

INFLUENCE OF WORKING CAPITAL MANAGEMENT IN ORGANIZATION
PERFORMANCE: A CASE STUDY OF ZANZIBAR SOCIAL SECURITY FUND
(ZSSF)

By

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A Dissertation Report Submitted to the School of Business in Fulfillment of the
requirements of Mzumbe University's Masters Degree in Accounting and Finance

(Msc AF)

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled, Influence of working capital in organization performance; A case study of Zanzibar Social Security Fund (ZSSF), in partial/fulfillment of the requirements for award of the degree of Masters of Science in Accounting and Finance (MSc A&F) of Mzumbe University.

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ACKNOWLEDGEMENT

My first and foremost thanks go to the Almighty God for giving me the health, strength and courage to pursue my studies and conducting this research study.

I am deeply indebted to the Office of the Controller and Auditor General Zanzibar (OCAGZ) offering me a chance to have higher education during this particular time. Special thanks should go to OCAGZ staff. I am proud to say that they have influenced and encouraged me to join the course.

I also thank my parents for supporting me morally and spiritually during the whole period of my studies and during the research study. Their encouragement, advice and support enabled me to put in effort which enabled me to conclude the study successfully.

My sincere gratitude goes to my Supervisor, Mr. Rocky Alex who guided me from proposal writing to the final report. His criticism, invaluable patience, intellectual guidance and support helped me not only to accomplish this study, but also to come up with the expected standards. Sincerely, he deserves all kinds of credits.

It is completely impossible for me to acknowledge individuals on the help that I have received in articulating the ideas presented here. My lecturers, my professional colleagues – past and present, and many close friends in Mzumbe who have encouraged, criticized, and inspired me to reach where I am now. However, I cannot hold them responsible for what is in this volume, but they taught me most of what I now believe I know about Accounting and Finance the relevance of the former to the latter. Further my special thanks go to Mr. Sri Nivas Madishet professor of Accounting and Finance, Dr. DML Kasilo lecturer of Financial management. I also sincerely thank all ZSSF actors who took part in this study, as well as the research assistants who assisted me during the fieldwork.

DEDICATION

I dedicate this Dissertation to my beloved parents, Fatma Mwalimu Hajji and Akida Hamad Akida, my brothers Ibrahim, and Mwalimu, my four sisters Salama, Hadija, Ramla and Naima.

ABBREVIATION AND ACRONYMS

CA	Current Assets
CL	Current Liabilities
GFC	Global Financial Crisis
GEPF	Government Employees Pension Fund
ILO	International Labour Organization
LAPF	Local Authority Pension Fund
NARCO	National Ranching Company Ltd
NGO	Non Governmental Organization
NHIF	National Health Insurance Fund
NSSF	National Social Security Fund
NWC	Net Working Capital
OCAGZ	Office of the Controller and Auditor General Zanzibar
PSPF	Public Service Pension Fund
PPF	Parastatal Pension Fund
SSRA	Social Security Regulatory Authority
WCM	Working Capital Management
ZSSF	Zanzibar Social Security Fund

ABSTRACT

Working capital management has lately been a hot topic since the financial crisis of the late 2000's, Companies search for liquidity and operational efficiency through minimizing their investment in working capital. How can influence of working capital management affect organization performance? This has been studied in this thesis. Specifically, the study was set in order to meet three objectives, namely; to analyze trend of Net Working capital at Zanzibar Social Security Fund, to assess the efficiency of Net Working capital at ZSSF and to examine the contribution of net working capital to organization performance at ZSSF.

To achieve these objectives, the study used a sample of 50 respondents who were randomly selected. Data collected by use of questionnaires, interviews, observation and documentary reviews were computed and analyzed by using SPSS computer software and Excel program. Tables and figures were used to help the presentation of the findings.

The efficiency of working capital management can be determined by the working capital components such as cash, account receivables, account payables, inventories and other receivables. By testing five independent variables with organization performance by reducing cash, inventory and efficiency management of other components.

The main findings indicate that ZSSF consider working capital management an important issue, yet some challenges appeared on efficiency on the payment of monthly pensionable amount to its pensioners. It is evident that the respondents placed greater emphasis or importance on the analysis of trend of net working capital, assessing the efficiency of net working capital and contribution of net working capital to organization performance.

Some effort is made to manage cash, accounts receivable, inventory and accounts payable and other receivables independently of each other, however given the theory of working capital management; there may be room for improvement regarding the strategies, tactics and techniques used to manage these components. Furthermore, the findings suggest that working capital management is also strategic as it impact on the liquidity, solvency/bankruptcy, efficiency, profitability and shareholder wealth maximization of the business.

In light of the findings, it was recommended that ZSSF should improve the process of payments to its members and should ensure that benefits are paid timely and to the right person. Also the comparative study of the research should be conducted in order to assess the influence of working capital management on the performance of various pension funds operated in Tanzania. As part of this study a further area for research should be empirical investigations into the impact of working capital on company performance specifically in the service sector industry, and here the case study approach could be considered.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.0 Introduction

The working capital management plays an important role for success or failure of firm in business. It has direct effect on firm's performance in terms of profitability, growth, market share as well on liquidity. Proper balance should be maintained between these elements. This study would assess the influence of working capital elements when managed well on organization performance. The chapter is arranged in different sections, namely; Background of the problem, statement of the problem, research objectives, and research questions and study limitation, scope of the study and organization of the study.

1.1 Background of the Study

One of the major problems facing the firms in the world today is the maintenance of sound working capital. Working capital management is a very important component of corporate finance since it affects the profitability and liquidity of a company. It deals with current assets and current liabilities. Working capital management is recognized as an important concern of the financial manager due to many reasons. For one thing, a typical manufacturing firm's current assets account for over half of its total assets. For a distribution company, they account for even more.

The maintenance of excessive levels of current assets can easily result in a substandard return on a firm's investment. However, firms with inadequate levels of current assets may incur shortages and have difficulties in smoothly maintaining day-to-day operations (Horne and Wachowicz, 2000). Efficient working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk

of inability to meet due short term obligations on one hand and avoids excessive investment in these assets on the other hand (Eljelly, 2004).

Many exiting research papers have found that managers spend a considerable time on day-to-day working of capital decisions since current assets are short-lived investments that are continually being converted into other asset types (Rao, 1989). In the case of current liabilities, the firm is responsible for paying obligations mentioned under current liabilities on a timely basis. Liquidity for the on-going firm is reliant, rather, on the operating cash flows generated by the firm's assets (Soenen, 1993).

As a result, working capital management of a company is a very sensitive area in the field of financial management (Joshi, 1994). It involves the decisions about the amount and composition of current assets and the financing of these assets. The decision-making process on the level of different working capital components has become frequent, repetitive, and time-consuming. Corporations are looking for new ways to stimulate growth, improve financial performance, and reduce risk in today's challenging economic climate.

Funds tied up in working capital can be seen as hidden reserves that can be used to fund growth strategies, such as capital expansion. Cash flows locked in stock and receivables can be freed up by understanding the determinants of working capital. Many organizations that have earned profits over the years have shown the efficient management of working capital (WCM). The successful management of working capital is essential for short-run corporate solvency or the survival of any organization. Especially, efficient WCM would lead a firm to react quickly and appropriately to unanticipated changes in market variables, such as interest rates and raw material prices, and gain competitive advantages over its rivals.

Too often, however, this was an area that many organizations have ignored. The way of managing working capital efficiently varies from firm to firm since it depends on industry, the nature of the business, business policy, strategy, etc.

Thus, it is very important for an organization to understand the way to manage working capital efficiently.

The importance of the working capital stems from the fact that working capital level has an impact on the firm profitability and risk level that the firm can carry, which in turn has an effect on the value of the firm, (Smith, 1980). The management of working capital is considered as one of the most important strategy that the firm should take into consideration, and that firms should maintain adequate level of the working capital to meet its current obligations.

This implied that firms should not hold an excess amount of current assets because that would have an effect on its investment opportunity. In Tanzania majority of firms fail to balance working capital position. Firms should have adequate working capital to run their business operation. Both excessive as well as in adequate working capital position are dangerous from the firm point of view. Excessive working capital means holding cost and idle fund which earn no profit for the firm. Paucity of working capital not only impairs the firm profitability but also results in production interruption and inefficiencies and sales disruptions and hence affects performance of the organization.

The pension industries play an essential role in providing economic security to households across time. The sector usually channels a huge volume of savings into a wide range of financial markets, and plays a significant role in providing long-term funds to various sectors of the economy. Nevertheless, traditionally, pension funds companies have not been seen as being a significant potential source of systemic risk. Essentially, this is because they are not seen as interlinked to the same extent as banks are, for example, in the interbank markets and in the payment systems. Instead, these sectors are mostly regarded as relatively stable segments of the financial system. However, this traditional view is now being challenged, given the growing interactions between pension funds, insurers, financial markets, banks and other financial intermediaries within the financial system.

In most countries, individual pension companies might not be systemically important in terms of their size, but their interconnections with other intermediaries within and beyond borders make them play an important role for the stability of the financial systems.

For instance, the role played in the GFC by the collapse of the American International Group, Inc, (AIG) - a leading international insurance organization in the USA but serving customers in more than 130 countries – is a case in point of a significantly interconnected insurance company but with a modest corporate size.

In the same token, pension funds can as well go bankrupt just like banks, and hence become a threat to financial stability.

Generally, the ideal investment situation for pension and would be those investments that would ensure adequate liquidity at the time of contractual financial claims. However, under the current framework, most pension schemes have invested in real estate which might be potentially risky in terms of meeting timely obligations to pensioners. It is against this backdrop, that the SSRA in collaboration with the Bank of Tanzania is conducting a comprehensive actuarial valuation combined with portfolio review of the existing pension funds in order to verify, among others, the viability and soundness of the pension sector, and thereafter prescribe the way forward.

The researcher has been influenced to choose this topic on the fact that many organization put much emphasize on profit maximization and less effort in maintaining liquidity of the firm. The problem was that increasing profit at the cost of liquidity can bring serious problems of the firm. Thus strategy of the firm must be a balance between these two objectives of the firm. Because the importance of profit and liquidity are the same so one objective should not be at the cost of the other.

If we ignore about profit we cannot survive for a longer period. Conversely if we do not care about liquidity we may face the problem of insolvency. For these reasons working capital management should be given proper consideration and will ultimately affect the profitability of the firm as well as organization performance.

1.2 Statement of the Problem

Working capital management was considered to be a very important element to analyze the organizations' performance while conducting day to day operations, by which balance can be maintained between liquidity and profitability. Maintaining liquidity on daily base operation to make sure it's running and meets its commitment is a crucial part required in managing working capital. It is a difficult task for managers to make sure that the business function running in well-organized and advantageous manner. There are chances of inequality of current assets and current liability during this procedure Firm's growth and profitability will be affected if this occurs and firm manager wouldn't be able to manage it efficiently. According to Harris (2005) Working capital management is a simple and straightforward concept of ensuring the ability of the firm to fund the difference between the short term assets and short term liabilities. Nevertheless, complete mean and approach preferred to cover all its company's activities related to vendors, customer and product (Hall, 2002). Now a day working capital management has considered as the main central issues in the firms and financial managers are trying to identify the basic drivers and level of working capital management (Lamberson, 1995).

The situation of working capital management at pension fund in Tanzania brings some doubt and creates many rumors from various stakeholders of the different pension fund of Tanzania concerning about insolvency as well as bankrupted of these fund. This is due to the tendencies of excessive investment in real estate.

In general, the ideal investment situation for pension and would be those investments that would ensure adequate liquidity at the time of contractual financial claims.

However, under the current framework, most pension schemes have invested in real estate which might be potentially risky in terms of meeting timely obligations to pensioners. It is against this backdrop, that the SSRA in collaboration with the Bank of Tanzania is conducting a comprehensive actuarial valuation combined with portfolio review of the existing pension funds in order to verify, among others, the viability and soundness of the pension sector, and thereafter prescribe the way forward.

