Table 4. 13: Tropical bank always pays its creditors on time.....48

Table 4. 14: Tropical bank negotiates for a discount if it pays its accounts within a certain period.....49

Table 4. 15: Tropical bank usually negotiates for longer payment periods from its creditors.....50

Table 4. 16: Pearson's Correlation Results	51
Table 4. 17: Tropical bank carries out regular cash reconciliations	52
Table 4. 18: Tropical bank regularly carries cash budgeting showing cash inflows and outflows forecasted for a specific period	53
Table 4. 19: Tropical bank endeavors to hold a significant level of cash reserves.....	54
Table 4. 20: Tropical bank put in place adequate security measures to guard against theft of cash	55
Table 4. 21: Tropical bank keeps record of all its cash receipts and expenditure.....	56
Table 4. 22: Pearson's Coefficient of Correlation Results	57

LIST OF THE FIGURS

Figure 1. 1: Showing the conceptual framework30

ABBREVIATION

A/P	Accounts Payable,
A/R	Accounts Receivable,
BP	Bank Profitability,
CA	Current Asset,
CT	Current Ratio,
DV	Dependent Variables,
IV	Independent Variables,
MFI s	Micro Finance Institutions,
NSE	Nairobi Stock Exchange,
RA	Return on Assets,
RE	Return on Equity,
ROCE	Return on Capital Employed,
SME s	Small and Medium-sized Enterprises,
SPSS	Statistical Package for Social Sciens,
TBL	Tropical Bank Limited,
WCM	Working Capital Managment,
WSCL Limited,	Water and Sanitation Company

CHAPTER I

Introduction

Background of the research

Banking institutions are absolutely necessary to any government's economic develop cannot be underestimated. They play a critical role in shifting savings from an economic return units to deficit economical pieces that can applied productive. (Akintan, Dabiri & Sanyaolu, 2017). Commercial banks also serve as a financial mediator in society, providing finances to communities in need and favorably influencing income distribution, activity economic, as well as the price levels in a government. (Sutrisno, 2016). Consequently, commercial the performance of the bank especially Profitability matters nothing alone to Financial regulators, bank administration, and policymakers, however to a broad range spectrum investors such as shareholders, economist, and analyst. (Bojare & Romanova, 2017). The ability of organization of company to keep it is every year revenue is referred to as profitability. (Adagye, 2015). According to Sanni, (2006) Profitability may also be defined as an economic condition in which the income gained over a certain period surpasses the expenses incurred over the same period only to make income.

Athanasoglou, Brissimis & Delis (2005) Bank profitability, according to them, is defined as a bank's ability to earn income that exceeds the expense in connection to its equity foundation. They also claim that a healthy and economical banking industry is nicer ability to absorb lead to a negative impulses to financial system stabilities. Although several authors have defined it differently, it essentially refers to the ability to maintain a surplus of income in excess of expenses. (Adagye, 2015).

Administration of capital working has evolved one of the major aspects that influences the profitability of organizations throughout the world, and specifically in the banking sector, as a result of growing study on how to increase firm profitability. (Piabuo, 2016). Working capital refers to the monies held in material, still a work - in - process, finished products, receivables, as well as cash and cash equivalents. (Akomeah & Frimpong,

2019). As a result, capital is stated money financed in Current Asset, which is able to be converted into the money and then re-invested in the assets in a short period of time.

Management of working capital (WCM), however, is defined as all administrative decisions and activities that affect the amount and effectiveness capital for working (Umoren & Udo, 2015). Kaur (2010) Management of working capital (WCM), instil of the author, is the most interested with efficient selection of capital working source as well as a calculation of the acceptable levels of the Current Asset (CA) and utilization's. This clear emphasizes an importance managing current Asset (CA), current obligations, and interrelationships connection them.

The main goal of Management of working capital is to keep a company's short-term assets or current assets (CA) and obligations in such a manner that working capital is kept at an acceptable levels. (Adagye, 2015). Working Capital Management (WCM) also entails managing and managing liquid assets in this case a manner that, however, there is the danger of defaulting obligations that are not long-term is avoided, and however, the risk of overinvesting in these assets is avoided. (Waithaka, 2012).

According to Akomeah and Frimpong (2019), Accounts receivables, payables, Financial and cash equivalents, inventory control, and a company's operational cycle are the main capital for working elements that should be administrated properly. Several studies have been conducted in various places of the globe to describe connection among administration of capital for working and profitability. Sharma and Kumar did a study (2011) Working Capital Management (WCM) and Profitability are positive connected Indian businesses, according to the study. Chhapra and Naqvi conducted a research among Pakistani companies (2010) Capital for working administration and business Profitability were also shown to have a strong positive important connection.

In a study conducted in Nigeria, Adagye (2015) all elements of capital for working administration having a favorable impact on profit, according to the study. He went on to say that banks must guarantee that appropriate working capital administration is a must for achieving their goal of maximizing profitability. This agrees with Piabuo (2016) they conducted research in Cameroon on working capital administration and commercial bank profitability and discovered that capital for working administration

have a beneficial significant on commercial banks profitability. Similarly, a research performed by Ndirangu (2015) and it was also discovered that working capital Administration and company profitability in Kenya have a considerable positive relationship.

The current study was carried out in Uganda and more specifically in Tropical Bank – Kampala. This research was encouraged with the continuous decline in profit of this bank even when its administration has labored to employ different working capital administration practices like account payable administration, account receivable administration and cash administration. The poor profitability levels in Tropical Bank – Kampala have been reported since 2016 when its financial statements for the fiscal year that just concluded 2016 indicated that bank made a loss of Shs13.4bn. By the end of 2018, the losses had risen by 4.9 percent to Shs5.78 billion, up from Shs5.52 billion in 2017. (TBL's Audited Annual Financial Statements for 2016, 2017 and 2018). In 2018, total income fell to Shs39.73 billion, down from Shs41.1 billion the previous year. (Nahamya, 2019). The Return on Assets (RA) dropped from 5 percent in 2016 to 2 percent by close of the year 2018. The return on equity also dropped from 29.9 percent in 2016 to 10.5 percent by close of the year 2018. The net profit margin also dropped from 30.6 percent in 2016 to 14.6 percent by close of the year 2018 (Nahamya, 2019). The Bank of Uganda also reported that by December 31st 2019, Tropical Bank Limited (TBL) was undercapitalized to the tune of UGX 3.8 billion (BOU, 2020). This situation prompted the researcher to conduct the current study to establish whether there was any statistically impact connection among Administration Capital Working and Profitability of Tropical Bank – Kampala.

Problem statement

Profitability games a significant role in a fulfillment and growth of the any banking institution. Consequently, bank managers ought to put in place mechanisms that would ensures that their companies are profitable. One of the critical strategies considered to be essential in enhancing profitability of any banking institution is effective working capital Administration (Piabuo, 2016). It is against this backdrop that management of Tropical Bank adopted several working capital Administration practices

like Accounts Payable (A/P) management, Accounts Receivable (A/R) management and cash Administration. Unfortunately, despite the presence of such working practices in capital administration, the results of Tropical Bank over the last three years show that it still has a wide method to proceed in term of profit recording. The bank's financial results for the year ended 2016 showed a loss of Shs13.4 billion. By the end of 2018, the losses had climbed by 4.9 percent to Shs5.78 billion, up from Shs5.52 billion in 2017 (TBL's Audited Annual Financial Statements for 2016, 2017 and 2018). In 2018, total income fell to Shs39.73 billion, down from Shs41.1 billion the previous year (Nahamya, 2019).

An analytics of the economics performances ratios of the banks also indicated that its return on assets (RA) dropped from 5 percent in 2016 to 2 percent by close of the year 2018. The Return on Equity (RE) also dropped from 29.9 percent in 2016 to 10.5 percent by close of the year 2018. The net profit margin also dropped from 30.6 percent in 2016 to 14.6 percent by close of the year 2018 (Nahamya, 2019). The Bank of Uganda also reported that by December 31st 2019, Tropical Bank Limited (TBL) was undercapitalized to the tune of UGX 3.8 billion (BOU, 2020). If this situation is not brought under control, it might erode the capital base of the bank which would lead to its eventual bankruptcy. This prompted the researcher to conduct the current research in establishing was any statistically significant connection among Working Capital Administration and Profitability of Tropical Bank – Kampala.

