**FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF PETROLEUM COMPANIES IN UGANDA: A CASE OF THE**

**HASS PETROLEUM UGANDA**

**BY**

**SAID JAMA YUSUF**

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**FEBRUARY, 2021**

# DECLARATION

I declare that this dissertation is my original work and has not been presented to any other University or College for the award of a Degree.

Signature: ……………………………………………………..

 **Said Jama Yusuf (Student)**

Date: ……………………………………………………..

# APPROVAL

This dissertation has been submitted with my approval as the university supervisor.

Signature: ………………………….………………………………

 Mrs. Nabutsale I. Ojambo

Date: …………………………………………………………………

# DEDICATION

# I dedicate this piece of work to my husband Jama Yusuf, my parents, brothers Ali and sisters Fadumo for the moral and spiritual support they gave me and their continued encouragement during the period of this study. This research is also dedicated to my supervisor Mrs. Irene Nabutsale Ojambo who has morally encourage me and advised me in coming up with this dissertation.

I also extend dedication to my friends who extended their supportive hand in the course of my study. Special dedication goes to my friends.

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# LIST OF ABBREVIATIONS / ACRONYMS

CIMA : Chartered of Management Accountants

CFI : Corporate Financial Institute

CFO : Chief Financial Officer

ICMA : International Capital Market Association

LM : Liquidity Management

LSBF : London School of Business and Finance

WCM **:** Working Capital Management

# DEFINITION OF KEY TERMS

**Financial Management** Financial management refers to the strategic planning, organising, directing, and controlling of financial undertakings in an organisation or an institute (LSBF, 2018). Oracle NetSuite (2019) also defines financial management as the practice of handling a company’s finances in a way that allows it to be successful and compliant with regulations.

**Liquidity Management:** LM is used as a general term, which includes both cash management and cash flow forecast, all the activities aiming to ensure the availability of sufficient liquidity. Liquidity management refers to a set of processes, strategies, and supporting mechanisms/tools that ensure a business or bank is able to access cash when and where it is needed (Kyle, 2018).

**Budgeting:** This is a systematic and formalized approach for performing significant phases of the management planning and control functions. It is a process of preparing detailed short-term corporate plans into action (Adeniyi, 2004:298).

**Budgetary Control:** ICMA defines budgetary control as the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of the actual with the budgeted results, either to secure by individual action, the objective of that policy or to provide a basis for its revision (Omolehinwa, 2006:310).

**Working Capital Management:** WCM is defined as current assets minus current liabilities – is a business tool that helps companies effectively make use of current assets and maintain sufficient cash flow to meet short-term goals and obligations. According to CFI (2019), working capital management refers to the set of activities performed by a company to make sure it got enough resources for day-to-day [operating expenses](https://corporatefinanceinstitute.com/resources/knowledge/accounting/operating-expenses/) while keeping resources invested in a productive way.

**Performance:** Performance refers to as the results or effect of individual activities within a certain period of time (Sherwani and Mohammed, 2015). Organizational performance encompasses three specific areas of firm outcomes: financial performance; product market performance and shareholder return (Richard et al, 2009).

# ABSTRACT

The study was set out to examine financial management practices and performance in the petroleum companies, using a case of Hass Petroleum Uganda. The study was based on three objectives: establish how liquidity management practices advances performance of Hass Petroleum; to examine whether budgeting and budgetary control improves performance and how working capital management improves performance of Hass Petroleum Uganda.

The study used a population of 320 selected from Hass Petroleum Uganda staffs and a sample of 178 respondents was selected using Neumann’s formula (2000), but the study focused only on 176 respondents who returned questionnaires for analysis. Cross sectional research design was used and both quantitative and qualitative approaches of data collection were used. The used questionnaires, interview guide and documentary checklist to collect data from the field. Data were analyzed using descriptive statistics and multiple regression analysis; where the statistics proved that R2=0.786; significance level was found and the hypothesis testing proved that there is a positive relationship between financial management practices and performance in Hass Petroleum Uganda.

The multiple correlation results of .788or 78.8% revealed that effective liquidity management practices; proper budgeting and budgetary controls and working capital management enhance performance of Hass Petroleum Uganda

The study concluded that effective liquidity management practices have improved financial performance; budgeting and budgetary control and working capital management have enhanced financial performance of Hass Petroleum Uganda.

The study recommended that petroleum companies should adopt a general framework for liquidity management to assure a sufficient liquidity for executing their works efficiently, and there is a need to make an analytical study of the liquidity evolution rates to assess the petroleum companies’ ability to achieve a balance between sources and uses of funds.

# CHAPTER ONE

# INTRODUCTION

# Introduction

This chapter contains the background to the study, problem statement, and purpose of study, objectives, research questions, research hypotheses, scope of study and significance of the study.

# Background to the Study

The study is about the financial management practices and performance of petroleum companies in Uganda using Hass Petroleum Uganda as a case study.

This study is significant because financial management practices are one of management functional areas which are core to the success of business enterprises. Paramasivan and Subramanian (2017) argued that financial management practices helps to improve the profitability position of business organizations with the help of strong financial control devices such as budgetary control and ratio analysis.

The sample study was significant because Hass Petroleum Stations are among the leading petrol station in Uganda. Hass Petroleum Uganda is a prominent player in the oil marketing company in Uganda, commanding a retail network of 25 petrol stations spread out across the country in strategic locations.

Hass Petroleum was incorporated in 1997; Hass Petroleum Group has invested heavily in storage facilities as well as in retail station networks and a strong supply chain infrastructure. This, coupled with the use of cutting-edge technology, positions the Group as the market leader in the regional oil industry.

The company supply a number of large scale consumers and industries in the country, they include: Airtel Uganda Limited, Salini Construction Limited, SBI Construction Limited, Kinyara Sugar Company and Rift Valley Railway Uganda Limited, among others. The study focused on the three (3) selected branches of Hass Petroleum Uganda that’s to say; Makindye, Bunga and Bunamwaya stations. The company employs over 550 staff in its different branches nationwide.

In business, financial management is the practice of handling a company’s finances in a way that allows it to be successful and compliant with regulations. That takes both a high-level plan and boots-on-the-ground execution. At its core, financial management is the practice of making a business plan and then ensuring all departments stay on track (Ebaid (2018). Solid financial management enables the CFO or VP of finance to provide data that supports creation of a long-range vision, informs decisions on where to invest, and yields insights on how to fund those investments, liquidity, profitability, cash runway and more.

Johannes (2013) described Financial Management as the deliberate management of planning and organizing of financial activities. It applies the basic management principle to control the flow of funds and properly utilizes financial resources. It sets the financial goals by properly analyzing the available data. The common methods to carry out financial activities like accounting and budgeting are considered to be the financial management practice.

Financial Management Practices are the discipline dealing with the financial decisions for long and short-term goals to ensure the return on capital exceeds the cost without taking an excessive financial risk. It clarifies the efficient financial management practices and is used in the business to respond to another business environment (Palmer, 2014). It also entails practices across the other organizations to provide an evaluating approach to financial management.

For the purpose of this study, “financial management practices” are defined and demarcated as the practices performed by the accounting officers, the chief financial officer and other managers in the areas of budgeting, supply chain management, financial reporting asset management and financial planning and control, among others.

The decision function of financial management can be broken down into three major areas: the investment, financing, and asset management decisions. Financial management practices revolve around these three key decisions. Efficient financial management requires the existence of some objective or goal, because judgment as to whether or not a financial decision is efficient must be made in light of some standard. Different authors and researchers approach the particular areas of financial management in various ways given their area of focus. For instance, a study carried out in Malaysia by Mohd et al., (2010) identified the components of financial management as financial planning and control, financial accounting, financial analysis, management accounting,
capital budgeting and working capital management. Chung and Chuang (2010) studied five particular areas of financial management practices: capital structure management, working capital management, financial reporting and analysis, capital budgeting and accounting information system.

Performance refers to as the results or effect of individual activities within a certain period of time. Employee performance management is necessary for achieve the goals that have the organization itself. Evaluating company productivity and efficiency is a key measure to him in the general plan of the organization (Sherwani and Mohammed, 2015).

Richard *et al.* (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). He also stated that Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

Organizational performance depends on a number of unique factors associated with each organization, yet the lack of a universal definition makes it challenging for professionals to concur about what exactly they mean by organizational performance (Sumbul Tahir, 2015). The existing evidence about the financial, social, psychological, and operational aspects of organizational performance to arrive at a comprehensive definition and introduce interventions how to improve it.

Good company performance is measured by timely accountability, reliable reporting and compliance with laws, regulations and guidelines. Mwindi (2008) reports that controls are processes designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity’s objectives with regard to reliability of financial reporting, effectiveness, efficiency of operations and compliance with applicable laws and regulations.

Hass Petroleum Uganda’s Financial Management Policy is aimed at: –

1. Complying with all liquidity management practices to ensure effective services provided.
2. To ensure that Hass Petrol Station has effective budgeting and budgetary controls to guarantee that its plans are achievable and all departments should be in a position to play their part in achieving the overall goals.
3. Proper management of working capital to ensure Hass’ fundamental financial health and operational success as a business.
4. To ensure that there is proper recording, summarizing, and reporting the myriad of transactions resulting from business operations over a period of time to avoid misallocation of funds.
5. To ensure that all petrol stations have effective Management Control System that control over their operation.

This study examined the extent to which financial management, adhering to policy guidelines have been achieved by the selected Hass Petroleum Stations.

# Problem Statement

In spite of the above stated objectives that Hass Petroleum Uganda is required to achieve, there are incidences of flaws arising out of non- compliance to liquidity management practices or policies, incapable management of working capital and poor budgetary controls. Hass continues to face difficulties in financial management and control of its resources. A number of complaints have been raised as shown below:

Managing Director at Hass Petroleum Uganda states that between 2017 and 2018, Hass has performed poorly due to the fact that they lack effective and efficient budgets, and budgetary controls systems to adequately and judiciously allocate resources to meet Hass Petroleum goals, and maximize performance. He also observed that these stations continue to blunder and fail because they have flawed budgetary planning and control systems, which they apparently fail to recognize. He revealed that some financial managers had sensed weaknesses of their budgetary analysis but viewed them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustration. As a result, corporate strategy and capital allocation become misaligned and remain so, despite disapproving financial management.

In 2019, Budgetary Committee members argued that failure to explain budgetary variances by managers of some Hass Stations, managers did not pay close attention to budget details hence producing budgets with slacks, managers did not retain relating plans of activities to the budget and poor altitudes towards budget controls by managers who what to operate in a free environment without budgetary controls. The result was poor and inaccurate financial management reporting in all stations.

Financial Controller of Hass Petroleum Uganda (2019) revealed that some methods employed by the managers in practice make working capital decisions that not depend on the principles of finance; rather they used their experiences which are weakly made models. This has resulted into overcapitalization or undercapitalization and made managers ineffective in managing various combinations of working capital features of Hass Petrol Stations.

The investigation made by the Chief Executive Officer of Hass Petroleum, he found that incompetency or incapability of financial managers to design and manage the working capital of the fuel and gas stations lead to their failure. Fuel Stations have abundant resources and profitability, but they face illiquidity as their assets are not ready to transform into cash. Also, the reason behind having extensive debtors' collection period and narrowed creditors' payment period is that managers disregard their station’s operating cycle.

It is against this background, that the researcher sought to analyse how financial management practices improves performance of Hass Petroleum Uganda.

# Purpose of Study

The main purpose of the study was to examine the financial management practices and performance of petroleum companies in Uganda focusing on Hass Petroleum Uganda.

# Objectives of study

The following are the specific objectives of the study.

1. To establish how liquidity management practices advances performance of Hass Petroleum Uganda.
2. To examine whether budgeting and budgetary control improves performance of Hass Petroleum Uganda.
3. To examine how working capital management enhances performance of Hass Petroleum Uganda.

ResearchQuestions

The study was guided by the following research questions.

1. How does liquidity management practices advance performance of Hass Petroleum Uganda?
2. How does budgeting and budgetary control enhance performance of Hass Petroleum Uganda?
3. How does working capital management improve performance of Hass Petroleum Uganda?

# Research Hypothesis

The following are the hypotheses of the study:

**H0:** There is no significant relationship between financial management practices and performance in Hass Petroleum Uganda.

**H1:** There is significant relationship between financial management practices and performance in Hass Petroleum Uganda.

# Scope of the Study

The scope of the study was divided into content, geographical and time scope.

# Content Scope

The study focused on financial management practices and performance of petroleum companies in Uganda, focusing on Hass Petroleum Uganda. The study specifically looked at how liquidity management, budgetary control and working capital management improve performance in these petrol stations.

**Geographical Scope**

This study was conducted at the selected Hass Gas Stations, namely; Hass Kisenyi, Kampala district; Hass Makindye is located in Makindye Division, Lukuli Road, Kampala District. Hass Bunga is located on Ggaba Road, Naganda, Kampala District and Hass Bunamwaya is located in Bunamwaya Village in Wakiso District.

# Time Scope

The study was restricted to a period of 2 years starting from 2019 to 2020. This period is selected because it is within that period that the company registered a decline in liquidity management, capital budgeting and working capital management and as evidenced by the financial management reports.

# Significance of the Study

This study is significant to the following stakeholders;

**Policy Makers:** The study would offer valuable contributions from both a theoretical and practical standpoint where it contributes to the general understanding of the role of financial management of petroleum companies in Uganda. This research study would be of great importance to Government of Uganda as it would provide information on the role of financial management of petroleum companies in Uganda. Therefore policymakers will benefit a great deal, as the study provides information that can be used to formulate sound economic policies.

**Hass Petroleum Management**: The study would guide the management at Hass Petroleumin streamlining their financial management practices so as to achieve high performance. The findings and recommendations would guide the management and staff on creating avenues so as to improve performance that directly impacts on overall organizational performance. The study will also help to identify the financial management challenges in the company hence management can able to take corrective action to address them.

**Academia**: The study provided information that can be used as empirical evidence by researchers on role of financial management practices and performance of Petroleum Companies in Uganda. The recommendations would guide and highlight the key research areas that future academicians can conduct their studies.

**Setting of the Study**

This study is on Financial Management Practices and Performance in petroleum companies in Uganda focusing on the Hass Petroleum Uganda.

Hass Petroleum Uganda is a prominent player in the oil marketing sector in Uganda, commanding a retail network of 25 petrol stations spread out across the country in strategic locations. This enables Hass Petroleum Uganda to provide seamless supply of petroleum products, penetrating urban and rural markets in the country. The hallmark of Hass business in Uganda is consistent supply despite industry challenges whilst maintaining compliance with established best practices in the industry.

Hass Petroleum Uganda supply a number of large scale consumers and industries in the country, they include: Airtel Uganda Limited, Salini Construction Limited, SBI Construction Limited, Kinyara Sugar Company and Rift Valley Railway Uganda Limited, among other individuals.

