TITLE PAGE

AN EVALUATION OF WORKING CAPITAL ON THE PERFORMANCE OF HAMDALA HOTEL, KADUNA

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, COLLEGE OF BUSINESS AND MANAGEMENT STUDIES

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DECLARATION

I hereby declare that this project was written by me under the guidance and supervision of **Mallam Usman M. Kandi** of the Department of Business Administration. The researcher has neither copied someone's work nor has someone else done it on my behalf. All references made to published literature have been duly acknowledged.

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APPROVAL

This is to certify that this project titled "**An Evaluation of Working Capital on the Performance of Hamdala Hotel, Kaduna**" written by **Odoje Ochanya Mercy, KPT/CBMS/19/54380**, has been read and approved as having met the requirement governing the preparation and presentation of project in Kaduna Polytechnic. It is hereby approved for its contribution to knowledge and literary presentation.

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DEDICATION

This research project is dedicated to Almighty God.

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ABSTRACT

Working capital to the company is like the blood to human body. If it is carried out effectively, efficiently and consistently, that will assure the health of an organization. This study seeks to evaluate the working capital on the performance of Hamdala Hotel, Kaduna. Specifically, the study aimed to find out the impact of working capital management on the performance of Hamdala Hotel, identify the dimensions of working capital on the performance of Hamdala Hotel, and examine the problems of working capital on the performance of Hamdala Hotel, Kaduna. A sample of 97 was drawn from population of 130 using Krejcie and Morgan table. Three (3) research questions were raised to guide the study while a set of questionnaire was used to obtain data from the respondents. A frequency distribution table and simple mean score method was used to analyse the data obtained. Findings from the research revealed that working capital management has significant impact on the performance of Hamdala Hotel, Kaduna. The study further revealed that there are effective dimensions of working capital on the performance of Hamdala Hotel, Kaduna. More so, the study revealed that the performance of Hamdala Hotel was faced with various problems of working capital. The study recommends among others that management should continue to emphasize and implement strong controls that will ensure effective and efficient working capital management systems.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In financial affairs of every organizations, working capital management (WCM) is a very important factor, and it has a direct positive effect on profitability. Proper optimization of working capital balance means minimizing the working capital requirement and realizing maximum possible revenues (Ganesan, 2017). If an organization minimizes its investment in current assets, the resulting funds can be invested in value creating profitable projects, so it can increase the organization's growth opportunities and shareholders return. The ability of financial managers to effectively and efficiently manage their receivables, inventories, and payables has a significant impact on the success of the business and on profitability as well (Agha, 2014).

Most organizations have a large amount of cash invested in working capital, as well as substantial amounts of short-term payables as a source of financing. It can be expected that the way in which working capital is managed will have a significant impact on the profitability of organizations. Accordingly, for many organizations, working capital management is a very important component of their financial management. Organizations may have an optimal level of working capital that maximizes their value. On the one hand, large inventory and a generous trade credit policy may lead to higher sales. Larger inventory reduces the risk of a stock-out. Trade credit may stimulate sales because it allows customers to assess product quality before paying (Long, Malitz & Ravid, 2013).

According to Deloof (2013), a well designed and implemented working capital management practices is expected to contribute positively to the creation of an organization's value through profit generation. When managing any kind of business, financial manager should always ensure the organization is able to meet their financial obligations as they fall due, as this instills a sense of confidence to the investors and thus wins their loyalty. On the contrary, a poor liquidity status could lead to inability of organization meeting their financial obligations. Proper working capital management is thus a crucial instrument, and it is only when an organization is profitable that it will see the light of market growth, market share and progress through product and industry life cycles.

Working capital management is important because of its effects on the organizations profitability, risk and consequently its value (Smith, 2018). Efficient working capital management practices involves planning and controlling current assets and liabilities so as to eliminate the risk of inability to meet short term obligations as they fall due and avoid excessive investment in these assets (Eljelly, 2014). Keeping high levels of current assets gives organizations better liquidity position. With high level of current assets, an organization is able to meet its obligations on time and the operations of the organizations are smooth. But, high levels of current asset come at a cost, namely, profitability. The amount blocked in the current assets has an opportunity cost. As the amount of current assets increase, the cost associated with it also increases and the profitability of the organization decreases (Vijayalakshmi & Bansal, 2013).

An optimal working capital management is expected to contribute positively to the creation of organization value (Howorth & Weshead, 2013). Mathuva, (quoted in Deloof, 2013), indicated that the way working capital is managed can have significant impact on both liquidity and profitability of the organization, for example decisions that tend to maximize profitability tend to minimize the chances of adequate liquidity. Conversely, focusing almost entirely on liquidity will tend to reduce the potential profitability of the organization. A firm can have large sales with generous credit policy which extend the cash conversion cycle, in this case, the cash conversion cycle may result in higher profitability, however the traditional view of the relationship between the cash conversion cycle and corporate profitability is that ceteris paribus a longer cash conversion cycle hurts the profitability of the organization.

An organization can be very profitable, but if this is not translated into cash from operations within the same operating cycle, the organization would need to borrow to support its continued working capital needs. Thus, the twin objectives of profitability and liquidity must be synchronized and one should not impinge on the other for long. Investments in current assets are inevitable to ensure delivery of goods or services to the ultimate customers and a proper management of same should give the desired impact on either profitability or liquidity. If resources are blocked at the different stage of the supply chain, this will prolong the cash operating cycle. Although this might increase profitability (due to increase sales), it may also adversely affect the profitability if the costs tied up in working capital exceed the benefits of holding more inventory and/or granting more trade credit to customers (Padachi, 2016).

An organization is required to maintain a balance between liquidity and profitability while conducting its day to day operations. Liquidity is a precondition to ensure that firms are able to meet its short-term obligations and its continued flow can be guaranteed from a profitable venture (Padachi, 2016). The importance of cash as an indicator of continuing financial health should not be surprising in view of its crucial role within the business. This requires that business must be run both efficiently and profitably. In the process, an asset-liability mismatch may occur which may increase organization's profitability in the short run but at a risk of its insolvency (Pandey, 2018).