Despite the fact that ZSSF get contributions from members monthly as one of its component of current assets and put much emphasize on the investment in real estate and government securities. The problem of improper balance between liquidity objective and profitability exist. Less attention is given in maintaining sound liquidity position, Several studies have been done on the effect of working capital management. However, little is known on how working capital affects organization performance.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The main objective of this study was to identify whether the performance of firms were influenced by working capital management on Pension Fund in Tanzania.

1.3.2 Specific objectives of the study:

1. To analyze trend of Net Working capital at ZSSF.
2. To assess the efficient of Net Working capital at ZSSF
3. To examine the contribution of net working capital to organization performance of ZSSF.

1.4 Research Questions

1. What is the trend of Net Working capital at ZSSF?
2. Is ZSSF Net working capital efficient?
3. What is the contribution of net working capital to organization performance of ZSSF?

1.5 Significance of the Study

This study would among other things highlight the importance of effective use of working capital in Pension fund in Tanzania.

The study will also provide the general public with relevant information in relation to Pension Fund activities in Tanzania as well as adding to available literature in the area of Pension Fund working capital operations in Tanzania. From this study, those institutions which are seeking better ways of managing Pension fund business finances will have the opportunity to acquire such knowledge.

The study would enable the researcher to come up with the research paper (i.e. report) for the submission to The Mzumbe University as a partial fulfillment for the award of Master Degree of Accounting and Financing.

The study shades light the present problems in the Institution hence avoiding it from the possible subsequent lawful consequences. The study will enable the management to be aware on the existing situation thus taking appropriate measures on the weaknesses observed hence retaining their managing reputations.

Findings of the study will serve as the reference to the subsequent researchers on the same field. At the end of the research study, the researcher gained potential knowledge on the area of his study.

1.6 Limitation of the Study

The researcher anticipate the following constraints on her study, the researcher would face time limit, since it needs time to do multivariate study like having pilot study involve more than one Institution of which time is too short.

For this reason the researcher would decide to use case study involving only one company to enable intensive study in context of time available due to the time period available to do this research, also the wide area of concentration in the organization and the lack of the research assistance, the researcher shall be used the available environments neither too deep nor too narrow so as to get the solution.

1.7 Scope of the Study

The study would concentrate on the effect of working capital management in organization performance in ZSSF. ZSSF has two branches, the head office located in Unguja Island and another branch located in Pemba Island. The research would however focus on Unguja head office. This was mainly due to the fact that all report was finalized here and the easier of obtaining data.

1.8 Organization of the Study

Chapter one includes Introduction, background of the study, the problem statement, Research objectives, General research objectives, Specific research objectives, the significant of the study, the limitation of the study, scope of the study and Organization of the study . Chapter two is the literature review which includes Introduction, Definition of the key terms, working capital management, Working capital management an overview, Importance of working capital management, Determinant of working capital, working capital management,

Chapter three consist of Introduction, Study area, the research design, Research technique, population under study, Variable and their measurement, Sample and sampling techniques, Analytical methods, Data collection methods and types of data collected and Analytical method. Chapter four focuses on data presentation and data analysis. Chapter five is the discussion of findings and chapter six finalize with summary of findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter consists of three sub-sections; the Theoretical literature review, Empirical literature review and Conceptual Framework of this study. Many literatures has been written on the subject of working capital management, its impact, the way the working capital is managed and factors that influence working capital. To understand that factors a researcher has to find the general phenomenon of the same by studying what other scholars of working capital have explored in the world, Africa, and Tanzania in general.

Finally, the conceptual frame work has established the cause-effect relationship of indicators variables of the study.

2.2 Definition of key Terms

Working capital

Working Capital represents the amount of current assets that have not been supplied by current, short term creditors.” (Horne & Wachowicz, (2005).

“Gross working capital refers to the amount of funds invested in current assets that are employed in the business process while, Net Working Capital refers to the difference between current assets and current liabilities.” Khan & Jain,(2003).

“Working Capital is the excess of current assets that has been supplied by the long-term creditors and the stockholders,(Chandra, 2004).

“Net Working Capital is the level or amount of current assets that have been financed by long-term funds (long-term debt or capital) having Financed Fixed Assets” Kasilo (1997) .

Mathematically, Networking Capital (NWC) is the difference between the level of investment in current assets (CA) and its current liabilities (CL).

Net working capital is the difference between the current assets of a business and its current liabilities

2.3 Working capital management an Overview

The working capital meets the short-term financial requirements of a business enterprise. It is the Investment required for running day-to-day business. It is the result of the time lag between the expenditure for the purchase of raw materials and the collection for the sales of finished products.

The components of working capital are inventories, accounts to be paid to suppliers, and payments to be received from customers after sales. Financing is needed for receivables and inventories net of payables. The proportions of these components in the working capital change from time to time during the trade cycle. The working capital requirements decide the liquidity and profitability of a firm and hence affect the financing and investing decisions (Pandey, 2004).

Lesser requirement of working capital leads to less need for financing and less cost of capital and hence availability of more cash for shareholders. However the lesser working capital may lead to lost sales and thus may affect the profitability. The management of working capital by managing the proportions of the WCM components is important to the financial health of businesses from all industries.

To reduce accounts receivable, a firm may have strict collections policies and limited sales credits to its customers. This would increase cash inflow. However the strict collection policies and lesser sales credits would lead to lost sales thus reducing the profits (Pandey, 2004).

Maximizing account payables by having longer credits from the suppliers also has the chance of getting poor quality materials from supplier that would ultimately affect the profitability.

Minimizing inventory may lead to lost sales by stock-outs.

The working capital management should aim at having balanced; optimal proportions of the WCM components to achieve maximum profit and cash flow.

2.3.1 Importance of working capital

Working capital is one of the important measurements of the financial position. The words of H. G. Guttman clearly explain the importance of working capital. "*Working Capital is the life blood and nerve centre of the business.*" In the words of Walker, "A firm's profitability is determined in part by the way its working capital is managed."

The object of working capital management is to manage firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. If the firm cannot maintain a satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. Thus, need for working capital to run day-to-day business activities smoothly can't be overemphasized.

The need for maintaining an adequate working capital can hardly be questioned. Just as circulation of blood is very necessary in the human body to maintain life, the flow of funds is very necessary to maintain business. If it becomes weak, the business can hardly prosper and survive. Working capital starvation is generally credited as a major cause if not the major cause of small business failure in many developed and developing countries (Rafuse, 1996).

The success of a firm depends ultimately, on its ability to generate cash receipts in excess of disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and in particular the lack of planning cash requirements (Jarvis et al, 1996).

2.3.2 Determinants of working capital

There are no set rules or formula to determine the working capital requirements of the firms. A large number of factors influence the working capital need of the firms. All factors are of different importance and also importance change for the firm over time. Therefore, an analysis of the relevant factors should be made in order to determine the total investment in working capital. Generally the following factors influence the working capital requirements of the firm: Nature and size of the business, Seasonal fluctuations, Production policy, Taxation, Depreciation policy, Reserve policy, Dividend policy, Credit policy, Growth and expansion, Price level changes, Operating efficiency, Profit margin and profit appropriation (Pandey, 2004) .

2.4 Investment in working capital

Unlike investments in fixed assets which generate cash inflows over long periods of time, current assets have a cash-to-cash conversion cycle of less than twelve months (Cheatham, 1989). Nonetheless, an investment has to be made in current assets, and as with all investments the returns should exceed the required rate of return, otherwise the business's success will be jeopardized. Moreover, in the interests of efficiency and productivity, this investment needs to be carefully managed.

The investment in current assets should comprise the best possible combinations of cash, debtors, inventory, and prepayments, which enable the effective and efficient utilization of the investment in fixed assets. Thus the composition and structure of current assets is an important issue and is worthy of consideration (Cooper, et al. 1998, Gitman, 1997, Maness, 1994, Cheatham, 1989). *Cash and marketable securities* is the most liquid of all the current assets. Unless cash is invested, it does not earn an explicit rate of return (Weston and Brigham, 1992, Gallinger and Healey, 1987).

Marketable securities which are highly liquid, short term interest bearing government and non-government money market investments enable a return to be earned on temporarily idle money (Gitman, 1997). Even if most of the business's cash is invested in marketable securities, the rate of return will be less than the business's required rate of return because of risk and term structure considerations.

2.5 Financing Working Capital

The trade-off between risk and return which occurs in policy decisions regarding the level of investment in current assets is also significant in the policy decision on the relative amounts of finance of different maturities in the balance sheet, i.e. on the choice between short- and long-term funds to finance working capital.

To assist in the analysis of policy decisions on the financing of working capital, we can divide a company's assets into three different types: non-current assets, permanent current assets and fluctuating current assets (Cheatham 1989). *Non-current assets* are long-term assets from which a company expects to derive benefit over several periods, for example factory buildings and production machinery. *Permanent current assets* represent the core level of investment needed to sustain normal levels of business or trading activity, such as investment in inventories and investment in the average level of a company's trade receivables. *Fluctuating current assets* correspond to the variations in the level of current assets arising from normal business activity. A *matching funding policy* is one which finances fluctuating current assets with short term funds and permanent current assets and non-current assets with long-term funds.

The maturity of the funds roughly matches the maturity of the different types of assets. A *conservative funding policy* uses long-term funds to finance not only non-current assets and permanent current assets, but some fluctuating current assets as well.

As there is less reliance on short-term funding, the risk of such a policy is lower, but the higher cost of long-term finance means that profitability is reduced as well.

An *aggressive funding policy* uses short-term funds to finance not only fluctuating current assets, but some permanent current assets as well. This policy carries the greatest risk to solvency, but also offers the highest profitability and increases shareholder value.

2.6 Working capital management

Working capital management is a very important component of corporate finance because it directly affects the liquidity, profitability and growth of a business and is important to the financial health of businesses of all sizes as the amounts invested in working capital are often high in proportion to the total assets employed (Atrill, 2006).

It involves the planning and controlling of current assets and liabilities in a manner that eliminates the risk of inability to meet short-term obligations and avoid excessive investments in these assets (Lamberson, 1995). This management of short-term assets is as important as the management of long-term financial assets, since it directly contributes to the maximization of a business's profitability, liquidity and total performance. Consequently, businesses can minimize risk and improve the overall performance by understanding the role and drivers of working capital (Lamberson, 1995).

Also, as established by several researchers (Peel and Wilson, 1997; Padachi, 2006; Kotut, 2003) efficient management of working capital is pivotal to the health and performance of small firms hence their view that firms should employ the use of efficient working capital management practices as a strategy of improving their value.

The investigation on the working capital management is focused on three constructs: cash management practices, receivables management practices and inventory management practices. Cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2004).

Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross et al., 2008) and as stressed by A trill (2006), there is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold.

According to Van Horne (1977), working capital management is the administration of current assets in the name of cash, marketable securities, receivables, and inventories. Osioma (1997) described working capital management as the regulation, adjustment, and control of the balance of current assets and current liabilities of a firm such that maturing obligations are met, and the fixed assets are properly serviced.

In order to manage working capital efficiently, there must exist two elements as necessary components and desirable quantities. Osioma (1997) demonstrated that good working capital management must ensure an acceptable relationship between the different components of a firm's working capital so as to make an efficient mix, which will guarantee capital adequacy.

Thus, working capital management should make sure that the desirable quantities of each component of the working capital are available for management. However the question is "What determines the necessary components of a firm's working capital and how much of such necessary components can be regarded as adequate or desirable?"

The necessary components of an organization's working capital, basically, depend on the type of business and industry. Cash, debtors, receivables, inventories, marketable securities, and redeemable futures can be recognized as the common components of organization's working capital. However, the question is to recognize the factors that determine the adequacy of working capital based on growth, size, operating cash flow, etc. The inability to understand the determining factors and measurement of adequate amounts of working capital will lead an organization to bankruptcy.