**Vision**; to fulfill customers petroleum needs in the most credible, efficient and profitable manner.

**Hass Petroleum Mission**; to be the region’s premier provider of high quality petroleum products through innovation, integrity, and reliable service delivery.

Hass Core Values are Customer satisfaction, Integrity and Honesty, Teamwork and Initiative & Drive.

# Arrangement of the study

This study was structured into nine chapters;

Chapter one presents introduction to the study. It will contain the background of the study, statement of the problem, the purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, setting of the study and the arrangement of the report.

Chapter Two presents the theoretical review and literature related to financial management practices and performance.

Chapter Three presents the methodology used to gather data for the study.

Chapter four presents findings on biographic background of the respondents in Petrol Stations.

Chapter five presents the findings on how liquidity management practices improve performance of Hass Petroleum Uganda.

Chapter six present findings on whether capital budgeting enhances performance of Hass Petroleum Uganda.

Chapter seven presents findings on how working capital management enhances performance of Hass Petroleum Uganda.

Chapter eight presents the ways and means of harmonizing financial management practices and performance of Hass Petroleum Uganda.

Chapter nine presents the summary of findings, conclusions and recommendations of the study.

# CHAPTER TWO

# STUDY LITERATURE

# Introduction

This chapter presents the literature survey, review of literature, theoretical review and models and lastly the conceptual framework. The study explained views of different researchers or scholars on the financial management practices and performance.

# Literature Survey

This section presents the various studies carried out by different researchers in Uganda in the field of this study with the view to identify gaps of the existing studies which this study attempted to close.

Kiwanuka (2009) studied about the challenges in financial management of Fuel and Gas Industry in Uganda using Tosha Gas Uganda as a case study. The findings of this study enlightened a number of challenges including the variable quality of auditors and accountants, inadequate auditing procedures and policies. However, Kiwanuka (2009) in his study did not look at how liquidity management improves performance in Petroleum Companies. Thus the current study seeks to fill the gap.

Kasaijja (2008) conducted a study on financial management and accounting on Performance of Petroleum Industry, using Shell Uganda. He focused asset management; financial flow management; payroll; management reporting; financial, variance and accounts analysis; in accordance with generally accepted accounting principles, financial policies and procedures of Shell, and all other applicable laws, rules and guidelines. However, Kakooza in his study did not look at how capital budgeting has improved performance. Thus the current study seeks to bridge the gap.

Ali and Khan (2011) studied liquidity management efficiency and Organizational Performance of Steel Companies in Uganda focusing on Shumuk Steel Companies. They found out that working capital in terms of liquidity is accountable for poor capacity, underutilization and poor consumption and that there exist a high positive relationship between liquidity and profitability. Their study did not highlight how capital budgeting and working capital management improves performance; therefore the current study bridged the gap.

Chemongetsi and Kimani (2017) sought to establish the effect of WCM practices on the financial performance of tea processing firms in Uganda, using Mukwano Tea Farm. The study thus recommended that in order for firms in the tea processing sector to boost their returns, they should strive to minimize the total number of days taken before inventories are sold. Moreover,
profitability was noted to increase with the duration the firms took settle their accounts payables. In their study, they did not mention how effective working capital management improves performance; therefore, the current study seeks to fill the gap.

# Theoretical Review

This section covers various theories related to the study. Shareholder theory, Liquidity trade off theory and Pecking order theory have been discussed.

**Liquidity Trade off Theory**

Liquidity is the ability of a company to fulfill the short term obligations at the due time. In other words, liquidity is the relationship between the cash which will be given to the company in a short time period and the cash which the company needs (Talebi, 2007).Under perfect capital market assumptions holding cash neither creates nor destroys value. The firm can always raise funds from capital markets when funds are needed, there are no transaction costs in raising these funds, and the funds can always be raised at a fair price because the capital markets are assumed to be fully informed about the prospects of the firm.

The trade-off theory suggests that firms target an optimal level of liquidity to balance the benefit and cost of holding cash. The cost of holding cash includes low rate of return of these assets because of liquidity premium and possibly tax disadvantage. The benefits of holding cash are in twofold: First, the firms save transaction costs to raise funds and do not need to liquidate assets to make payments. Second, the firm can use liquid assets to finance its activities and investment if other sources of funding are not available or are extremely expensive. Jensen (2006) presents agency problem associated with free-cash flow. Jensen (2006), suggests that free cash flow problem can be somehow controlled by increasing the stake of managers in the business or by
increasing debt in the capital structure, thereby reducing the amount of “free” cash available to managers. As theory, the use of trade off model cannot be ignored, as it explains that, firms with high leverage attracts high cost of servicing the debt thereby affecting its financial performance and it becomes difficult for them to raise funds through other sources. Holding cash on that point is not only maintained by the smaller firm but also larger firms.

The cash flow period as a strong liquidity index is indirectly associated with value of the company because low cash flow period (high liquidity) versus high cash flow period (low liquidity) means that the company has received the cash from selling products sooner, but has done its current payments later. So, current value net of the cash flow and consequently value of the company will increase (Ghorbani and Adili, 2013).

**Shareholder Theory**

Shareholder theory defines the primary duty of a firm’s managers as the maximization of shareholder wealth (Friedman, 2012). The theory enjoys widespread support in the academic finance community and is a fundamental building block of corporate financial theory. However, the shareholder model has been criticized for encouraging short-term managerial thinking and condoning unethical behavior. Smith (2013) notes that critics believe shareholder theory is geared toward short-term profit maximization at the expense of the long run. Freeman, Wicks and Parmar (2014,) assert that shareholder theory involves using the prima facie rights claims of one group shareholders to excuse violating the rights of others. Opponents of shareholder theory often recommend that firms balance the interests of shareholders against those of employees, customers, and other stakeholders when making business decisions (Freeman, 2014). The criticisms are understandable because many proponents of shareholder theory, in a stylized version of the model, exhort managers to maximize the firm’s current stock price
(Keown, Martin, & Petty, 2008). Wealth maximization is inherently a long term goal; the firm must maximize the value of all future cash flows and does not condone the exploitation of other stakeholders (Jensen, 2012).

**Pecking Order Theory**

The pecking order theory suggests that firms have a particular preference order for capital used to finance their businesses (Myers & Majluf, 2004). Owing to the information asymmetries between the firm and potential investors, the firm will prefer retained earnings to debt, short-term debt over long-term debt and debt over equity. Myers and Majluf (2004) argued that if firms issue no new security but only use its retained earnings to support the investment opportunities, the information asymmetric can be resolved. That implies that issuing equity becomes more expensive as asymmetric information insiders and outsiders increase. Firms whose information asymmetry is large should issue debt to avoid selling underpriced securities. The capital structure decreasing events such as new stock offering leads to a firm’s stock price decline.

An announcement of increasing capital structure events is received by the market as good news because financial intermediaries like investment bank can become insiders to monitor the firm’s performance. Managers may have inside information that is not known to the market. Insider investors have more information about the true distribution of firm returns than outsiders. Insider investors tend to limit the use of equity in order to retain control of the firm (Hutchinson, 2005). Moreover, the risk of the firm’s return is unknown to investors. They are forced to rely on noisy signals such as the firm’s level of capital structure to determine the risk of their investment and
firm’s value may be underpriced by the market (Myers & Majluf, 2004).

An organization’s need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Anthony & Govindarajan, 2007). Budgets are considered to be the core element of an efficient control-process and consequently vital part to the umbrella concept of an effective MCS (Davila & Foster, 2007, Puxty & Lyall, 2009). “As a forward looking set of numbers, budgets project future financial management practice on performance which enables evaluating the
financial viability of a chosen strategy” (King, Clarkson & Wallace, 2010).

# Literature Review

This section brings about literature related to the three objectives of the study so that the information gathered is relevant to the study and to create consistency and uniformity hence giving readers a clear picture of what is being researched on. The section also explains opinions of previous scholars or researchers that are appropriate in understanding the similar problem.

# Liquidity Management Practices and Performance

Schroeck (2012) states that liquidity means the capability of an organizations’ to encounter its short term responsibilities which has to realize from current assets. Therefore liquidity position of an organizations’ will be acceptable if current obligations can compensate by current assets. On the contrary liquidity position of an organizations’ will be unacceptable if current assets cannot meet out the current obligations. An organization so as to sustain in the business environment should maintain their appropriate liquidity.

According to Awan (2014), liquidity management focuses on the optimum utilization of short term finance. It may be defined as the process of planning, organising, directing and controlling the liquidity of the firm so that organisation can achieve its pre-determined objective. It is concerned with the management of cash inflows and outflows. In other word, liquidity management is the management of current assets and current liabilities in such a way that organisation is able to meet its short term obligation as and when they become due. An effective liquidity management focuses on trade-off between liquidity and performance which means a firm like (Hass Petroleum) should maintain a particular level of liquidity so that performance should be improved in all sectors.

Liquidity management is a set of ongoing strategies and processes that ensure business is able to access cash as needed to pay for goods and services make payroll and invest in new opportunities that arise (Kumar, 2016). A liquidity management strategy means, business has a plan for meeting its short-term and immediate cash obligations without experiencing significant losses. It also means that company is managing its assets, including cash to meet all liabilities, cover all expenses and maintain financial stability (Dang, 2012). For companies that are over-leveraged, a liquidity management strategy includes developing steps to reduce the gap between the cash available on hand and their debt obligations.

Liquidity management is the capacity of companies to meet its short-term financial obligations (Saunders and Cornett, 2015). Liquidity mismanagement is mainly caused by a mismatch between assets and liabilities of petroleum companies. This arises from maturity mismatch or refinancing risk (Saunders and Cornett, 2015).

Bhunia (2011) avows that liquidity management is the basic concept of the access to readily available cash in order to fund short-term investments, cover debts, and pay for goods and services. Liquidity planning is crucial, and involves finance and treasury managers’ ability to look to the company’s balance sheet and convert funds that are tied up in longer-term projects into cash for the firm to use in its day to day operations.

Liquidity management is one of the core functions of modern organisation. It deals with the management of liquidity in such a way that profitability should be maximized. Liquidity is concerned with the ability of firm to meet its short term obligations. An effective liquidity management focuses on proper trade-off between liquidity and performance.

Liquidity is critical to the successful running of all organizations, more especially to Petroleum Company. Liquidity has been identified as one of the most crucial goals of working capital management and central pillar of cash management (Lamberg and Valming, 2009). The existence and development of an enterprise is largely dependent on the efficient management of its liquidity. Liquidity and its effective management in the context of petroleum companies refer to the ability of company to meet their financial commitments and maturing obligations within the stipulated time. The survival of petroleum companies, therefore, depends largely on the level of liquidity and its deterioration will lead to the erosion of the level of public confidence in the petroleum companies.

The concept of liquidity management can be viewed as working capital management because most of the liquidity management issues are same as working capital management. As we know that working capital management is the management of working capital or management of current assets and current liabilities. Working capital is the amount of fund which is required to meet the day-to-day operating expenses of the organisation. Working capital management deals with the issue of liquidity and profitability. These two concepts are very crucial in the field of finance. The present study deals with the liquidity management of Hass Petroleum Uganda and its impact on performance.

Anyanwu, (2013) posits that liquidity shortage, no matter how small, can cause unimaginable disruption to a petroleum industry’s operations and customer’s relationship. Every business relies on its customers to succeed; therefore managing good customer relationships is key and should be incorporated into its strategic planning process. Liquidity crisis, if not properly managed can result to reputational risk including bad press releases against the institution and could destroy customer’s relationships built over the years. In order to avoid this, it is thus imperative that the managers of businesses and financial institutions should have a well-defined business policy and established procedures for measuring, monitoring, and managing liquidity. Managing liquidity is therefore a core daily process requiring institutions to monitor and project cash flows to ensure that adequate liquidity is always maintained to meet their obligations as they arise.

# Budgeting and Budgetary Control and Performance

A budget is a tool that managers use to plan and control the use of scarce resources. A budget is a plan showing the company’s objectives and how management intends to acquire and use resources to attain those objectives. Budgeting could be prepared for the company as a whole for selected departments within a company or for various activities existing in the company such as sales and production (Musselman and Hughes, 2011). So a budget is an estimated income or expenditure for specific period of time. The purpose of a budget in a company may among others to compel planning and control processes, improve communication and coordination, classification of staff authority and responsibility, motivation of employees.

The budgeting process involves planning for future profitability because earning a reasonable return on resources used is a primary company objective. A company must devise some method to deal with the uncertainty of the future (Carr, 2016). A company that does no planning whatsoever chooses to deal with the future by default and can react to events only as they occur. Most businesses, however, devise a blueprint for the actions they will take given the foreseeable events that may occur.

Budgetary Control is define by the Chartered of Management Accountants
(CIMA) (2007) as the establishment of mechanism authorizing responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objective of a policy or to provide a basis for its revision. Hoftsede (1998) defines budgetary controls as planning translated into monetary terms. At the beginning, a budget is a plan and at the end it is a control device for measurement. In the view of Slim (2014) budgetary Controls aims at providing a formal basis for monitoring the progress of the organization as a whole and of its component parts towards the achievement of the objectives specified in the budget. Budgetary controls predetermine plans or standards of output and estimated incomes are compared with actual results and necessary corrective action taken.

Budgetary control as proven management accounting tool (Chandler, 2010:245) helps organization management and enhances improved performance of any economy in different ways. Its primary function is to serve as a guide in financial planning. It also establishes limit for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying, expanding, eliminating or restricting present practice (Musselman and Hughes, 2011:2). Its serves a number of purposes, these include: planning, controlling, coordinating, communicating, motivating and the performance of management (Drury, 2004:591). Each of this purposes or functions contributes to the overall improvement in the performance of an organization.

Organizations consider budgetary control as an integral part the internal control system. It provides a comprehensive management platform. Budgetary control helps the management to evaluate plan, implement them by monitoring activities to ensure that they fall on what the business planned. For an organization to implement effectively it budget, it needs to use budgetary control as a tool (Carr, 2016).The fact that all governments are result oriented cannot be overemphasized. This illustrates the fact that governments have aims and objectives to attain.

Donaldson and Preston, (by which managers determine whether organizational objectives are achieved and whether operations are consistent with plan. Budgeting is intertwined with control because the budget in itself is a control technique. Control can be defined as the process of assuring that organizational and managerial objectives are accomplished. Controls made are to be sufficiently flexible to allow or provide for alternative remedies where failures occur as it is obtainable in flexible budgets. A system of control should not cost more than it is worth. In a broader approach, control is an element of managerial skills that involves the measurement and correction of the performance of subordinates to make sure that the objectives of an enterprise and the plans devised to attain them are accomplished efficiently and economically. Control involves: setting standards; measuring performance against standards; feedback of result and correcting deviation from standards.