About 60 percent of a typical finance manager's time is devoted to working capital management (Brigham & Houston, 2017). One reason for this is that, current assets are short-lived investments that are continually being converted into other types (Rao, 2014). With regard to current liabilities, the company is responsible for paying these obligations on a timely basis. Taken together, decisions on the level of different working capital components become frequent, repetitive, and time consuming (Raheman & Nasr, 2017).

1.2 Statement of the Problems

In today's business environment, hotel businesses needed an adequate resource to assure the going concern of their business activities, and the resources are optimally employed to improve the overall performance (Peng & Zhou, 2016). The impact of working capital management on the performance of hotel industries has been investigated by many investigators (Peng & Zhou, 2016).

According to Chen and Kieschnick (2018), some methods employed by the managers in practice to make working capital decisions did not depend on the principles of finance, rather they used their experiences which are weakly made models. This may result in hotel industries to overcapitalization or undercapitalization and then this makes managers ineffectively manage the various combination of working capital features (Dhole, Mishara & Pal, 2019).

The investigation made by Boisjoly, Conine and McDonald (2020) found that incompetency or incapability of financial managers to design and manage the working capital of the hotel industries may lead to their failure. Hotel industries can have abundant resources and profitability, but they may face illiquidity as their assets are not ready to transform into cash (Ukaegbu, 2014). Thus, we cannot surely say that profitable hotel industries have effective management of working capital. Also, the reason behind having extensive debtors' collection period and narrowed creditors' payment period is that managers disregard their hotel industries' operating cycle (Kasiran, Mohammad & Chin, 2016).

Considering the result of having ineffective management of working capital, the area needs huge investigations and it attracts the attention of different investigators in Nigeria. However, there are no or few studies that were made on the issue and the problem is almost less investigated and there is a research gap on this part. The managers of different hotel industries operating in Nigeria are managing the working capital of their firm traditionally which is practically considered as narrowing the cash conversion cycle for the increment of the hotel's performance.

The awareness of Nigerian hotel industries managers regarding the working capital management of their hotel to maximize the profitability or the performance is limited and this is because there are no sufficient and appropriate researches done in Nigeria regarding the issue. Thus, to fill the research gap in this particular study, an evaluation of working capital on the performance of Hamdala Hotel will be investigated.

1.3 Objectives of the Study

The central objective of this study is to evaluate the working capital on the performance of Hamdala Hotel, Kaduna. The specific objectives are as follows:

i. To find out the impact of liquidity on the performance of Hamdala Hotel, Kaduna.

ii. To identify the composition of current assets on the performance of Hamdala Hotel, Kaduna.

iii. To examine the level of current liabilities on the performance of Hamdala Hotel, Kaduna.

1.4 Research Questions

In order to achieve the aforementioned objectives, the following questions were asked:

i. What is the impact of liquidity on the performance of Hamdala Hotel, Kaduna?

ii. What is the composition of current assets on the performance of Hamdala Hotel, Kaduna?

iii. What is the level of current liabilities on the performance of Hamdala Hotel, Kaduna?

1.5 Significance of the Study

The result of the study will be of great importance to the categories of people:

Organizations: This study will shed more light to how managers affect firm's performance by managing working capital effectively and efficiently. The recommendations and findings of this study will help the organizations understand the impact of working capital management on organizational performance.

The Academia: This study will contribute to the body of knowledge by identifying how working capital management affects organizational performance and how managers can use working capital strategies to increase the firm's market value. The researchers and the academician will find this study useful for further discussion and research.

Policy Makers: The study will assist policy makers to understand the status of the working capital management practices in organizations and the interventions that need to be taken up to achieve the increased performance and hence returns for their funding.

It is a partial fulfillment for the requirement of the award of Higher National Diploma (HND) in Business Administration and Management.

1.6 Scope of the Study

This study strictly focuses on an evaluation of working capital on the performance of Hamdala Hotel, Kaduna. The study covers the period of 2019 – 2022.

1.7 Limitations of the Study

In the process of conducting the research, the researcher faced the problem of not been able to lay hands on research materials needed for the review of literature.

The inability to collect all the questionnaires administered was another problem faced by the researcher.

Finally, the researcher encountered the problem of not been able to have enough fund to carry out the research extensively.

1.8 **Definition of Terms**

Evaluation: Is the systematic acquisition and assessment of inflammation to provide useful feedback about some object.

Working Capital: Working capital is the money required for maintaining daily operation activities in a business, such as for purchasing raw material, for paying salaries, wages, rents or any day-to-day expenditures.

Management: The organization central and co-ordinate human and material resources to produce optimum results.

Working Capital Management: Working capital sometimes called gross working capital refers to current assets used in operations. Working capital management is also the management of short-term financing requirements of a firm, and involves finding the optimal levels for cash, marketable securities, accounts receivable, and inventory and then financing that working capital for the least cost.

Organization: The organization is a broad category of fields within the service industry that includes lodging, food and drink service, event planning, theme parks, transportation, cruise line, traveling and additional fields within the tourism industry.

Performance: Performance is defined as a role of the individual on particular objectives that consist of defined standard job descriptions

Cash: This refers to the money, which a business can disburse immediately without any restriction. Cash as used in this paper work includes coins, currency, (note) and cheques help by the business and balance in its bank line deposit, which are also included in cash.

Fund: This is a general term, which is used in describing any source of finance.

Accounts Receivable Period: Accounts Receivable Period or Number of Days Accounts Receivable is the length of time required to collect cash receipts.

Accounts Payable Period: Accounts Payable Period or Number of Days Accounts Payable is the length of time for which the firm is able to delay payment on the purchase of raw materials to its suppliers.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, opinions of different authors relating to the topic were sought. This was intended to give credibility to the research.