A study by Kwame (2007) established that the setting up of a cash balance policy ensures prudent cash budgeting and investment of surplus cash. This finding agrees with the findings by Kotut (2003) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms.

The assertion by Ross et al. (2008) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance. Provision of trade credit is normally used by businesses as a marketing strategy to expand or maintain sales (Pandey, 2004).

Efficient receivables management augmented by a shortened creditor's collection period, low levels of bad debts and a sound credit policy often improves the businesses' ability to attract new customers and accordingly increase financial performance hence the need for a sound credit policy that will ensure that SSEs' value is optimized (Ross et al., 2008). Costs of cash discounts, losses of bad debts and costs of managing credit and credit collections constitute the carrying costs associated with granting a credit which increase when the amount of receivables granted are increased.

Lost sales resulting from not granting credit constitute the opportunity cost which decrease when the amounts of receivables are increased.

Firms that are efficient in receivables management should determine their optimal credit which minimizes the total costs of granting credit (Ross et al., 2008).

As observed by Michalski (2007) in his study, an increase in the level of accounts receivables in a firm increases both the net working capital and the costs of holding and managing accounts receivables and both lead to a decrease in the value of the firm.

A study by Juan and Martinez (2002) emphasized that firms can create value by reducing their number of days of accounts receivable, thus confirmed the finding of Deloof (2003) who established that the length of receivables collection period has a negative effect on a firm's performance.

Study by Sushma and Bhupesh (2007) also affirmed that, putting in place a sound credit policy ensures proper debt collection procedures and is pivotal in improving efficiency in receivables management hence the performance of firms. Efficient inventory management practices should answer the questions: how much should be ordered? And when should it be ordered? These questions relate to the problem of determining the economic order quantity and the problem can be answered by the analysis of the costs of maintaining certain levels of inventory as there are costs involved in holding too much stock and there are also costs involved in holding too little, hence the need to put in place an effective stock management system to ensure reliable sales forecasts to be used in stock ordering purposes (Atrill, 2006).

As Ross et al. (2008) observed the Economic Order Quantity model as one of the approaches of determining the optimal inventory level takes into account the inventory carrying costs, inventory shortage costs and total costs helps in the determination of the appropriate inventory levels to hold. Maintaining optimal inventory levels reduces the cost of possible interruptions or of loss of business due to the scarcity of products, reduces supply costs and protects against price fluctuations.

The inventory conversion period has a negative effect on a business's performance. For instance, shortening the inventory conversion period could increase stock out costs of inventory which results in losing sales opportunities and leads to poor performance (Deloof, 2003). Managers of firms should therefore keep their inventory to an optimum level since mismanagement of inventory will lead to tying up excess capital at the expense of profitable operations (Lazaridis and Dimitrios, 2005).

The literature on working capital management practices identifies efficiency of cash management, efficiency of receivables management and efficiency of inventory management as determinants of financial performance model. Financial performance could therefore be improved if efficiency levels of cash, receivables and inventory management practices are increased.

2.6.1 Cash management

The purpose of cash management is to determine and achieve the appropriate level and structure of cash, and marketable securities, consistent with the nature of the business's operations and objectives (Brigham, et al. 1999, Gitman, 1997, Schilling, 1996, Scherr, 1989, Cheatham, 1989).

Cash and marketable securities should be managed so as to achieve a balance between the risk of insufficient liquid or near liquid resources, and the cost of holding excessively high levels of these resources. In order to achieve and maintain this balance, which is subject to continual dynamic processes, both the motive and the appropriate level of cash needs to be established and monitored (Brigham, et al. 1999, Gitman, 1997, Phillips, 1997, Chambers and Lacey, 1994, Brigham and Gapenski, 1994, Moss and Stine, 1993, Miller, 1991, Scherr, 1989, Cheatham, 1989, Richards and Laughlin, 1980).

In order to do this a variety of activities need to be undertaken, because of the integrative nature of cash to the operation of the business. For example, since all the business's assets are paid for with cash and are converted through time back into cash activities by means of improving cash forecasts, synchronizing cash flows, using float, investing excess cash, speeding up cash receipts, and delaying cash payments.

This will have a considerable impact on the minimum level of cash necessary to maintain a particular level of liquidity. If a business improves its forecasts and arranges its affairs so that cash inflows are synchronized with cash outflows, and transaction balances can be reduced, the level of working capital can also be reduced.

If working capital is financed from debt, the reduction in the magnitude of working capital will result in lower interest payments which in turn will give rise to improved profit, greater efficiency and productivity, and enhanced return on assets and return on equity (Brigham, et al. 1999, Miller, 1991, Cheatham, 1989).

2.6.2 Accounts Receivable Management

Accounts receivable management results from credit sales. The purpose of credit sales is to stimulate sales in order to expand market share and if possible enhance production capacity efficiency. If the benefits exceed the costs of credit sales, the business's performance should be enhanced, and should be reflected in key performance criteria such as efficiency, productivity, and return on equity (Brigham, et al. 1999, Gitman, 1997, Hampton and Wagner, 1989, Scherr, 1989, Gallinger and Healey, 1987, Kallberg and Parkinson, 1984).

The management of accounts receivable is largely determined by the business's credit policy. The investment in accounts receivable, debtors, as with all investment decisions, must earn a rate of return in excess of the required rate of return.

Major risks that arise from granting credit include bad debts and debtor delinquency, because they reduce the returns from the investment in accounts receivable, and if inadequately monitored can impact severely on the business's financial performance (Brigham, et al. 1999, Gitman, 1997, Hampton and Wagner, 1989, Scherr, 1989, Gallinger and Healey, 1987, Kallberg and Parkinson, 1984).

Credit policy and collection policy have to be actively managed because they affect the timing of cash inflows, sales, profits and accounts receivable risks (Gitman, 1997, Schmidt, 1996, Chambers and Lacey, 1994, Moss and Stine, 1993, Hill and Sartoris, 1992, Gallinger and Healey, 1987, Richards and Laughlin, 1980).

Any changes in credit and collection policy have a direct impact on the average outstanding accounts receivable balance maintained relative to a business's annual sales (Moss and Stine, 1993, Richards and Laughlin, 1980).

Thus a business should take special efforts to monitor both credit granting and credit collection processes (Chang, et al. 1995, Back, 1988).

2.6.3 Inventory Management

Inventory management for purchasing, production and marketing purposes, should minimize the total costs of handling, carrying and financing inventory (Brigham, et al. 1999, Hampton and Wagner, 1989, Kallberg and Parkinson, 1984). The manner in which inventory is managed affects the level and structure of raw materials, work in progress, and finished goods needed to sustain efficient operations and sales (Brigham, et al. 1999, Scherr, 1989).

Any changes introduced by management to alter the absolute levels of inventory held or the manner in which it is ordered will have a direct impact on how working capital should be managed (Back, 1988).

Within a business, four conflicting management views concerning the appropriate investment in inventory,..is' apparent (Kallberg and Parkinson, 1984). The marketing manager desires plenty of finished goods on hand so that no customer is ever turned away or forced to wait because of lack of inventory.

Large quantities of both raw materials and work in process are preferred by production managers to ensure employees can concentrate on continuous production runs so that they can spread set up, changeover, spoilage and learning costs over longer production runs.

The purchasing agent often prefers to buy in large quantities in order to take advantage of quantity discounts, lower freight costs and other economies of scale. The finance manager has to take the above wants and needs into consideration in conjunctions with the risks and benefits when making any decisions regarding the investment in working capital and the financing of the working capital.

2.6.4 Accounts payable Management

Accounts payable, a current liability, refers to the credit, which has been extended to a business by its suppliers (Gallinger and Healey, 1987). The decision to make use of supplier credit needs should be carefully assessed in terms of alternative sources of finance, discounts (Winkler, 1996, Back 1988, Gallinger and Healey, 1987, Richards and Laughlin, 1980), credit limits, public image with respect to its credit rating, transaction costs, administrative costs, information costs, control costs, the value of the relationship with creditors, buying power of the purchasers, the credit terms, stability and general practices of suppliers, and risk factors (Brigham, et al. 1999, Payne 1993, Hill and Sartoris, 1992, Gentry, et al. 1990, Back 1988, Gallinger and Healey, 1987).

If the availability and cost of supplier credit are better than other forms and sources of finance, then supplier credit should be used. Once this decision has been taken accounts payable management will probably investigate the extent to which it can stretch accounts payable without jeopardizing its credit status with suppliers (Cheatham, 1989).

The motive for stretching accounts payable is to finance the investment in current assets from trade creditors and hence reduce the need for a level of working capital (Brigham, et al. 1999, Gitman, 1997, Back, 1988, Gallinger and Healey, 1987). Creditors may tolerate this practice as long as the business abides by the rules the creditor has established (Payne 1993).

The decision to stretch accounts payable is a function of ethical, legal and economic considerations (Brigham, et al. 1999, Hill and Sartoris, 1992). If management decides to stretch accounts payable, it must make an attempt to quantify the costs so as to determine the maximum stretching period consistent with value maximization (Gallinger and Healey, 1987). If delaying the payments is impossible, because there is the possibility of damaging the firm's future, reputation and credit standing, (Gitman, 1997) then the cash outflows need to be carefully managed.

2.7 Working capital management and profitability

To observe how working capital management can affect profitability one need to take a look at a company's cash flow. As Shin & Soenen (1998) state in their study, a longer cash conversion cycle might indicate that a company's sales are rising and that the company can compete by having lax credit policies or high inventories.

But on the contrary, a higher cash conversion cycle can actually hurt company profitability by increasing the time that cash is tied to non interest bearing account such account receivable. By shortening the cash a conversion cycle the company cash flows will have a higher net present value (NPV) because cash is received quicker.

Smith (1980) was one of the first to study the tradeoff between liquidity and profitability in working capital management. This however, can accord Shin & Soenen (1998) have a negative impact on company decisions, as a shorter cash conversion cycle can contribute to both a better liquidity and higher profitability? So instead of having to a decision between liquidity and profitability, a company must usually optimize the link between sales and finance.

One could argue that working capital management affect profitability purely by definition. As the Dupont model indicates (Brealey; Myers; Allen, 2006 pp 796), Return on asset (ROA) can be defined as:

$$ROA = \frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total assets}}$$

In this formula, net income per sales is usually called operation profit margin and sales per total asset is the asset turnover. The total asset includes fixed assets and current assets. Current assets consist of gross working capital. Thus by reducing the amount of capital invested in working capital, the company can effectively increase their asset turnover ratio which in turn will increase ROA.

2.8 The effect of WCM on liquidity

As studied by Richards and Laughlin (1980), the effect of working capital management can have a big impact on company liquidity. Many companies may have excellent future prospect and cash flows projection, but fail because of neglecting the finance of working capital. Richards and Laughlin use the cash conversion cycle as an effective measure of liquidity, as opposed to the traditional balance sheet based liquidity ratios (Such current ratio or quick ratio).

They argue that by using cash conversion cycle, attention can be directed by the company and analyst to the timing of cash inflows and outflows. They point out that the traditional measures miss out on this crucial point of liquidity analysis, where the

company cash inflow and outflows hardly ever coincide. They conclude that by using cash conversion cycle, the managing of working capital will assure that enough capital is allocated and funds are allocated properly.

2.8.1 Analysis of Liquidity position on a firm

Liquidity is a prerequisite for the very survival of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. Liquidity means the ability of an asset to be converted into cash without a significant price concession. Liquidity has two dimensions: the time required for converting the asset into cash and the certainty of the price realized.

The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short-term financial strength/solvency of a firm. It is very important for a firm to meet its current obligations as they become due. Though, liquidity analysis is better understood by cash budget and cash flow. Working Capital Analysis and fund flow statement, liquidity ratios give quick measures of liquidity. They do so by comparing cash and current assets to current obligations.

