

# EFFECT OF WORKING CAPITAL MANAGEMENT ON THE PERFORMANCE OF MANUFACTURING COMPANY: CASE STUDY INYANGE INDUSTRIES LTD

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**Abstract:** The poor infrastructure, unreliable electricity, skills gap, high cost of finance; the opportunity cost due to the disequilibrium in finance issues, an proper use of resources where the short term finance used for a long term projects and some manufacturing companies their short term finance are not able to cover all company's obligations and they affect the daily activities of those manufacturing companies are the challenges faced by manufacturing companies. The main objective of this research is to assess the effect of working capital management to the performance of manufacturing companies in Rwanda. The specific objectives of this study will be: To find out the level and competent of current asset in INYANGE INDUSTRIES LTD, To find out the level and competent of current liability in INYANGE INDUSTRIES LTD, To examine the effectiveness of working capital management in INYANGE INDUSTRIES LTD. To determine to what extent working capital management contributes to the performance of INYANGE INDUSTRIES LTD? The research used both quantitative and qualitative methods. The target population was 102 employees and the sample size was 49 respondents. The tools used are the questionnaire as the main instrument in collecting data and interview after collecting data, it will be cleaned and coded. Data entry will also be done by the use of word and Excel version 2010. With qualitative data, descriptive method was used to interpret data presented to provide explanations to the facts that has been expressed by the respondents. The findings shows that the most of respondents with 24% were agreed that always they used monitor cash flow regularly to assure the better management of cash. This means that with cash flow being the lifeblood for a business's continued existence; it has always been surprising to me that few companies take the time to monitor and project cash flow on a regular and timely basis. Projecting your cash flow, especially using a specific period to compare, will help you learn more about your business and the activities that bring cash in and take cash out. At Inyange industries , start by listing all the items in a given period of time that would put money in the business (cash sales, paid receivables, asset sales, interest earned, rental income or draws on a loan) and the items that would take cash out of your business (wages, accounts payable, owner draws, loan payments, asset purchases).The findings show that the respondents with 41% reported that the main types of inventory at Inyange Industries is finished good, 19% reported that other important types of inventory is raw materials and 20% of respondents reported that it has inventory in process. The type of inventory is depending on the nature of firm. The findings show that the respondents with 51% reported that Inventory Management Process at Inyange Industries start with supervising stock items and 49% reported that after supervising follow controlling of the stock items those are two component of Inventory Management Process at Inyange Industries.

**Keywords:** Working capital, Management, Performance.

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## 1. INTRODUCTION

### 1.1 Back ground of study:

As the world is characterized by evolution of the technology, the great economic growth, and the high speed of data transfer, today's manufacturing company operate in a war zone of rapidly changing competitors and high technology driven. To succeed in such environment, the manufacturing company's managers need to enhance their working capital, which can allow them to attract new shareholders and maintain the existing shareholders. In the case, firmers must be careful to set the right levels of shareholders' expectation (Barbara & Girardine, 2006).

Working capital is an important component in the financial decision of the company. An optimal working capital management is reached through a tradeoff between profitability and liquidity. This study aims to provide empirical evidence about the effects of working capital management on the performance of manufacturing company, especially in INYANGE INDUSTRIES LTD observed from 2013 to 2015. The greater profit margin, the lesser is likely to be the level of working capital tied up in creating and selling products. The difference between current assets and current liabilities is known as working capital (DeLoof, 2000).

The main issue in the word is that it is anticipated to change into cash or perhaps be paid from cash, within the period of twelve calendar months. The aim of working capital is to sustain the optimum balance of all components of working capital, therefore, enormously necessary for commercial firms to monitor overall trends so as to detect areas that necessitate closer management. In achieving this, different methods and strategies are applied to effectively control each component of working capital. For manufacturing company to minimize cost, effectively prepare for uncertainty and improve on overall performance, core working capital drivers and appropriate level of capital must be understood (Mathuva, 2009). Implementing an effective working capital management system is an excellent way for many companies to improve their earnings. The two main aspects of working capital management are ratio analysis and management of individual components of working capital (Eley, 2014).