The Study's Objective

The research's aims are separated into broad and specialized categories, as shown below.

General Objective

The study's main goal was investigated into the link between Tropical Bank's Kampala's Profitability and working capital management.

Specific Objective. The study wanted to achievement three specific objectives as highlighted below

To exam the link between accounts receivable management and profitability of Tropical Bank – Kampala

To exam the link between accounts payable Administration and profitability of Tropical Bank – Kampala

To exam the link between cash administration and profitability of Tropical Bank – Kampala

The Study's Hypothesis.

The following hypotheses guided the research:

There is no statistically important link among Tropical Bank – Kampala's The management of accounts receivable and the profitability

There is no statistically significant link among payable accounts management and profitability of Tropical Bank – Kampala

There is no statistical important link among Profitability and the management of cash of Tropical Bank – Kampala

The scope of the study

The research of the scop is conceptualized involving contents, the scope of geography and time as indicated below.

Content Scope. The research focused on investigating the connection among Working for Capital Administration and Profitability of Tropical Bank – Kampala. Constructs of Working Capital Administration included accounts receivable (A/R) Administration, accounts payable (A/P) Administration and cash Administration while constructs profitability return on assets (RA) is included return on equity (RE) and Liquidity. The study focused on profitability because it's the biggest challenge that is currently being faced by Tropical Bank.

Geographical Scope. The study was geographically be delivered out in Tropical Bank – Uganda head offices in Kampala. The justification for selecting Tropical Bank – head offices in Kampala is because, since it's the main branch, any information pertaining to overall profitability of the bank as well as its working capital management practices can easily be obtained.

Time Scope. The research focus on from the year 2017 – 2019. The justification for selecting this period is because it is the period within which Tropical Bank faced several challenges related to low profitability levels.

The Study's Significance

The research might be significant in the following ways;

It is anticipated that the study findings may be important to management of Tropical Bank – Kampala to comprehend the function of Working Capital Management (WCM) towards profitability of their bank.

Policy makers, such as bank regulators and donors may use the study findings to come up with appropriate policies regarding Managements for Working Capital in commercial banks.

In This research finding can also be used as a references points to other researchers who may have interest in researching the link among Administration capital working and profitability of commercial banks.

The main words

Working Capital. Is defined as the quantity of the current assets (CA) owned by a business that is financed by long-term debt an/or shareholder stock. (AlShubiri, 2011). The researcher operationally defines working capital as all the current utilized in day to day facilities of the bank.

Working Capital Management (WCM). This is defined as to all managements activities and decisions that ordinarily significant the working capital's size and effectiveness (Umoren & Udo, 2015). The researcher operationally defines working capital management practices as measures put in place by bank management to effectively utilize its short-term assets.

Bank Profitability (BP). This refers to a bank's potential to create significant surplus revenue of its costs, in connection to the bank's capital basis. (Athanasoglou, Brissimis & Delis, 2005). The researcher operationally defines banks profitability (BP)

as the capability of the bank to build more revenues as compared to its costs of production.

Accounts Receivables (A/R). In the case of a bank that offers its goods or credit-based services and does not get payment in money soon, this is referred to as accounts receivable (A/R) (Pandey, 2010). Accounting for accounts receivables (A/R) is defined by the researcher as money that has not yet been received by the bank from its debtors.

Accounts Payable (A/P). In the case of account payables (A/P), Suppliers are owed duties for products and others material acquired on account, or fees for service obtained on accounts (Obeidat & Jawabri, 2016). The researcher operationally defines accounts payable (A/P) as money yet to be paid by the bank to its suppliers.

Cash Management. In this section, we will discuss how to commit the ideal amount of cash money to holding while taking into considerations the tradeoff connection the expense of having too little cash and the opportunity cost of holding too much cash. (Ross et al., 2010). The researcher operationally defines accounts cash management as the extent to which the bank manages the money in available in the bank in cash.

CHAPTER II

Review of the literature

The literature on the variables under investigation was presented in this chapter. The following subsections present the literature in accordance with the study's specific aims.

Accounts receivable Management and profitability

Accounts Receivable (A/R) management is regarded as a critical component of working capital since it has a direct impact on the company's liquidity and profitability. (Pandey, 2010). Accounts receivables (A/R) are the amounts owed to a firm when it sells products or offers services on credit and does not get full payment right away (Pandey, 2010). In other words, they are the sums of money owing to a company in exchange for items that have already been delivered or services that have already been done. The primary goal of accounts receivables management, according to Hrishikes (2002), is to raise the value of the firm while maintaining a healthy balance among liquidity, risk, and profitability. A company's profitability can be increased even further by effectively managing its accounts receivables, which lowers the transaction costs connected with borrowing funds in the case of a liquidity crisis (Ahmet & Emin, 2012).

A number of past researches have demonstrated the importance of accounts receivable management in the operations of businesses. Consider the research conducted by Odoni, Nteere, and Njeru (2015), who looked into the influence of receivable management's techniques on the financial performance of a company, with a special focus on Deloitte East Africa Limited. They came to the conclusion that an organization's position in terms of financial performance is determined by its ability to manage its receivables properly. They consequently indicated that, in order to improve receivable management, a company should look for ways to lower its credit sales, since this will result in a reduction in the default rate. It will accrue if they do not, causing the rate of payment to become difficult, raising the rate of default, and ultimately reducing the rate of receivables in the organization, resulting in significant financial performance problems for the organization.

Duru and Ubesie (2016) Evaluated the significant of account receivables ratio managements on the profit margins of manufacturing firms in Nigeria's industrial/domestic product sectors, particularly in the oil and gas sector The ratio accounts receivable, the debt ratio, and the rate of increase in sales were some of the variables studied in this study. For the time span 2000-2011, only secondary sources of information were considered. The hypotheses were investigated utilizing the multiple regression method. The findings demonstrated that the account receivables ratio, the debt ratio, and the rate of increase sales were all associated with the profitability of the enterprises under investigation in a favorable and statistically significant way

Munene and Tibbs (2018) Researchers from the University of Nairobi conducted an investigation on the Embu Water and Sanitation Company Limited's (WSCL) accounts receivable administration and financial performance, which is founded in Embu County in Kenya, and published their findings in 2018. The association factors in this study were tested using descriptive research techniques in this investigation. This research relied on secondary information, which was gathered from the accounting and finance department of the participating organizations. The information was analyzed using descriptive statistics and inferential statistical techniques, and the results were presented in tables for your convenience. After undertaking this study, it was found that both the collection period and the current ratio (CT) had a positive and statistically significant link with in Return on Equities, implying that increasing the period of time for debtors' payment will keep improving Embu Water and Sanitation Company Limited's (WSCL) overall financial performance in Embu County, Kenya. For financial performance to improve, a research suggested that Embu Water and Sanitation Company Limited (WSCL) enhance its collection period on average as well as its inventory turnover periods and cash conversion times.

A research was performed out by Mbula, Memba, and Njeru (2016) intended to determine Accounts receivable management's effect on a company's financial performance enterprises in Kenya that were backed by government venture capital. There were 24 enterprises in Kenya that were sponsored by government venture capital,

and they were all included in the target population. Because of the small number of company involved, the researchers used a census approach for their research. A research was performed out by Mbula, Memba, and Njeru (2016) intended to determine Accounts receivable management's effect on financial performance of enterprises in Kenya that were backed by government venture capital. There were 24 enterprises in Kenya that were sponsored by government venture capital, and they were all included in the target population. Because of the small number of company involved, the researchers used a census approach for their research. A study conducted by Mbula, Memba, and Njeru (2016) intended to estimate the effect of accounts receivable management on a firm's financial performance in Kenya that were backed by government venture capital. There were 24 enterprises in Kenya that were sponsored by government venture capital, and they were all included in the target population. Due to the minimal number of companies involved, the researchers used a census approach for their research. The literature on accounts receivable management was evaluated, both theoretically and empirically, for this study. As a consequence of the study, it was discovered that there is a positive association among accounts receivables and the financial success of enterprises in Kenya that have received government venture capital. In order to improve the efficiency of accounts receivable administration and, as a result, the multiple regression approach was used to test hypotheses, which yielded positive findings. Accounts receivable had a positive and statistically significant impact on the profitability ratio, according to the findings at the 1 percent level of significance, concluding the study. However, a unit rise in the as a result of variables an equal and opposite increase in the profitability of a company. After doing research on the influence of receivables Administration on profitability: a study of the commercial vehicle industry in India, Jindal, Jain, and Vartika (2017) published their findings. Return on Capital Employed (ROCE) was utilized to determine profitability. The research included the years 2009 to 2016, and it was conducted online. There was a statistically significant positive relationship between the two debtor turnover ratio and the profitability of the organization, according to the data. This suggests that enhancing receivables management should be a primary emphasis point for a company's efforts to increase profitability.