2.2 Concept of Working Capital Management

Management of Working Capital (WCM) is a firm's investment in short term assets such as cash, short term securities, bills receivable, inventory of raw materials and finished goods (Radhika & Azhagaiah, 2012). It entails management of current assets and liabilities, and financing of those current assets. In the Asian world, Khan, Jawaid, Arif & Khan (2012) defined WCM as the financing, investment and control of the net assets within the policy guidelines. From this perspective, WCM is the difference between current assets and current liabilities.

Net working capital is the current assets less current liabilities and it measures the financial health of a company. Working capital management has received relatively little attention in the academic research (Viskari, 2015), which has traditionally concentrated on long-term capital, and asset management has mostly concerned fixed assets. This is so because working capital ties a large amount of funds and can also indicate problems in the operations of a company. The management of operational working capital is balancing between the reduction of capital tied up to the processes and current assets, which increases profitability, and minimizing the adverse effects caused by too small amount of operational working capital. If the inventory levels are too low, possible interruptions of production, delivery problems, business losses due to scarcity of products, and price fluctuations may cause extra costs. Decrease in trade credits granted to customers drops sales (Molina & Preve, 2013) and may harm the relationships with customers. In addition, paying suppliers with long payment periods mean that discounts for early payments cannot be utilized (Wang, 2012).

Working capital management (WCM) has an important influence on the profitability of a facility. Studies have analyzed the effect of working capital management on profitability. Marttonen, Monto and Karri (2013) revealed a significant negative correlation between the cycle times of operational working capital and the return on investment. The importance of working capital management is emphasized in the service sector, because of light fixed assets and good profitability. Working capital management, including inventories, accounts receivable and accounts payable, is an important part of short-term finance and asset management. There is as a result a raised interest toward more efficient working capital management. This has also increased the academic interest toward working capital research.

The determinants of working capital management and the relation between working capital management and profitability have been studied as an important area of study (Hill, 2017). An important role of efficient WCM involves, but not limited to, firstly, planning and controlling short-term assets and short-term liabilities in a manner that enables an enterprise to meet current obligations, and secondly, avoid unnecessary excessive investment in current assets (Sunday, 2012). WCM, studies have shown is paramount in impacting the profitability, sales (turnover), return on investment (ROI), and return on equity (ROE) which contributes towards the economic development of nations the world over.

Nyabwanga (2012) observed that WCM plays a crucial role in performance of small firm and enables businesses to gain vitality and life strength. Their studies then recommend that firms should employ the use of efficient WCM practices and adopt formal WCM routines as a strategy of improving their value and reduce the probability of business closure. Atril (2016) postulated that WCM is an important aspect of corporate finance because directly affects liquidity, profitability and growth of a business and is important to financial health of business of all sizes as the amount invested in working capital are often higher in proportion to the total assets employed and hence generate growth of Gross Domestic Product (GDP) of nations and also generate employment and these are noticeable at international, regional and national levels.

2.3 Overview of Financial Management in Hotel Industry

The traditional definition of finance is the study of funds management and the directing of these funds in order to achieve its particular objectives. The unique objective of a good financial management is to maximise returns that associate with minimising of financial risks simultaneously. In financial management it is critical to understand the business objectives and financial functions before recognising the major component that is the short-term financial management or the Working Capital Management relative to the day-to-day operations (Chandra, 2018). Financial management is also concerned with the creation of economic wealth, maximising the share price for shareholders' equity, planning and controlling of the business's financial resources, increasing its profitability and maximising the rate of returns on equity. It is in the corporate environment that most of the finance literatures have been literately focused on the study of the long-term financial decisions making process (Zietlow, Hankin & Seidner, 2017).

Financial management in an organization operates according to problems and opportunities. The owner/manager of a hotel industry is primary relying on its trade credit policy, bank financing, personal financial contributions, operating financing and lease financing. The hotel industries financing options are limited, but also have the same financial problems as those faced by large companies (Arnold, 2018). One of the major financial issues facing hotel industries is the deployment of current assets and current liabilities that are the critical elements of Net Working Capital Management (NWCM). The primary cause of hotel industries' failure is the poor control management of working capital internally amongst its components. Thus, the finance manager of an enterprise must be alert to the level of working capital changes.

2.4 Financial Performance in Hotel Industries

English (2014) defines performance as the results of activities of an organization or investment over a given period. There are multiple performance measures. Such measures could include traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as overall satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held hotel industries. This is consistent with the view of Wanjoi (2018) that both financial and non-financial measures should be used to assess organizational performance.

One important factor regarding a hotel industry's financial management is working capital management. Due to WCM's alleged influence on a hotel industry's profitability, faith-based facilities need to pay special attention to this area for the following reasons: current liabilities are the most important aspect of their external funding (Fazzari and Petersen, 2013) and that current assets constitute most of their total assets.

WCM, studies have shown is paramount in impacting the profitability, sales (turnover), return on investment (ROI), and return on equity (ROE) which they in turn contribute towards the economic development of nations the world over (Nyabwanga, 2012). These, studies have shown, are the most important indicators of financial performance. WCM plays an important role as a corporate strategy in creating shareholder value (Cox, 2014). The main purpose of any firm is to maximize the profit. Maintaining liquidity of the firm is therefore an important objective of any enterprise. Profitability is one of the most important objectives of financial management because one goal of financial management is to maximize the owner's wealth (McMahon, 2017). Thus, profitability is very important in determining the success or failure of a business. Due to the importance of profitability, Emory (2015) among other researchers have suggested that small firms need to concentrate on profitability.