From these ratios, much insight can be obtained into the present solvency of the firm and the firm's ability to remain solvent in the event of adversity. Liquidity implies that funds are idle or they earn very little. A proper balance should be maintained between two contradictory requirements liquidity and profitability.

A firm suffers from lack of liquidity cannot meet its obligations in time, which results in poor creditworthiness, lack of creditor's confidence, closure of company due to legal tangles. If a firm keeps higher level of liquidity, the firms fund will be unnecessarily tied up in current assets, which earns nothing. Therefore, a firm should maintain proper balance between lack of liquidity and high liquidity.

For analyzing liquidity position the following ratios are normally used: Current Ratio, Quick Ratio, Cash Ratio/ Super Quick Ratio, Interval Measure Ratio, Cash flow Coverage Ratio.

2.9 Experience of working capital management in Tanzania.

The existing empirical literature on relationship between the liquidity management and organizational performance provides that there is negative correlation between the two variables; however there are few studies that have been conducted focusing on the topic, especially in Tanzania. Most of the studies are focusing on the working capital management or liquidity management without considering its impact on the organizational performance; some of the study that focus on working capital management are that of Mwapele (2006); this study investigated working capital management practices at NARCO Ltd.

The finding of the study revealed that working capital practices at NARCO were ineffective , which was the result of number of factors, including ; fear of existence due to privatization , lack of government subsidies to run its operation, failure to produce effectively due to privatization fever and also failure to cope with international financial reporting standards (IFRS) in preparation of financial statements like those of using historical costs rather than market value in valuation of company assets, this was due to lack of fund to train staffs on how to adopt new standards , to mention but few.

Therefore, the study did not link ineffective working capital management with organizational performance of the company. Some studies that put emphasis on liquidity management in relation to operation performance and corporate value are that of, Yung-Yang (2007); that reveal that there is negative relationship between the liquidity management, operational performance and corporate value in Taiwan and Japan.

In this aspect working capital management includes management of current assets such as ; cash ,account receivable and inventory, it also include short term financing. Poor management of working capital may result in ability to meet short term obligation as the fall due, inability to meet customer demands and inability to take opportunity as they arise (Hill et al, 1995).

Assad and Selemani (2007) conducted a study about the pension funds performance in Tanzania insight from comparison of the National Social Securities Fund(NSSF) and Parastatals Pension Fund(PPF). They studies the efficiency of the two largest publicly-managed pension funds in Tanzania and also analyses governance issues in terms of compliance with investment policies. The study used primary and secondary data with a comparative case study orientation.

Results indicate that the two pension funds do not comply significantly with their own asset allocation and investment policies and their portfolios of assets are heavily biased towards government securities and real estate. Results also show that the levels of administration costs for the funds were significantly high in comparison with international benchmarks. Profitability as measured by return on assets is not significantly different when the two funds are compared with each other but they are significantly lower than international benchmarks.

Nevertheless, PPF has recorded a higher return on assets although its returns are more volatile and therefore riskier. NSSF on the other hand earned a much lower return on assets but with a better diversified and therefore more prudent investment portfolio. There is thus a gape in literature which the researcher tries to fill, especially in Tanzania where there is no any research that has been conducted on the subject matter.

2.9.2 Conceptual Framework and Research Model

The study focuses on two main variables that formed the conceptual framework (Independent and dependent variable). The model variables interrelationship can be conceptualized as shown in Figure 2.1. According to Adam and Kamuzora (2008) Theoretical/Conceptual framework is a model of how one theory makes logical sense of the relationship among the several factors that have been identified as important to the problem. It is a narrative outline presentation of variables to be studied and hypothetical relationships between and among the variables. It aims at indicating the most important areas to be covered by the study. As we can't construct a house without foundation, a research work also needs foundation (Adam & Kamuzora, 2008).

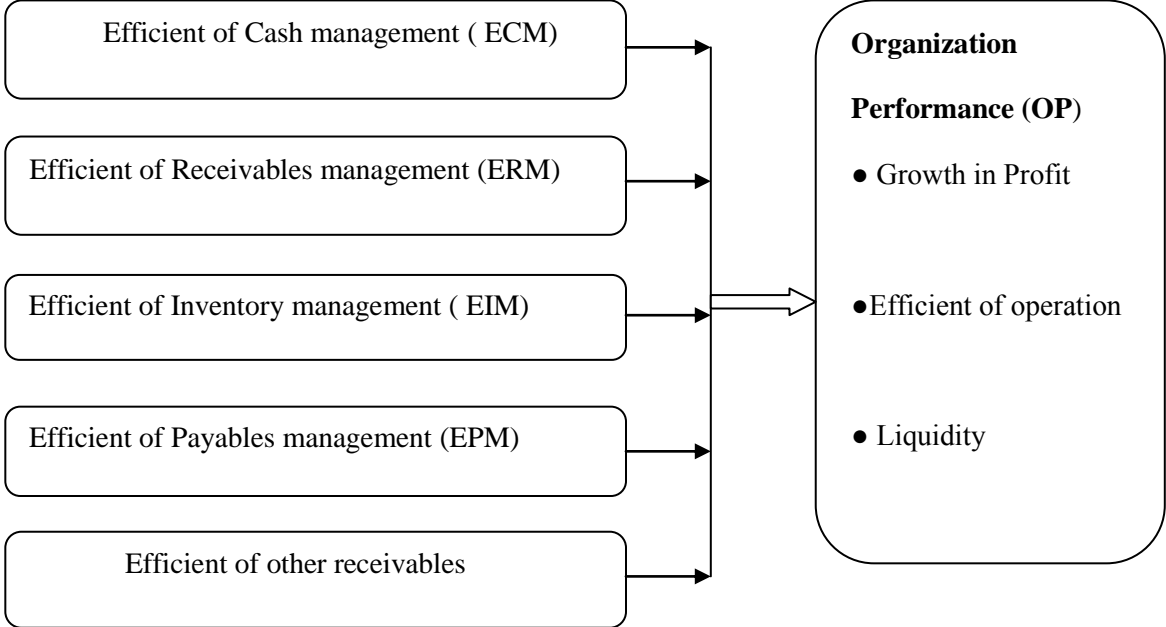
There two types of variables in this conceptual model, the dependent variable and independent variables. The dependent variable of this study was the organization performance which would be measured by growth in profit, efficiency of activity, liquidity and growth in total assets. In the other side e efficiency in cash management, efficiency in receivables management, efficiency in inventory, efficient of payable management, and efficient of other receivables, would be an independent variable.

The model hypothesizes that efficiency in working capital management practices as measured by efficiency in cash management, efficiency in receivables management, efficiency in inventory, efficient of payable management, and efficient of marketable security, has an influence on the performance of an organization.

Figure 2.1 Conceptual frame work for the Research
INDEPENDENT VARIABLES
VARIABLE

DEPENDENT

(Working Capital Management element



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology used in this study. Research design, Research techniques, study population, unit of analysis, variables and their measurement, sample size and sampling techniques, types and sources of data, data collection methods and types of data collected and data analysis methods.

3.1 Research design

According to Kothari (1993), research design is defined as the conceptual structure within which the research is conducted. Koda (2006) defined research design as arrangement of conditions for collecting and analyzing data in a manner that aims at combining the relevance of research purpose with economy in procedures.

Case study research design was employed, (according to Oso and Onen, 2008) case study is “an intensive descriptive and holistic analysis of a single entity or a bounded case”. Case study has been used since ZSSF is chosen as a representative of an institution of Pension Fund where results of the study can be replicated and applied to other Institutions of Pension Fund. Case study is also chosen because the study focused on the head office as a representative of other branch. This would involve collecting empirical data, generally from only one or a small number of cases.

It provided rich details about those cases of a predominantly qualitative and quantitative nature. The reason for utilizing this research design is that a case study generally aims to provide insights into a particular situation and often stresses the experiences and interpretations of those involved. It uses direct observation to give a complete snapshot of a case that is being studied.

It is useful when not much is known about a phenomenon (Ball, 1981). In that regard the researcher interviewed the subject to obtain background records and administer questionnaires to acquire quantifiable data on the subject. The researcher has been used the case study design, where by the answers to the research questions raised earlier should be obtained through Interviews, questionnaires, documentation, observation and normal conversation. The method would apply depending on the availability of the personnel in the organization.

3.2 Study Area

The study was carried out in the Island of Zanzibar particularly Unguja at the Head Office of ZSSF and focusing on working capital management. The researcher has been influenced in this case study because ZSSF is the only Security fund operating in Zanzibar and the researcher is a member to this fund also he is part of the society that need to be promoted in social welfare by subsisting Zanzibar worker through better planning as far as ZSSF objectives are concerned, thus why the researcher want to assess the performance of this organization.

3.3 Study Population

The population to be studied was comprised of all ZSSF employees. With regard to the nature of the topic and the activities of the Fund, inquiry will be focus on every employee of the institution whose tasks is one way or another attached with working capital management. The population would comprise Managers and some staff in Fund Service department, some staff in accounting & Finance department and some staff in Research & compliance department and clients.

3.4 Sample size and sampling technique

The sample was consisted of 50 respondents and table 3.1 indicates the sample distribution, basing on the selection creteria the Researcher shall select the Managing Director, managers from deparments, head of sections and other permanent and temporary staffs from different departments and clients. The researcher therefore has employed purposive sampling technique in selecting interviewees. Purposive sampling is where the Researcher consciously decides who to include in the sample .Thus basing in this technique the researcher decided whom to inquire.

Table 3.1 : Unit of analysis

Unit of analysis	Sample	Response (%)
Managing Directors	1	2
Managers from departments	4	8
Head of Sections	7	14
Staffs from different department	20	40
Clients	18	36
TOTAL	50	100

Source: Researcher's own compilation (2013)

3.5 Variables and their measurement

The variables for analysis were based on the components of working capital management as discussed in the literature review in chapters 2. The facets of the model were the investment in working capital, financing of working capital, cash management,

accounts receivable management, inventory management, and account payable management, factors that influence working capital, and performance measurement and analysis. Once the data for each of the above-mentioned facets had been collected, binomial variables to determine whether the respondents managed working capital according to prescriptive theory were created for these variables from the data.

As there are no acceptable scales for measuring these variables in the literature, scales were designed specifically for this study. This was achieved by denoting either "yes" or "no" indicators for each respondent to each of the above-mentioned facets based on the responses to the questions asked in the questionnaire. All the "yes" indicators were added up to form an overall score for each respondent. In this way it was possible to provide a scale for the underlying concept.

The location of the respondents on the scale was determined by setting a benchmark score. All missing responses were ignored for the purposes of analysis. The variables were measured on a 6-point Likert-style scale (always, often, sometimes, seldom, never, not applicable) and scored "yes" if their business "always" sets target levels for cash, accounts receivable, and inventory.

The variables Cash, Account receivables, Account payables, Inventory and Other receivables were measured on a 6-point Likert-style scale (always, often, sometimes, seldom, never, not applicable) and scored "yes" if their business "always" sets target levels for Cash, Account receivables, Accounts payable, Inventory and Other receivables.

The opened ended question, "How often does your organization revise the targeted level of the components of working capital?" in the questionnaire sought to obtain data to score whether the respondents *monitor factors that influence working capital*.

If the respondents provided reasons for revising working capital, then this variable scored "yes". The extent to which factors are monitored required input from the respondents, which they did by providing actual examples.

The variable *cash management* was measured through two items on an 7-point Likertstyle scale (daily, weekly, monthly, quarterly, Semiannual, annually, never). The respondents scored "no" if they never revised the targeted level of the working capital components. The variable *accounts receivable management* was measured through two items on an 7- point Likert-style scale (daily, weekly, monthly, quarterly, Semiannual, annually, never).