Research Gap

The studies presented above indicate that, over the years, researchers have conducted several studies on accounts receivable management. Nevertheless, it appears that many of the aforementioned researchers left a number of gaps mainly contextual, content and methodological gaps. At contextual level, the researcher did not come across any study conducted in the context of commercial banks in Uganda. It is also observed that some of the previous researchers concentrated on manufacturing and not much focus had been placed on services firms like banks. At the methodological level, some of the previous studies adopted a qualitative paradigm which limited the making of inferences for generalisation. The current study was therefore undertaken to fill the contextual, content and methodological difference left by previous scholars by examining the connection between Administrations accounts receivable and profitability of TBL.

Administration Accounts payable and profitability

In the accounting world, accounts payable are responsibilities owing to suppliers for products and other material acquired, as well as for services received on credit (Obeidat & Jawabri, 2016). For the purposes of this definition, accounts payable refer to suppliers whose bills for products or the services were processed but for whose payment has not yet been received (Nwakaego & Ikechukwu, 2015). In the world of accounts payable, calculating the A vital component of good account payable administration is the Period of Accounts Payable, which is described as the interval among receiving inventory and paying for it. (Ross, Westerfield & Jordan, 2008). If the meaning of the average payable period is explained to a credit applicant, it can be used to estimate the likelihood that he or she would make regular payments on their loan (Van Horne & Wachowicz, 2008). Generally speaking, the average number of payable days outstanding serves as an indication of the usual amount of time it takes the organization to meet its obligations to vendors and suppliers. The greater the payment time, the large amount of capital that providers must need to meet their obligations. (Subramanyam & Wild, 2009).

There have been a lot of past studies conducted to highlight the importance of accounts payable administration in businesses. Examples include the research conducted in 2015 by Nwakaego and Ikechukwu, who investigated the impact of accounts payable management on the profitability of Brewery companies operating in Nigeria. Accounts payable, debt ratio, and sales growth rate are some of the elements to consider. For the time period 2000-2011, secondary sources of information were used the hypotheses were examined using multiple regression analytical techniques, which were developed specifically for this purpose. According to the data, accounts payable had a negative, but not statistically significantly, among with the companies' profitability ratio in the Brewery Manufacturing Organizations (BMO) in Nigeria category of companies examined. These findings are consistent with those of Abuzayed (2012), Accounts payable has a negative link with profitability was discovered by the researchers, showing that a company's ability to pay its debts takes longer when the organization is less profitable.

Agbo and Nwankwo (2018) they looked at the influence of the Payment period on average on the profitability of publicly traded insurance businesses in Nigeria, and they discovered that it had a beneficial impact on profitability. Upon the basis of this determination, the decision was made to perform the study with Return on Assets as the dependent variable and Average Payments Period as the independent variable (APP) as a variable to explain The researchers were able to assemble this information by using information from the annual reports and financial statements of twenty insurance companies that were picked at random. The model was analyzed using the multiple regression technique with the goal of determining whether or not the hypothesis was correct. It was discovered through statistical study that the Average Payments Period (APP) had a statistically significant negative influence on profit margins. Specifically, the authors recommend that Nigerian insurance companies strive to reduce the number of days that their accounts payable are outstanding to the greatest extent possible, and that they concentrate their efforts on reducing the high degree of fluctuation in their average period of payables (APP) in order to increase their overall corporate profits.

Achode and Rotich (2016) Investigations were conducted into the significant of accounts payable on the financial perform of publicly traded industrial businesses that were listed on the Nairobi Stock Exchange (NSE). It was discovered through census sampling that this study, which was published in a journal, could be conducted. Secondary information was found from corporate Nairobi Securities Exchange statistics and journals, and it was then utilized in the study. It was necessary to do the needed analysis as well as the advanced analysis of the data, and this was accomplished using the (SPSS) Statistical Package for Social Sciens software. The development and testing of a multiple regression model was carried out in order to evaluate the relationship between Accounts payable and company performance. A direct positive relationship between Accounts Payable and the dependent variable, which was Profitability, was discovered in the great majority of manufacturing firms listed on NSE, according to the findings of this study.

Furthermore, according to the findings of an investigation carried out by Enqvist et al. (2014), As a result, less lucrative businesses must pay their invoices over longer periods of time, and a shorter account payable cycle will increase the company's profitability overall. A study conducted by Mansoori and Muhammad (2012) discovered a statistically significant negative association mong payable deferral duration and profitability, indicating that enterprises with lower profits must wait longer before paying their invoices. Aside from that, Mathuva (2010) Astatistically significant positive link mong the average payment time and profitability was discovered by the researchers, implying that the longer it takes for a firm to pay its payables, the larger its profitability is expected to be. Karaduman et al. (2010) The researcher looked into the impact of working capital management (WCM) practices on the profitability of 140 publicly traded companies listed on the Istanbul Stock Exchange that were selected through a random sampling process. A statistically significant positive link was observed mong the amount of accounts payables days and the profitability of the organizations studied by this research team.

Research Gap

The studies presented above indicate that, over the years, researchers have conducted several studies on accounts payable management. However, it can be seen that the relationship between accounts payable administration and profitability, particularly the profitability of commercial banks, has not yet been well explored and understood. For instance, some of the previous scholars simply explain how accounts payable management is carried out without showing whether or not it has an empirical and statistically significant relationship with profitability of commercial banks in developing countries like Uganda. Because of these shortcomings, the researcher decided to undertake the current study in order to investigate the relationship between accounts payable administration and the profitability of TBL's operations.

Cash administration and profitability

The positive or negative of each business enterprise is dependent on how well its owners handle the money generated by their operations... (Akinyomi, 2014). Cash management, according to Aliet (2012), is the In order to manage cash, to increase the amount of cash held in the company it isn't included into the sold of goods or the purchase of capital assets. Several researchers, including Ross et al. (2010), In order to implement effective cash management procedures, Conducting a rigorous study of the ideal quantity of cash a firm should keep in its Keeps the cash in the till while minimizing the chances scosts connected with one or both retaining too much or too little cash in their cash tills is required. Business finance is the management of corporate finances with the purpose of increasing interest revenue received through investment optimization and reducing interest paid through borrowing and borrowing costs minimization. The advantages of cash management include increasing business efficiency, enhancing long-term survival, and increasing the profitability of a company (Ahmad, 2016). The application of fundamental cash management principles also aids in the preparation for the unforeseeable events that most small firms encounter on a regular basis (Mungal & Garbharran, 2014).

Many previous studies have been conducted to illustrate the importance of cash Administration in organizations. For example, Kinyanjui, Kiragu, and Kamau (2017)

The influence of cash administration strategies (Practices of cash holding, usage of technology, and cash pooling) on the financial performance of SMEs in Nyeri town, Kenya, and also the cash management's combined influence approaches, were explored in this research. A descriptive research approach method was used in this study, with the participants serving as the target population, which consisted of the registered SMEs in Nyeri town. According to the findings of this study, information was acquired from a sample population of 62 small and medium-sized enterprises (SMEs) that were registered with the business registrar's office in Nyeri County and answered a self-administered semi structured questionnaire. The information was examined with the help of the statistical package for the social sciences in order to develop descriptive and inferential statistics (SPSS). A considerable impact on the financial efficiency of small and medium-sized firms (SMEs) in Nyeri, according to the conclusions of the study.