2.5 Objective of Working Capital Management in Hotel Industries

According to Gitman (2013), the objective of Working Capital Management (WCM) is to minimise the Cash Conversion Cycle (CCC) the amount of capital tied up in the hotel industry's current assets. It focuses on controlling account receivables and their collection process, and managing the investment in inventory. Working capital management is vital for all business survival, sustainability and its direct impact on performance.

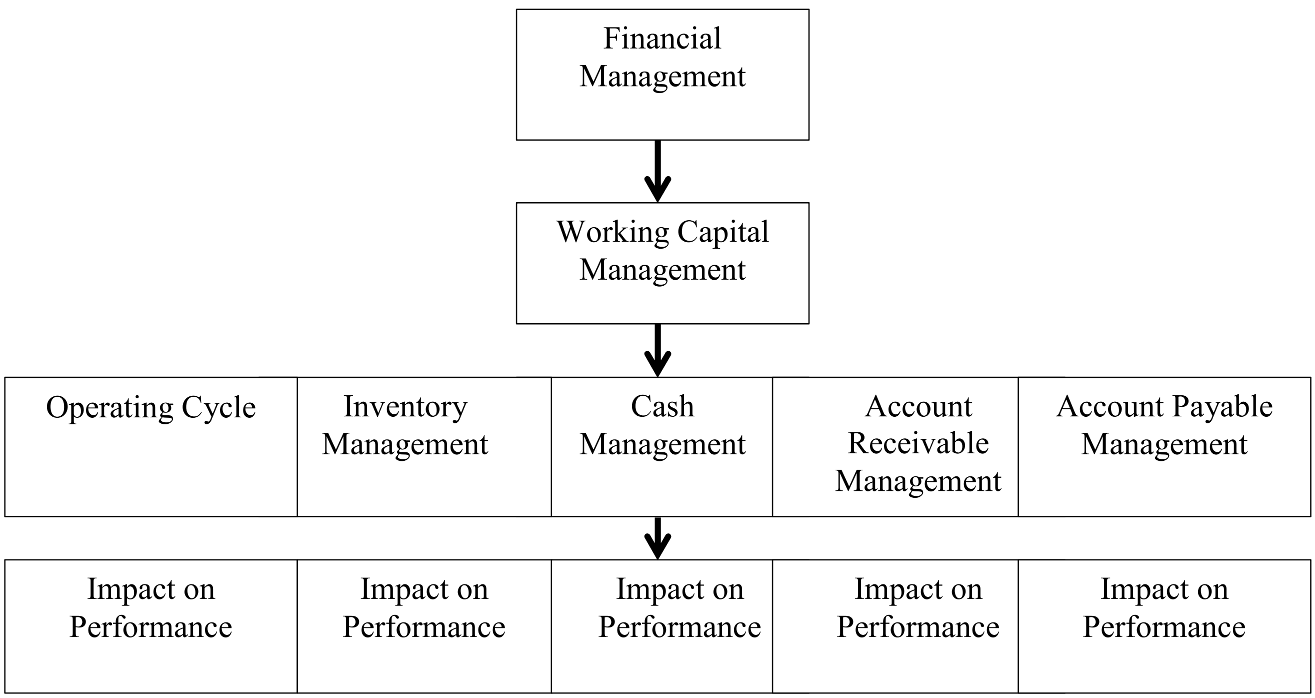

Figure 2.1: Conceptual Model of Short-Term Liquidity of Working Capital Management

Working capital management is an important area of financial management in every business function. WCM deals with the administration of the liquidity components of firms' short-term current assets and current liabilities (Baker & Powell, 2015). The most important current assets are cash, debtors or account receivables, stock or inventory and current liabilities consisting of creditors or account payables, accrued expenses, taxation liabilities, short-term debt such as commercial bills, and provisions for current liabilities such as dividends declared but not yet paid (Sharma, 2012).

2.6 Significance of Working Capital Components Management

Working capital is so important for business day-to-day operations. A decision made on one of the Working Capital components has an impact on the other components. In order to maximise the performance of a business, the Working Capital Management should be integrated into the short term financial decision making process (Crum, Klingman & Tavis, 2013). Working Capital or Net Working Capital is "the difference between current assets less current liabilities" (Arnold, 2018). In financial annual reports, working capital is defined in an algebraic expression as follows:

Net Working Capital (NWC) = *Current Assets (CA) – Current Liabilities (CL).*

The investment in NWC is so vital and helps the capital budgeting analysis of a given firm. Working Capital (WC) can be invested in short-term sources of finance, such as cash, inventories, account receivables, and notes receivables. WC is minimised in terms of payments made to account payables (creditors), account notes payable and other accrued liabilities. In order to balance out the optimal levels of costs and benefits, then the liquidity components of working capital must be managed with appropriate techniques through raising or lowering the stocks, cash, account receivables and account payables (Arnold, 2018; Gitman, 2013). The working capital policy must be taken into consideration in order to manage the liquidity elements for a smooth flow of the day-to-day operations in the business.

The working capital cycle starts at the purchasing of raw materials from potential suppliers for the production process, through work in progress and ending with finished products. The finished goods are kept as inventories, ready to be sold for customers for cash or credit transactions if the accrual accounting system is implemented. If the finished goods (i.e. inventory) are sold on credit to customers then the cash would be tightening in the form of account receivables. These amounts would be collected in accordance with the trade credit policy being given to customers (Arnold, 2018).

There are related costs influencing every flow of the cycle in terms of opportunity cost for working capital. The two main concepts of Working Capital are known as gross working capital and net working capital. The term Gross Working Capital is also referred to as working capital that is defined as the funds invested in current assets that are expected to convert into cash in the normal course of business within an accounting period (i.e. 12 months). The total current assets and total current liabilities of a given business are critical for the short-term financial decision making process in terms of working capital management dynamics, leading to the day-to-day operation and performance of the business (Sharma, 2012).