Rwanda's manufacturing sector has been experiencing a steady growth. But every success always has its mothers and fathers, which in case of Rwanda manufacturing sector can be brought around one common denominator: Those policies driving the growth of manufacturing sector we can say: Vision 2020, where an industrial contribution of 26% to GDP by 2020 is expected; EDPRS 2, where industrial contribution of 20% to GDP by 2018 is expected and annual growth rate of 14%; Rwanda Industrial Policy(2011) aims at increasing domestic production, improving export competitiveness and creating an enabling environment for industrialization; Private Sector Development Strategy which aims at building a more competitive manufacturing sector; Favorable fiscal and non-fiscal incentives provided to manufacturers; Serviced land in Special Economic Zones and industrial parks to facilitate quick project implementation.

The research intends to assess how manufacturing company, especially INYANGE INDUSTRIES LTD manage their working capital and contribution it has on the performance of the mentioned company. The working capital management deals with the levels of WC to optimum, because if a concern has inadequate opportunities and if the working capital is more than required then the concern will lose money in the form of interest on the blocked funds. Therefore, the Working Capital management play a very important contribution in performance of a manufacturing company (Hollensen, 2007).

### **1.2 Statement of the problem:**

According to Berry &Javis (2006) the principal objective of working capital management is to manage the company's current assets and current liabilities in such a way that a satisfactory of working capital is maintained. It is due to the fact that if the company cannot sustain an acceptable level of working capital management certainly may lead into what is termed insolvency and may end up into firm bankruptcy.

For the manufacturing sector in Rwanda, the following products recorded a negative growth: soaps (-6%), Paints (-22%), textiles (-18%), sugar (-18%) and flour production (-9%). The share of the industry sector to the GDP was 15%. It is projected that the manufacturing sector will grow by 4% in 2017 despite facing myriad challenges such as poor infrastructure, unreliable electricity, skills gap, high cost of finance; the opportunity cost due to the disequilibrium in finance issues, an proper use of resources where the short term finance used for a long term projects and some manufacturing companies their short term finance are not able to cover all companies' obligations and they affect the daily activities of those manufacturing companies. However, implementing best practices of Working capital management has becomes one of the most exciting and challenging operational areas of business. Therefore, this study intent to show how management practices is one of the most important elements of increasing performance of any company especially in INYANGE INDUSTRIES LTD.

### **1.3 Objectives of the study:**

The general objective of this research will be to determine the contribution of working capital management to the performance of manufacturing companies in Rwanda.