Thompson (2015) states that, budgeting and strategic management share an orientation toward improving organization performance, as each is used to set an organization on an appropriate path to success and guide its manager’s decisions and activities.

Kaplan (2002) also says that budget brings about improvement and efficiency
in the working conditions of the organization by setting out target of the
organization and providing resources to work towards achieving these targets
thus everybody knows what they are working for and given the necessary
resources which will ensure efficiency. Thus, effective control must be exercised at a point of action or at the time of commitment. This concept implies that the manager responsible for certain action must engage in a form of prior control; to do this, the predetermined objectives, plans, policies and standards must have been communicated to the manager and fully understood by the manager in advance. With such communication in hand the manager was in a position to exercise control at the point of action (decision point). This fact emphasized why the concept of feed forward was so fundamental (Lutaaya, 2007).

The process of budgeting allows those in a position of management to assess the current status of projects, whilst outlining the direction the entire organisation should follow by setting achievable actions and priorities. In order to be both viable and obtainable, any goals outlined by a business must be coherent with any demands expressed by their respective internal and external environments.

Budgetary control normally involves the use of budget as control documents.
This means that budgetary control deals with ‘action’ that are taken to ensure that actual performance of budgetary activity conforms to predetermined plans. In order words, budgetary control deals with regulating the activity of the business to follow the pattern that had previously been planned in the budget. According to Appiah-Mensah (2013), if actual performance is not controlled, then it will differ from planned performance and the organization will not achieve its objectives.

Otley (2010) mentions that budgetary control is the main integrative control method for most business enterprises and the organization business plan can be represented financially by the budget. The budget can thus be used as a monitor and control method for the complex issues of the business plan. Lucey (2012) argues that no system of planning can be successful without having an effective and efficient system of control. Budgeting is closely connected with control. The exercise of control in the organization with the help of the budget is known as budgetary control. The process of budgetary control includes: preparation of various budgets; continuous comparison of actual performance with budgetary performance and revision of budgets in the light of changed circumstances.

# Working Capital Management and Performance

According to Gitman (2012), working capital implies that part of a company’s assets which can be easily varied from one type to another during the firm’s daily operations. Working capital can simply be described as the net of current assets less current liabilities. Current assets include cash, inventory, account receivable, short term investments and prepaid expenses among others. On the other hand, current liabilities include account payables, short-term borrowings and current tax liabilities. Working capital management (WCM) is ideally the decision making process by financial managers concerning current assets and liabilities (Khalid et al., 2018). It deals with managing various components of working capital at optimum levels to ensure maximum financial benefit to the company.

The proper implementation of financial management specifically working capital management is vital for the success of firms. Inefficiency in the financial management of a given firm may harm its performance (Emery, et al 2014). When the financial management of a business firm is efficient, it will create a shareholder's value and it is a fundamental element in the overall strategy of the firm (Nazir, 2017). Besides, the performance and liquidity of a firm are affected by the level of working capital management and it is crucial for the firm.

Working Capital Management plays a substantial role in improved performance of firms in terms of profitability, among others. Firms can achieve optimal management of working capital by making the trade-off between performance and liquidity. Working capital Management is one of the most important areas in the financial Management.

Chowdhury, (2018) reveals that Working Capital Management is an important component of Financial Management. It is the relationship between current assets and current liabilities. Management of working capital is important to carry the routine activities of a firm. The objective behind working capital management is to ensure continuity in the operations of a firm and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. It mainly involves management of inventories, accounts receivables, accounts payables and cash. The basic theme of working capital management is to provide adequate support for smooth and efficient functioning of day to day business operations by striking a trade between the three proportions of working capital. They are liquidity, profitability and risk.

Khalid, (2018) affirms that working capital is an important part of finance having a decisive influence on the liquidity, which is regarded as the lifeblood of a business plays a pivotal role in keeping the wheels of a business. Working capital management has always been a fascinating subject from the academic point of view and it must be admitted that in the real world situation also, efficiency with which working capital is managed in a concern is of great significance for its overall well being its growth and decline.

Eljelly (2004) and Harris (2005) pointed out that working capital management is greatly involved with maintaining firms’ liquidity during their daily operations in order to ensure that they are smoothly run as well as meet their obligations when they fall due. The success of business entities is largely driven by the ability of financial managers to ensure that receivables,
inventories and payables are effectively managed (Filbeck & Krueger, 2005). Reduction of financial costs of firms as well as increase in their funds available for expansion projects can be made possible through minimization of the investment amount locked up in current assets.

Lambern (2005 cited in Nazir & Afza, 2009) argued that, financial managers allocate most of their time and efforts towards restoring optimal levels of current assets and current liabilities whenever non-optimality exists. This process requires unceasing monitoring to preserve a suitable level of different working capital components while ensuring that business operations are both efficient and profitable. Without proper WCM practices, a company is likely to have high working capital levels whose opportunity cost is equally high since funds which would otherwise be invested in long term investments are held as current assets. Relationships with other stakeholders such as customers and creditors could be at risk where the firm targets prompt collection of debts while lengthening payables settlement period. On the contrary, maintaining thin stock holdings could land the firm into costly shortages which could lead to loss of clients. It is therefore clear that companies need to put in place appropriate WCM practices for them to remain profitable and as such maximize shareholders wealth.

The working capital policy can be better explained as an approach that offers the parameter to handle the current assets and current liabilities in such a way that it diminishes the risk of failure to pay (Emery, et al 2014). The working capital policy is primarily concentrating on the liquidity of current assets to encounter current liabilities. Liquidity is more significant, since if the level of liquidity is excessively high, then a firm has a lot of idle capital, and it has to accept the cost of these idle capitals.

Conversely, if liquidity is excessively low, then it will face a deficiency of resources to encounter its current financial obligations. Current assets are a basic factor of working capital and working capital management is also determined by the level of current assets as compared to the level of current liabilities (Emery, et al 2014). In this regard, the theoretical aspects of finance categorize working capital policy into three types as defensive or hedging, aggressive, and conservative working capital policy (Banos-Caballero, et al, 2019).

# Performance

Performance is a broad construct which captures what agencies do produce and accomplish for the various constituencies with which they interact (Angey & Nilsson, 2004). Organisational performance as argued by Palmar (2000) is a result of activities of an organization or investment over a given period of time. According to Norton (1996), organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Anara and Didara (2005) observed that organizational performance consists of the outputs or the results of an organization that are measured against its goals or objectives.

However, Angey and Nilsson (2004) use three concepts to explain organizational performance and these are: performance relating to organizational purpose; performance relating to achievements (resources used by the organization); and performance considered within the environment in which the institution does its work. The first component reflects the organization's mission; the second component reflects how well the organization manages its resources; and the third, its adaptability within the context of external forces.

# Conceptual Framework

According to Creswell (2003) conceptual framework is a basic structure of a research consisting of a certain abstract ideas and concepts that a researcher wants to observe or analyze. This study seeks to examine the effect of financial management practices on the performance of petroleum industries in Uganda, a case of Hass Petroleum Uganda.

**Performance**

* Profitability
* Increased customers
* Utilization of finances
* Improved Customer Services

**Financial Management Practices**

* Liquidity Management
* Budgeting and Budgetary Control
* Working capital management

**Intervening Variable**

* Ethical conduct
* Organizational culture
* Organization policies
* Working experience

# Figure 2.1: Conceptual Framework

**Source: Mathieson and Roldos (2015) as modified by the researcher, 2021**

As seen in Figure 2.1 above, Financial Management Practice is the independent variable (ID) whereas Performance is the dependent variable (DV). The indicators of financial management Practices include; liquidity management, budgeting and budgetary control and working capital management. the indicators for performance include; profitability, increased number of customers, utilization of funds and improved customer services. this relationship however is influenced by the intervening variable which is the ethical conduct**,** organizational culture, organization policies and working experience

# CHAPTER THREE

# METHODOLOGY

# Introduction

This chapter presents a detailed description of the methodology that was used in collecting relevant data to the study. It contains the research design, study population, study area, sample size, sample size determination, sampling techniques, data collection procedure, data collection methods, data collection instruments, data processing, data analysis techniques, ethical consideration and limitation of the study.

# Research Design

A research design is the blueprint followed by the researcher while collecting study data and conducting the analysis process (Panneerselvam, 2014). It is a systematic structure that the researcher adopted while carrying out the data collection process, as it outlined the order of activities that were done.

This study adopted a cross-sectional survey design, according to Creswell (2017) is appropriate in the creating a profile of the variables. This study also used descriptive research design to examine the effectiveness of the financial management practices and performance. The qualitative and quantitative approaches were adopted basing on the staff drawn from Hass Petroleum Uganda. These research approaches were useful in collecting accurate data and they also be facilitated the analysis of the relationships between the study variables.

# Study Population

Study population is a subset of the target population from which the sample is actually selected (Babbie, 2010). It is the entire set of data that is of interest to the researcher. The population of the study comprised of 320 staff of the three (s) selected Petrol Stations. This includes the top, middle, lower levels of managers and junior staff of Hass Petroleum Uganda.

# Sample Size and Selection

In research terms a sample is a group of people, objects, or items that are taken from a larger population for measurement. Sample size is a research term used for defining the number of individuals included in a research study to represent a population (Saunders, Thornhill and Lewis, 2016).

A sample of 178 respondents was drawn from the sample. It was determined using Neumann’s formula as follows.

 n = N

 1+ N (e2)

Where: ***n* =** sample size*,* ***N* =** target population

**e =** level of significance = e = 0.05 = e2 = (0.05)2 =0.0025

 n = 320
 1 + 320(0.05)2

 n = 320
 1 + 320(0.0025)

 n = 320
 1 + 0.8

 n = 320
 1.8

**n = 178**

# Table 3.1: Sampling Frame

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Population** | **Sample Size** | **Sampling Technique** |
| Administration  | 35 | 20 | Purposive sampling |
| Finance and Accounts | 45 | 25 | Purposive Sampling  |
| Budgeting Committee | 44 | 22 | Purposive Sampling  |
| Quality Assurance  | 45 | 25 | Random Sampling  |
| Human Resource  | 34 | 14 | Random Sampling  |
| Transport and Logistics | 22 | 12 | Random Sampling  |
| Procurement | 35 | 20 | Random Sampling  |
| Others | 60 | 40 | Random Sampling  |
| **Total**  | **320** | **178** |  |

**Source:** **Primary Data,** **2021**

# Sampling Techniques

A sampling technique is the identification of the specific process by which the entities of the sample have been selected. Sampling is a technique of selecting individual members or a subset of the population to make statistical inferences from them and estimate characteristics of the whole population. The study used sampling techniques such as purposive, random and census sampling to select respondents to be involved in the study.

# Purposive Sampling

Purposive sampling, also known as judgmental, selective, or subjective sampling, is a form of non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate in the surveys. According to (Kothari 2004), purposive sampling is a deliberate sampling which involves the deliberate selection of particular units of the sample size.

Purposive sampling enabled the researcher to squeeze a lot of information out of the data that respondents at Hass Petroleum Stations have collected on the variables. Purposive sampling therefore saves on time and resources that the researcher would have used to collect the information.The researcher ensured that the respondents picked have the relevant information of the research that is being carried out.Purposive sampling was used to select administrative, finance and accounts and budgeting staff to be included in the sample.

# Random Sampling

Random sampling, or probability sampling, is a sampling method that allows for the randomization of sample selection. This method also offers every member of the population an equal chance of being selected for the assignment and it is required for inferential statistics since the researcher desires to make inferences about populations based on the behavior of samples.

# Data Collection Procedures

This being an academic research, the researcher looked for a supportive letter explaining the objectives of the research signed by the Dean of School of Business Administration (SBA) before distributing the self administered questionnaires, interview guides to the respondents of the Hass Petroleum Uganda. Respondents were asked to present their data in secret and incognito.

**Sources of Data**

# Primary Data

According to Babbie (2010), primary data is a type of data that is collected by researcher(s) directly from main sources through interviews, surveys, experiments, among other. Primary data are usually collected from the source where the data originally originates from and are regarded as the best kind of data in research. Primary data was collected using questionnaires and interviews with manager and employees of Hass Petroleum Uganda.

# Secondary Data

Mugenda (2005) Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for their own research. Secondary data is less economical and saves time for the researcher. Secondary data was collected through reviewing journals, websites, dissertation on similar study and company articles or publications.

# Data Collection Methods

Schindler (2013) states that data collection methods refer to the process of gathering data after the researcher has identified the types of information needed. The researcher used these methods as a process of collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes. Data collection methods were divided into two categories namely; secondary methods of data collection and primary methods of data collection.

In this study, primary data was obtained through use of questionnaire and interviews. Secondary data was obtained from secondary sources that involve the reviewing of various internal and external documents in order to obtain the information and other sources that are necessary for the production of the final report.

# Questionnaire

Questionnaires were designed in view of the research questions to solicit relevant information from the respondents in Hass Petrol Stations. This method helped to delimit the perceptions and sentiments of the respondents that could have consequences to the subject under study. Close-ended questionnaires were used in order to supplement each other. The close-ended questionnaires were used to get information that is definite on Financial Management Practices and Performance of Hass Petroleum Uganda.

# Interview Method

Interview refers to the method of collecting data by asking people questions and following up or probing and prompting their answers (Kothari 2004). Woods (2011) defines an interview as a conversation with a purpose. The conversation is intended to obtain non-numeric data from key interviewees. This method was used to gain an insight and context into a topic under investigation, allow respondents to describe what is important to them and useful for gathering quotes and stories. The method was useful for gathering more detailed information and deemed appropriate as vital information yet less time to answer questionnaires (Sekaran, 2003). This method was applied to senior administrative staff.

# Documentary Review

This method was used to get data from records of petroleum industries on the financial management practices on performance. Company official documents such as financial management policies, minutes of meetings, websites and administrative reports and performance reports were reviewed. The secondary data was gathered from published books, research reports, journals and internet, among others. These provide information was needed in the study and writing of the final report.

# Data Collection Instruments

Data was mainly collected through the use of questionnaires and interview guide.

# Self Administered Questionnaire

A questionnaire is an instrument used in research that contains closed ended questions with choices that triggers that aim at collecting data from participants in the study (Amin, 2005).The above questions were designed based on a five item Likert scale (1-5) and provided quantified data that was descriptively and inferentially presented (Amin, 2005). This instrument was used because it is filled at respondents’ own convenience, it eliminates bias, less time is needed and it is less expensive or cheaper when used (Kothari 2008). The researcher physically delivered the questionnaires to the selected respondents and picked them after one week, this enabled the respondents to have ample time to understand and fill.