Mogadishu, Somalia-based researcher Jajale (2017) Investigations were conducted into the effects of cash managements on the operation of commercial bank in the city. The primary purpose of this research was to conduct a descriptive study, which is exactly what was done in this inquiry. The sample approach used in this this research was a procedure for non-probability sampling known as sampling with a purpose or judgemental sampling. This study used a quantitative data collection method in which information was gathered through the use of closed-ended questionnaires that were administered by the research participants themselves. The statistical software tool Statistical Package for the Social Sciences (SPSS) version 20 was used to examine all of the data collected. The results were given in the form of a frequency distribution and a percentage representation, as well as in a table format. The outcomes of the study supported the notion that cash management drivers had a statistically significant impact on Somalia's commercial banks' financial performance. The study's findings were published in Somalia's Journal of Financial Services.

According to Olubukunola, Uwuigbe, and Ben-Caleb (2012), the connection among cash management and profitability in Nigerian listed manufacturing organizations was investigated in depth (listed manufacturing companies). A total of 15 publicly traded manufacturing companies in Nigeria that went public among 2005 and

2009 were included in this study, with Pearson's correlation and regression analysis were used to analyze the data. The data for this study was evaluated using Pearson's correlation and regression analysis, and the data was acquired through secondary sources. The data for this study, which comprised information acquired from secondary sources, was evaluated using Pearson's correlation and regression analyses. By analyzing empirical data, the researchers discovered that there is a statistically significant negative association among the cash conversion cycle, which is a component of cash management, and the profitability of the organizations studied. Companies' profitability, according to this assertion, will decline as the cash conversion cycle continues to be extended. A consequence of this finding, the study recommends that managers decrease the cash conversion cycle to the absolute bare minimum practical in order to generate positive value for their investors.

Earlier this year, researchers Jama, Samantar, and Muturi (2017) evaluated the significant on the profitability of Bottled Purified Companies of Cash Management Practices in the Somali regions of Garowe and Bosaso-Puntland. The results of this project were based on a sample size of 46 participants who were all asked to complete questionnaires. The findings revealed that Cash Management Practices such as cash budgeting have a substantial importance on the profitability of water purification enterprises, according to the results. As a result of the research, it was recommended that purified water companies implement cash planning in order to increase their profits. An additional recommendation from the study is that companies should not place too much emphasis on and spend a lot of work into greater cash control if there is a measurement of enhancing earnings.

An investigation into the connection between cash Administration and profitability of microfinance banks in Cameroon was conducted by Ayuketang (2018). The participants in the study were employees of micro finance institutions (MFIs) in Cameroon, including both administrative and management staff. In this work, a case study approach was used as the primary research strategy. Both qualitative and quantitative methodologies were used in the study. In this work, the easy sampling methodology were utilized as the sample method. Results revealed a statistically

significant positive association among the level of profitability and cash management of microfinance institutions (MFIs), as evidenced by the correlation coefficient r score of + 0.096.

Research Gap

According to the literature presented top, it can be realized that there are many studies that demonstrate the role of cash management in firms. It is however observed that studies that were conducted in the context of the banking sector are limited and indeed most of the present studies were conducted among manufacturing firms. Besides, there is also a a small number of researches that tried to relate cash management with profitability since most of the studies available focused on relating it with financial performance of firms. This gives rise to both content and contextual The current study aimed to fill those gaps.

The conceptual framework

The conceptual framework hereunder indicates the Dependent Variables (DV) and Independent Variables (IV) and how they connect in link to the study's objectives.

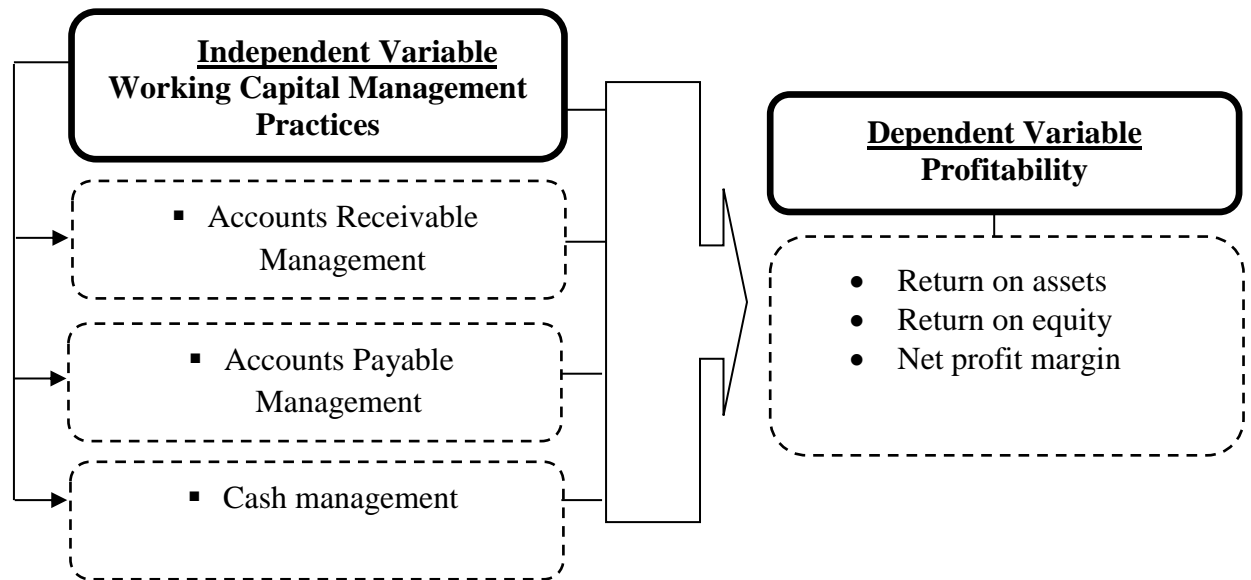


Figure 1. 1: illustrating the conceptual model

Source: Developed by the investigator (2021) developed based on the literature related to the study variables

The conceptual framework anticipates the administration Working Capital practices have a direct connection with Profit of Tropical Bank – Kampala. In this case, sseffective adherence to constructs of Administration Working Capital like account receivable Administration, account payable Administration and cash Administration would leading to satisfactory profitability levels in Tropical Bank – Kampala which would be measured by the rate of Net profit margin, return on asset (ROA), and return on equity (ROE).

CHAPTER III

Methodology

This section describes the procedures that were utilized in the research to achieve the goals that were set. The research methodology was indicated in the following order; population, sample size, sampling techniques, and research design, Data gathering instruments, data collection instrument validity and reliability, data analysis, and ethical factors

Design of the Study

A study design presents the structure of undertaking study from the data collection stage to the analysis stage (Chandran, 2008). The researcher used a correlational research design. Due to the necessity to research the association among Working Capital Administration and Profitability at Tropical Bank – Kampala, this study design was more applicable for this investigation. The study used a quantitative strategy, which included the collection of data that was then quantified and statistically treated in order to reach findings (Williams, 2007).

Population and sample of study

Population

In study, a population is a group of people or a collection of goods that are being considered for inclusion in a study (Collis & Hussey, 2003). In other words, it is a group from which a smaller subset or a sample can be taken from. The group can comprise of people or individuals or other elements such as objects or even items that have similar characteristics. The population for this study included the branch managers, line managers, accounts staff and credit officers in Tropical Bank – Kampala. These form a total 64 people according to information obtained from the human resources manager Tropical Bank – Kampala. The justification for choosing these categories is because they are the ones connected in the daily work of the bank and are therefore better placed to provide the required information about the study variables.

Study Sample

A sample is used to represent the characteristics of an entire population (Kombo & Tromp, 2009). Since the population is small in number, a census of all the 64 people as indicated in the study population above was considered for the study. In a table 3.1 below indicates the structure of the population, the sample size and sampling techniques.

Table 3. 1: indicating the population of the study, the sample size, and the sampling techniques

Category	Population	Sample size	Sampling Technique
Branch Manager	1	1	Census
Assistant branch manager	1	1	Census
Manager Credit	1	1	Census
Manager Risk	1	1	Census
Chief auditor	1	1	Census
Operations manager	1	1	Census
Human resources manager	1	1	Census
Accounts Staff	12	12	Census
Credit Officers	45	45	Census
TOTAL	64	64	

Source: Information obtained from the human resources manager Tropical Bank – Kampala.

Sampling Design. The method used to select participants in a study at a given time scope is referred to as a sample design (Kothari, 2004). The study however did not sample. In this case, a census approach across all the 64 respondents as indicated in the study population was applied to take care of the smaller population size.

Instruments for collecting data

This research used the following tools to collect the required data.