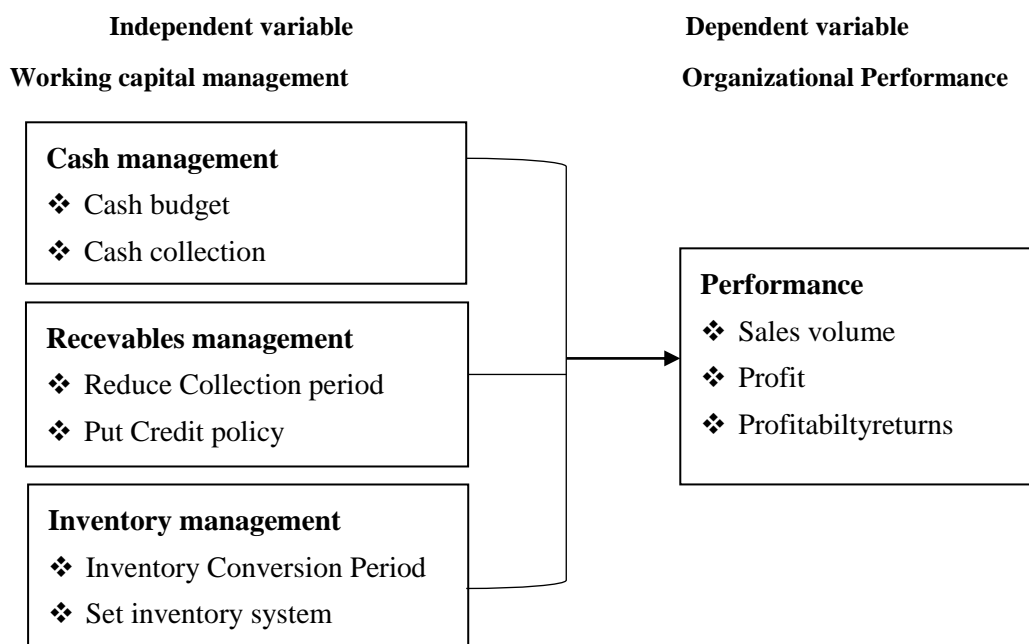
**1.3.1 Specific objectives:**

- To establish the effect of cash management on the performance of INYANGE INDUSTRIES LTD.
- To evaluate the effect of inventory management on the performance of INYANGE INDUSTRIES LTD.
- To analyze the effect of receivable management on the performance of INYANGE INDUSTRIES LTD.

**1.4 Research questions**

- Does cash management affect financial performance of INYANGE INDUSTRIES LTD?
- Are there any effects of inventory management on financial performance of INYANGE INDUSTRIES LTD?
- What are the effects of receivable management on financial performance of INYANGE INDUSTRIES LTD?
- Does cash budgeting affect financial performance of INYANGE INDUSTRIES LTD?

**1.5 Conceptual framework:**



Primary data: Researcher 2018

**2. EMPIRICAL REVIEW**

**2.1 Cash management and performance:**

The cash conversion cycle refers to the number of days between the expenditure of purchase of firm's raw materials and the cash collection from the product sales (Sathyamoorthi & Wally-Dima, 2008). Furthermore, cash conversion cycle is a fundamental tool that is applied in the assessment of the efficiency of working capital management (Richard & Laughlin, 1980).

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments. Cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all firm accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities. Sometimes, private firming customers are given cash management services. Financial instruments involved in cash management include money market funds, treasury bills, and certificates of deposit.

Cash generally can be said to be liquid money in form of coins, notes and other related means of instant exchange. According to Pandey (2010), cash refers to money which an organization or firm can disburse immediately without restriction. The term cash includes coins, currency and cheques held by the firm and balances in its firm account. He

asserts that sometimes, near cash items such as marketable securities or firm time deposits are also included as cash. Akinbuli (2009) defined cash as liquid money in form of coins, notes and other related means of instant exchange.

He opined that cash is absolutely essential to business stressing that without cash; operations will grind to a halt. Cash has also been described as the basic input necessary to start and keep a business running, the ultimate output expected to be realized by selling the services or products manufactured by the firm. (Pandey, 2010; Olowe, 1998).

International Accounting Standard 7 (IAS 7) defined cash and cash equivalent as follows; 'Cash comprises cash on hand and demand deposit'. 'Cash equivalents are short term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risks of changes in value'. However, according to Van Horne (1974) "Cash Management involves managing the money of the firm in order to attain maximum interest income of idle funds". CIMA (2002) opined that cash management is concerned with optimizing the amount of cash available to the company and maximizing the interest on any spare funds not required immediately by the company. While Allman-Ward et al (2003) described cash management as the art and the science of managing a company's short term resources to sustain its ongoing activities, mobilize funds and optimize liquidity. According to them, the key characteristics of an effective cash management include the followings:

Utilizing a firm's current assets and current liabilities effectively throughout each phase of the business operating cycle. Planning, monitoring and managing a firm's collections, disbursement and account balances systematically. Gathering and managing information to effectively use available fund, while also identifying relevant risks. Pandey (2010) asserted that Cash management is concerned with managing of, Cash flows in and out of the firm, Cash flows within the firm, and Cash balances held by the firm at a point in time by financing deficit or investing surplus cash. He further stated that objectives of cash management include maintaining adequate control over cash position, keeping the firm sufficiently liquid and to ensuring usage of excess cash in profitable ways.

Cash management is a main area of working capital management. Other parts of it are inventory management, credit management and management of short-term liabilities. Cash management covers the management of the company's cash in the normal course of business i.e. making sure the company always has enough cash on hand to meet its bills and expenses, and investing any surplus cash (CIMA, 2002).