# Interview Guide

An interview guide refers to a qualitative tool of collecting data by asking people questions and following up or probing and prompting their answers (Kothari 2004). The interview guide was used to conduct interviews with administrative staffs such as managers in the selected Hass Petrol stations.

Open ended questions were used to gather information where by the researcher was guided by the tool to ask the questions and the respondents’ responses were recorded. This kind of encounter allows for probing to establish the occurrences of given phenomenon in regard to identified concepts that were created and formed questions asked (Mugenda and Mugenda 2011). Creswell (2013) argues that qualitative interviews allow a researcher to conducts face-to-face interviews with participants, telephone interviews, or engages in focus group interviews with six to eight interviewees in each group.

# Documentary Review Checklist

A documentary review check list was designed to extract the necessary information from the documents. These included Hass Financial management policies and procedures, performance reports and other documents that will be found relevant for the study.

**Validity and reliability of instruments**

Mugenda (2011) defines validity as the accuracy and meaningfulness of inferences which are based on the research results. Validity is the degree to which results obtained from analysis of the data actually represent the phenomenon under study.

# Validity of instruments

# Validity is the degree to which the research instrument is relevant in gathering intended data for the study (Kothari 2008). This is measured by the Content Validity Index (CVI) and after the pretesting of the tools; the CVI was computed using the formula.

C.V.I = Number of items rated relevant X 100%

Total number of items (both irrelevant and relevant)

# Reliability of Instruments

Orodho (2005) states that reliability of a measurement concerns the degree to which a particular measuring procedure gives similar results over a number of repeated trials. Mugenda (2011) defines reliability as a measure of the degree to which a research instrument yields consistent result or data after repeated trials. According to Sekeran (2003), a research instrument that yields consistent results across the various items when administered time and again at different point in time is seen to be reliable. Cronbach’s Alpha was used to test the reliability and internal consistency of the data obtained for this research. By calculating the Cronbach’s Alpha value, the quality of Likert scale can be discovered and hence reliability is tested (Gliem & Gliem, 2003). According to Tavakol & Dennick (2011), should the value of Cronbach’s Alpha is >0.9, it indicates very high reliability.

# Table 3.2: Reliability of instruments

| No. of items | Section of the questionnaire | Cronbach’s Alpha |
| --- | --- | --- |
|  1. | Liquidity Management  |  .868 |
|  2. | Working Capital Management |  .871 |
|  3. | Budgeting and Budgetary Control |  .887 |
|  | **Average**  |  |  **.875** |

Source: Field Data (2021)

The reliability coefficient for each of the sections above exceeds 0.85. As can be seen from table 3.2, the lowest was 0.868 and the highest was 0.888. The average was 0.875 or 87.5%. According to Chadwick, Bahr and Albrecht (1984: 250) as cited in Ehlers (2002:27) are of the opinion that reliability was acceptable at a level of 0.6 or above, with absolute reliability of 1.0 implying that the scales on the questionnaire that were used to measure the three sections were reliable and consistent.

# Data Processing

Data processing was done through different stages. The data collected from different questionnaires and interviews were organized so that order can be created. Editing and cross checking was done so that errors can be detected and corrections made. This helped to find out completeness in the questionnaires. After editing the data, coding was followed. This involves assigning of symbols to answers so that data can be categorized for example by age, level of education and job title. Quantitative data was summarized and presented in frequency tables to generate descriptive statistics. These aimed at enabling quick reading and understanding of the data.

# Data Analysis and Presentation

Data analysis involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques (Cooper and Schindler 2011). Raw data was entered into Statistical Package for Social Sciences (SPSS) program for analysis. Descriptive statistics utilized measures of central tendency (mean), measures of dispersion (standard deviation), frequencies and percentages to analyse quantitative data. On the other hand, the study used multiple regression analysis and correlations to test research questions and draw inferences on the relationship between Financial Management Practices and Performance. Data was then presented using frequency tables and figures.

# Research Ethical Considerations

Effort was made to confine the conduct of the study to the realms of academic research ethics. In general, ethics pertaining to identification, disclosure, understanding, informed consent, voluntary participation, confidentiality, right to privacy and anonymity (secrecy) was taken care of by the study. The rights of individuals and institutions were respected. The researcher first sought consent of all the respondents, who are assured of confidentiality of their responses. Furthermore, confidentiality of data to be provided by individuals or identifiable participants was maintained. Interaction with respondents was done politely and consciously. The participant ensured voluntary participation of the respondents and the right to withdraw partially or completely from the process.

# Limitations of the study

**Limited access to some records or person**: the study depended on having access to some leaders of petrol stations, the researcher anticipates finding access to all the aforementioned limited and or denied. However, to access some persons who seem to be inaccessible, the researcher seeks for their telephone contacts and reached them via phone calls.

**Inadequate resources**: Some of the key respondents provided the researcher with useful information claimed to be too busy and demand the researcher to access them on phones, travel to various destinations to meet and interview them etc. This was too expensive for the researcher as researcher has to spend a lot of resources and money.

**Slow response:** Slow response from some of the respondents was expected since some of the respondents claimed to be busy and others not available at all. A friendly approach was adopted when dealing with the respondents in order to avert this problem and they were reminded so often.

**Confidentiality**: Also, some respondents most especially the managerial members of Hass deliberately rejected and resisted to participate in this study claiming that they were accused of releasing confidential information to the public.

# CHAPTER FOUR

# DEMOGRAPHIC CHARACTERISTIC OF RESPONDENTS

# Introduction

This chapter brings out the different categories of respondents depending on gender, age, education attained, period worked and department worked in by the respondents.

A total of 178 questionnaires were distributed to the selected respondents in the study area. Out of the 178 questionnaires that were distributed, 176 questionnaires were fully completed and returned to the researcher for data analysis. This suggests a 98% response rate. This response rate was deemed to be excellent since Kothari (2004) asserts that any response rate of 70% is adequate, while a response rate greater than 65% is good.

# Gender of the respondents

The gender of the respondents is summarized in the table 4.1.

#

# Table 4.1: Gender of the respondents

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent | Cumulative Percent |
| Valid | Male | 93 | 52.8 | 52.8 |
|   | Female | 83 | 47.2 | 100.0 |
|   | Total | 176 | 100.0 |  |

Source: Field Data (2021)

As shown in table 4.1, 93(52.3%) were males and 83(47.2%) were females from different stations of Hass Petroleum Uganda. This shows that both male and female respondents were considered in this study. The inclusion of both gender targeted collecting data from both sexes so as to avoid biased reporting on the topic under study.

# Age of the Respondents

Respondents were asked to reflect their age groups and the results are shown in table 4.2.

# Table 4.2: Age Brackets of the Respondents

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent | Cumulative Percent |
| Valid | 20 - 30 Years | 58 | 33.0 | 33.0 |
|   | 31 - 40 Years | 48 | 27.3 | 60.3 |
|   | 41 - 50 Years | 40 | 22.7 | 83.0 |
|   | 51 + Years | 30 | 17.0 | 100.0 |
|   | Total | 176 | 100.0 |  |

Source: Field Data (2021)

Results in table 4.2 reveals that 58(33%) of the respondents were between 20 and 30 years, 48(27.3%) were between 31 and 40 years, 40(22.7%) were between 41 and 50 years, 30(17%) were 51 years and above. This was a clear implication that the respondents were capable of providing reliable data.

# Highest Academic Qualification of the Respondents

The highest levels of education attained by the respondents were summarized in table 4.3.

# Table 4.3: Highest Academic Qualification

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent | Cumulative Percent |
| Valid | Certificate | 54 | 30.7 | 30.7 |
|   | Diploma | 43 | 24.4 | 55.1 |
|   | Undergraduate degree | 46 | 26.1 | 81.2 |
|   | Masters | 33 | 18.8 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Table 4.3 indicates that 54(30.7%) of respondents had certificates from different business management courses, 43(24.4%) had diplomas, 46(26.1%) had undergraduate degrees, and 33(18.8%) had masters degree. The majority of the respondents were technically capable of providing accurate and reliable information on financial management practices and performance.

# Department of work

The departments of work by the respondents were reflected in table 4.4.

# Table 4.4: Department of work

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent | Cumulative Percent |
| Valid | Administration | 20 | 11.4 | 11.4 |
|   | Finance and Accounting | 25 | 14.2 | 25.6 |
|   | Budget Committee | 22 | 12.5 | 38.1 |
|  | Quality Assurance | 25 | 14.2 | 52.3 |
|  | Human Resource | 14 | 8.0 | 60.3 |
|   | Transport and Logistics  | 12 | 6.8 | 67.1 |
|  | Procurement  | 20 | 11.4 | 78.5 |
|  | Others  | 38 | 21.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 4.4 shows that 20(11.4%) of the respondents were from the department of administration and management, 25(14.7%) were from finance and accounting, 22(12.5%) were from budgeting committee, 25(14.2) were from quality assurance department, 14(8%) were HR department, 12(6%) were from procurement, and 38(21.5%) were from other departments like pump engineers, mechanics, pump attendants, I.T, super market attendants, among others. This was a good sample of the study because almost an equal number of major categories were considered in providing reliable information.

# Number of years employed at Hass Petroleum Uganda

Table 4.5 presents respondents’ years in service at Hass Petroleum Uganda.

# Table 4.5: Number of years employed at Hass Petroleum Uganda

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent |  Cumulative Percent |
| Valid | 1 - 2 Years | 55 | 31.3 | 31.3 |
|   | 3 - 5 Years | 48 | 27.3 | 58.6 |
|   | 6 - 8 Years | 40 | 22.7 | 81.3 |
|   | 9 years and above  | 33 | 18.7 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 4.5 indicates that 55(31.3%) of the respondents had worked for the Hass Petroleum Uganda between 1- 2 years, 26(27.3%) had worked for Hass between 6 - 10 years, 40(22.7%) had worked for between 6-8 years and 33(18.7%) had worked above 9 years and above with Hass Petroleum Uganda. This reveals that quite a number of respondents in the population have been in the system, and they were able to provide very good ideas and responses. The inclusion of both new and old workers was to provide a balance in responses and ideas.

# CHAPTER FIVE

# LIQUIDITY MANAGEMENT PRACTICES AND PERFORMANCE OF

# HASS PETROLEUM UGANDA

# Introduction

This chapter is a presentation and analysis of the study findings on objective number one which sought to establish whether liquidity management practices advances performance of Hass Petroleum Uganda. In order to verify this objective descriptive Statistics was used. Respondents were asked several questions in regard to the objective and the results as presented, analyzed and interpreted as shown below.

A liquidity management strategy means business has a plan for meeting its short-term and immediate cash obligations without experiencing significant losses. It means company is managing its assets, including cash to meet all liabilities, cover all expenses and maintain financial stability.

Good liquidity management helps ensures the availability of funds to meet all cash outflow commitments for day-to-day operations and deploys cash in an optimal manner. It implies managing cash on a global level for the purpose of minimizing idle cash, reducing external debt and optimising returns on excess cash by grasping better investment opportunities. This chapter focuses on the benefits of having a sound liquidity management system in place for Hass Petroleum stations with good operations and managing liquidity for their clients.

# Hass (U) has liquidity management policies and procedures in place.

Respondents were asked whether Hass Petroleum Uganda has liquidity management policies and procedures in place. Their responses were as indicated in table 5.1.

# Table 5.1: Liquidity management policies and procedures in place

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 38 | 21.6 | 21.6 |
|   | Disagree | 32 | 18.2 | 39.8 |
|   | Agree | 60 | 34.1 | 73.9 |
|   | Strongly Agree | 46 | 26.1 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Table 5.1 presents that 106(60.2%) of the respondents agreed that Hass Petroleum Uganda has liquidity management policies and procedures in place. This means that comprehensive written policies, procedures prevent liquidity risks. It was discovered that these policies and procedures address liquidity matters (such as legal, regulatory, and operational issues) to ensure good performance. Though, 70(39.8%) of the respondents disagreed. This means that even though Hass Petroleum Uganda has effective liquidity policies in place, there are some managers who failed to fulfill them which have resulted into some liquidity risks. Therefore, the board should ensure that senior management takes the steps necessary to monitor and control liquidity risk.

In an interview held with Mr. Bashir – Financial Controller at Hass Petroleum Uganda, states that “*Hass’ BoDs approves the strategy and significant policies related to the management of liquidity. The board should be informed regularly of the liquidity situation of the stations and immediately if there are any material changes in the Hass’s current or prospective liquidity position*”.

# Hass complies with liquidity management practices implemented

When respondents were asked whether Hass Petroleum complies with liquidity management practices implemented, their responses were as shown in table 5.2.

# Table 5.2: Hass Stations comply with liquidity management practices.

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 34 | 19.3 | 19.3 |
|   | Disagree | 28 | 16.0 | 35.3 |
|   | Not Sure | 26 | 14.8 | 50.1 |
|   | Agree | 46 | 26.1 | 76.2 |
|   | Strongly Agree | 42 | 23.8 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Primary Data (2021)

According to findings in table 5.2, the majority 88(49.9%) of the respondents were in agreement that Hass Petroleum Uganda complies with liquidity management practices implemented. This is an implication that managers at different stations do not operate without reviewing the implemented liquidity policies, thus minimal occurrence of liquidity risks. However, 26(14.8%) were not sure and 62(35.3%) of the respondents disagreed. This indicates that some senior managers in finance and procurement departments failed to comply with the liquidity practices implemented by the Board of Directors. In an Interview with Mohamed Arte – Legal Officer at Hass Petroleum Uganda, state that “*the Board review and approve liquidity policies at least annually to ensure such policies remain relevant and appropriate for the Hass’ business model*”, this has helped the company to properly manage its liquidities.

# Hass Petroleum Uganda has a cash flow management solution

On the question whether Hass Petroleum Uganda has a cash flow management solution which the entire business and its departments follow, their responses were as depicted in the table 5.3.

# Table 5.3: Hass Petroleum Uganda has a cash flow management solution

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 36 | 20.5 | 20.5 |
|   | Disagree | 26 | 14.8 | 35.3 |
|  | Not sure  | 17 | 9.6 | 44.9 |
|   | Agree | 57 | 32.4 | 77.3 |
|   | Strongly Agree | 40 | 22.7 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Result of findings in table 5.3 indicate that 97(55.1%) of the respondents were in agreement that Hass Petroleum Uganda has a cash flow management solution which the entire business and its departments follow. This is a clear implication that Hass has an effective process of monitoring, analyzing, and optimizing the gap between cash receipt and expense at all its stations in Uganda. Though, 17(9.6%) were not sure and 62(35.5%) of the respondents were in disagreement. Therefore, Hass Petroleum Uganda should create a decentralized business model where different stations afford to make up their cash flow management depending on the company needs. In this case, Hass workers should have the freedom to be more creative, and as more authority is delegated to them, they will demonstrate more responsibilities, hence improved performance.