2.6.1 Time and Money Embedded in Working Capital Cycle

Every component of working capital namely inventory, account receivables and account payables has two dimensions that are Time and Money when it comes to managing working capital. In fact, the term money (cash) can be moving faster around the operating cycle, or tied up in the operating cycle that can reduce the amount of cash (money) in the business, and depends on the operational policy and dynamics of these components (Arnold, 2018).

Table 2.1: Time and money embedded in working capital cycle

Time	Money (Cash)
Collecting of account receivables faster	Cash releases from the operating cycle
Collecting of account receivables slower	Cash soaks up in the operating cycle
Better credit trade policy from suppliers	Cash resources increase
Selling of inventory (stocks) faster	Free up cash
Slow moving of inventory (stocks)	Consuming more cash

Source: Arnold (2018).

2.6.2 Inventory Management in Hotel Industries

The composition of an inventory differs depending on what kind of production or business companies are involved in. The five different assets an inventory can consist of are; raw materials, work in progress materials, finished goods, extra material and consumption materials. Most hotel industries have an inventory that they more or less depend on in their operation. The hotel industries can hold an inventory that consist of all five different materials and for them keeping an inventory is essential for their production. For most hotel industries, the inventory can be seen as an unavoidable cost (Lantz, 2018). But Arnold (2018) stated that inventory is generally made up of three elements such as raw materials, work-in progress (WIP) and finished goods.

a. **Raw Materials:** Raw materials are concerned with the goods that have been delivered by the supplier to purchaser's warehouse but have not yet been taken into the production area for conversion process. The minimising of the raw materials is ideal in this particular part of working capital. However, this must be offset by the economic order quantities available from suppliers.

b. **Work In Progress (WIP):** Work in progress concerns are when the product has left the raw material storage area, until it is declared for sale and delivery to customers. In this process the working capital must be considered in terms of reducing the buffer stocks, eliminating the production process, reducing the overall production cycle time. The raw materials and finished goods must be minimised in the production area. WIP must be carefully examined to justify how long it takes for products to be cleared for sale. This stage is normally done by the quality control (QC) procedures.

c. **Finished Goods:** Finished goods refer to the stock sitting in the warehouse waiting for sale and delivery to customers. They could be sitting in the warehouse or on the shelf for quite some time. The owner/manager of the business should find what options are available to dispose of the slow moving items. Should the stock be repacked or reprocessed, and sold at lower discount prices. Sales and operations planning can reduce or eliminate the need for finished goods. The best example of stock management is car manufacturing. The manufacturers normally used the Just in time system to deliver finished products. In this way they minimise or eliminate both raw material stock and work in progress, as the stock is now in finished goods (Arnold, 2018).

The management of inventory is one of the more challenging tasks for working capital managers who, if they could decide, would like to minimize the inventory as much as possible in order to shorten the cash conversion cycle and reduce costs. The risk of minimizing an inventory down to a level close to zero is that it increases the possibility of running out of materials needed in the production or running short of finished goods during a high demand. Such situation would be costly for any company due to the revenues they would lose (Maness & Zietlow, 2015).

As mentioned earlier, one of the challenges for a working capital manger is to have all the companies' managers to agree about how to manage the inventory. Each manager has their own interests they first and foremost would like to satisfy which complicate the task to reach a joint decision. Each company should find the balance that they will benefit most from (Pass & Pike, 2017). The just-in-time approach is a strategy for effective inventory management and help keeping inventory levels on a lower level. The strategy aims to make the orders of material, produce and deliver just in time when it is required and not before.

2.7 Measurement of Working Capital Management in Hotel Industries

In this study, the researcher has chosen a profitability measure; the return on asset and return on investment capital, as a measure of working capital management. Return on assets means how much a hotel industry generates profits and effectiveness with given resources. It is also called return on investment (ROI). Moreover, the return on asset and return on investment capital measures a company's profitability from the financial performance perspective. Therefore, the researcher found it to be appropriate and relevant for this study.

2.7.1 Average Number of Day's Inventory

The average number of day's inventories represents the period that inventories are held by the hotel industries before they are sold. In order to help shorten the cash conversion cycle, a lower number of days are better. The average amount of inventory is received by taking the sum of the beginning and ending balance of inventory for a year, and divide with two, to get the average. The average amount of inventory is then divided with the cost of goods sold to see how big part of cost goods sold that comes from the inventory. In order to get the outcome of the cash conversion cycle in days the amount given is multiplied with the average amount of days a year, 365 (Lantz, 2018).

$$\text{Average number of days inventory} = \frac{\textit{Average Inventory}}{\textit{Cost of goods sold}} \times 365$$

Deloof (2013) found a significant negative relation between gross operating income and number of day's inventories. This explains that an increase of the inventories is an affect from a decrease in sales which leads to lower profit for the companies. Another research by Boisjoly (2015) found an increase of inventory turnover over a period of fifteen years that indicates that companies have improved their inventory management. To manage inventory, there are several manufacturing operating managements to apply, such as; just-in-time procedures, make-to-order procedures, lean manufacturing initiatives to improve their operating processes, quality programs to reduce number of parts and supplier rationalization to reduce number of suppliers (Boisjoly, 2015).

2.7.2 Average Number of Days Accounts Receivable

The average number of day's accounts receivable is used as a measure of accounts receivable policy. It represents the average number of days that the company uses to collect payments from its customer. This metric is received by dividing the sum of the opening and ending balance of account receivables with two and divide this with the net sales and then multiply the outcome with the average number of days in a year. Similar to the inventory, a low number of days is desirable to keep the cash conversion cycle short (Lantz, 2018).

$$\text{Average number of days accounts receivable} = \frac{\textit{Average accounts receivable}}{\textit{Net Sales}} \times 365$$

Deloof (2013) find the significant negative relation between the average number of days accounts receivable and gross operating income as a measure of profitability. Boisjoly (2015) provide the evidence that companies have focused on improving the management of accounts receivable as their accounts receivable turnover increase over the 15 years' time period for 2000-2014. Several techniques can be applied such as strengthen their collection procedures, offer cash discount and trade credit, and use receivables factoring (Boisjoly, 2015).