Questionnaire

The information obtained from the respondents through the use of a questionnaire in this study. Questionnaires are a type of data collection instrument that is composed of a series of written questions or images that demand a response that can be selected from a list of choices. In 2015, Wellington published a paper on the topic of euthanasia. Questionnaires are considered to be appropriate for this study since they limit the possibility of bias resulting from the researcher's personal traits (Cooper & Schindler, 2014). The structure chosen for the questionnaire is a tabled Likert type scale ranging from 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree.

Documentary Review. A review of documents like Income statements, statements of financial position (balance sheets), and statements of cash flows was also done to help the researcher to get information pertaining profitability ratios of the bank.

Validity of the Questionnaire. A validity test can be used to determine whether or not a questionnaire captures the information that it claims to capture (Newing, 2011). The content validity of the instrument was tested in this study. According to Etchegaray and Fischer (2010), the content validity of an instrument determines whether or not the instrument has items that are appropriate for the domain of the measurement under consideration. This was created by requesting the views of two professionals with experience in banking and financial matters. The experts opined on whether the questionnaire is appropriate for determining what it wants to measure. Thereafter, a Content Validity Index (CVI) was computed using the following formula.

$$C V I = \frac{\text{Items selected by all experts as suitable (20)}}{\text{Total numbers of items being examined (23)}}$$

Results of the CVI above indicate that 20 items were selected as suitable out of a total number of 23 items. An index of content validity of 0.8 resulted. This indicates that the

instrument was valid because it is greater than 0.7, which is the least recommended Content Validity Index, according to Amin (2005).

Reliability of the Questionnaire. Cooper and Schindler (2006) the term "reliability" refers to the consistency with which research questions are answered. In the current research, a pilot's research was undertaken on 15 staff in Tropical Bank to test the reliability of the questionnaire. Sekaran (2006) stressed that a pilot study is critical for testing the dependableness of the study instruments. A computer application called the Statistical Package for Social Scientists (SPSS) was used to enter all of the information acquired from the pilot project (SPSS). Using the SPSS, a Cronbach's Alpha test was carried out to gauge reliability of the instrument. The results are as in Table 3.2 below:

Table 3. 2: Reliability Statistics

Variable	Cronbach's Alpha	Number of items
Accounts Receivable Management	0.699	5
Accounts Payable Management	0.605	5
Cash Management	0.728	5
Profitability	0.837	5
General Cronbach's Alpha	0.836	20

According to the reliability statistics presented in Table 3.2 above, the questionnaire was considered reliable since it had a general Cronbach's Alpha of 0.836. According to Kothari (2004) a study instrument should be taken to be reliable if its Cronbach's alpha is 0.7 and above. Gupta and Gupta (2011) a reliability value of 0.7 or above is regarded "acceptable," according to the findings.

Analyses of Data

After collection of the required data, it was edited and entered in the SPSS which was utilized in order to produce descriptive and inferential results for the research. Descriptive results like the frequencies and percentages of the collected data were generated. A correlation method using Pearson's Correlation method was also computed and utilized to examine the study hypotheses and at the same time develop the relationship among the study variables in terms of strength and direction. Both descriptive and inferential results were presented by use of tables.

Considerations Ethical

The researcher stressed the need of maintaining the confidentiality of all of his study findings. The researcher took precautions to guarantee that the information received from respondents remained secret at all times. The names of the respondents were concealed in order to maintain their identity and confidentiality. Aside from that, the researcher asked for consent from those who would be answering the surveys before administering them. This was done in order to ensure that respondents only participated in the survey because they wished to do so on their own time and initiative. The investigator also demonstrated the originality of the study and all sources were acknowledged from which material was taken in order to verify that there was no plagiarism in the final product.

CHAPTER III

Data Presentation, Analysis, and Discussion

This section covers the presentations of data collected and an analysis and a explanation of the resutings as obtained from the field. It looks at the response rate, demographic characteristics of the respondents as well as the resulting based on the study's goals

Ratio of responses

Since the research was based on a sample of 64 persons, the researcher distributed 64 questionnaires to the selected respondents. Out of the 64 questionnaires that were given out, the researcher managed to recover 59 of them. This represents 92.1% response rate. A response rate of this magnitude is up to standard and conforms to Mugenda and Mugenda's (2007) stipulation that any answer of 50% or higher is sufficient for analysis

Findings about demographic characteristics of respondents

The study sought for demographics characteristics of answers such as gender, age, education qualification and length of time they had been working with Tropical Bank – Kampala. Findings on each of these items are presented below.

Table 4-1 shows the gender of the participants.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	35	59.3	59.3	59.3
	Female	24	40.7	40.7	100.0
	Total	59	100.0	100.0	

Data collected and indicated in Table 4.1 above shows that 35 (59.3%) of the respondents were male while 24 (40.7%) were female. This implies that Tropical Bank – Kampala employs more male employees compared to female employees. One would expect profitability of Tropical Bank to be high since there is evidence that male dominated firms attain more profit levels compared to female dominated firms since output per worker is always higher in male dominated firms compared to female dominated firms (Costa & Rijkers, 2011).

Table 4. 2: Respondents' ages

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 – 28 yrs	3	5.1	5.1	5.1
	29 – 38 yrs	39	66.1	66.1	71.2
	39 – 48 yrs	17	28.8	28.8	100.0
	Total	59	100.0	100.0	

As far as age of the respondents was concerned, results presented in Table 4.2 above show that 3 (5.1%) of the respondents were in the age bracket of 18 – 28 years. Those in the age bracket of 29 – 38 years were 39 (66.1%). Those between 39 – 48 years were 17 (28.8%). This indicates that Tropical Bank employs people of various age groups a practice that was supported by Odhiambo et al., (2018) since it enhances performance of the firm.

Table 4. 3: Respondents' education levels

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	48	81.4	81.4	81.4
	Postgraduate	11	18.6	18.6	100.0
	Total	59	100.0	100.0	

Table 4.3 shows that 48 (81.4%) of the respondents had bachelor's degrees while 11 (18.6%) had pursued post graduate education. These findings suggest that most of the employees working in Tropical Bank are adequately qualified and are capable of enhancing profitability of the bank. This is based on Kuncel et al., (2004) who discovered a link between the education level of employees and the overall success of the company

Table 4. 1: How long have you been employed by Tropical Bank in Kampala?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 3 yrs	8	13.6	13.6	13.6
	4 – 7 yrs	24	40.7	40.7	54.2
	7 – 10 yrs	23	39.0	39.0	93.2
	More than 10 yrs	4	6.8	6.8	100.0
	Total	59	100.0	100.0	

As reflected in Table 4.4 above, 8 (13.6%) of the respondents had worked for 1 – 3 years, 24 (40.7%) indicated that they had worked for Tropical Bank for 4 – 7 years, 23 (39.0%) indicated had worked for Tropical Bank for 7 – 10 years while 4 (6.8%) had worked for more than 10 years. Since most of the respondents had spent 4 – 7 years working in Tropical Bank, it could be concluded that Tropical Bank retains employees for a considerable period of time which further indicates that most of them had the ability to articulate issues pertaining to variables under study.

Description of responses on specific objectives of the study

This section gives a detailed description of the responses about specific objectives of the study

Objective one: To examine the link among accounts receivable management and profitability of Tropical Bank – Kampala. The following descriptive tables show how the respondents answered when the researcher sought for their opinions on the different items concerning accounts receivable management in Tropical Bank – Kampala.

Table 4. 2: Tropical bank evaluates capacity of all its credit customers before giving them credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.7	1.7	1.7
	Disagree	7	11.9	11.9	13.6
	Agree	41	69.5	69.5	83.1
	Strongly Agree	10	16.9	16.9	100.0
	Total	59	100.0	100.0	

Table 4.5 shows research results which presents that 1 (1.7%) of the respondents strongly disagreed, 7 (11.9%) disagreed, 41 (69.5%) agreed and 10 (16.9%) strongly agreed when asked whether Tropical bank evaluates capacity of all its credit customers before giving them credit. Because of the majority of responders agreed with this statement, it show that Tropical bank evaluates capacity of all its credit customers before giving them credit. These findings agree with Gatuhu (2013) who discovered that in To

reduce the risks of bad debt and bankruptcy, business owners must assess the credit capacity of their customers in order to gain a better understanding of their financial strength, credit score history, and changing payment patterns.