The respondents scored "no" if they never has targeted level and never revise the targeted level. The variable *inventory management* was measured through two items on an 7-point Likert-style scale (daily, weekly, monthly, quarterly, Semi annually, annually, never). The respondents scored "no" if they never has targeted level and never revise the targeted level. The variable *accounts payable management* was measured through two items, namely the setting of targeted level and revise the targeted level , on an 7-point Likert-style scale (daily, weekly, monthly, quarterly, Semi annually, annually, never). The respondents scored "no" if they never set the targeted level and never revise the targeted level.

3.6 Data collection methods and types of data collected

Types of data collected

The researcher had been collected both primary and secondary data.

3.6.1 Primary Data

These data was collected through; Interview that the researcher conducted, questionnaires that formulated by the researcher himself. Primary data was gathered basically through structured questionnaires and interviews with “Key informant members”.

3.6.1.1 Questionnaires

This a written list of questions that were answered by a number of people so that information could be collected from the answers, Hornby (2001). For the purpose of this research open-ended and closed-ended questions has been used. The fact that questionnaires could be answered in the absence of the researcher and hence freed respondents to express themselves without any influence from the researcher. As a result feedback follow-up and fairness could be realized. (See appendix 1)

3.6.1.2 Interview:

An interview can be described as a conversation with a purpose (Morgan, 1988 as quoted in Bogdan and Biklen, 1982). On the other hand, Hornby (1989) defines an interview as the meeting at which a researcher/reporter asks somebody questions in order to find out his or her views.

The selected respondents were asked questions in order to find out what they understand on the influence of working capital management in organization performance. The fact that this provided the possibility to compare the answers helped to inform the research further. This tool permitted the researcher to ask more complex and follow up questions which will not be possible in the questionnaires. The interview helps the researcher to take account of non verbal communications for instance attitude and behaviors of the interviewees.

3.6.1.3 Observation

This method provided the means of verifying information answered in the questionnaires and detailed understanding of values, motives and practices of the respondents. The value of observation is that it permits researchers to study people in their native environment in order to understand "things" from their perspective.

Considerable time is used up in the field and at times adopting various roles in order to gain a more comprehensive understanding of the surrounding environments. With the aid of this method this research would be able to draw comparisons among respondents from ZSSF.

3.6.2 Secondary Data

Documentary Review

Secondary data on the other hand would be gathered through review of available financial records, reviewing of journals, financial reports and documentary review.

A documentary analysis would be conducted to achieve a background understanding of the policy and practice environment within which the working capital management is performed. Relevant documents would be obtained and analyzed. The relevant documents included policy statements, financial reports, budgets, and guidelines.

The Researcher would also use a combination of structured questionnaires and interviews. According to Oso and Onen, (2008) questionnaire is a data collection technique in which the respondents respond to the number of items in writing. Questionnaires will be chosen simply because of the time limitation and partly because the Research is dealing with an elite community (respondents). Interviews are the other data collection technique used by the Researcher. They will be used as a way of supplementing the questionnaires already filled, but at the same time they will enable the Researcher probe further into the responses given in the questionnaires especially given the importance of the research and the specialized nature of the topic under study.

3.7 Analytical methods

In this study the researcher has employed both qualitative and quantitative methods. Part of the analysis was based on descriptive statistics to describe the responses, characteristics of the data and information.

The comparative figures of net working capital on yearly based was used to analyze the trend of working capital in order to show the impact on the performance measurements. The responses from the interviews were coded, summarized and entered in a computer. The data has been analyzed using Statistical Packages for Social Science (SPSS) version 16 of (2007), whereas data coded from interview guide were entered into the computer and analyzed by the Microsoft Excel software.

Tables will help the presentation of the findings. From the researchers judgment, the general decision criterion will be the mean on less than 3 equal to 50% ($3/6*100$) seldom, the mean of 3.0(50%) to 3.5(58.3%) often and 3.6(60%) to 6(100) always. The judgment is formulated from the facts of the likert scales used that is 1 Always, 2 Often ,3 Sometimes, 4 Seldom, 5 Never and 6 Not applicable .

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.0 Introduction

This chapter provides the presentation and discussion of research findings arising from the research study. It describes the response rate from the case study research, respondents' profile and finally the research findings were presented and discussed focusing the research objectives of this research study.

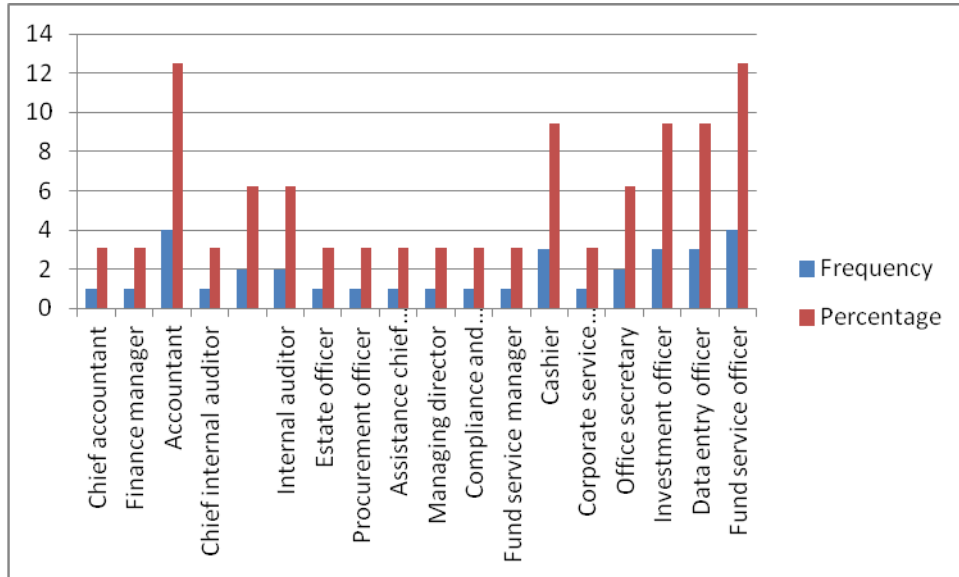
4.1 Background information on respondents

With a questionnaire as the main research tool to gather data from the respondents, the first section was intended to gather data on the background of the respondents. Frequency tables were used in analyzing the data gathered from the respondents.

4.1.2 Job types of respondents

Figure 4.1 shows the position of the respondents who completed the questionnaire. Among the respondents, 12.5% (4) were Financial Accountant, 12.5% (4) were Fund Service Officer, 9.4% (3) were Data Entry Officers and 9.4% (3) were Investment Officers and 9.4(3) were Cashier. Only 6.2% (2) were Estate Officer and 6.2% (2) were Internal Auditor, 6.2% (2) Office Secretary. Finance Manager, 3.1% (1) Chief Accountant, 3.1% (1), Chief Internal Auditor, 3.1% (1) Procurement Officer, 3.1% (1) Assistance Chief Accountant, 3.1% (1) Managing Director, 3.1% (1) Compliance and Research Manager, and 3.1% (1) Fund service Manager and 3.1% (1) Corporate service officer. The finding revealed that all respondents know about working capital management. See in appendix

Figure 4.1 Position of respondents



Source: from the field data (2013)

4.1.3 Number of Year of Working Experience

The number of years work experience ranged from 0-5 years was 31.2% (10) and 6-10 years was 46% (15), 11-15 years was 18.8% (6) while 16-20 was 3.1% (1). In this case, the study revealed that majority o the respondents have experience of three years and above, while the shortest experience was two years. Table 4.1 summaries below

Table 4.2 Number of years of working experience

	Frequency	Percent (%)	Valid Percent (%)
0-5 years	10	31.2	31.2
6-10 years	15	46.9	46.9
11-15 years	6	18.8	18.8
16-20 years	1	3.1	3.1
Total	32	100.0	100.0

Source: from the field data (2013)

4.1.4 Formal qualification of the Respondents

Apart from three respondents which accommodate (9.4%), all the respondents were university graduates, those with the Bachelor degree were (19) 59.4% of the responses and, the Masters degree were (5) 15.6% of the responses and the Postgraduate diploma were 5 (15.6). It is clearly from the data that most of the respondents have good academic qualification in their designation. The table 4.2 below shows that information

Table 4.2 Formal qualifications of respondents

	frequency	percent (%)	valid percent(%)
diploma	3	9.4	9.4
degree	19	59.4	59.4
master degree	5	15.6	15.6
post graduate diploma	5	15.6	15.6
total	32	100.0	100.0

Source: from the field data (2013)

4.1.5 Respondents Membership of professional associations

A total of 29 (90.6%) of the respondents does not held a membership of professional association, 2 (6.2%) were held Certified of public Accountant and 1 (3.1%) held Chartered Accountant qualification as it was shown by the table below. It has been revealed that most of the respondents especially accountants and auditors have little professional qualification. Table 4.3 depict the summary

Table 4.3 Respondents membership of professional associations

	Frequency	Percent (%)	Valid Percent (%)
None	29	90.6	90.6
CPA	2	6.2	6.2
ACCA	1	3.1	3.1
Total	32	100.0	100.0

Source: from the field data (2013)

4.2 Presentation of research findings according to research objectives

The following are the specific research objectives which made the research to be carried out. The objectives were three and are highlighted and discussed in accordance with the main objective which is to identify whether the performance of firms are influenced by working capital management on Pension Fund in Tanzania as follows:

1. To analyze trend of Net Working capital at ZSSF.
2. To assess the efficient of Net Working capital at ZSSF
3. To examine the contribution of net working capital to organization performance of ZSSF.

4.3 Trend of Net Working capital at ZSSF

The first objective of this study was to analyze trend of net working capital at ZSSF. The researcher used term net working capital to mean all components of current assets such as cash, inventory, account receivable and other receivables minus components of current liabilities such as account payables and other payables. Therefore, the answers of this objective are presented under the main items as follows: Setting of the organization targeted level of the components of working capital, revising the targeted level of the components of working capital, targeted level sufficient to carry organization objectives, ZSSF achieve the targeted level of the component of working capital.

4.3.1 Setting of the organization targeted level

Table 4.4 presents the frequency and percentages with which cash, accounts receivable, and inventory target levels are set by 32 respondents. If "always" is interpreted to mean that target levels are set, with intent, probably because it is policy or practice to do so, then with regards to cash 58.3% set target levels.

In the case of accounts receivable, a significant 22 (68%) of respondents "always" set accounts receivable target levels, whereas 50% "always" set target levels for inventory. This data indicates that always cash, account receivables, account payables and inventories targeted level are sated. However for the case of other receivables it was often organization concerned setting targeted level. The decision criterion set by the researcher is the mean of 3.0 to show that ZSSF set the targeted level of working capital components. The findings shows that more than 50% targeted level are sated always by the organization see table 4.4 below;

Table 4.4 Setting of the organization targeted level

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories		Other receivables	
	No.	%	No.	%	No.	%	No.	%	No.	%
Always	30	98.8	22	68.8	22	68.8	18	56.2	13	40.6
Often	2	6.2	5	15.6	5	15.6	13	40.6	16	50
Sometimes			5	15.6	5	15.6	1	3.1	3	9.4
Seldom	-		-		-		-		-	
Never	-		-		-		-		-	
Not applicable	-		-		-		-		-	
TOTAL	32	100	32	100	32	100	32	100	32	100

Source: from the field data (2013)

4.3.2 Revising the targeted level of the components of working capital

Table 4.5 revising the targeted level of the components of working capital

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories		Other receivables	
	No.	%	No.	%	No.	%	No.	%	No.	%
Daily	13	40.6	2	6.2	2	6.2	2	6.2	2	6.2
Weekly	3	9.4	12	37.5	3	9.4	1	3.1	3	9.4
Monthly	16	50	18	56.2	18	56.2	17	53.1	9	28.1
Quarterly	-		-		9	28.1	9	28.1	-	
Semi annually	-		-		-		-		-	
Annually	-		-		-		3	9.4	18	56.2

TOTAL	32	100	32	100	32	100	32	100	32	100
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Source: from the field data (2013)

Table 4.5 presents the results of the time intervals over which the target levels for cash, accounts receivables, inventory, accounts payables and other receivables are revised. The results show that cash is monitored on a daily basis by 40.6% (13/32) of the respondents. The most common time interval that target levels for working capital are revised is monthly.