2.8 Empirical Review of Related Literature

Deloof (2013) investigated the relationship between working capital management and firm profitability by using cash conversion cycle (CCC) as a measure of working capital management. He found a negative relation between gross operating income and receivables collection period, inventory turnover period and creditors' payment period.

The results suggest that the managers could create value for stockholders if they were to reduce the time periods of receivables and inventories to reasonably minimum levels. These results show that there is a certain level of working capital that maximizes the value of the firms.

Afza and Nazir (2019) through cross-sectional regression models on working capital policies and profitability and risk of the firms, found a negative relationship between the profitability measures of firms and degree of aggressiveness on working capital investment and financing policies. Their result indicates that, the firms yield negative returns if they follow an aggressive working capital policy.

Raheman and Nasr (2017) carried out a study that aimed to determine the effects of working capital management on the net operating profitability and liquidity. They used average collection period, inventory turnover in days, average payment period, cash conversion cycle, current ratio, debt ratio, size of the firm and financial assets to total assets ratio as the independent variables and net operating profit as the dependent variable in the analysis. They found that, there is a strong negative relationship between variables of working capital management and profitability of the firms. Their study also demonstrated a considerable negative relationship between liquidity and profitability and positive relationship exists between size of the firm and its profitability.

Soenen (2018) reported similar findings but used net trading cycle (NTC) as comprehensive measure of working capital management and found significant negative relationship between NTC and profitability. However, this relationship was not found to be very significant when the analysis was for specific industry. Raheman and Nasr

(2019) also studied the relationship between working capital management and corporate profitability for 94 firms listed on Karachi Stock Exchange using static measure of liquidity and ongoing operating measure of working capital management. The findings of study suggested that there exist a negative relation between working capital management measures and performance.

Filbeck and Krueger (2015) examine the five years data from 2006 to 2009 of 26 industries of 970 firms. The author argues that a firm can increased the fund availability for project development or decreased their financial cost by decreasing investment of funds in working capital.

Furthermore, Azam and Haider (2017) conduct a study on UL firms and found a negative effect of liquidity on performance of firm while debts ratio shows positive effect on performance of firm. Lazaridis and Tryfonidis (2016) investigate the firm performance and working capital management on Athens stock Exchange firm, the sample size of this study was 131 over four years data from 2011- 2014. Outcomes of this indicated that leverage and cash conversion cycle is significantly negatively effecting firm performance. Likewise, relationship between fixed financial assets and firm performance are positively correlated with each other and accounts receivable days and inventory turnover days are in negative relationship with firm performance (Khan, 2014). The studies concluded that the efficient management of cash conversion cycle and its component can be improved the firm performance. Juan García-Teruel and Martinez-Solano (2017) examine Spanish small medium enterprises by taking a sample of 8872 firms for the period 1996-2002. The output results indicate that account payable, inventory days and account receivable is highly negative and significant effect on firm profitability. Additionally significantly negative relationship was found between cash conversion cycle and firm performance. Hence, by reducing the cash conversion cycle length can be improve the firm performance.

Gill, Biger, and Mathur (2015) studied US manufacturing firm by considering working capital management on performance over a period of 2005 to 2007. The study finding show that cash conversion cycle (CCC) positively affect firm performance and receivable collection periods have found a negatively affect firm performance, while account payable. The study concluded that the efficient management of cash conversion cycle (CCC) and reducing the account receivable can be improve the firm profitability. Kaur and Singh (2013) conducted a study on Bombay Stock Exchange to investigate efficient management of working capital by using 200 firms as sample from 2000 to 2010. The score of working capital of each firm was calculate via three parameters i.e. normalized days working capital, operating cycle and cash conversion efficiency (CCE). The finding of the study indicated that firm performance is directly and significantly affected by efficient capital management.

2.9 Theoretical Framework

Working capital management is an essential part of financial management in all business operations. It is mainly concerned with the management of the liquidity components of companies' short-term current assets and current obligations (Aktas, Croci, & Petmezas, 2015; Sanger, 2017). The most familiar current assets are cash, account receivables, inventory stock and current liabilities consisting of account payables, accrued expenses, and tax liabilities, short-term debt such as commercial bills, and provisions for current liabilities such as dividends declared but not yet paid (Gitman, 2019; Mun & Jang, 2015; Egbide, 2019; and Chandra, 2018).

The main purpose of working capital management is to reduce the volume of capital hold in the current asset portion of a firm which is implied to the cash conversion cycle (Enqvist, Graham, & Nikkinen, 2014). Handling and monitoring receivables and their collection issues and managing the investment in the inventory stock are the typical emphasis parts of working capital management. Diverse business presences, sustainability, and performance may be influenced by the proper handling and control of working capital in a particular firm (Gitman, 2019).

The working capital policy can be better explained as an approach that offers the parameter to handle the current assets and current liabilities in such a way that it diminishes the risk of failure to pay (Emery, Finnerty & Stowe, 2014). The working capital policy is primarily concentrating on the liquidity of current assets to encounter current liabilities. Liquidity is more significant, since if the level of liquidity is excessively high, then a firm has a lot of idle capital, and it has to accept the cost of these idle capitals (Enqvist, Graham, & Nikkinen, 2014). Conversely, if liquidity is excessively low, then it will face a deficiency of resources to encounter its current financial obligations (Arnold, 2018). Current assets are a basic factor of working capital and working capital management is also determined by the level of current assets as compared to the level of current liabilities (Emery, Finnerty, & Stowe, 2014). In this regard, the theoretical aspects of finance categorize working capital policy into three types as defensive or hedging, aggressive, and conservative working capital policy (Banos-Caballero, García-Teruel, & Martínez-Solano, 2019).