Table 4. 3: Tropical bank makes regular provisions for loan losses (bad debts)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.7	1.7	1.7
	Disagree	3	5.1	5.1	6.8
	Not sure	4	6.8	6.8	13.6
	Agree	30	50.8	50.8	64.4
	Strongly Agree	21	35.6	35.6	100.0
	Total	59	100.0	100.0	

Table 4.6 shows research findings which presents that 1 (1.7%) of the respondents strongly disagreed, 3 (5.1%) disagreed, 4 (6.8%) were not sure, 30 (50.8%) agreed and 21 (35.6%) strongly agreed when asked whether Tropical bank makes regular provisions for loan losses (bad debts). Because of The majority of responders agreed with this statement. It indicates that Tropical bank makes regular provisions for loan losses (bad debts). These findings agree with Quttainah et al., (2011) who advocated for implementation of provisions for loan losses among commercial banks to enable them cope with unexpected credit risks. Ozili & Outa (2017) also stressed that banks need to keep adequate provisions for loan losses to mitigate expected losses.

Table 4. 4: Tropical bank usually imposes penalties on the customers' overdue accounts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	7	11.9	11.9	11.9
	Disagree	38	64.4	64.4	76.3
	Agree	14	23.7	23.7	100.0
	Total	59	100.0	100.0	

Table 4.7 presents study results which indicate that 7 (11.9%) of the respondents strongly disagreed, 38 (64.4%) disagreed and 14 (23.7%) agreed when asked whether Tropical bank imposes penalties on the customers' overdue accounts. Because the vast majority of respondents expressed dissatisfaction with this item, it appears that Tropical Bank only seldom enforces penalties on customers who are past due on their accounts with the bank. These findings disagree with Richard (2008) who mentioned that punishing overdue accounts can be an effective technique of encouraging them to make prompt payments is correct.

Table 4. 5: Tropical bank carries out adequate monitoring of its credit customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.4	3.4	3.4
	Disagree	45	76.3	76.3	79.7
	Not sure	4	6.8	6.8	86.4
	Agree	8	13.6	13.6	100.0
	Total	59	100.0	100.0	

Table 4.8 indicate research findings which indicate that 2 (3.4%) of the respondents strongly disagreed, 45 (76.3%) disagreed, 4 (6.8%) were not sure and 8 (13.6%) agreed when asked whether Tropical bank carries out adequate monitoring of its credit customers. Because the vast majority of respondents expressed dissatisfaction with this item, it is reasonable to conclude that Tropical Bank does not conduct enough monitoring of its customers who have taken out credit. These findings disagree with Narang & Kaveri (2015) who advocated for regular monitoring of credit customers as one of the effective credit monitoring strategies to be used by banks. This kind of monitoring helps the bank to obtain early warning signals of deterioration in financial health of the borrowers so as to undertake preventive measures (Narang & Kaveri, 2015).

Table 4. 6: All Tropical bank credit customers are asked to offer collateral security before getting credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	6.8	6.8	6.8
	Disagree	7	11.9	11.9	18.6
	Agree	45	76.3	76.3	94.9
	Strongly Agree	3	5.1	5.1	100.0
	Total	59	100.0	100.0	

Table 4.9 presents study results which shows that 4 (6.8%) of the respondents strongly disagreed, 7 (11.9%) disagreed, 45 (76.3%) agreed and 3 (5.1%) strongly agreed when asked whether all Tropical bank customers are asked to offer collateral security before getting credit. Due to the fact that the vast majority of respondents agreed with this item, it is reasonable to conclude that all Tropical Bank clients are required to provide collateral security before receiving credit. These findings agree with Lekpek (2018) who revealed that collateral is one of the oldest management of credit risk tools, with a long history of use in Islamic banking. Besides, Gatuhu (2013) also established that one technique to ensure the debts recovery is to take some sort of collateral from customers.

Pearson's Correlation Analysis. The researcher carried out a Pearson's correlation analysis to test hypothesis and also establish the connection among accounts receivable administration and profitability of Tropical Bank – Kampala. The results are also showed in Table 4.10 below.

Table 4. 7: Pearson's Correlation Results

		Accounts Receivable Management	Profitability of Tropical Bank – Kampala
Accounts Receivable Management	Pearson Correlation	1	.472**
	Sig. (2-tailed)		.000
	N	59	59
Profitability of Tropical Bank – Kampala	Pearson Correlation	.472**	1
	Sig. (2-tailed)	.000	
	N	59	59

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

Table 4.10 indicates that the Pearson's Correlation Coefficient among accounts receivable management and profitability of Tropical Bank – Kampala is 0.472 which is positive. It had a significance value ($p = 0.000$) which is less than 0.05. This suggests a positive and statistically significant linked among accounts receivable management and profitability of Tropical Bank – Kampala ($r = .472, p < .05$). Based on these findings, the researcher rejects the null hypothesis and affirms the alternative hypothesis, which states that there is a statistically significant positive association connection accounts receivable managements and profitability at Tropical Bank – Kampala (Tropical Bank).

Objective two: To investigate the linked among accounts payable management and profitability of Tropical Bank – Kampala. The following descriptive tables show how the respondents answered when the researcher sought for their opinions on the different items concerning accounts payable management in Tropical Bank – Kampala.

Table 4. 8: Tropical bank sometimes gets goods or services from its suppliers on credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.4	3.4	3.4
	Disagree	10	16.9	16.9	20.3
	Agree	37	62.7	62.7	83.1
	Strongly Agree	10	16.9	16.9	100.0
	Total	59	100.0	100.0	

Table 4.11 shows study findings which indicate that 2 (3.4%) of the respondents strongly disagreed, 20 (16.9%) disagreed, 37 (62.7%) agreed and 10 (16.9%) strongly agreed when asked whether Tropical bank sometimes gets goods or services from its suppliers on credit. Because the vast majority of respondents agreed with this item, it is reasonable to conclude that Tropical Bank occasionally obtains services or items from its suppliers on credit. These findings agree with Tauringana & Afrifa (2013) In addition, those who supported the practice of receiving services or items from its suppliers on loan stated that it allowed the organization to overcome short-term finance constraints and concentrate available resources to those other commitments.

Table 4. 9: Tropical bank considers accounts payable as a source of financing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	6.8	6.8	6.8
	Disagree	5	8.5	8.5	15.3
	Agree	50	84.7	84.7	100.0
	Total	59	100.0	100.0	

Table 4.12 shows study findings which indicate that 4 (6.8%) of the respondents strongly disagreed, 5 (8.5%) disagreed and 50 (84.7%) agreed when asked whether Tropical bank considers accounts payable as a source of financing. Because the vast majority of respondents agreed with this item, it is reasonable to conclude that Tropical Bank views accounts payable as a source of financing. These findings agree with Mateut & Zanchetti (2013) who revealed that credit purchases are the most expense source of short-term financing, especially for enterprises with restricted access to external capital markets.

Table 4. 10: Tropical bank always pays its creditors on time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	18	30.5	30.5	30.5
	Disagree	28	47.5	47.5	78.0
	Agree	13	22.0	22.0	100.0
	Total	59	100.0	100.0	

Table 4.13 indicates research findings which shows that 18 (30.5%) of the respondents strongly disagreed, 28 (47.5%) disagreed and 13 (22.0%) agreed when asked whether Tropical bank always pays its creditors on time. It is clear from the fact that the vast majority of respondents expressed dissatisfaction with this item that Tropical Bank does not always pay its creditors on time. These findings disagree with Gill and Biger (2013) corporate companies should pay their creditors on time, according to the experts, in order to increase profits and maintain creditworthiness.

Table 4. 11: Tropical bank negotiates for a discount if it pays its accounts within a certain period

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.4	3.4	3.4
	Disagree	43	72.9	72.9	76.3
	Agree	14	23.7	23.7	100.0
	Total	59	100.0	100.0	

Table 4.14 shows study findings which indicate that 2 (3.4%) of the respondents strongly disagreed, 43 (72.9%) disagreed and 14 (23.7%) agreed when asked whether Tropical bank negotiates for a discount if it pays its accounts within a certain period. Because the vast majority of respondents expressed dissatisfaction with this item, it is reasonable to conclude that Tropical Bank negotiates for a discount if it pays its accounts within a specified amount of time. These findings disagree with Kibor et al., (2015) who noted that credit discounts act as incentives for prompt payment and at the same time reduce the risk of non-payment.