From Table 4.6 it is clear that the majority of respondents: 16 (50%) of responses for cash, 18 (56.2%) of responses for accounts receivable, 17 (53.1%) of responses for inventory, and 18 (56.2%) for accounts payable, monitor factors that influence working capital, as evidenced by their revisions of their target levels.

The main factors that influence working capital cited by some of the respondents who completed the open-ended question, "What are the main reasons for revising the target levels of the above-mentioned components of working capital?" in the questionnaire, included: internal performance reasons; not meeting targets; when actual results differ from expectations; a changing credit environment; investment and business requirements; business and economic conditions; organizational needs and direction; competitive market; liquidity; seasonal influences; collections history; seasonal influences; expansion; and change in short-term funding deficit. From these reasons it is evident that both internal and external factors are monitored and incorporated by the respondents into the management of working capital.

4.3.3 Targeted level sufficient to carry Organization objectives

Table 4.6 Targeted level sufficient to carry organization objectives

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories	
	No.	%	No.	%	No.	%	No.	%
Always	17	53.1	8	25	17	53.1	3	9.4
Often	11	34.4	14	43.8	15	46.9	21	65.6
Sometimes	1	3.1	2	6.2	-		2	6.2
Seldom	3	9.4	8	25	-		6	18.8
Never	-		-		-		-	
Not applicable	-		-		-		-	
TOTAL	32	100	32	100	32	100	32	100

Source: from the field data (2013)

Table 4.6 presents the frequencies and percentages of which cash, account receivables, account payables and Inventory targeted level sufficient to carry organization objectives. A sample of 32 respondents were obtained, the results show that all the respondents that completed this question indicated that the targeted level sufficient to carry organization objectives , although with varying frequency, in the case of Cash as sufficient to carry organization objectives 17 (53.1%) of the respondent said “ Always” targeted level sufficient to carry organization objectives, whereas 14 (43.8%) of respondents said “ Often” account receivable targeted level sufficient to carry organization objectives. A total of 17 (53.1%) of the respondents said “Always” account payable targeted level sufficient to carry organization objectives and 21 (65.6%) of the respondents said“Often” Inventories targeted level sufficient to carry organization objectives.

In general when the descriptive analysis was conducted the findings show Cash, Account payables and Inventories has a mean of 3 meaning that targeted level sufficient to carry organization objectives, and for the case of account receivables the mean of less than 3 meaning that targeted level is not sufficient to carry organization objectives as it does not meets the minimum criterion set by the researcher.

4.3.4 ZSSF achieve the targeted level

Table 4.7 Achievement of the targeted level

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories	
	No.	%	No.	%	No.	%	No.	%
Always	9	28.1	8	25	6	18.8	2	6.2
Often	23	71.9	12	37.5	15	46.9	21	65.6
Sometimes	-		12	37.5	11	34.4	9	28.1
Seldom	-		-		-		-	
Never	-		-		-		-	
Not applicable	-		-		-		-	
TOTAL	32	100	32	100	32	100	32	100

Source: from the field data (2013)

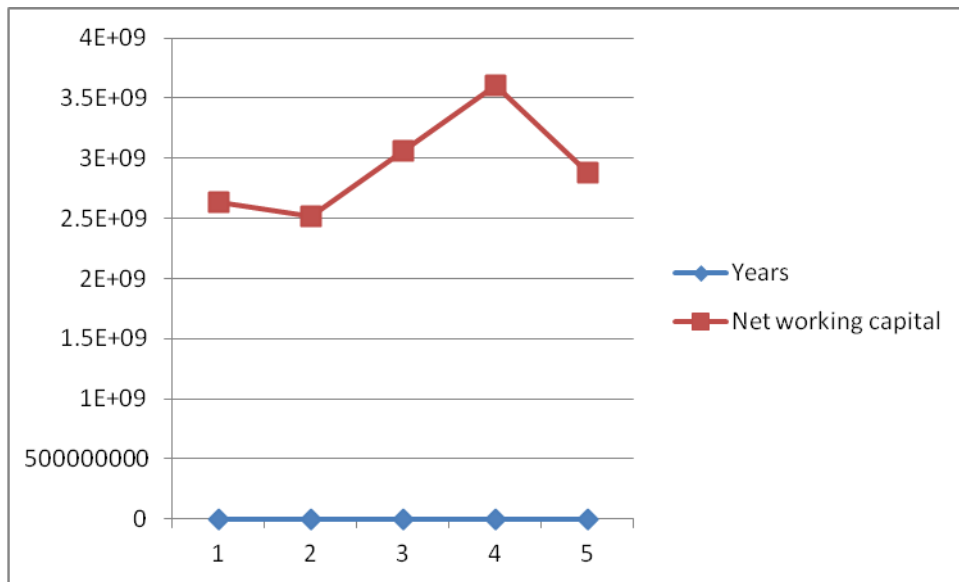
Table 4.8 presents the frequencies and percentages of which Cash, Account receivables, Account payables and Inventory targeted level achieved by ZSSF. A sample of 32 respondents were obtained, the results show that all the respondents that completed this question indicated that the targeted level achieved by ZSSF, although with varying frequency, in the case of Cash as achieve the targeted level 53.1% of the respondent said “ Always” targeted level achieved, whereas 43.8% of respondents said “ Often” account receivable targeted level achieved.

A total of 53.1% of the respondents said “Always” account payable targeted level achieved and 65.6% of the respondents said “Often” Inventories targeted level achieved. From these data it has been revealed that cash, account receivables, account payables and inventory targeted level achieved and gives details as to how they measured or assess performance in terms of liquidity, efficiency, solvency, profitability and shareholders wealth.

Table 4.8 Trend of net working capital at ZSSF from 2008-2012 Amount in “000000”

Net working capital	2637.11	2517.41	3062.11	3604.78	2880.66
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Figure 4.2



Source: Documentary review (2013)

The findings shown in the table and figure above show that the net working capital of ZSSF from year 2008- 2012 was positive figures which indicated that ZSSF was liquidity enough to cover its day to obligations when they fall due , hence prove its good performance in terms of liquidity.

4.4 Efficient of Net working capital at ZSS

The second objective of this study was to assess the efficient of net working at Zanzibar Social Security Fund. Therefore, the answers of this objective are presented under the main items as follows: Rank the cost used to manage working capital components, rank the benefit achieved by ZSSF and ranking the management of working capital components.

4.4.1 Rank the cost that used to manage working capital components at ZSSF

Table 4.9 Cost used to manage WC components

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories		Other receivables	
	No.	%	No.	%	No.	%	No.	%	No.	%
Very fair	17	53.1	8	25	5	15.6	3	9.4	3	9.4
Fair	11	34.4	17	53.1	27	84.4	25	78.1	20	62.5
Little fair	4	12.5	7	21.9	-	-	-	-	9	28.1
Unfair	-	-	-	-	-	-	-	-	-	-
Very unfair	-	-	-	-	-	-	-	-	-	-
TOTAL	32	100	32	100	32	100	32	100	32	100

Source: from the field data (2013)

Table 4.9 presents the results of the number and percentages of a sample of 32 respondents that confirm on how the companies rank the costs used to manage the components of working capital.

If the responses were "Very fair" or "Fair" for the proposal " the organization is efficient enough in managing cash, inventory, accounts receivable, and accounts payable", and "Very unfair " or "Unfair" for the statements:

The result show that in the case of cash 17 (53.1%) of respondents said “Very fair” to mean ZSSF is very fair in ranking the cost used to manage the component of working capital. And 17 (53.1%) of the respondents said “Fair” for the case of account receivables and also 27 (84.4%) of the respondents said account payable is “Fair”, on the other hand inventory 25 (78.1%) of the respondent said “Fair” It is clear from the results that although more than 53.1% "Very fair" and "Fair" that the organization is efficient enough in managing the cost of there cash, inventory, accounts receivable, and accounts payable. Although the literature clearly states that accounts receivable, inventory and accounts payable should not only be managed at the component level but also at the aggregate level (cash conversion cycle).

4.4.2 Rank the benefits achieved by ZSSF

Table 4.10 Benefit achieved by ZSSF

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories	
	No.	%	No.	%	No.	%	No.	%
Very fair	16	50	8	25	5	15.6	3	9.4
Fair	12	37.5	19	59.4	21	65.6	18	56.2
Little fair	4	12.5	5	15.9	6	18.8	11	34.4
Unfair	-		-		-		-	
Very unfair	-		-		-		-	
TOTAL	32	100	32	100	32	100	32	100

Source: from the field data (2013)

Table 4.10 presents the results of the number and percentages of a sample of 32 respondents that confirm on how the companies rank the benefit achieved by managing the components of working capital. If the responses were "Very fair" or "Fair" for the proposal " the organization is efficient enough in managing the benefit obtained due to cash, inventory, accounts receivable, and accounts payable", and "Very unfair " or "Unfair" for the statements: The result show that in the case of cash 16 (50%) of respondents said “Very fair” to mean ZSSF is very fair in ranking the benefit achieved due to good management of the component of working capital. And 19 (59.4%) of the respondents said “Fair” for the case of account receivables and also 21 (65.6%) of the respondents said account payable is “Fair” and for the case of inventory 18 (56.2%) of the respondent said “Fair” It is clear from the results that although more than 50% "Very fair" and "Fair" that the organization is efficient enough in managing the benefit obtained due to cash, inventory, accounts receivable, and accounts payable.

4.4.3 Rank the management of working capital in general

Table 4.11 Management working capital in general

Frequencies of setting targeted level	Cash		Account receivables		Account payables		Inventories	
	No.	%	No.	%	No.	%	No.	%
Excellent	17	53.1	8	25	5	15.6	3	9.4
Very good	11	34.4	24	75	18	56.2	16	50
Good	4	12.5	-	-	6	18.8	9	28.1
Poor	-	-	-	-	-	-	4	12.5
Very poor	-	-	-	-	-	-	-	-
TOTAL	32	100	32	100	32	100	32	100

Source: from the field data (2013)

This variable was intended to test on how ZSSF rank the management of working capital components in general. If the responses were "Excellent" or "Good" for the proposal "there is a good management of cash, inventory, accounts receivable, and accounts payable", and "Very poor " or "Poor" for the statements: The result show that in the case of cash 17 (53.1%) of respondents said “Excellent” to mean ZSSF is very well in ranking the management of component of working capital due to good management of the component of working capital. And 24 (75%) of the respondents said “Very good” for the case of account receivables and also 18 (56.2%) of the respondents said account payable is “Good” and for the case of inventory 16 (50%) of the respondent said “Good” It is clear from the results that although more than 50% "Excellent" and "Good" that there is a good management of cash, inventory, accounts receivable, and accounts payable.

4.5 Contribution of net working capital.

The third objective of this study was to examine the contribution o net working capital to organization performance of ZSSF. Therefore the answers of this objective are presented under the main items as follows: Proper management of working capital, delaying in collections from member

4.5.1 Proper management of working capital

Table 4.12 Proper management of working capital

Category	Frequency	Percentage (%)	Cum percent(%)
Yes	32	100%	100%
No	-	-	100%
I don't know	-	-	100%
Total	32	100%	100%

Source: from the field data (2013)

Table 4.13 presents the results by frequency and percent of the extent to which proper management of working capital influence the performance of the organization. Performance is measured and analyzed as part of the working capital management process. A sample of 32 respondents were obtained, the results show that all the respondents 100% that completed this question said “ Yes” indicated that proper management of working capital influence the performance of the organization.