## **2.2 Research Gaps:**

Effective management of current assets of a business (working capital management) has always been a key to firm's profitability and survival. An attempt has been made to review those capital concepts and components such as the cash conversion cycle and its components, inventory conversion period, Average collection period and Average payment period and establish a link with those theories considered relevant in explaining those concepts. The theories such cash conversion cycle, operating cycle and the resource based theory were employed. Having done that, a nexus was established, in order to have a proper integration and understanding of these theories and how many they relate to the working capital management concepts.

A lot of research has been carried out locally and internationally reviewing manufacturing companies. Most of these researches concentrate on businesses in the cities and urban centers. They also concentrated their study areas based on their own objectives. There is scarcity of literature touching on working capital management on the performance of manufacturing companies in Rwanda. Similar studies have focused on the challenges faced by some investors, but this will concentrate mainly on the role of management of working capital on the performance of INYANGE specifically in Kicukiro District. This study will help to build on the locally scarce available data.

## **3. RESEARCH METHODOLOGY**

### **3.1 Research design:**

Research design constitutes the blueprint for the collection, measurement and analysis of data. Research aids the researcher in the allocation of limited resources by posing crucial choices in methodology. Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. The researcher will employ both qualitative and quantitative research design, This study adopted a descriptive research design.

**3.2 Target Population, Sample size, sampling techniques and data collection instruments:**

The total population of the study is 104 respondents, the sample size is 49, the sampling techniques is simple random technique as well as the data collection methods were Questionnaire, desk review and interview guide.

**3.3 Sample size determination:**

The sample size of the study was determined by use of Slovenes formula as indicated below; The formula is indicted herein:

$$nc = \frac{n}{1 + \frac{n}{N}} = \frac{n}{\frac{N+n}{N}} = \frac{N.n}{N+n} \text{ where } nc = \frac{N.n}{N+n} =$$

Where: Nc is the adjusted minimum sample size, n is the minimum sample size =96, N is the total population = 104 and  
 Sample =  $N = \frac{102 \times 96}{102 + 96} = 49$

**3.4 Data analysis and presentation:**

Since the study was Descriptive in nature the researcher used qualitative and quantitative analysis by using statistical and tabulation triangulation methods in order to analyze and present the finding of the study.

**4. RESEARCH FINDINGS AND DISCUSSION**

**4.1 Presentation of the Findings:**

In this section, the researcher presents the findings of the research extracted from the data collection instruments that included questionnaires and interviews.

**4.1.1 Profile of Respondents:**

Age, gender, marital status and education level were the profile of respondents considered during this research. This was done in order to form a basis of making conclusions on assessment of the effects of working capital on performance.

**Table 4.1: Age of Respondents**

Age	Frequency	Percentage %
Below 25 years	0	0
26 – 30 years	5	10
31 – 35 years	12	24
36 – 40 years	12	24
41 years and above	20	40
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

Table 4.1 shows that the respondents contacted revealed that they aged less than 25 years 0 (0%) while 5 (10%) said they aged between 26 – 30 years and 12 (30%) aged between 31 – 35 years, while 12 (60%) of respondents said they aged between 36- 40 and 40% said aged 41years and above therefore, this led the researcher to concluded that the respondents were aged enough to give reliable information in as far as making conclusions related to the effects of working capital on performance.

**Table 4.2: Gender of Respondents**

Gender	Frequency	Percentage %
Male	32	65
Female	17	35
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

The results indicated in table led the researcher to the understanding that respondents were mainly male because they are the heads of households, more again this means that males were highly participated in this study; therefore, the information was given paramount significance since it was from different gender categories.

#### 4.1.2. Experience of respondents

**Table 4.3: Experience of respondents**

Category	Respondent	%
Less than one year	5	10
Between 1 and 3 years	15	31
Between 4 and 6 years	15	31
More than 6 years	14	28
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

The elements taken in the above table indicate that more than 31% of INYANGE INDUSTRIES employees have an experience of 1 and 3 years in its services and activities, more of 31% have an experience between 4 years and 6 years, whereas 28% of investigated employees have an experience of more than 6 years, while 10% localized in one year.