2.9.1 Defensive Policy

Firms employ defensive policy by utilizing long-term debt and equity to finance their fixed assets and main parts of current assets. In this policy, the firm concern can implement a financial plan which best fits the estimated life of assets with the anticipated life of the sources of funds gained to finance assets (Paramasivan & Subramanian, 2019). Inventory stocks that are considered to be traded in 30 days could be funded with a 30-day bank credit, a machine estimated to last for 5 years could be funded with a 5-year credit, a 20-year building could be funded with a 20-year mortgage bond, and so forth (Brigham & Ehrhardt, 2017).

Defensive policy shrinks the risk by decreasing the current liabilities but it also touches profitability since long-term debt provides a higher interest rate which will escalate the cost of funding (Arnold, 2018). This indicates that a firm is not agreeable to accept the risk and sense it is proper to have cash or near cash balances, higher inventory stocks, and liberal credit terms. Typically, firms that are functioning in an uncertain situation choose to implement such a policy since they are not certain about the impending prices, demand, and short-term interest rate (Delsing & Mandjes, 2019). In such cases, it is good to have a higher level of current assets. This indicates maintaining a higher level of inventory in the stock to attain an unexpected increase in demand and evade the risk of work stoppage in operation and production. This policy provides an elongated cash conversion cycle for the firm (Delsing & Mandjes, 2019). Likewise, it offers protection towards the financial difficulties generated by the shortage of funds to attain the short-term liability but as it was explained earlier, long-term debt has a higher interest rate which will escalate the cost of funding (Chauhan, 2019). Correspondingly, resources are tied up in a firm due to the liberal credit policy of the firm and it also has an opportunity cost. Hereafter, this policy may diminish the profitability and the cost of employing this policy may surpass the benefits of the policy (Arnold, 2018).

2.9.2 Aggressive Policy

Firms can employ aggressive policy by financing their current assets with short-term debt since it provides a low-interest rate. Though, the risk related to the short-term debt is more than the long-term debt (Dhole, Mishara, & Pal, 2019). In this policy, the whole expected necessity of current assets should be funded from short-term sources, and even a portion of fixed assets financing should be funded from short-term sources. This policy leads the finance mix to being highly risky, less costly, and highly profitable. Moreover, some finance managers accept even high risk by funding a long-term asset with short-term debts and this method drives the working capital on the adverse side (Dhole, Mishara, & Pal, 2019).

Managers make an effort to boost the profitability by paying a lower interest rate, but this method can bring greater risk if the short-term interest rate varies or the cash inflow is not adequate to meet the current liabilities (Emery, Finnerty & Stowe, 2014). Consequently, such a policy is implemented by the firm which is functioning in a steady economy and is fairly certain about impending cash flows. A firm with an aggressive working capital policy provides a short credit period to clients, holds smaller inventory stock, and has a lesser level of cash in hand. This policy raises the risk of failure to pay debt since a firm may face a lack of funds to fulfill the short-term liabilities but it also provides a huge return as the high return is connected with taking a high risk (Arnold, 2018).

2.9.3 Conservative Policy

Certain firms want neither to be aggressive by decreasing the level of current assets under current liabilities nor to be defensive by intensifying the level of current assets over the current liabilities (Paak, Açıkgöz, Erbay, & Tuncer, 2016). Hence, balancing the risk and return firms are employing the conservative strategy. It is also a combination of defensive working capital policy and aggressive working capital policy. In this method, provisional current assets, assets that exist on the balance sheet for short period will be funded by the short-term obligations and long-term debts have to finance the fixed assets and enduring current assets. Therefore, the implementer of this method discovers a reasonable level of working capital with reasonable risk and return. It is considered a "low-profit low-risk" conception . Besides, this approach not only diminishes the risk of failure to pay the debt but also decreases the opportunity cost of extra investment in the current assets. Conversely, apart from the above arguments, the amount of working capital is also based on the level of sale since sales are the source of revenue for all firms (Paak, Açıkgöz, Erbay, & Tuncer, 2016). Sales can affect working capital in three potential ways; as sales grow, the working capital will also rise with the same fraction, so the span of the cash conversion cycle remains the same; as the sales rise, the working capital grows in a slower proportion; as the sales grow, the level of working capital increases in a misappropriate level; that is, the working capital may increase in a proportion more than the proportion of growth in the sale (Arnold, 2018).

Firms with a steady sale of rising sale can implement the aggressive approach since it has confidence on its upcoming cash inflows and is certain to disburse its short-term liabilities at maturity (Aktas, Croci, & Petmezas, 2015). In contrast, a firm with an unbalanced sale or with instability in the sale cannot consider implementing the aggressive approach since it is not certain about its future cash inflows. In such cases, the implementation of an aggressive approach is like committing suicide (Paramasivan & Subramanian, 2019). Therefore, browsing and utilizing other bests approach may be a wise choice.

2.10 Summary of the Chapter

The chapter discussed the conceptual framework such as working capital management, overview of financial management, financial performance, objective of working capital management, significance of working capital components management, inventory management, and measurement of working capital management. The chapter also discuss the theoretical framework and empirical review of related studies.

Having discussed the aforementioned, it can therefore be deduced that efficient management of working capital is one of the preconditions for success of an organization as working capital is the life giving force to an economic entity. Efficient management of working capital means management of various components of working capital in such a way that an adequate amount of working capital is maintained for smooth running of a firm and for fulfilment of twin objectives of liquidity and profitability. Also it is the most crucial factor for survival and solvency of a concern.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a detailed description of the various research procedures adopted in the collection of data and the techniques used in presentation and analysis of data in the following order: Research design, area of the study, population of the study, sample size and sampling techniques, instrument for data collection, validity and reliability of the instrument, method of data collection, method of data presentation and analysis.