Table 4. 12: Tropical bank usually negotiates for longer payment periods from its creditors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.7	1.7	1.7
	Disagree	6	10.2	10.2	11.9
	Agree	52	88.1	88.1	100.0
	Total	59	100.0	100.0	

Indicates research findings which shows that 1 (1.7%) of the respondents strongly disagreed, 6 (10.2%) disagreed and 52 (88.1%) agreed when asked whether Tropical bank usually negotiates for longer payment periods from its creditors. Because the vast majority of respondents agreed with this point, it is reasonable to conclude that Tropical Bank routinely negotiates longer payment periods with its borrowers. These findings agree with Subramanyam & Wild (2009) who discovered that the larger the length of the payment period, the greater the usage of suppliers' capital was found.

Pearson's Correlation Analysis. The researcher carried out a Pearson's correlation analysis to test the hypothesis and also establish the connection among showed in Table 4.16 below.

Table 4. 13: Pearson's Correlation Results

		Accounts Payable Management	Profitability of Tropical Bank – Kampala
Accounts Payable Management	Pearson Correlation	1	.354**
	Sig. (2-tailed)		.006
	N	59	59
Profitability of Tropical Bank – Kampala	Pearson Correlation	.354**	1
	Sig. (2-tailed)	.006	
	N	59	59

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

Table 4.16 presented that the Pearson's Correlation Coefficient among accounts payable administration and profitability of Tropical Bank – Kampala is 0.354 which is positive. It had a significance value ($p = 0.006$) which is less than 0.05. This suggests a positive and statistically significant relationship between accounts payable management and profitability of Tropical Bank – Kampala ($r = .354, p < .05$). As a result of these findings, the researcher rejects the null hypothesis and affirms the alternative hypothesis, which states that there is a statistically significant positive association between accounts payable management and the profitability of Tropical Bank – Kampala.

Objective three: To examine the relationship between cash management and profitability of Tropical Bank – Kampala. The following descriptive tables show how the respondents answered when the researcher sought for their opinions on the different items concerning cash management in Tropical Bank – Kampala.

Table 4. 14: Tropical bank carries out regular cash reconciliations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.7	1.7	1.7
	Disagree	7	11.9	11.9	13.6
	Agree	51	86.4	86.4	100.0
	Total	59	100.0	100.0	

Table 4.17 shows study findings which indicate that 1 (1.7%) of the respondents strongly disagreed, 7 (11.9%) disagreed and 51 (86.4%) agreed when asked whether Tropical bank carries out regular cash reconciliations. Because the vast majority of respondents agreed with this point, it is reasonable to conclude that Tropical Bank does frequent cash reconciliations on a regular basis. According to Kanu and Idume (2015), performing frequent bank account reconciliations aids in drawing attention to discrepancies, inaccuracies, and fraudulent activity on the accounts by drawing attention to them. They went further to suggest that performing of bank reconciliation is beneficial to cash management. It serves to highlight the errors that have been made and to confirm that the differences have been appropriately handled. The use of bank reconciliations can help a firm guarantee that the closing balance of its bank account, as reported by the bank, matches the amount on hand of the business organization (Kanu & Idume, 2015).

Table 4. 15: Tropical bank regularly carries cash budgeting showing cash inflows and outflows forecasted for a specific period

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	16.9	16.9	16.9
	Agree	39	66.1	66.1	83.1
	Strongly Agree	10	16.9	16.9	100.0
	Total	59	100.0	100.0	

Table 4.18 indicates research findings which indicate that 10 (16.9%) of the respondents disagreed, 39 (66.1%) agreed and 10 (16.9%) strongly agreed when asked whether Tropical bank carries cash budgeting showing Cash inflows and outflows forecasted for a certain period. Because the great majority of responders agreed with this item, it suggests that Tropical Bank uses cash budgeting to forecast cash inflows and outflows over a specific period of time. These findings agree with Amalokwu and Obiajulum (2008) In addition, who called for the preparation of cash budgets since such budgets assist in the creation and maintenance of competitive advantages by simplifying planning and communication as well as collaboration, evaluation, and decision making. Furthermore, the findings are consistent with previous research. Uwonda et al. (2013a), who claimed it in order for companies to achieve their full potential, they must develop cash budgets in addition to creating business plans, forecasting cash flow forecast, ensuring budgeting process, implementing a system of internal control, and trying to control their purchasing habits, among other things.

Table 4. 16: Tropical bank endeavors to hold a significant level of cash reserves

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	8.5	8.5	8.5
	Agree	54	91.5	91.5	100.0
	Total	59	100.0	100.0	

Table 4.19 presents study results which indicate that 5 (8.5%) of the respondents disagreed and 54 (91.5%) agreed when asked whether Tropical bank endeavors to hold a significant level of cash reserves. The fact that the vast majority of respondents agreed with this point implies that Tropical Bank makes an effort to maintain a substantial amount of cash reserves. These findings agree with Shabbir (2015) who looked at holding of cash reserves as an important aspect needed in boosting performance of a corporate entity since it provides them with liquidity needed to finance their operations.

Table 4. 17: Tropical bank put in place adequate security measures to guard against theft of cash

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	3.4	3.4	3.4
	Disagree	43	72.9	72.9	76.3
	Agree	14	23.7	23.7	100.0
	Total	59	100.0	100.0	

Table 4.20 indicates research findings which shows that 2 (3.4%) of the indicates strongly disagreed, 43 (72.9%) disagreed and 14 (23.7%) agreed when asked whether Tropical bank put in place adequate security measures to guard against theft of cash. Because the vast majority of respondents expressed dissatisfaction with this item, it is reasonable to conclude that Tropical Bank has not implemented suitable security measures to protect against money laundering. These findings disagree with Onwonga (2016) As a result of the findings, it was established the commercial financial institutions associated with the handling of cash should set up sufficient and acceptable security measures to prevent against cash theft in order to improve the overall performance of their organizations.

Table 4. 18: Tropical bank keeps record of all its cash receipts and expenditure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	6.8	6.8	6.8
	Disagree	6	10.2	10.2	16.9
	Agree	46	78.0	78.0	94.9
	Strongly Agree	3	5.1	5.1	100.0
	Total	59	100.0	100.0	

Table 4.21 presents study results which shows that 4 (6.8%) of the respondents strongly disagreed, 6 (10.2%) disagreed, 46 (78.0%) agreed and 3 (5.1%) strongly agreed when asked whether Tropical bank keeps record of all its cash receipts and expenditure. Due to the fact that the vast majority of respondents agreed with this item, it is safe to assume that Tropical Bank keeps meticulous records of all of its cash inflows and expenditures. These findings agree Sharma (2017) who advocated for keeping of cash records since these are helpful in ascertaining the true cash position of a firm. Also discovered was the fact that cash records are beneficial in preventing embezzlement and manipulation of funds. Furthermore, if cash records are not maintained, the business will be in the dark regarding its daily cash position, which may enhance the likelihood of fraud by the concerned staff members committing fraud (Sharma, 2017).

Pearson's Correlation Analysis. The investigator carried out a Pearson's correlation analysis to test the hypothesis and also establish the connection among cash administration and profitability of Tropical Bank – Kampala. The findings are indicated in Table 4.22 below.

Table 4. 19: Pearson's Coefficient of Correlation Results

	Cash Management	Profitability of Tropical Bank – Kampala
Cash Management	Pearson Correlation 1	.360**
	Sig. (2-tailed)	.005
	N	59
Profitability of Tropical Bank – Kampala	Pearson Correlation .360**	1
	Sig. (2-tailed)	.005
	N	59

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

Table 4.22 indicates the Pearson's Correlation Coefficient among cash administration and profitability of Tropical Bank – Kampala is 0.360 which is positive. It had a significance value ($p = 0.005$) which is less than 0.05. This suggests a positive and statistically significant linked among cash management and profitability of Tropical Bank – Kampala ($r = .360, p < .05$). Based on these findings, the researcher rejects the null hypothesis and affirms the alternative hypothesis, which states that there is a statistically significant positive association among cash management and profitability at Tropical Bank – Kampala (TBK).