**Table 4.4: Respondents levels of Education**

Education Levels	Frequency	Percentage %
Diploma holders	13	26
Bachelor's holders	30	62
Postgraduate	6	22
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

Table 4.4 shows that the respondents were classified based on their educational background. Whilst some have been educated from Bachelor up to the post graduate. The educational level of the respondents is dominated by Bachelor education level of 21 (62 %), the results further reveals that 6 (22%) were Postgraduate's degree holders.

#### 4.2 Analyses of Cash management practices is done at INYANGE INDUSTRIES:

In this section the researcher shows how this firm manages its cash based on the principle of cash management in firm.

##### 4.2.1 Cash management technics used by INYANGE INDUSTRIES:

**Table 4.5: Cash management technics used by INYANGE INDUSTRIES**

Respondents	Numbers	Percentage
Monitor Cash Flow Regularly	12	24
Bill Promptly and Accurately	12	24
Encourage Faster Payments	5	10
Cutting costs	15	30
Delay Payments	5	10
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, October 2018

The above table shows at Inyange industries conduct the listing all the items in a given period of time that would put money in the business (cash sales, paid receivables, asset sales, interest earned, rental income or draws on a loan) and the items that would take cash out of your business (wages, accounts payable, owner draws, loan payments, asset purchases). 24% of respondents reported that the technic used by INYANGE INDUSTRIES in management of cash is Bill Promptly and Accurately 30% of respondents reported that they use cutting cost and other technics used by this firm is to delay the payment when in order to avoid the cash out.

##### 4.2.2 The main cash management practices at INYANGE INDUSTRIES:

**Table 4.6: The main cash management practices are done at INYANGE INDUSTRIES**

Respondents	Numbers	Percentage
Prepare a cash budget	11	22
Pre-determine cash shortage/surplus	6	12
Monitor cash outflow on regular basis	16	33

Spend cash as planned	6	12
Collecting payments,	5	10
Controlling disbursements	5	10
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

The above table shows that the most of respondents with 22% reported that the main cash management practice done at INYANGE INDUSTRIES is to prepare a cash budget, at Inyange industries cash budget consist of an estimation of the cash inflows and outflows for a business over a specific period of time, and this budget is used to assess whether the entity has sufficient cash to operate. it allows a company to establish the amount of credit that it can extend to customers without having problems with liquidity. A cash budget helps avoid a shortage of cash during periods in which a company encounters a high number of expenses. 33% of respondents reported that they used Monitor cash outflow on regular basis, 12% reported that they used Pre-determine cash shortage/surplus, 12% of respondents agreed that this firm used Spend cash as planned so as to avoid the miss management of cash by make improper allocation of cash. And 10% of respondents said that this firm used Controlling disbursements, so as to know the real cash available and what are in transaction.

#### 4.2.3 The Strategies for optimizing cash management at INYANGE INDUSTRIES:

This section presents the opinion of respondents about the Strategies for optimizing cash management at INYANGE INDUSTRIES.

**Table 4.7: the Strategies for optimizing cash management at INYANGE INDUSTRIES**

Respondents	Numbers	Percentage
Using technology to shorten the cash conversion cycle	18	37
Cash flow reporting	31	63
Others	0	0
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

The above table shows that the most of respondents with 37% reported that the Strategies for optimizing cash management at INYANGE INDUSTRIES is using technology to shorten the cash conversion cycle, this means measures the time between outlay of cash and the cash recovery. The cycle is a measure of the time that funds are tied up in the cycle. The CCC measure illustrates how quickly a firm can convert its products into cash through sales. The shorter the cycle, the more working capital a business.63% of respondents reported that Cash flow reporting is used bay this firm so as to manage or optimized the cash management.

#### 4.2.4 Cash management function at INYANGE INDUSTRIES:

This section presents the views of respondents about cash management function at INYANGE INDUSTRIES.