Table 4.14 shows the extent of delaying in collections from members if affect the performance of the organization, a sample of 32 respondents were obtained, the results show that all the respondents that completed this question indicated that 3 (9.4%) little extent, 9 (28.1%) moderate extent and 20 (62.5%) very large extent.

4.5.2 Delaying in collections from members

Table 4.13 Delaying in collection from members

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Little extent	3	9.4	9.4	9.4
Moderate extent	9	28.1	28.1	37.5
Very large extent	20	62.5	62.5	100.0
Total	32	100.0	100.0	

Source: from the field data (2013)

Interview were also conducted by the researcher concerning about the criteria used to measure and analyze the performance of the ZSSF.

The question was raised by the researcher on what criteria is used to measure and analyze the performance of the organization in terms of liquidity, solvency/bankruptcy, efficiency, profitability, and shareholder wealth maximization. Out of 10 respondents who were interviewed 60% of them responded that, performance is taken seriously, by examining financial statements and cash flows are some of the criteria used to assess whether the company has adequate working capital, is able to meet current commitments, is overtrading, has appropriate levels of inventory and accounts receivable. However, in order to acquire more information on that question, through interview, the researcher asked senior officials from ZSSF which were 40% out of 10 respondents, they replied that: “..... normally on the financing side budgets play a role to assess whether the company concerned is over reliant on cash ,accounts payable, account receivables, inventory and other receivables”.

Some of the measures used by the respondents to measure liquidity include the actual results, weekly and monthly cash flows, current ratio, hold sufficient funds to meet commitments, security ratios, legislative requirements, cost of short term loans, quick ratio, overdue debtors monitoring, return on short term investments, budget and forecast.

The solvency/ bankruptcy measures cited by the respondents included, actual results, current ratio, forecasts, budgets, audit report monitoring levels of short term debt on a monthly basis, quick ratio, security ratios, inventory cover to cash requirements ratio, and debtors cover to cash requirements ratio. The efficiency ratios the respondents mentioned included actual results, asset turnover ratios, inventory turnover, budgets and forecasts, aging creditors, average payable days, return on capital, average debtor days, debtor collection, and earnings before interest and tax.

Profitability is measured by the respondents by means of actual results, cash flows, cost of capital, interest income, monitoring forecasting costs, net profit after tax excess over previous year excluding abnormal items all other things being equal, budgets and forecasts, and debt interest costs.

Tests reported by the respondents for adequate working capital include current and quick ratios, examining financial statements and cash flows. To test whether the companies are able to meet current commitments examining financial statements, liability management and liquidity ratios were commonly reported. Overtrading was reported by the respondents to be tested by examining the cash flows and debtor days.

In order to determine whether a company had an appropriate investment in inventory the respondents reported the examination of their financial statements and cash flows, stock turn ratios. Tests performed by the respondents for the investment in accounts receivable included, debtor days, debtor's turnover, determine the creditworthiness of customers, examining financial statements and cash flows and monitoring collections.

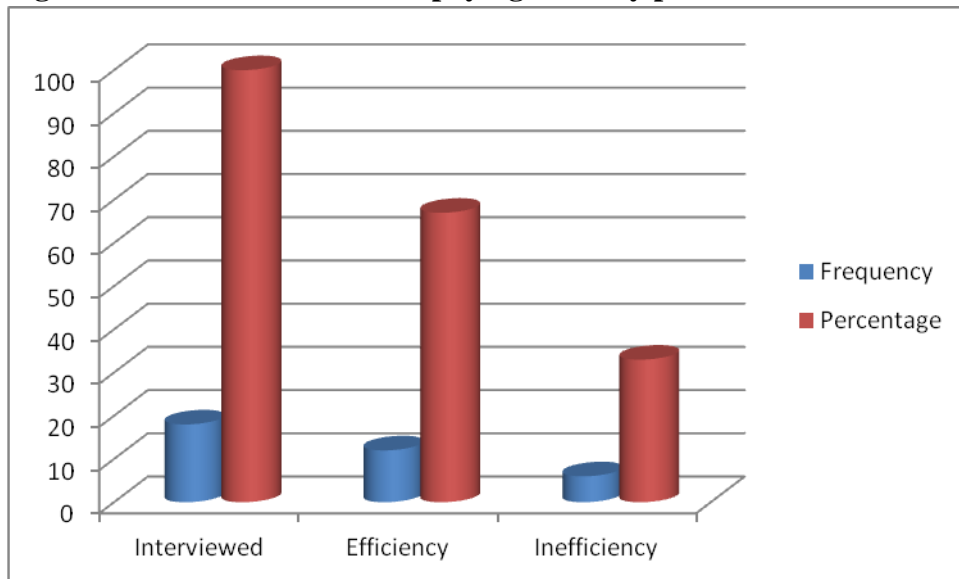
Respondents maintained that they tested for over reliance on accounts payable by assessing the accounts payable deferral and current ratios. Over reliance on short term debt finance was assessed by the respondents by analyzing, optimum capital structure, short term interests' costs, budgets, and seasonality of cash flows. The respondents tested for the reliance on long term debt finance by considering the equity ratio, seasonality of cash flow balance, long term debt matched to long term asset profile, optimum capital structure, working capital less than debt greater than zero, budgets, and working capital ratio.

4.6 Efficient of ZSSF in paying monthly pension to members

Members of Zanzibar Social Security Fund when questioned about the efficient of the fund in paying monthly pension they gave the following response: 18 members were interviewed, out of which 12 (67%) respondents said that they get their monthly pension

on time and 6 (33%) respondent said that they does not get their pension on time due to the poor system of repaying pension. A queue to get monthly pension caused member to delay for more than three days though pension are given monthly. From this finding the researcher revealed that ZSSF is not efficient enough in repaying monthly pension to its retired members.

Figure 4.4 Efficient of ZSSF in paying monthly pension to members



Source: From the field data (2013)

Questionnaire From documentary review

Levels of working capital elements at ZSSF FROM 2008 - 2012

Table 4.14 Budgeted amount from 2008 – 2012 Amount in “000000”

Variables	2008	2009	2010	2011	2012
Cash	1600	1620.9	1300	3100	2600
Account Receivables	1290	1200	2010	1000	600
Inventory	3.5	8.2	10	12.5	10
Account payables	110.5	160.87	200	200	205.4

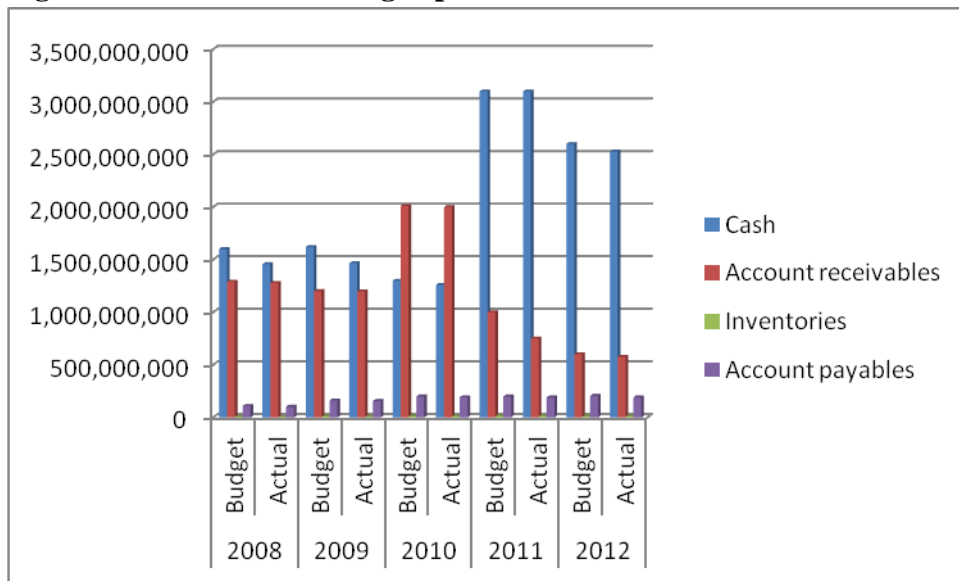
Source: Documentary review

Table 4.15 Actual amount from 2008 – 2012 Amount in “000000”

Variables	2008	2009	2010	2011	2012
Cash	1457.46	1466.97	1260.89	3098.94	2527.45
Account receivables	1278.76	1199.76	2001.13	750.95	576.22
Inventory	3.16	7.3	9.29	11.60	9.28
Account payables	102.27	156.63	191.96	190.31	190.40

Source: Documentary review (2013)

Figure 4.6 Levels of working capital elements at ZSSF from 2008 - 2012



Source: Documentary review (2013)

The above tables and figure show the level of working capital elements at ZSSF from year 2008 -2012 both in budgeted and actual figures.

The finding given in above show that the budget given by the management was somehow realistic for its annual planning. Budget being the plan for large organization like ZSSF need to be realistic.

It seem management does develop research plan that would be used to forecast income and expenditure of working capital components with minimal variances which explainable. For that case the study show that proper management of working capital components influence organization performance. That is with poor planning for the components management might think that they are performing well while in reality they are not.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

The purpose of this chapter is to discuss the findings obtained in chapter four above by analyzing each research objectives.

5.1 Response to the Questionnaire

According to the background information to the respondents all the respondents were employed at the higher education levels of their respective position. This finding is worthy of note given the increasing importance of strategic matters as one move toward higher levels in the hierarchical structure within an organization. A total of 59.4% of the respondents held a bachelor degree and 15.6% of respondents with post graduate diploma and the other 15.6% with master degree. Thus an important finding from the respondents is that working capital management is undertaken at ZSSF by qualified and experienced staff employed at senior levels. This finding provides an indication of the importance with which the organization that constructively participated in the case study regards working capital management.

As this study would provide insight whether there was a link between working capital management and organization performance, a short introduction to why working capital management might influence the performance was given. There were two ways to prove that working capital management influences the performance. One is financial view where the net present value of cash flows was increased because of shorter cycle time.

The other relying more on accounting ratio, shows that how working capital management affects the return on assets.

The purpose of this research was to find out whether or not the influence of working capital management affects the organization performance. The study were also made as a case study wise that means ZSSF was chosen as the area of the study were all of the data was collected there.

5.2 Trend of net working capital at ZSSF

According to the first objective of the research which analyzes the trend of net working capital at ZSSF, all of the respondents maintained that their organization set and revise the targeted level. Moreover the targeted level sufficient to carry organization activities hence ZSSF achieve the targeted level of its working capital components though in different frequencies. This gives details as to how they measure or assess performance in terms of liquidity, efficiency, solvency and profitability.

The result shows that there is a significant influence of working capital on organization performance. The study also tested for different working capital variables such as cash, account receivables, account payable, inventory and other receivables with reference from Tables 4.3.1 that presents the frequency and percentages of the targeted level of working capital components such as, cash, accounts receivable, account payable, inventory management and other receivables. It is evident from the summary that ZSSF manage cash, accounts receivable, account payable, inventory and other receivables in accordance with the theory. These findings show that the financial manager plays a significant role in ensuring that trend of net working capital are properly analyzed.

5.3 Efficient of net working capital at ZSSF

The second objective of this study was to assess the efficient of net working at Zanzibar Social Security Fund. Questionnaires were issued and the respondents filled the data

according to table 4.9, 4.10 and 4.11. By considering the above study findings, it can be generally concluded that majority of the respondents were on the opinion that, ZSSF is efficient enough in managing cash, account receivables, account payables, inventories and other receivables at ZSSF. Also there is fairness in ranking the cost used to manage these working capital components hence gives the organization good management of the working capital components.