# Hass has improved cash forecasting to enhance liquidity Management

Respondents were asked whether Hass Petroleum Uganda has improved c**ash forecasting to enhance liquidity Management to ensure effective performance and their responses were as summarised in table 5.4.**

# Table 5.4: Improved cash forecasting to enhance liquidity Management

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 29 | 16.4 | 16.4 |
|   | Disagree | 37 | 21.0 | 37.4 |
|  | Not sure  | 12 | 6.8 | 44.2 |
|   | Agree | 62 | 35.2 | 79.5 |
|   | Strongly Agree | 36 | 20.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

**Table 5.4 presents that the majority 98(57.8%) of the respondents were in agreement that** Hass Petroleum Uganda has improved c**ash forecasting to increase manage liquidity. This implies that Hass has an effective method used to predict or estimate cash flows and balances used** for short term liquidity management purposes, thus improved performance**. They further narrated that** cash flow forecasting help in cash optimization and make it easy for Hass Petroleum Uganda to stay afloat even in times of emergencies such as Covid-19 and fuel scarcity. **On the other hand, 12(6.8%) were not sure on the statement and 66(37.4%) of the respondents were in disagreement. Therefore, to ensure proper liquidity management, Hass Petroleum Uganda should have proper** cash flow forecasting or estimation to enable all stations plan ahead in time and keep up with any sudden demands of cash.

# ****Hass Petroleum Uganda focus on receivables and payables****

**When respondents were asked whether Hass Petroleum Uganda focus on receivables and payables to enhance the cash position to guarantee performance, their responses were reflected in table 5.5.**

# Table 5.5: ****Hass Petroleum Uganda focus on receivables and payables****

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 36 | 20.5 | 20.5 |
|   | Disagree | 31 | 17.6 | 38.1 |
|  | Not sure  | 12 | 6.8 | 44.9 |
|   | Agree | 61 | 34.7 | 79.5 |
|   | Strongly Agree | 36 | 20.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data, (2021)

Result of findings in table reveals that 97(55.2%) of the respondents agreed that **Hass Petroleum Uganda focus on receivables and payables to enhance the cash position to guarantee performance. This is a clear indication that Hass** prioritize their receivables and payables by managing the cash flow, the company automatically have a more focused opinion on their assets and in which way to utilise them. Abdullahi Hassan – Chief Accountant at Hass Petroleum Uganda, states that “*payables and receivables aid Hass to have some working capital to make the day to day transactions easier and more efficient*”. **Though, 12(6.8%) were not sure and 67(38.1%) of the respondents disagreed. Therefore,** Hass should develop internal liquidity management departments rather than external which only results in more outflow of money.

# Strategy for the day-to-day management of liquidity

On the question whether each Hass fuel and gas Stations have an agreed strategy for the day-to-day management of liquidity, their responses were as presented in table 5.6.

# Table 5.6: Strategy for the day-to-day management of liquidity

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 29 | 16.5 | 16.5 |
|   | Disagree | 38 | 21.6 | 38.1 |
|  | Not sure  | 17 | 9.6 | 47.7 |
|   | Agree | 48 | 27.3 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 5.6 presents that the majority 92(52.3%) of the respondents generally agreed that Hass fuel and gas stations have an agreed strategy for the day-to-day management of liquidity and this strategy is communicated throughout the stations nationwide. Though, 17(9.6%) were not sure and 67(38.1%) of the respondents were in disagreement. Therefore, Hass stations in Uganda that conduct activities having an impact on liquidity should be fully aware of the liquidity strategy and operate under the approved policies, procedures and limits to ensure effective performance in terms of profitability. Mr. Weli Farah Ibrahim - Procurement Officer at Hass Petroleum Uganda argued that “*Hass stations need to be attentive to liquidity strategy, policies and management approach to control daily liquidity risks*”.

# Hass Petroleum Uganda has a management structure in place

Management structure refers to the organization of the hierarchy of authority, which defines accountability and communication channels within an organization and with its external environment. Respondents were asked whether Hass Petroleum Uganda has a management structure in place to execute effectively the liquidity strategy, their responses were as indicated in table 5.7.

# Table 5.7: Hass Petroleum Uganda has a management structure in place

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 40 | 22.7 | 22.7 |
|   | Disagree | 28 | 15.9 | 38.6 |
|   | Not sure | 14 | 7.9 | 46.5 |
|  | Strongly Agree | 48 | 27.3 | 73.9 |
|   | Agree | 46 | 26.1 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data, (2021)

Study findings in table 5.7 shows that the majority 94(61.3%) of the respondents were in agreement that Hass Petroleum Uganda has a management structure in place to execute effectively the liquidity strategy, policies and procedures. This reflects that each fuel and gas station of Hass has a structure with a member of senior management to ensue ensure that liquidity is effectively managed. However, 14(7.9%) were not sure and 68(38.6%) of the respondents were in disagreement. Therefore, senior management should set and regularly review limits on the size of their liquidity positions over particular time horizons.

# Hass Petroleum Uganda has adequate information systems

When respondents were asked whether Hass Petroleum Uganda has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk, their responses were as depicted in table 5.8.

# Table 5.8: Hass Petroleum Uganda has adequate information systems

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 40 | 22.7 | 22.7 |
|   | Disagree | 28 | 16.0 | 38.7 |
|   | Agree | 42 | 23.8 | 62.5 |
|   | Strongly Agree | 66 | 37.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Result of findings in table 5.8 presents that 106(61.3%) of the respondents generally agreed that Hass Petroleum Uganda has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. This implies that Hass has a strong and integral management information system used in making sound decisions related to liquidity, this system is flexible enough to deal with various contingencies that arises. Still, 68(38.7%) of the respondents were in disagreement. Consequently, management information system should be used to check for compliance with the Hass’ established policies, procedures and limits. In an interview discussion with Mr. Kayiwa Elvis – Receivable and Stock Accountant at Hass Petroleum Uganda, reveals that “*the information system enable the management to evaluate the level of trends in the company’s aggregate liquidity exposure*”.

# Hass Petroleum Uganda has contingency plans in place

A contingency plan is a plan devised for an outcome other than in the usual or expected plan. When respondents were asked whether Hass Petroleum Uganda has contingency plans in place that address the strategy for handling liquidity crises, their responses were as presented in table 5.9.

# Table 5.9: Hass Petroleum Uganda has contingency plans in place

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 31 | 17.6 | 17.6 |
|   | Disagree | 27 | 15.3 | 32.9 |
|   | Not sure | 15 | 8.5 | 41.4 |
|  | Strongly Agree | 45 | 25.6 | 67.0 |
|   | Agree | 58 | 33.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data, (2021)

According to findings in table 5.9, the majority 103(58.6%) of the respondents were in agreement that Hass Petroleum Uganda has contingency plans in place that address the strategy for handling liquidity crises and include procedures for making up cash flow shortfalls in emergency situations. Nevertheless, 15(8.5%) were not sure and 58(32.9%) of the respondents disagreed. This implies some stations do not apply contingency plans implemented to resolve shortfalls of liquidity risks. Therefore, effective contingency plans should address strategies of handling crisis by the Hass management and procedures in place for accessing finances in an emergency.

# Internal controls over its liquidity risk management process

When respondents were asked whether each Hass Station has an adequate system of internal controls over its liquidity risk management process to guarantee effective performance, their responses were as summarised in table 5.10.

# Table 5.10: Internal controls over its liquidity risk management process

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 34 | 19.3 | 19.3 |
|   | Disagree | 30 | 17.0 | 36.3 |
|   | Not Sure | 18 | 10.2 | 46.5 |
|   | Agree | 50 | 28.4 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Research findings in table 5.10 indicates that 94(53.4%) of the respondents were in agreement that each Hass Station has an adequate system of internal controls over its liquidity risk management process to guarantee effective performance. This implies that Hass Petroleum Uganda has an effective system of internal control for liquidity risks; this has the company in the process of identifying and evaluating liquidity risks; establishing control activities such as policies and procedures; adequate information systems; continual review of adherence to established policies and procedures. Though, 18(10.2%) were not sure and 62(36.3%) of the respondents disagreed. Therefore, all fuel and gas stations of Hass should have adequate internal controls to ensure the integrity of their liquidity risk management process.

**CHAPTER SIX**

**BUDGETING AND BUDGETARY CONTROL IMPROVES PERFORMANCE**

**OF HASS PETROLEUM UGANDA**

# Introduction

This chapter is a presentation and analysis of the study findings on objective number two which sought to establish whether budgeting and budgetary controls improves performance of Hass Petroleum Uganda. In order to verify this objective descriptive Statistics was used. Respondents was asked several questions in regard to the objective and the results as presented, analyzed and interpreted as shown below.

Budgeting and budgetary control as proven management accounting tool helps organization management and enhances improved performance of any organization like Hass Petroleum Uganda in different ways. Its primary function is to serve as a guide in financial planning. It also establishes limit for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying, expanding, eliminating or restricting present practice. Its serves a number of purposes, these include: planning, controlling, coordinating, communicating, motivating and the performance of management. Each of this purposes or functions contributes to the overall improvement in the performance of Hass Petroleum Uganda.

# Budgets are used to show how resources are acquired and used

When respondents were asked whether Hass Petroleum management use budgets to show how it intends to acquire, use and maintain resources to achieve the long-range goals to ensure effective performance and their responses were as summarised in table 6.1.

# Table 6.1: Budgets are used to show how resources are acquired and used

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 26 | 14.8 | 14.8 |
|   | Disagree | 30 | 17.0 | 31.8 |
|   | Not Sure | 10 | 5.7 | 37.5 |
|   | Agree | 66 | 37.5 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 6.1 reveals that the majority 110(62.5%) of the respondents were in agreement that Hass Petroleum management use budgets to show how it intends to acquire, use and maintain resources to achieve the long-range goals to ensure effective performance. This is an implication that implemented budgets have provided an important tool for the control and evaluation of sources and the usage of all resources on the most Hass Stations in Uganda, thus improved performance. However, 10(5.7%) were not sure and 26(31.8%) of the respondents were in disagreement. Therefore, employees should be involved in preparing budgets to enable them to know the short and long term goals of Hass Petroleum Uganda.

# Budgets force the management to consider company’s future

Respondents were asked whether budgets implemented force the management to consider the future of the company and their responses were as reflected in table 6.2.

# Table 6.2: Budgets force the management to consider company’s future

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 28 | 15.9 | 15.9 |
|   | Disagree | 37 | 21.0 | 36.9 |
|   | Not Sure | 7 | 4.0 | 40.9 |
|  | Strongly Agree | 66 | 37.5 | 78.4 |
|   | Agree | 38 | 21.6 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

In table 6.2, the majority 104(59.1%) of the respondents agreed that budgets implemented force the management to consider the future of the company. This means that the management of Hass Petroleum identifies departmental, operational and individual managerial objectives and creates a plan of actions in which scare resources are allocated efficiently to achieve future objectives of the company. However, 7(4%) were not sure and 65(36.9%) of the respondents disagreed. In an interview, with Hassan, an employee in accounts and finance department at Hass Kisenyi, states that “*top management should clearly state long-range goals and broad objectives of the company, these goals and objectives should be communicated throughout all Hass Petroleum stations countrywide to enable all staff to be familiar with the main targets of the company in the future.*

# Budget assigns responsibility for the use of designated financial resources

When respondents were asked whether budget assigns managers of stations the responsibility for the use of designated financial resources to achieve their assigned operational objectives, their responses were indicated in table 6.3.

# Table 6.3: Budget assigns responsibility for the use of financial resources

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 30 | 17.0 | 17.0 |
|   | Disagree | 27 | 15.3 | 32.3 |
|   | Not Sure | 11 | 6.3 | 38.6 |
|   | Agree | 48 | 27.3 | 65.9 |
|   | Strongly Agree | 60 | 34.1 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

According to findings in table 6.3, 108(61.4%) of the respondents were in agreement that budget assigns the responsibilities to all station managers on the use of designated financial resources to achieve the assigned operational objectives. This is clear evidence that budgets are used as a tool by all managers in all Hass stations nationwide to compare costs and benefits of activities and select options that allocate resource suitably, thus improved performance in all operations performed. On the other hand, 11(6.3%) were not sure with the statement and 57(32.3%) of the respondents disagreed. Therefore, top management should play a key role in the distribution and management of financial resources and the monitoring of expenditures to ensure performance.

# Budget supports station manager's efforts to monitor operations

A budget is a tool that managers use to plan and control the use of scarce resources. On the question whether budget supports station manager's efforts to monitor operations, identify variances and enact corrective action if necessary, their responses were as shown in table 6.4.

# Table 6.4: Budget supports manager's efforts to monitor operations

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 26 | 14.8 | 14.8 |
|   | Disagree | 22 | 12.5 | 27.3 |
|   | Not Sure | 12 | 6.8 | 34.1 |
|   | Agree | 72 | 40.9 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Primary Data (2021)

Result of findings in table 6.4 present that 116(65.9%) of the respondents agreed that budget supports station manager's efforts to monitor operations, identify variances and enact corrective action if necessary. This implies that Hass has proper implemented budgets that allow effective evaluation of activities in terms of contribution to its objectives. Mohamed Billow Ismail – Group Marketing Manager, at Hass Petroleum (U) discloses that “*proper budgeting has helped managers to know that all resources deployed are used for their planned purposes and are properly accounted for internally*”. Yet, 12(6.8%) were not sure and 48(27.3%) of the respondents disagreed. Therefore, Hass Petroleum management should make sure that there is an on-going process by which the company ensures that the development or improvement plan is achieved, in terms of its expenditure and income objectives to ensure effective performance.

# Budgetary control eliminates misuse of finances.

Budgetary control refers to how well managers utilize budgets to monitor and control costs and operations in a given accounting period. Respondents were asked whether budgetary control eliminates misuse of Hass’ finances to ensure performance, their responses were as reflected in table 6.5.

# Table 6.5: Budgetary control eliminates misuse of finances

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 20 | 11.4 | 11.4 |
|   | Disagree | 28 | 15.9 | 27.3 |
|  | Not sure  | 16 | 9.1 | 36.4 |
|   | Agree | 60 | 34.1 | 70.5 |
|   | Strongly Agree | 52 | 29.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 6.5 presents that the majority 112(63.6%) of the respondents were in agreement that budgetary control eliminates misuse of Hass’ finances to ensure performance. Mohamed Billow Ismail, member at Budgetary Committee of Hass Petroleum Uganda, asserts that “*the company use budgetary controls to spot where reality departs from the projections fix problems and incentivize managers to do better*”. He added that good budgetary control system involves keeping track of performance over time. Conversely, 16(9.1%) were not sure and 48(27.3%) of the respondents were in disagreement. Therefore, effective budgetary controls should involve assigning different managers responsibility for their departmental budgets.