**Table 4.8: cash management function at INYANGE INDUSTRIES**

Respondents	Numbers	Percentage
Cash mobilization	28	57
Controlled disbursement	16	33
Investment program: make the cash work in the meantime.	5	10
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Primary data, 2018

The above table shows that the most of respondents with 57% reported that the main function of cash management at Inyange industries is cash mobilization it have available cash and be able to cover all obligations. Through the interview with chief of finance department or corporate officer said that without cash your business won't run, your employees become cranky and suppliers stop shipping you, and believe it or not you can run out of cash while your business is very profitable.

He reported also that ash management is the process of maximizing the liquid assets through the acceleration of receivables and the disciplined control of disbursements. The amount of cash to be held can be determined by balancing two kinds of cost decisions:(1) Opportunity cost of not investing, which increases as cash balances increase.(2) Information costs involved in making the decisions to invest, disinvest, borrow, or repay loans, which decrease as the amount of cash balance increases.

**4.3 Receivable management in Inyange industries:**

This section presents the views of respondents about the management of receivables at Inyange Industries.

**Table 4.9: Receivable management in Inyange Industries**

<b>Respondents</b>	<b>Numbers</b>	<b>Percentage</b>
Customer sale on credit approval	16	32
Customer master data	5	10
Invoicing/billing	10	20
Cash application process	12	24
Collection process	6	12
<b>Total</b>	<b>49</b>	<b>100</b>

*Source: Primary data, 2018*

The above table shows that the respondents with % reported that management of receivables are done at Inyange Industries by make customer credit approval, in this step the management must ensure that the level of credit in progress have a short time to payback. 10% reported that in receivables management firm used customer master data so as to know the real time of customer loans. 20% of respondent reported that Inyange industries used also the invoicing in management of receivables, 24% of respondents reported that cash application also is used by this firm and cash collection process is used so as to know the rest of time of cash collection.

**4.3.1 The purpose of account receivables management at INYANGE INDUSTRIES:**

**Table 4.10: the purpose of account receivables management at INYANGE INDUSTRIES**

<b>Respondents</b>	<b>Numbers</b>	<b>Percentage</b>
Operating efficiency	22	45
Maximizing working capital	22	45
Risk and compliance	5	10
<b>Total</b>	<b>49</b>	<b>100</b>

*Source: Primary data, 2018*

The above table shows that the respondents with 45% reported that the purpose of management of receivables at Inyange Industries is operating efficiency. This means in order to minimize the cost of activities this firm tried to manage well all receivables by knowing the collection date of receivables. 45% of respondents reported that the other purpose of receivables management at Inyange industries is to maximize the working capital and other respondents reported that the purpose of receivables management is to manage the risk.

**4.3.2 The is the Component of Working Capital at INYANGE INDUSTRIES:**

This section presents the views of respondents on the Component of Working Capital at INYANGE INDUSTRIES

**Table 4.11: the Component of Working Capital at INYANGE INDUSTRIES**

<b>Respondents</b>	<b>Numbers</b>	<b>Percentage</b>
Cash	5	10
Account receivable	20	41
Account payable	4	8
Inventories	20	41
<b>Total</b>	<b>49</b>	<b>100</b>

*Source: Primary data, 2018*

The above table shows that the respondents with 41% reported that the main component of working capital is inventory, 41% of respondents reported that other component on working capital at Inyange Industries is account receivables,



account payable is belong in the component of working capital of INYANGE INDUSTRIES. Based on the above the component of working capital is depending on the nature of business.

**4.4 Inventories management at INYANGE INDUSTRIES:**

In this section the researcher show the inventories management at INYANGE INDUSTRIES

**4.4.1 The types of inventory at Inyange Industries:**

**Table 4.12: The types of inventory at Inyange Industries**

Types	Numbers	Percentage
Raw materials,	19	39
Work in process	10	20
Finished goods	20	41
Total	49	100

Source: Primary data, 2018

The above table shows that the respondents with 41% reported that the main types of inventory at Inyange Industries is finished good, 19% reported that other important types of inventory is raw materials and 20% of respondents reported that it has inventory in process. The type of inventory is depending on the nature of firm.