5.4 Contribution of net working capital to organization performance of ZSSF

The third objective of this study was to examine the contribution of net working capital to organization performance of ZSSF. All of the respondents realize that proper management of working capital influence the performance of the organization simply because of its ability to meet their day to day obligations when they fall due. Also its efficiency, solvency and profitability enhance good performance.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

6.0 Introduction

The previous chapter has discussed the findings of the study on the “*Influence of working capital management in organization performance*”. This chapter aims at presenting the summary, conclusion, recommendation and limitations for the study, as well as the areas for future study. The chapter starts by presenting summary of the study on the main findings, followed by conclusion and finally recommendations

6.1 Summary of the Study

This study was set to assess the influence of working capital management in organization performance. With this regard, the study came up with three objectives, namely; to analyze the trend of net working capital at ZSSF, to assess the efficient of net working capital at ZSSF, and to examine the contribution of net working capital to organization performance of ZSSF. The summary on the findings of the study are as discussed below,

6.1.1 Trend of net working capital at ZSSF

The study revealed the following findings:

Working capital management does exist and has got the great influence on the performance of the Zanzibar Social Security Fund. Majority of the respondents said analysis of trend of net working capital at ZSSF is very good simply because the organization has set a targeted level of the components of working capital management and at the same time it revises the targeted level in monthly as the most common time.

This is because of the fact that 30 (98.8%) of the respondents indicated that targeted level for cash is always sated, 22 (68.8%) of the respondents said account receivables and account payables always sated, 18 (56.2%) of the respondents said inventory always sated and other receivables often targeted level sated. Furthermore it was portrayed that most of the respondents showed by their positive satisfaction on the trend of working capital management, although some component such as other receivables are revised annually.

In terms of sufficient, majority of the respondents responded that targeted level is always and often sufficient to carry organization objectives. Financial oversight responsibility for setting and revising the targeted level hence influence the organization to achieve the targeted level.

6.1.2 Efficient of net working capital at ZSSF

The research revealed that there are much effort given on assesses the efficient of net working capital at ZSSF. Majority of the respondents said that ZSSF was very fair in ranking the cost used to manage the components of working capital. This is because of the fact that 17 (53.1%) of the respondents said cash was very fair ranked, 17 (53.1%) of the respondents said that the cost ranking account receivables is fair, for the case of account payables 27(84.4%) of the respondents said fair the same as inventory 25 (78.1%) and other receivables which was 20 (62.5%). Moreover ZSSF was very fair in ranking the benefit achieved due to proper management of working capital components. In general working capital components such as cash, account receivable, account payables, inventory and other receivable were managed very well.

6.1.3 Contribution of Net working capital to organization performance

The last objective was to examine the contribution of net working capital toward organization performance of ZSSF. Working capital components has greater contribution when properly managed.

All of the respondents to the questionnaire said “Yes” (100%) indicated that proper management of working capital influence the performance of the organization. However for the extent of delaying in collections from members if affect the performance of the organization 3 (9.4%) of the respondents said little extent, 9 (28.1%) said moderate extent and 20 (62.5%) said very large extents.

6.2 Conclusion

The finding confirmed that ZSSF monitoring the trend of net working capital by setting and revising the targeted level of cash, account receivables, account payables, inventory and other receivables. However the findings show that the financial manager plays a major role in analyzing the trend of working capital at ZSSF. Since senior levels of management are more concerned with strategy and policy, according to the theory of management (for example Greenley, 1989), it is evident that the setting and the management of these targets is a task of senior levels of financial management.

For the case of efficiency the findings confirmed that ZSSF is efficient enough in managing cash, account receivables, account payables, inventory and other receivables basing on the criteria of being “very fair” and “fair” in ranking both the cost and benefit obtained from those working capital components.

On the other hand, the proper management of working capital has got greater contribution to organization performance. Though there are various criteria used to measure and analyze the performance of the organization in terms of liquidity, profitability, efficiency and solvency. For ZSSF examining of financial statements, cash flow, assessing the budgeted verses actual are the main criteria used to measure the organization performance.

Generally ZSSF can substantially increase performance by effectively managing their working capital components such as cash, account receivables, account payables, inventory and other receivables in aggregate level. ZSSF also should reform its policy of investment by preferring investments that would ensure adequate liquidity at the time of contractual financial claims and avoiding the tendencies of most pension schemes which have invested excessively in real estate which might be potentially risky in terms of meeting timely obligations to pensioners.

6.3 Recommendations

Based on the findings of the study, some recommendations are hereby put forward. Since payment of the benefits is a core function of ZSSF and one of the functions of the ZSSF is to ensure that all members (contributors) comply with the requirements of the Fund. To ensure that this role is discharged appropriately, ZSSF has a Compliance section whose one of its main functions is to ensure that all members comply with all the requirements of the Fund including submission of the employees' and employers' contributions. Since contribution from employers and employees are the main source of fund to ZSSF, compliance section should take an effort to remind employers on the need to submit their contributions on time and make sure the right amount of deductions are submitted on time.

Moreover ZSSF should improve the process of payments to its members and should ensure that benefits are paid timely and to the right person.

ZSSF also should improve effort to educate employers and employees on the importance of proper and timely remittance of member contributions.

Lastly ZSSF should take seriously measure to ensure that periodic report are prepared concerned with working capital management in order to assess whether the organization has adequate working capital and is able to meet current commitments .

6.4 Areas for Further Research

The comparative study of the research should be conducted in order to assess the influence of working capital management on the performance of various pension funds operated in Tanzania. As part of this study a further area for research should be empirical investigations into the impact of working capital on company performance specifically in the service sector industry, and here the case study approach could be considered. Once again financial data would form an integral part of the data collected.

In addition to this a more detailed study could assess the relevance of the different working capital performance and analysis measures used by companies when assessing their performance. It is evident from the findings that some respondents within specific market sectors do not consider working capital management of any importance, or relevance, or are not interested in it. The nature of the business and the type of market or industry sector in which it operates will affect its working capital requirements (Beaumont Smith, 1997) and thus the management of working capital. A study into the role, if any, that working capital management plays in the different market and industry sectors could be worthwhile, as most of the literature tends to focus on working capital management within the manufacturing sector and ignores other sectors. In particular, a question that needs to be addressed relates to the working capital requirements of the different market and industry sectors.

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APPENDICES

APPENDIX I

QUESTIONNAIRES DISTRIBUTED TO SOME ZSSF'S PERSONNEL.

Dear Respondent, My name is Hamad Akida. I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Accounting and Finance of Mzumbe University. The topic of study is INFLUENCE OF WORKING CAPITAL MANAGEMENT ON ORGANIZATION PERFORMANCE IN PENSIONS FUND OF TANZANIA. You have been selected to participate in this study due to the importance of your information in the study. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality. Please feel free and answer all the questions truthfully.

SECTION A

Personal information

1. Job Title: -----
2. Number of years of working experience managing working capital.
Please state the number of years:
3. How many people in your organization are directly involved in managing working capital? Please state the number:
4. How many people (include management and staff numbers) are there in your organization?
Please state the number:

5. Name of respondent:

6. Formal qualifications (e.g. certificates, diplomas, degrees):

7. Respondent's memberships of professional associations (e.g. CPA, CSP, etc.):

8. Name of Organization: _____

SECTION B

Working capital Management

To analyze trend of Net working capital at ZSSF

1. Does your organization has a targeted level for any of the following items;

	Always	Often	Sometimes	Seldom	Never	Not applicable
	1	2	3	4	5	6
A) Cash	1	2	3	4	5	6
B) Accounting receivables	1	2	3	4	5	6
C) Account payables	1	2	3	4	5	6
D) Inventory	1	2	3	4	5	6
E) Other receivables	1	2	3	4	5	6
Any comment (please state)						

2. How often does your Organization revise the targeted level of the following items :

	Daily	Weekly	Monthly	Quarterly	Semi annual	Annual
Never						
a)				Cash	1	2
	3	4	5	6		

b)					Account receivable	1	2
	3	4	5	6			
c)					Inventory	1	2
	3	4	5	6			
d)					Account payable	1	2
	3	4	5	6			
e)					Other receivables	1	2
	3	4	5	6			

Any comment (Please state)

3. For each element, does the targeted level sufficient to carry organizational activities?

	Always applicable	Always	Often	Seldom	Sometimes	Never	Not applicable
		1	2	3	4	5	6
A)	Cash	1	2	3	4	5	6
B)	Accounting receivables	1	2	3	4	5	6
C)	Account payables	1	2	3	4	5	6
D)	Inventory	1	2	3	4	5	6

4. Does ZSSF achieve the targeted levels of the elements?

		Always	Often	Sometimes	Seldom	Never	Notapplicable
		1	2	3	4	5	6
A)	Cash	1	2	3	4	5	6
B)	Accounting receivables	1	2	3	4	5	6
C)	Account payables	1	2	3	4	5	6
D)	Inventory	1	2	3	4	5	6

To assess the efficient of Net Working capital at ZSSF

1. How do you rank the costs used to manage the following at ZSSF? Rank from 1 to mean very fair to 5 very unfair.

	1	2	3	4	5
A) Cash	1	2	3	4	5
B) Accounting receivables	1	2	3	4	5
C) Account payables	1	2	3	4	5
D) Inventory	1	2	3	4	5
E) Marketable securities	1	2	3	4	5

2. How do you rank the benefits achieved by ZSSF due to good management of the following? Rank from 1 to mean very fair to 5 very unfair

	1	2	3	4	5
A) Cash	1	2	3	4	5
B) Accounting receivables	1	2	3	4	5
C) Account payables	1	2	3	4	5
D) Inventory	1	2	3	4	5

3. How do you rank the management of the following in general at ZSSF? Rank from 1 to mean excellent to 5 very poor

	1	2	3	4	5
A) Cash	1	2	3	4	5
B) Accounting receivables	1	2	3	4	5
C) Account payables	1	2	3	4	5
D) Inventory	1	2	3	4	5

To examine the contribution of net working capital to organization performance of ZSSF.

1. Does proper management of working capital influence the performance of the Organization?

Please Tick Yes No I don't no

2. To what extent do you think delaying in collections from members affect performance of the organization? Please Tick

- a) Little extent ()
- b) Moderate extent ()
- c) Large extent ()
- d) Very large extent ()

Questions asked from respondents who were interviewed

Qn 1. How does your organization measures/ assess working capital management performance in terms of liquidity, solvency, efficiency in activity and profitability?

Qn 2. Does ZSSF efficiency enough in paying monthly pension?

Qn 3. What are the main reasons for revising the targeted level of various components of working capital?

Questionnaire to be filled from the Documentary review(Financial statements of ZSSF) at least for five years

QN 1. What is the levels of working capital elements at ZSSF from 2008 to 2012?

Variables	2008		2009		2010		2011		2012	
	Bud . Sh m	Actu al sh m	Bud g, Sh m	Actu al Sh m	Bud g. Sh m	Actu al Sh m	Bud g. Sh m	Actu al Sh m	Budg et Sh m	Actu al Sh m
Cash										
Accounts receivable										
inventory										
Accounts payable										
Short term investmen ts										

Qn2 What is the Net working capital of ZSSF from 2008 to 2012 (only for actual)

years	2008	2009	2010	2011	2012
Net working capital					

APPENDIX II

Table 4.1 Position of Respondents

	Frequency	Percent (%)	Valid Percent (%)
Chief accountant	1	3.1	3.1
Finance manager	1	3.1	3.1
Accountant	4	12.5	12.5
chief internal auditor	1	3.1	3.1
Internal auditor	2	6.2	6.2
Estatate officer	2	6.2	6.2
Procurement officer	1	3.1	3.1
Assistance chief accountant	1	3.1	3.1
Managing Director	1	3.1	3.1
Compliance and research manager	1	3.1	3.1
Fund Service manager	1	3.1	3.1
Cashier	3	9.4	9.4
Corporate Service officer	1	3.1	3.1
Office secretary	2	6.2	6.2
Investment officer	3	9.4	9.4
Data entry officer	3	9.4	9.4

Fund Service Officer	4	12.5	12.5
Total	32	100.0	100.0

Source: from the field data (2013)