# Policy plans and actions taken are reflected in budgetary control system

When respondents were asked whether policy plans and actions taken are reflected in budgetary control system and their responses were as presented in table 6.6.

# Table 6.6: Policy plans and actions taken are in budgetary control system

|  |  |  |  |
| --- | --- | --- | --- |
|  |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 20 | 11.4 | 11.4 |
|   | Disagree | 24 | 13.6 | 25.0 |
|   | Agree | 108 | 61.4 | 86.4 |
|   | Strongly Agree | 24 | 13.6 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 6.6 presents that 132(75%) of the respondents generally agreed that plans and actions taken are reflected in budgetary control system to ensure effective performance in all Hass Petrol Stations. This means that budgetary control system involve drawing up detailed plans relating to different functions like procurement and logistics, sales, raw material requirements, labour requirements, research programmes, among others. They also revealed that when plans are made in advance in annual budget, many problems anticipated are worked on through careful study. This means that there is a formal recognition of the targets which the business hopes to achieve. Nevertheless, 44(25%) of the respondents were in disagreement. This shows that some policy actions are not well reflected in budgetary control system.

# All departments take part in budget preparation

Respondents were asked whether all departments take part in budget preparation, their responses were as made known in table 6.7.

# Table 6.7: All departments take part in budget preparation

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 28 | 16.0 | 16.0 |
|   | Disagree | 20 | 11.3 | 27.3 |
|   | Not Sure | 28 | 16.0 | 43.3 |
|   | Agree | 48 | 27.2 | 70.5 |
|   | Strongly Agree | 52 | 29.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data, (2021)

According to findings in table 6.7 proves that the majority 100(56.7%) of the respondents were in agreement that all departments of Hass Petroleum Uganda departments take part in budget preparation. This clearly indicates that departments creates the action plans and determines the necessary expenses required to achieve the goals. Though, 28(16%) were not sure and 48(27.3%) of the respondents disagreed. This reveals that department's budgets are determined by top management and the financial staff and handed down to those departments. Therefore, budgeting process should also be done on a bottom-up basis, where each department develops its own goals and objectives under the general guidelines of the top management to avoid in collusions.

# Budgeting and budgetary control provides a guide of daily activities

On the question whether budgeting and budgetary control provides management with a guide of daily activities of Hass Petrol Stations, their responses were as revealed in table 6.8.

# Table 6.8: Budgetary control provides a guide of daily activities

|  |  |  |  |
| --- | --- | --- | --- |
|  |  Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 24 | 13.6 | 13.6 |
|   | Disagree | 20 | 11.4 | 25.0 |
|   | Not Sure | 16 | 9.1 | 34.1 |
|   | Agree | 34 | 20.5 | 54.5 |
|   | Strongly Agree | 80 | 45.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 6.8 indicates that 114(66%) of the respondents were in agreement that budgeting and budgetary control provides management with a guide of daily activities of Hass Petrol Stations, this has helped the company to determine performance and efficiency of each department, thereby leading to improvement. Though 16(9.1%) were not sure and 44(25%) of the respondents were in disagreement. This indicates that some stations do not follow and comply with implemented budgets. Therefore, a well-prepared budget should be in place to help Hass Stations to use the daily resources efficiently and thus achieving the predetermined targets.

# Budgeting and budgetary control improves allocation of resources.

When respondents were asked whether effective budgeting and budgetary control improves allocation of resources, their responses were as shown in table 6.9.

# Table 6.9: Budgetary control improves allocation of resources.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 28 | 15.9 | 15.9 |
|   | Disagree | 20 | 11.4 | 27.3 |
|   | Not Sure | 12 | 6.8 | 34.1 |
|   | Agree | 72 | 40.9 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data, 2021

Result of findings in table 6.9 indicates that 116(65.9%) of the respondents were in agreement that effective budgeting and budgetary control improves allocation of resources. Though, 12(6.8%) were not sure, this means some employees need to be sensitized on the benefits of budgeting and budgetary control and 48(27.3%) of the respondents disagreed. This means that not all resources of the company are allocated in budgets. In an interview with Ashik Muhammad Jin - Head of Internal Audit- Hass Petroleum, he affirms that “*proper budgeting plays an important role in planning and controlling company operations. It helps Hass Petroleum Uganda in directing the scarce resources to the most productive use and thus ensures overall efficiency*”.

# Budgetary control has helped Hass to plan and coordinate

When respondents were asked whether budgetary control has helped Hass management to plan and coordinate between departments. Their responses were as exposed in table 6.10.

# Table 6.10: Budgetary control has helped Hass to plan and coordinate

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 28 | 16.0 | 16.0 |
|   | Disagree | 40 | 22.7 | 38.7 |
|   | Agree | 68 | 38.6 | 77.3 |
|   | Strongly Agree | 40 | 22.7 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

According to findings in table 6.10, the majority 108(61.3%) of the respondents agreed that budgetary control has helped Hass management to plan and coordinate between departments in decision-making, operation monitoring and motivating individuals to achieve business objectives. They further revealed that effective budgeting and budgetary control has helped Hass management in getting things back on track. Nonetheless, 68(38.7%) of the respondents were in disagreement. In an interview with Ali Ahmed – Financial Manager at Hass Bunamwaya argues that “*budgeting and budgeting control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purposes or goals and how these goals are achieved by establishing principal policies and plans*”.

# CHAPTER SEVEN

# WORKING CAPITAL MANAGEMENT IMPROVES PERFORMANCE

# OF HASS PETROLEUM UGANDA

# Introduction

This chapter is a presentation and analysis of the study findings on objective number three which sought to establish whether working capital management improves performance of Hass Petroleum Uganda. In order to verify this objective descriptive Statistics was used. Respondents were asked several questions in regard to the objective and the results as presented, analyzed and interpreted as shown below.

The primary purpose of working capital management is to enable the company to maintain sufficient cash flow to meet its short-term operating costs and short-term debt obligations. A company's working capital is made up of its current assets minus its current liabilities. Working capital management commonly involves monitoring cash flow, current assets, and current liabilities through ratio analysis of the key elements of working capital, including the working capital ratio, collection ratio, and inventory turnover ratio.

Working capital management can improve a company's cash flow management and earnings quality through efficient use of its resources. Management of working capital includes inventory management as well as management of accounts receivables and accounts payables.

# Working capital management policies and procedures

Respondents were asked whether Hass Petroleum Uganda comply with working capital management policies and procedures to ensure performance, their responses were as indicated in table 7.1.

# Table 7.1: Working capital management policies and procedures

|  |  |  |  |
| --- | --- | --- | --- |
|   |  Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 20 | 17.0 | 11.3 |
|   | Disagree | 24 | 13.6 | 24.9 |
|   | Not sure | 12 | 6.8 | 31.7 |
|   | Agree | 64 | 36.4 | 68.2 |
|   | Strongly Agree | 56 | 31.8 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

According to findings in table 7.1, the majority 120(68.2%) of the respondents were in agreement that Hass Petroleum Uganda comply with working capital management policies and procedures to ensure performance. This implies that there is working capital financing policy that deals with the sources and the amount of working capital that Hass Petroleum Uganda should maintain. Mr. Hassan, Manager at Hass Kisenyi states that “*effective working capital policies are crucial to a firm’s long-run growth and survival*.” Though, 12(6.8%) were not sure and 44(24.9%) of the respondents were in disagreement. This indicates some of the employees the stations are not acquainted with policies and procedures guiding daily capital. Therefore, working capital policies and procedures should involve decisions about Hass’ current assets and current liabilities to ensure effective performance.

# Working capital management system helps to cover financial obligations

Respondents were asked whether effective working capital management (WCM) system helps Hass to cover its financial obligations, their responses were as shown in table 7.2.

# Table 7.2: WCM system helps Hass to cover its financial obligations

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 28 | 15.9 | 15.9 |
|   | Disagree | 36 | 20.5 | 36.4 |
|   | Agree | 68 | 38.6 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Research findings in table 7.2 reveals that 112(63.6%) of the respondents were in agreement that effective working capital management (WCM) system helps Hass Petroleum Uganda to cover its financial obligations. This means that good WCM system in place has helped Hass Petroleum to ensure higher return on capital, improvement in credit profile and solvency, increased profitability, better liquidity, business value appreciation, suitable financing terms, interruption free production, readiness for shocks and peak demand and advantage over competitors. However, 64(36.4%) of the respondents were in disagreement. Therefore, an effective working capital management system should not help Hass Petroleum Uganda to cover financial obligations but also boost its earnings to enhance performance in all operations.

# Proper working capital management system helps to boost earnings

When respondents were asked whether at Hass Petroleum Uganda, proper working capital management system helps to boost earnings, their responses were as reflected in table 7.3.

# Table 7.3: Proper WCM system helps to boost earnings

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 20 | 11.4 | 11.4 |
|   | Disagree | 32 | 18.2 | 29.6 |
|   | Not Sure | 28 | 15.9 | 45.5 |
|   | Agree | 52 | 29.5 | 75.0 |
|   | Strongly Agree | 44 | 25.0 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

From table 7.3, the majority 96(54.5%) of the respondents were in agreement that Hass Petroleum (U), proper working capital management system helps to boost earnings. This means that proper working capital management has improved Hass’ earnings and profitability through efficient use of its resources. The study also discovered that the main objectives of working capital management in all Hass Stations include maintaining the working capital operating cycle and ensuring its ordered operation, minimizing the cost of capital spent on the working capital, and maximizing the return on current asset investments.  Nonetheless, 28(15.9%) were not sure and 52(29.6%) of the respondents were in disagreement. For that reason, the goal of working capital management should be to maximize operational efficiency.

# Management of inventories, accounts payable and accounts receivable

When respondents were asked whether inventories, cash, accounts payable and accounts receivable are managed well at Hass Stations to ensure performance, their responses were as revealed in table 7.4.

# Table 7.4: Management inventories, accounts payable

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 24 | 13.6 | 13.6 |
|   | Disagree | 20 | 11.4 | 25.0 |
|   | Not Sure | 16 | 9.1 | 34.1 |
|   | Agree | 36 | 20.5 | 54.5 |
|   | Strongly Agree | 80 | 45.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Table 7.4 presents that the majority 116(65.5%) of the respondents agreed that managing working capital means managing inventories, cash, accounts payable and accounts receivable are managed well at Hass Stations to ensure performance. This is an implication that Hass Management has an efficient working capital management system that often uses key performance ratios, such as the working capital ratio, the inventory turnover ratio and the collection ratio, to help identify areas that require focus in order to maintain liquidity and profitability. Yet, 16(20.5%) were not sure and 44(25%) of the respondents were in disagreement. In an interview with Mr. Bashir M.S – Financial Controller at Hass Petroleum Uganda asserts that “*a hallmark of good business management is the ability to utilize working capital management to maintain a solid balance between growth, profitability and liquidity*.”

# There is insufficient working capital to support the business activities

Respondents were asked whether there is insufficient working capital to support the level of business activities, their responses were as indicated in table 7.5.

# Table 7.5: Insufficient working capital to support the business activities

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 40 | 22.7 | 22.7 |
|   | Disagree | 44 | 25.0 | 47.7 |
|   | Not Sure | 28 | 15.9 | 63.6 |
|   | Agree | 28 | 15.9 | 79.5 |
|   | Strongly Agree | 36 | 20.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Result of findings in table 7.5 indicate that 84(47.7%) of the respondents were in disagreement that there is insufficient working capital to support the level of business activities. This means that the company has adequate finances to facilitate its operations in all stations. Though, 28(15.9%) were not sure whether the company enough working capital or daily finances or not and 64(36.4%) of the respondents were in agreement. This means that there is under-capitalisation or imbalance in distributing working capital in some stations.

# The Covid-19 pandemic has raised significant working capital challenges

When respondents were asked whether the Covid-19 pandemic has raised significant working capital (WC) challenges and uncertainties for Hass Petroleum Uganda, their responses were as summarised in table 7.6.

# Table 7.6: Covid-19 pandemic has raised significant WC challenges

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency |  Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 40 | 22.7 | 22.7 |
|   | Disagree | 24 | 13.6 | 36.3 |
|  | Not Sure | 16 | 9.1 | 45.4 |
|   | Agree | 60 | 34.1 | 79.5 |
|   | Strongly Agree | 36 | 20.5 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

From table 7.6, the majority 96(54.6%) of the respondents were in agreement that the Covid-19 pandemic has raised significant working capital (WC) challenges and uncertainties for Hass Petroleum Uganda. This means that supply chain disruptions have been a major challenge, along with changing consumer demands and the collection of receivables. Though, 16(9.1%) were not sure whether the Covid-19 has destructed company’s services or not and 64(36.3%) of the respondents were in disagreement. This reveals that even though the pandemic has distorted Hass operations but the company used some of its reserves to settle financial challenges, thus improved performances.

# WC improves liquidity, operational efficiency and increased profits

Proper management of working capital is essential to a company’s fundamental financial health and operational success as a business. When respondents were asked whether employees at Hass Petroleum Uganda have noticed that high level of working capital improves liquidity, operational efficiency and increased profits, their responses were as presented in table 7.7.

# Table 7.7: WC improves liquidity, operational efficiency and profits.

|  |  |  |  |
| --- | --- | --- | --- |
|   | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 28 | 15.9 | 15.9 |
|   | Disagree | 32 | 18.2 | 34.1 |
|   | Not Sure | 12 | 6.8 | 40.9 |
|   | Agree | 84 | 47.7 | 176.6 |
|   | Strongly Agree | 20 | 11.4 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

According to findings in table 7.7, the majority 104(59.1%) of the respondents were in agreement that employees at Hass have noticed that high level of working capital improves liquidity, operational efficiency and increased profits. The study further discovered that having a high level of working capital indicates a well-managed company like Hass with a greater potential for growth. Though, 12(6.8%) were not sure and 60(34.1%) of the respondents were in disagreement. Therefore, Hass Petroleum Uganda should strive to achieve a high level of working capital in all stations to ensure performance in all departments.

# Managing working capital effectively is a top priority for CFO at Hass

Respondents were asked whether managing working capital effectively is a top priority for CFO at Hass Petroleum, their responses were as depicted in 7.8.

# Table 7.8: Managing working capital effectively is a top priority for CFO

|  |  |  |  |
| --- | --- | --- | --- |
|  |  Frequency |  Percent | Cumulative Percent |
| Valid | Strongly Disagree | 40 | 22.7 | 22.7 |
|   | Disagree | 24 | 13.6 | 36.3 |
|   | Not Sure | 12 | 6.8 | 43.1 |
|   | Agree | 44 | 25.0 | 68.2 |
|   | Strongly Agree | 56 | 31.8 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 7.8 reveals that the majority 100(56.8%) of the respondents were in agreement that managing working capital effectively is a top priority for Abdinasir Ali – Chief Financial Officer (CFO) at Hass Petroleum Uganda, this is an accurate barometer for assessing the long-term financial health of business and ensures that Hass always maintains adequate cash flow to meet its short-term commitments. However, 12(6.8%) were not sure and 54(36.3%) of the respondents were in disagreement. Therefore, Chief Financial Officer (CFO) should be often positioned to do the strategic visioning and lead a working capital optimization effort.