**4.4.2 Inventory Management Process at Inyange Industries:**

**Table 4.13: Inventory Management Process at Inyange Industries**

Process	Numbers	Percentage
supervising stock items	25	51
Controlling of the stock items	24	49
Total	49	100

Source: Primary data, 2018

The above table shows that the respondents with 51% reported that Inventory Management Process at Inyange Industries start with supervising stock items and 49% reported that after supervising follow controlling of the stock items those are two component of Inventory Management Process at Inyange Industries.

**4.4.3 Inyange classification at the inventory:**

**Table 4.14: Inyange classification at the inventory**

Classification	Numbers	Percentage
Use low 20/80	25	51
Use ABC low	24	49
Total	49	100

The above table shows that the respondents had a view that Inyange Industries used also the ABC low to classify the inventory, this means that A class occupied the great value of inventory and B occupied by the following value and C class occupied the inventory of low values.

**4.5 Relationship between working capital management and performance of INYANGE INDUSTRIES:**

**4.5.1 Ascertaining performance of Inyange Industries for the last 3 years:**

This section presents the views of respondents on the level of performance of Inyange industries for the last 3 years.

**Table 4.15: level of performance of Inyange Industries for the last 3 years**

Respondents	Numbers	Percentage
Very good	16	32
Good	31	63
Poor	2	5
Total	49	100

Source: Primary data, 2018

The above table shows that the most of respondents with 63% reported that the level of performance of INYANGE INDUSTRIES is good and 32% reported that is very good but some of them said the is poor those are 5% of respondent through the interview conducted by the chief accountant of this firm reported that some respondents said the performance was poor are basing on the year of 2015 where firm has high level of costs.

#### 4.5.2 Importance of working capital management at INYANGE INDUSTRIES:

This section presents the views of respondents on the level of importance of working capital management at INYANGE INDUSTRIES.

**Table 4.16: Importance of working capital management at INYANGE INDUSTRIES**

Respondents	Numbers	Percentage
<b>Solvency</b>	12	40
<b>Ability to face crisis</b>	3	10
<b>Regular return</b>	6	20
<b>Smooth operation of businesses</b>	9	30
<b>Total</b>	30	100

Source: Primary data, 2018

The above table shows that the working capital indicates how well you positioned your company to meet its near-term cash needs. When your company has significantly more cash on hand or receivables that readily convert to cash than you have debt principal payments or payments to vendors, your risk of ceasing operations due to an inability to pay your bills plummets. Working capital financing can eliminate any gap between cash flowing into operations and cash flowing out.

#### 4.5.3 Contribution of working capital to the performance INYANGE INDUSTRIES:

**Table 4.17: View on working capital to the performance INYANGE INDUSTRIES**

Response	Frequency	Percentage
<b>Strongly agree</b>	15	31
<b>Agree</b>	25	59
<b>Disagree</b>	3	9
<b>Strongly disagree</b>	0	0
<b>Total</b>	49	100

Source: Primary data, 2018

This table shows that working capital contribute to the performance of Inyange Industries , where the majority of respondents 31% of respondents reporting that they are strongly agree for that and 59% of respondents reporting that they agree for that statement. The benefit of working capital management at INYANGE INDUSTRIES Portfolio Investment expansion, Increase profitability, Ensure availability of sufficient resources, Solidify the ongoing concern of company, Improve the efficiency, Avoiding overutilization of resources

**Table 4.18: Thebenefit of working capital management at Inyange industries**

Response	Frequency	Percentage
Portfolio Investment expansion	5	10
Increase profitability	10	20
Ensure availability of sufficient resources	5	10
Solidify the ongoing concern of company	5	
Improve the efficiency	12	25
Avoiding overutilization of resources	12	25
<b>Total</b>	49	100

Source: Primary data, 2018

This table shows that working capital has more benefit for company, where the majority of respondents 12% of respondents reporting that Improve the efficiency, 12% reported that Avoiding overutilization of resources,10% of respondent reported that Increase profitability, 10% of respondents reported that Solidify the ongoing concern of company and 10% said that allow the Portfolio Investment expansion.