CHAPTER V

Recommendations and Conclusions

This section presents the main conclusions that are drawn about specific aims of the research. It also indicates recommendations as well as areas for further studies.

Conclusions

The major conclusions about specific objectives of this study are presented below in accordance to specific objectives of the study.

Objective one: To investigate one: the link among accounts receivable management and profitability of Tropical Bank – Kampala. The researcher carried out a Pearson's correlation analysis to examine the hypothesis and also develop the link among accounts receivable administration and profitability of Tropical Bank – Kampala. A good and statistically significant link was found between accounts receivable management and the profitability of Tropical Bank – Kampala ($r = .472$, $p < .05$), according to the findings. Based on these results, the researcher rejects the null hypothesis and supports the alternative hypothesis that there is a statistically significant positive association link among accounts receivable management and profitability at Tropical Bank – Kampala.

Objective two: to investigate the link among accounts payable management and profitability of Tropical Bank – Kampala. The researcher carried out a Pearson's correlation analysis to test the hypothesis and also establish the connection or link among accounts payable administration and profitability of Tropical Bank – Kampala. The findings revealed a positive and statistically significant link among accounts payable management and profitability of Tropical Bank – Kampala ($r = .354$, $p < .05$). Based on these findings, the researcher rejects the null hypothesis and supports the alternative hypothesis, which states that there is a statistically significant positive association connection accounts payable management and the profitability of Tropical Bank – Kampala.

Objective three: to the investigation connection among cash management and profitability of Tropical Bank – Kampala. The researcher carried out a Pearson's correlation analysis to test the hypothesis and also establish the linked among cash management and profitability of Tropical Bank – Kampala. The findings indicates a positive and statistically significant among connection cash management and profitability of Tropical Bank – Kampala ($r = .360, p < .05$). In light of these findings, the researcher concludes that there is a statistically significant positive cash flow management and profitability are often connected together at Tropical Bank – Kampala, and thus rejects the null hypothesis and supports the alternative hypothesis.

Recommendations

Recommendations According to Findings

According to the above conclusions on each study objective, the study proposes the following recommendations still in accordance to specific aims of the research.

Objective one: to investigation the link among accounts receivable management and profitability of Tropical Bank – Kampala. The study recommends that if the contribution of accounts receivable management towards profitability of Tropical Bank – Kampala is to be strengthened, then its management should work on weaknesses within its accounts receivable management. For instance, the study findings indicated that Tropical bank rarely imposes penalties on the customers' overdue accounts and does not even carry out adequate monitoring of its credit customers. It is therefore proposed that Tropical Bank management responds to these issues by for instance imposing penalties on the customers' overdue accounts and at the same time carry out adequate and regular monitoring of its credit customers. This will help the bank to obtain early warning signals of deterioration in financial health of the borrowers so as to undertake preventive measures.

Objective two: to investigation the link among accounts payable management and profitability of Tropical Bank – Kampala. The research recommends that if the contribution of accounts payable management towards profitability of Tropical Bank –

Kampala is to be strengthened, then its management should work on weaknesses within its accounts payable management. For instance, the study findings indicated that Tropical bank does not always pay its creditors on time and even when it does; it does not negotiate for discount for early payment. It is therefore proposed that Tropical Bank management responds to these issues by for instance ensuring that it tries to pay its creditors on time and at the same time negotiate for discounts from its creditors when it clears its accounts payables on time.

Objective three: to investigation the link among cash management and profitability of Tropical Bank – Kampala. The study recommends that if the contribution of cash management towards profitability of Tropical Bank – Kampala is to be strengthened, then its management should work on weaknesses within its cash management. For instance, the study findings indicated that Tropical bank has not put in place adequate security measures to guard against theft of cash. It is therefore proposed that Tropical Bank management responds to this issue by putting in place adequate security measures to guard against theft of cash by for instance establishing proper cash storage mechanisms like having computerized cash containers to store the cash and other cash handling practices like issuing of receipts to all those making cash payments as well as making sure that money is handled by more than two people.

Recommendations for Additional Studies

The researcher recommends that a similar study be conducted carried out in other organizations like schools, local governments, hospitals, or even other banking institutions to enhance the generalizability of the findings about link among working capital management practices and profitability. Furthermore, instead of focusing on working capital management practices, other researchers may research about the contribution of other factors like control systems, auditing, and business environment on profitability of organizations.

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APPENDIX A
QUESTIONNAIRE

Dear sir/madam

Questionnaire

Currently, I am a master's student at the Department of Banking and Finance at NEAR EAST UNIVERSITY's faculty of social science. I am now doing investigation into the connection among Profitability and working capital management Tropical Bank-Kampala Uganda.

Therefore, I kindly request to respond to the statements in the following questionnaire, your involvement in facilitating this the research will be gratefully received. The data will be kept totally confidential and will only be used for academic reasons. Please contact me at this email address if you have any questions or concerns. email address: [20195835 @std.neu.edu.tr](mailto:20195835@std.neu.edu.tr)

Direction: Please fill in the blanks with your response using the checkboxes given.

Section A: General information

1. Gender

A) Male B) female

2. Age:

A) 19-29 B) 30-39 C) 40-49 D) 50-59 E) 60-above

3. Educational level:

A) Certificate B) Diploma C) Bachelor Degree D) Master Degree
E) PHD

4. How often have you worked Tropical Bank – Kampala?

A) Less than 1yr B) 1-3yrs C) 4-7yrs D) 7-10 yrs E) more than10
yrs

SECTION B

Please select the option that best expresses your level of agreement with the following questions. The alternatives are as follows:

Strongly Agree (SA)		Agree (A)	Not sure (NS)	Disagree (D)	Strongly Disagree (SD)				
5		4	3	2	1				
No.	Statement	SA	A	NS	D	SD			
		5	4	3	2	1			
Accounts Receivable Management in Tropical Bank – Kampala									
1	Tropical Bank evaluates capacity of all its credit customers before giving them credit	5	4	3	2	1			
2	Tropical Bank makes regular provisions for loan losses (bad debts)	5	4	3	2	1			
3	Tropical Bank usually imposes penalties on the customers' overdue accounts	5	4	3	2	1			
4	Tropical Bank carries out adequate monitoring of its credit customers	5	4	3	2	1			
5	Tropical Bank customers are asked to offer collateral security before getting credit	5	4	3	2	1			
Accounts Payable Management in Tropical Bank – Kampala									
6	Tropical Bank sometimes gets goods or services from its suppliers on credit	5	4	3	2	1			
7	Tropical Bank considers accounts payable as a source of financing	5	4	3	2	1			
8	Tropical Bank always pays its creditors on time	5	4	3	2	1			
9	Tropical Bank negotiates for a discount if it pays its accounts within a certain period	5	4	3	2	1			

10	Tropical Bank usually negotiates for longer payment periods from its creditors	5	4	3	2	1
Cash Management in Tropical Bank – Kampala						
10	Tropical Bank carries out regular cash reconciliations	5	4	3	2	1
11	Tropical Bank regularly carries cash budgeting showing cash inflows and outflows forecasted for a specific time period	5	4	3	2	1
12	Tropical Bank endeavors to hold a significant level of cash reserves	5	4	3	2	1
13	Tropical Bank put in place adequate security measures to guard against theft of cash	5	4	3	2	1
14	Tropical Bank keeps record of all its cash receipts and expenditure	5	4	3	2	1
Profitability of Tropical Bank – Kampala						
15	Tropical Bank Return on assets has been on the rise	5	4	3	2	1
16	Tropical Bank Return on equity has been on the rise	5	4	3	2	1
17	Tropical Bank Net Profit has been on the rise	5	4	3	2	1
18	Tropical Bank income levels have been on the rise	5	4	3	2	1
19	Tropical Bank generates enough revenue to fulfill its obligations when they become due	5	4	3	2	1

END

10.12.2021

Dear Abdirisak Abdullahi Roble

Your application titled **“The Realationship between Working Capital Management And Profitability Tropical Bank - Kampala Uganda”** with the application number NEU/SS/2021/1132 has been evaluated by the Scientific Research Ethics Committee and granted approval. You can start your research on the condition that you will abide by the information provided in your application form.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee

Direnç Kanol

Note:If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.

The Relationship Between Working Capital Management And Profitability Tropical Bank – Kampala Uganda

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