# Proper working capital management improves liquidity

Working capital management is essentially a company’s accounting strategy with a focus on the maintenance of a sufficient balance between a company's current assets and liabilities.  Respondents were asked whether proper working capital management improves liquidity to ensure performance, their responses were as indicated in table 7.9.

# Table 7.9: Proper working capital management improves liquidity

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Disagree | 28 | 15.9 | 15.9 |
|   | Disagree | 20 | 11.4 | 26.3 |
|  | Not Sure  | 20 | 11.4 | 37.7 |
|   | Agree | 80 | 45.4 | 83.1 |
|   | Strongly Agree | 24 | 15.9 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 7.9 indicates that the majority 124(61.3%) of the respondents were in agreement that proper working capital management improves liquidity to ensure performance. This implies that properly managing liquidity ensures that Hass Petroleum Uganda possesses enough cash resources for its ordinary business needs and unexpected needs of a reasonable amount. However, 20(11.4%) were not sure and 48(26.3%) of the respondents were disagreement. Therefore, proper liquidity management should be manifested at appropriate levels of cash and in the ability of Hass Petroleum Uganda to quickly and efficiently generate cash resources to finance its business needs.

# Optimum use of WCM evades some future hindrances

On the question whether, optimum use of working capital management evades some future hindrances in Hass Petroleum operations, their responses were as shown in table 7.10.

# Table 7.10: Optimum use of WCM evades some future hindrances

|  |  |  |  |
| --- | --- | --- | --- |
|  | Frequency | Percent |  Cumulative Percent |
| Valid | Strongly Disagree | 24 | 13.6 | 13.6 |
|   | Disagree | 24 | 13.6 | 27.2 |
|  | Not Sure | 16 | 9.1 | 36.3 |
|   | Agree | 80 | 45.5 | 81.8 |
|   | Strongly Agree | 32 | 18.2 | 100.0 |
|   | Total | 176 | 100.0 |   |

Source: Field Data (2021)

Findings in table 7.10 indicates that 112(63.7%) of the respondents generally agreed that optimum use of working capital management evades some future hindrances in Hass Petroleum operations. This is an implication that there is a safety net to protect against lack of production or delays in payments received. This gave Hass a competitive edge over its competitors. Nevertheless, 16(9.1%) were not sure and 48(27.2%) of the respondents disagreed. Therefore, each Hass stations should have proper application of working capital management strategy to enhance the company’s profitability in the long run.

In conclusion, Hass Petroleum Uganda has an effective WCM strategy framed and adopted by all managers to monitor working capital (current assets and current liabilities) of Hass. WCM calculates and assesses Hass’ financial and operational health, thus improved performance.

# CHAPTER EIGHT

# HARMONIZATION OF FINANCIAL MANAGEMENT PRACTICES AND PERFORMANCE OF HASS PETROLEUM UGANDA

# Introduction

This chapter presents the ways and means to improve the financial management practices and performance of Hass Petroleum Uganda.

# Financial Management Practices

Financial management practices are likely to have a marked effect on the financial performance of a corporate enterprise. Therefore, sound financial decisions/practices can contribute towards meeting the desired objective of having profitable operations.

In line with argument of Emery et al (2014), the financial management system underpins good business. It does so by ensuring that (internal and external) stakeholders can understand and control how well an organisation plans for and uses financial resources. In practice, this means that the right information is provided at the right time to the right people (the supply side) and that the information provided is then considered and used in understanding and controlling the organisation (the demand side).

Oracle Netsuite (2020) disclosed that financial management is the practice of making a business plan and then ensuring all departments stay on track. Solid financial management enables the CFO or VP of finance to provide data that supports creation of a long-range vision, informs decisions on where to invest, and yields insights on how to fund those investments, liquidity, profitability, cash runway and more.

According to Deresse and Prabhakara (2012), in his study revealed that the financial practices are set of common methods or standard operating procedures organization develop for carrying out accounting, financial reporting, budgeting and other activities related to business finances. Each one serves to support business policies, establish accountability and provide step-by-step instructions for completing a task or activity.

The decision function of financial management can be broken down into three major areas: the investment, financing, and asset management decisions. Financial management practices revolve around these three key decisions. Efficient financial management requires the existence of some objective or goal, because judgment as to whether or not a financial decision is efficient must be made in light of some standard.

Mohd et al., (2016) identified the components of financial management as financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting and working capital management. Chung and Chuang (2017) studied five particular areas of financial management practices: capital structure management, working capital management, financial reporting and analysis, capital budgeting, budgetary control and accounting information system.

# Liquidity Management Practices

Liquidity management refers to the ongoing and future strategies of any business to meet its short-term or immediate cash requirements without incurring substantial losses. Therefore, liquidity management in petroleum industry is a crucial activity as it affects the viability of their assets and risk management capability.

Aguguom, and Nwaobia (2016) posited that liquidity management is strategic and corporate sustainability the essence of firms being in business, that every investor is corporate sustainability conscious, hence that no investor is interested when the sustainability and going concern of a firm is in doubt. Therefore liquidity management largely depends on the nature of the establishment, and the pivotal role liquidity plays on its day to day operational activities. The petroleum industry are huge capital intensive and concentrated funding operations that requires expertise and pragmatic liquidity management to ensure make and sustain positive impact on its profitability.

A liquidity management strategy means business has a plan for meeting its short-term and immediate cash obligations without experiencing significant losses. It means company is managing its assets, including cash to meet all liabilities, cover all expenses and maintain financial stability. Mwiru (2013) in his study on financial management in private sectors in East Africa divulges that for companies that are over-leveraged, a liquidity management strategy includes developing steps to reduce the gap between the cash available on hand and their debt obligations.

Thomas Brock (2020) states that liquidity management takes one of two forms based on the definition of liquidity. One type of liquidity refers to the ability to trade an asset, such as a stock or bond, at its current price. The other definition of liquidity applies to large organizations, such as financial institutions. Organizations like banks and oil and gas are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses. In either case, liquidity management describes the effort of investors or managers to reduce liquidity risk exposure.

Lamberg and Valming (2015) highlights that liquidity management is a cornerstone of every treasury and finance department; those who overlook a firm’s access to cash do so at their peril, as has been witnessed so many times in the past. Liquidity planning is crucial, and involves finance and treasury managers’ ability to look to the company’s balance sheet and convert funds that are tied up in longer-term projects into cash for the firm to use in its day to day operations.

Lamberg and Valming further indicated that the importance of liquidity management cannot be understated. Liquidity risk, which finance department managers constantly attempt to downplay, can lead to a variety of problems and pull a company into ill health. In order to keep a regular grasp of the firm’s liquidity risk, managers will monitor the liquidity ratio in which firms will compare their most liquid assets (those that can be converted into cash easily and quickly), with short term liabilities, or near-term debt obligations.

# Budgeting and Budgetary Control

A budget is an instrument of management used as an aid in the planning, programming and control of business activity. The budgeting process involves planning for future profitability because earning a reasonable return on resources used is a primary company objective. Budgetary control is the process by which budgets are prepared for the future period and are compared with the actual performance for finding out variances, if any. The comparison of budgeted figures with actual figures will help the management to find out variances and take corrective actions without any delay.

Petroleum industry considers budgetary control as an integral part the internal control system. It provides a comprehensive management platform. Budgetary control helps the management to evaluate plan, implement them by monitoring activities to ensure that they fall on what the business planned. For an organization to implement effectively it budget, it needs to use budgetary control as a tool (Carr, 2010).

Budget preparation is one of the tedious tasks that any organization should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget. In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data.

In a budget control system, a firm assigns targets to each department and individual (Lutaaya, 2017). It then compares the budgeted performance with the actual one. The manager should report the performance of each department to the top management. Hence, budget control serves as an effective tool for measuring the performance of departments and individuals.

Obonyo (2010) in his study on budget allocation asserts that budgetary control improves coordination between different departments since the performance and results of one department are often dependant on another department. For example, the sales department may have the target of increasing sales and the production department may have the target of increasing production this year. Since the goal of one depends on another, this improves coordination between the different departments.

According to arguments of Callahan and Waymire, (2017) on budget preparation, they stated that budgetary control makes use of budgets for planning and controlling all aspects of producing and or selling products or services. Budgetary control attempts to show the plans in financial terms. Budgetary control is the planning in advance of the various functions of a business so that the business can be controlled. Budgetary control relates expenditure to a section or department who incurs the expenditure, so that the actual expenses can be compared with the budgeted ones, thus providing a convenient method of control.

# Working Capital Management

Working capital management primarily refers to the efforts of the management towards effective management of current assets and current liabilities. Working capital is nothing but the difference between the current assets and current liabilities. In other words, an efficient working capital management means ensuring sufficient liquidity in the business to be able to satisfy short-term expenses and debts.

Working capital may be regarded as the blood circulatory system of any business unit. Its effective management can do much more for the success of the business, while ineffective management lead to letdown of organization. Working capital is defined as the amount of funds necessary to run day to day business operations of the firm (Jain, 2013). It is that part of the total funds of business which is embarked for making custom obligations like payment of wages, raw materials etc. the word ‘working capital’ may be understood in different ways by different people to suit their convenience. If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit. A positive working capital cycle balances incoming and outgoing payments to minimize net working capital and maximize free cash flow.

Proper management of working capital is essential to a company’s fundamental financial health and operational success as a business. A hallmark of good business management is the ability to utilize working capital management to maintain a solid balance between growth, profitability and liquidity.

Working capital is a prevalent metric for the efficiency, liquidity and overall health of a company (Marjit, 2010). It is a reflection of the results of various company activities, including revenue collection, debt management, inventory management and payments to suppliers. This is because it includes inventory, accounts payable and receivable, cash, and portions of debt due within the period of a year and other short-term accounts.

Nwaobia and Adedeji (2014) contend that by obtaining a consistently high level of working capital, organizations ensure that adequate cash levels are available for any potential upcoming opportunities or unanticipated scenarios. It also gives organizations more flexibility over how they run their operations, which enables them to fulfill customer orders, expand and invest in new products at a faster rate.

Optimum use of working capital management evades any future hindrances in business operations. A high level of working capital is only achieved when areas including Accounts Payable and Receivable are operating efficiently. In order for both departments to operate in an efficient manner, they need to ensure that they pay their vendors as per the agreed terms, which lead to the capturing of early payment discounts and increase the income of cash.

# Performance

Performance refers to as the results or effect of individual activities within a certain period of time. Performance management is necessary for achieve the goals that have the organization itself. Evaluating company productivity and efficiency is a key measure to him in the general plan of the organization (Sherwani and Mohammed, 2015).

Organizational performance encompasses three specific areas of firm outcomes: (i) financial performance (profits, return on assets, return on investment); (ii) product market performance (sales, market share) and (iii) shareholder return (total shareholder return, economic value added). (Richard et al, 2009). Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development.

Organizational performance encompasses accumulated end results of all the organization’s work processes and activities. Performance measures can be financial or non-financial. Both measures are used for competitive firms in the dynamic business environment. Financial measures of organizational performance include; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth (Gerrit and Abdolmohammadi, 2010).

# MULTIPLE REGRESSION ANALYSIS

The hypothesis was tested to know whether there is a relationship between financial management practices and performance in Hass Petroleum Uganda. The hypothesis was tested with a multiple regression analysis.

# Correlations

Results of the correlation analysis revealed that there is a significant and positive relationship between financial management practices and performance in Hass Petroleum Uganda. It was revealed that, LM Practices (r=0.868, P<0.000), this revealed that Hass use effective LM policies and procedures. It was also observed that budgeting and budgetary control (r=0.871, P<0.000) and the result (r=0.887, P<0.000) indicates that Hass Petroleum Uganda comply with WCM policies and procedures to ensure effective performance.

# Table 8.1: Correlations between Financial Management Practices and Performance of Hass Petroleum Uganda

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Liquidity Management Practices | Budgeting and Budgetary Control | Working Capital Management  | Performance |
| Liquidity Management Practices  | Pearson Correlation | 1 | .894\*\* | .885\*\* | .868\*\* |
| Sig. (2-tailed) |  | .000 | .000 | .000 |
| N | 176 | 176 | 176 | 176 |
| Budgeting and Budgetary Control | Pearson Correlation | .894\*\* | 1 | .884\*\* | .871\*\* |
| Sig. (2-tailed) | .000 |  | .000 | .000 |
| N | 176 | 176 | 176 | 176 |
| Working Capital Management  | Pearson Correlation | .885\*\* | .884\*\* | 1 | .887\*\* |
| Sig. (2-tailed) | .000 | .000 |  | .000 |
| N | 176 | 176 | 176 | 176 |
| Performance | Pearson Correlation | .867\*\* | .871\*\* | .887\*\* | 1 |
| Sig. (2-tailed) | .000 | .000 | .000 |  |
| N | 176 | 176 | 176 | 176 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). |

The multiple regression model with all the three (3) independents variables produced R² = 0.786, F = 826.200, p<.0.005. As can be seen in table 8.1 below, Liquidity Management (LM) Practices [β=.694, t-statistic=.4.060, p=0.088], this means that Hass complies with liquidity management practices implemented to ensure performance in all departments of work; Budgeting and Budgetary Controls [β=.754, t-statistic =1.313, p=0.194] indicating that budgeting and Budgetary control has helped Hass management to plan and coordinate between departments in decision-making, operation monitoring and motivating individuals to achieve business objectives. WCM [β=1.146, t-statistic = 9.754, p=0.005] shows that Hass Petroleum Uganda complies with working capital management policies and procedures to ensure performance.

# Table 8.2: Multiple Regression Model

| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
| --- | --- | --- | --- | --- |
| B | Std. Error | Beta |
| 1 | (Constant) | .306 | .093 |  | 3.296 | .002 |
| LM Practices  | .485 | .191 | .694 | 4.060 | .088 |
| Budgeting and Budgetary Controls | .534 | .193 | .754 | 1.313 | .194 |
| WCM | 1.192 | .122 | 1.146 |  9.754 | .005 |
| R=.788a, R Square=.786, Adjusted R Square=. 787, F= 826.200 |
| a. Dependent Variable: Performance |

# CHAPTER NINE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

# Introduction

This chapter presents the summary of findings from the field, basing on the study objectives; it also presents the conclusions and recommendations made to advance financial management practices and performance in the Petroleum Industry, focusing on Hass Petroleum Uganda.