## **5. SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary of the Findings:**

**5.1.1 Objective one:** To establish the effect of cash management on the performance of INYANGE INDUSTRIES LTD.

The findings show that the most of respondents with 24% were agreed that always they used monitor cash flow regularly to assure the better management of cash. This means that with cash flow being the lifeblood for a business's continued existence; it has always been surprising to me that few companies take the time to monitor and project cash flow on a regular and timely basis. Projecting your cash flow, especially using a specific period to compare, will help you learn more about your business and the activities that bring cash in and take cash out. At Inyange industries, start by listing all the items in a given period of time that would put money in the business (cash sales, paid receivables, asset sales, interest earned, rental income or draws on a loan) and the items that would take cash out of your business (wages, accounts payable, owner draws, loan payments, asset purchases).

That the most of respondents with 22% reported that the main cash management practice done at INYANGE INDUSTRIES is to prepare a cash budget, at Inyange industries cash budget consist of an estimation of the cash inflows and outflows for a business over a specific period of time, and this budget is used to assess whether the entity has sufficient cash to operate. it allows a company to establish the amount of credit that it can extend to customers without having problems with liquidity.

Findings show that the most of respondents with 37% reported that the Strategies for optimizing cash management at INYANGE INDUSTRIES is using technology to shorten the cash conversion cycle, this means measures the time between outlay of cash and the cash recovery. The cycle is a measure of the time that funds are tied up in the cycle. The CCC measure illustrates how quickly a firm can convert its products into cash through sales. The shorter the cycle, the more working capital a business. 63% of respondents reported that Cash flow reporting is used by this firm so as to manage or optimized the cash management findings show that the most of respondents with 57% reported that the main function of cash management at Inyange industries is cash mobilization it have available cash and be able to cover all obligations. Through the interview with chief of finance department or corporate officer said that without cash your business won't run, your employees become cranky and suppliers stop shipping you, and believe it or not you can run out of cash while your business is very profitable.

**5.1.2 Objective two:** To evaluate the effect of inventory management on the performance of INYANGE INDUSTRIES LTD.

The findings show that the respondents with 41% reported that the main types of inventory at Inyange Industries is finished good, 19% reported that other important types of inventory is raw materials and 20% of respondents reported that it has inventory in process. The type of inventory is depending on the nature of firm.

The findings show that the respondents with 51% reported that Inventory Management Process at Inyange Industries start with supervising stock items and 49% reported that after supervising follow controlling of the stock items those are two component of Inventory Management Process at Inyange Industries.

The findings show that the respondents with 51% reported that Inventory Management classified in two type at Inyange Industries inventories are classified by using low 20/80 this means that 20% of values of inventory take 80% of volume and 49% reported that Inyange Industries used also the ABC low to classify the inventory, this means that A class occupied the great value of inventory and B occupied by the following value and C class occupied the inventory of low values.

**5.1.3 Objective three:** To analyze the effect of receivable management on the performance of INYANGE INDUSTRIES LTD.

The findings show that the most of respondents with 63% reported that the level of performance of INYANGE INDUSTRIES is good and 32% reported that is very good but some of them said the is poor those are 5% of respondent

The findings show that the most of respondents with 40% reported that the level of the importance of working capital at Inyange Industries is to be solvency and 30% reported that is Smooth operation of businesses and 10% of respondents said that the importance of working capital is to have ability to face crisis and increase the return. Working capital indicates how well you positioned your company to meet its near-term cash needs. When your company has significantly more cash on hand or receivables that readily convert to cash than you have debt principal payments or payments to vendors, your risk of ceasing operations due to an inability to pay your bills plummets.

## 5.2 Conclusion:

The working capital contribute to the performance of Inyange Industries, The benefit of working capital management at INYANGE INDUSTRIES are portfolio Investment expansion, Increase profitability, ensure availability of sufficient resources, solidify the ongoing concern of company, improve the efficiency , avoiding overutilization of resources. Based on the above the researcher confirmed that working capital contribute the performance of Inyange industries.

## 5.3 Recommendations

- To provide the training to employees though the private sector federation;
- To optimize the use of liquidity so as to avoid the over liquidity
- To optimize the inventory management so as to avoid the cut off of production process.

## 5.4 The areas for further research

- The role of inventory management on performance of manufacturing company
- The role of cash management in profitability of firm.

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