# Summary of Findings

The study used field data collected from self administered questionnaires. Quantitative data was analyzed using descriptive statistics while qualitative data was analyzed using content analysis. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS). Analysis was, then, based on descriptive statistics. Multiple regression analysis was used to establish the relationship between variables. The findings from the study were as follows:

**Liquidity Management (LM) Practices on Performance**

Study findings on objective one presented that 60.2% of the respondents agreed that Hass Petroleum Uganda has liquidity management policies and procedures in place. This means that comprehensive written policies, procedures prevent liquidity risks; 49.9% agreed that Hass complies with LM practices implemented; 55.1% states that Hass has a cash flow management solution which the entire business and its departments follow; **57.8% believed that** Hass has improved c**ash forecasting to increase manage liquidity;** 55.2% accepted that **Hass focus on receivables and payables to enhance the cash position to ensure performance.**

Findings on objective one further reveals that 52.3% agreed that Hass fuel and gas stations have an agreed strategy for the day-to-day management of liquidity and this strategy is communicated throughout the stations nationwide; 61.3% states that Hass has a management structure in place to execute effectively the liquidity strategy, policies and procedures; 61.3% agreed that Hass Petroleum Uganda has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk; 58.6% accepted that Hass Uganda has contingency plans in place that address the strategy for handling liquidity crises and include procedures for making up cash flow shortfalls in emergency situations and 53.4% agreed that each fuel station has an adequate system of internal controls over its liquidity risk management process to ensure effective performance.

**Budgeting and Budgetary Control on Performance of Hass Petroleum**

Study findings on objective two revealed that 62.5% of the respondents agreed that Hass Petroleum management use budgets to show how it intends to acquire, use and maintain resources to achieve the long-range goals to ensure effective performance; 59.1% agreed that budgets implemented force the management to consider the future of the company; 61.4% approved that budget assigns the responsibilities to all station managers on the use of designated financial resources to achieve the assigned operational objectives; 65.9% decided that budget supports station manager's efforts to monitor operations, identify variances and enact corrective action if necessary and 63.6% also revealed that budgetary control eliminates misuse of Hass’ finances to ensure performance.

Findings on second objective further presents that 75% of the respondents generally agreed that plans and actions taken are reflected in budgetary control system to ensure effective performance in all Petrol Stations; 56.7% agreed that all departments of Hass Petroleum Uganda departments take part in budget preparation; 66% agreed that budgeting and budgetary control provides management with a guide of daily activities of Hass Petrol Stations, this has helped the company to determine performance and efficiency of each department, thereby leading to improvement; 65.9% also revealed that effective budgeting and budgetary control improves allocation of resources and 61.3% agreed that budgetary control has helped Hass management to plan and coordinate between departments in decision-making, operation monitoring and motivating individuals to achieve business objectives.

**Working Capital Management on Performance of Hass Petroleum Uganda**

Study findings on objective three presented 68.2% agreed that Hass comply with working capital management (WCM) policies and procedures to ensure performance; 63.6% agreed that effective WCM system helps Hass to cover its financial obligations; 54.5% revealed that Hass Petroleum (U), proper WCM system helps to boost earnings and 65.5% said that managing working capital means managing inventories, cash, accounts payable and accounts receivable are managed well at Hass Stations to ensure performance.

Result of findings on third objective indicated that 47.7% of the respondents were in disagreement that there is insufficient working capital to support the level of business activities; 54.6% agreed that the Covid-19 pandemic has raised significant working capital (WC) challenges and uncertainties for Hass Petroleum Uganda; 59.1% asserts that employees at Hass have noticed that high level of working capital improves liquidity, operational efficiency  and increased profits; 56.8% agreed that managing working capital effectively is a top priority for Chief Financial Officer (CFO) at Hass Petroleum Uganda; 61.3% stated that that proper working capital management improves liquidity to ensure performance and 63.7% revealed that optimum use of working capital management evades some future hindrances in Hass Petroleum operations.

# Conclusions

From the results of data analysis this study draws the following conclusions;

**LM Practices on Performance of Hass Petroleum Uganda**

The study concluded that liquidity management practices plays dynamic role in determining the effectiveness of the business. The management of Hass Petroleum Uganda should pay close attention to its liquidity position by putting in place policies for efficient management of its current assets, especially inventory, accounts receivable and cash to reduce the incidence of excess liquidity in the last two years.

**Budgeting and budgetary controls on performance of Hass Petroleum (U)**

The study concluded that the budgeting process and budgetary controls are integral part of the sound financial management of Hass Petroleum Uganda. Adequately planning and managing the entity's resources play important roles as the movement for greater accountability expands in importance. Sound budgeting techniques, such as site-based budgeting, are being emphasized as fuel and gas administrators and funding agencies require a heightened level of justification for annual expenditures and decentralized decision making. However, regardless of which budgeting technique is adopted, some benefits of preparing and managing a budget remain the same; greater control and accountability over financial resources as well as the demonstration that administrators are actively planning for future needs.

**Working Capital Management on Performance of Hass Petroleum Uganda**

Lastly, the study concluded that working capital management which was measured by the compliance of WCM policies and procedures, account receivables period, and accounts payable period, among others have a statistically significant and positive correlation (r=0.887, P<0.000) with the performance of Hass Petroleum Uganda. Specifically, Hass has to maintain an optimal level of working capital in their operations. For instance, to attain a high volume of sales, they need to provide extended credit terms for their fuel customers, and to secure their potential payment they need to extend their payment periods by dealing with their big companies who take credits.

# Recommendations

In light of the study findings, the following recommendations were made;

The study recommended that petroleum companies should adopt a general framework for liquidity management to assure a sufficient liquidity for executing their works efficiently, and there is a need to make an analytical study of the liquidity evolution rates to assess the petroleum companies’ ability to achieve a balance between sources and uses of funds.

The study recommends that there is a need to invest the excess of liquidity available at the petroleum companies, in a various aspects of investments in order to increase the company’s’ profitability and to get benefits from the time value of the available money.

The study recommended that oil and gas managers should be forward looking, and focus on operational efficiency of the petroleum industry since past trends do not seem to be effective in the face of liquidity crisis. Petroleum companies should adopt optimum liquidity model for maximum return on investment, survival, stability, growth and development of petroleum industry in Uganda.

The study recommended that high technical or skilled personnel should be employed to man the activities of the budget department if the objectives of the Hass Petroleum Uganda are to be effectively implemented. There should also be strict adherence to the implementation of the budget proposal. Resource availability should be accorded a high priority to render the budgetary control process a successful exercise.

The study also recommends that by obtaining a consistently high level of working capital, fuel and gas companies should ensure that adequate cash levels are available for any potential upcoming opportunities or unanticipated scenarios. This gives these companies more flexibility over how they run their operations, which enables them to fulfill customer orders, expand and invest in new products at a faster rate.

Lastly, the study recommends that working capital management is particularly important since it is an accurate barometer for assessing the long-term financial health of a business and petroleum companies should ensure that adequate cash flow is always maintained to meet its short-term commitments. In times of uncertainties, having such financial protection is vitally important. Managing working capital effectively should therefore be a top priority for Chief Financial Officers (CFOs).

# Areas of further Research

The current study focused on the Financial Management Practices and Performance in Petroleum Industry, focusing on Hass Petroleum Uganda. It would be interesting to conduct a study on the determinants of financial management and their implications on performance; this will shed more light on the appropriate model to choose when implementing better financial management practices enhance performance.

1. Working Capital Management and Profitability
2. Liquidity Management and Financial performance.
3. Budgetary Control and Organizational Performance.

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# APPENDIX I

# SELF ADMINISTERED QUESTIONNAIRE

**Dear respondent,**

**RE: REQUEST TO COMPLETE THE QUESTIONNAIRE BELOW**

I am **Said Jama Yusuf**, a student of Nkumba University in Entebbe Uganda doing a Master’s Degree in Business Administration (MBA). According to the National Education Policy for Higher Institutions in Uganda, I am supposed to do research before I can be allowed to graduate. This is to request you to kindly complete the attached questionnaire. There is no right or wrong answer. You just need to indicate how much you agree or disagree with each item by marking the answer that best represents your views on every statement. Please answer all the items on the questionnaire.

I am therefore conducting research on the topic, “Financial Management Practices and Organizational Performance in Petroleum Industry in Uganda”. A case study of Hass Petroleum Uganda.

The information you provide will be used anonymously and for academic purposes only.

Thank you very much for accepting to complete the attached questionnaire.

**……………………………………………….**

**Said Jama Yusuf**

**Candidate**

**SECTION A: RESPONDENTS’ PERSONAL VARIABLES**

|  |
| --- |
| Tick/ fill against the alternative you most agree with |
| 1. | What is your gender? |  Male Female |
| 2. | In which age bracket do you belong? | 1. 20-30 2. 31-40 3. 41-50 4. 51+ |
| 4 | Your highest education level attained | 1. Certificate 2. Diploma3. Bachelors 4. Masters5. Others Specify………………………..  |
| 4.  | Designation in Hass Petrol Station | 1. Administration2. Procurement3. Finance and Accounting4. Human Resource5. Budgeting |
| 5. | For how long have you served in Hass Petrol Station  | 1-2 years 3-5 years 6-8 years 9 and above  |

*For each of the statements in the subsequent sections B, C and D, indicate your level of agreement by ticking one of the given statements using the following five-point scale:* ***Strongly disagree (1), Disagree (2), Not sure (3), Agree (4), Strongly agree (5)***

**SECTION B: TO ESTABLISH HOW LIQUIDITY MANAGEMENT PRACTICES ADVANCES PERFORMANCE OF THE SELECTED HASS PETROLEUM STATIONS.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement**  | **1** | **2** | **3** | **4** | **5** |
| 1. | Hass Petroleum Uganda has liquidity management policies and procedures in place.  |  |  |  |  |  |
| 2. | Hass complies with liquidity management practices implemented. |  |  |  |  |  |
| 3. | Hass has a single cash and flow management solution which the entire business and its departments follow. |  |  |  |  |  |
| 4. | Hass has improved c**ash forecasting to enhance liquidity Management to ensure effective performance.** |  |  |  |  |  |
| 5. | **Hass Petroleum Uganda focus on receivables and payables to enhance the cash position to guarantee performance.** |  |  |  |  |  |
| 6. | Each Hass Station has an agreed strategy for the day-to-day management of liquidity. |  |  |  |  |  |
| 7. | Hass Petroleum Uganda have a management structure in place to execute effectively the liquidity strategy. |  |  |  |  |  |
| 8. | Hass Petroleum Uganda has adequate information systems for measuring, monitoring, controlling and reporting liquidity risk. |  |  |  |  |  |
| 9. | Hass Petroleum Uganda has contingency plans in place that address the strategy for handling liquidity crises. |  |  |  |  |  |
| 10. | Each Hass Station has an adequate system of internal controls over its liquidity risk management process to guarantee effective performance. |  |  |  |  |  |

**SECTION C: TO EXAMINE WHETHER BUDGETING AND BUDGETARY CONTROL IMPROVES PERFORMANCE OF THE SELECTED HASS PETROLEUM STATIONS.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement**  | **1** | **2** | **3** | **4** | **5** |
| 1. | Hass Management use budgets to show how it intends to acquire, use and maintain resources to achieve the long-range goals to ensure effective performance. |  |  |  |  |  |
| 2. | Budgets implemented force the Hass Management to consider the future of the Company. |  |  |  |  |  |
| 3. | Budget assigns managers of stations the responsibility for the use of designated financial resources to achieve their assigned operational objectives. |  |  |  |  |  |
| 4. | Hass budget supports Station manager's efforts to monitor operations, identify variances and enact corrective action if necessary. |  |  |  |  |  |
| 5. | Budgetary control eliminates misuse of Hass’ finances to ensure performance. |  |  |  |  |  |
| 6 | Policy plans and actions taken are all reflected in the budgetary control system. |  |  |  |  |  |
| 7. | At Hass, all departments take part in budget preparation. |  |  |  |  |  |
| 8. | Budgeting and budgetary control provides management with a guide of daily activities of Hass Petrol Stations. |  |  |  |  |  |
| 9. | Budgeting and budgetary control improves allocation of resources. |  |  |  |  |  |
| 10. | Budgetary control has helped Hass management to plan and coordinate between departments in decision-making, operation monitoring and motivating individuals to achieve business objectives. |  |  |  |  |  |

**SECTION D: TO EXAMINE HOW WORKING CAPITAL MANAGEMENT IMPROVES PERFORMANCE OF THE SELECTED HASS PETROLEUM STATIONS.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Statement**  | **1** | **2** | **3** | **4** | **5** |
| 1. | Hass Petroleum Uganda complies with working capital management policies and procedures to ensure performance. |  |  |  |  |  |
| 2. | Effective working capital management system helps Hass to cover its financial obligations.  |  |  |  |  |  |
| 3. | At Hass Stations, proper working capital management system helps to boost earnings. |  |  |  |  |  |
| 4. | Inventories, cash, accounts payable and accounts receivable are managed well at Hass Stations to ensure performance. |  |  |  |  |  |
| 5. | There is insufficient working capital to support the level of business activities. |  |  |  |  |  |
| 6. | The Covid-19 pandemic has raised significant working capital challenges and uncertainties for Hass Stations. |  |  |  |  |  |
| 7. | Employees at Hass Petroleum Uganda have noticed that high level of working capital improves liquidity, operational efficiency and increased profits. |  |  |  |  |  |
| 8. | Managing working capital effectively is a top priority for CFO at Hass Petroleum. |  |  |  |  |  |
| 9. | Proper working capital management improves liquidity to ensure performance. |  |  |  |  |  |
| 10. | Optimum use of working capital management evades some future hindrances in Hass operations.  |  |  |  |  |  |

**Section E: Performance**

1. How does proper liquidity management, working capital management and budgeting and budgetary control maximise profitability of Hass Petrol Stations?

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. How do appropriate liquidity management, working capital management and budgeting and budgetary control increase customers of Hass Petrol Stations?

..……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. Do effective liquidity management, working capital management; budgeting and budgetary control improve suitable utilization of finances in Hass Petrol Stations?

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. How do apposite liquidity management, working capital management and budgeting and budgetary control increase levels of Customer Services at Hass Petrol Stations?

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

# APPENDIX II

# INTERVIEW GUIDE

1. Do you understand the term liquidity, working capital, budgeting and budgetary control?
2. How can you advise Hass Petroleum Uganda on the best practices that can be adopted in order to improve its liquidity?
3. In your own opinion, how does apt working capital management improve performance in all sectors of your station?
4. How do proper budgeting and budgetary control enhance services of the station to ensure performance?
5. What are other financial management practices applied by Hass Petrol Station to ensure effective performance in all departments?

***Thanks for the time and cooperation***