3.2 Research Design

Survey research method was used for the purpose of this study. This was considered more appropriate because survey design generally can be used to investigate problem in realistic setting, the survey research provides the researcher with a more accurate description of respondents' opinion. The survey research comprises of several variables and uses multi-variant statistics to analyze data.

3.3 Area of the Study

The study was restricted to in Hamdala Hotel, located at 26 Muhammadu Buhari Way, Kaduna.

3.4 Population of the Study

According to Robert (2008), population is a collection of elements about which the researcher wishes to make inference. The population for this study was the entire staff of Hamdala Hotel, Kaduna which was made up of one hundred and thirty (130) staff.

3.5 Sample Size and Sampling Techniques

The researcher used simple random sampling technique to get the required responses from the respondents. The total respondents that were selected through random sampling were 97 staff using Krejcie and Morgan (1970) validated sample size table.

3.6 Instrument for Data Collection

Primary and secondary methods of data collection were both used in this study. The secondary data were generated from published and unpublished text materials while primary data consists of a number of items in well-structured questionnaire that was administered to the respondents. The decision to structure the questionnaire is predicated on the need to reduce variability in the meanings possessed by the questions as a way of ensuring compatibility of responses. The questionnaire were developed by the researcher based on five points Likert rating scale of Strongly Agree, Agree, Undecided, Disagree, and Strongly Disagree. The 5 points Likert scale is shown thus:

	SA	A	UD	D	SD
Grade Point	5	4	3	2	1
Range	4.5-5.0	3.5-4.4	2.5-3.4	1.5-2.4	0.5-1.4

Key:

SA - Strongly Agree = 5

A - Agree = 4

UD – Undecided = 3

D - Disagree = 2

SD - Strongly Disagree = 1

3.7 Validity and Reliability of the Instruments

One important way of ensuring that the right instrument has been used and correct measurement taken is that the outcome must be in consonance with two major criteria for measuring quality known as validity and reliability (Osuala, 2009). Validation by experts as opined by Nwana (2013) is an effective method for content validation of research instrument.

To obtain the validity of an instrument, three experts were required to vet and cross-check the items generated in the questionnaire in order to ensure accuracy and clarity of the instrument. The facial validation was done by the supervisor of this project. Their modifications and corrections resulting from their observation and constructive criticisms was used in improving the final draft.

Reliability has to do with consistency obtained from the results of the application of the instruments. An instrument is reliable if it consistently gives the same or similar result. To obtain reliability for factual questions, Ogbu (2014) suggest that internal checks the form of logical test to the questionnaire should be conducted. In line with this, a number of questions will be built into the questionnaire to give a clue on the respondents' consistency of response.

Besides, pilot study was conducted on 10 staff of the organization to pre-test the efficacy of the questionnaire. This was meant to test the appropriateness of the items in the questionnaire to elicit the needed responses. The choice of a small sample for pilot study is in agreement with the view held by Nworgu (2010) who opined that pilot testing is usually done on a smaller scale than the main study but under similar conditions. And the 10 staff to be used in the pilot study was not participated in the actual study.

3.8 Method of Data Collection

The researcher personally collected all the data for the study from the staff of Hamdala Hotel, Kaduna. After distributing the questionnaire, respondents were given 5 days to fill the questionnaire. This timeframe was given in order to give ample opportunity to the respondents to reflect on the items generated on the questionnaire to facilitate valid response.

3.9 Method of Data Presentation and Analysis

Data collected from the respondents were presented in tables and analyzed accordingly with the aid of arithmetic mean and simple percentage. The choice of these tools was because they are very convenient and more appropriate to enable the readers to comprehend the findings of the study.

i. Simple Percentage: This was used in the analysis of each of the questions relating to respondents' demographic variables.

ii. Mean Score: This was adopted in analyzing each variable in the questionnaire.

The mean score has the formula given by the equation below:

$$\text{Mean } (X) = \frac{\sum fx}{\sum f}$$

Where:

$\sum$ = Summation

f = Frequency

x = Variables

Each value of the acronyms on the 5 point likert scale was multiplied by the corresponding frequency of the variable. The frequency (f) column was multiplied by (x) to get function of x (fx). The mean score of each of the variable was obtained by dividing the sum total of (fx) by the sum of (f).

$$\frac{5 + 4 + 3 + 2 + 1}{5} = \frac{15}{5} = 3.0$$

Therefore, the mean scores of 3.0 and above were regarded as agreed responses, while points below the mean average of 3.0 were treated as disagreed responses.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the analysis of the data collected in the course of the study. The data collected and presented with the aid of a frequency distribution table.

4.2 Response Rate

A total number of 97 questionnaires were produced and administered, out of which 94 were filled and returned. The 94 questionnaires formed the basis for the data analysis and interpretation.

4.3 Characteristics and Classification of Respondents

Table 4.3.1: Sex of the Respondents

Variable	Respondents	Percentage (%)
Male	65	69
Female	29	31
Total	**94**	**100**

Source: Field Survey, 2022

The data in table 4.3.1 above shows that 65 respondents representing 69% are male. This means that majority of the respondents are male.

Table 4.3.2: Age Distribution of Respondents

Variable	Respondents	Percentage (%)
20-29	12	13
30-39	40	42
40-49	25	27
50 and above	17	18
Total	**94**	**100**

Source: Field Survey, 2022

The data in table 4.3.2 above shows the age distribution of the respondents. It revealed that the majority of the respondents are within the age of 30 to 39 years which representing 42%.

Table 4.3.3: Educational Qualification

Variable	Respondents	Percentage (%)
SSCE/WASSCE	20	21
ND/NCE	36	38
B.Sc./HND	28	30
Postgraduate	10	11
Total	**94**	**100%**

Source: Field Survey, 2022

The data in table 4.3.3 shows the educational qualification of staff with the results as follow: 20 respondents representing 21% are SSCE/WASSCE holders, 36 respondents representing 38% are ND/NCE holders, 28 respondents representing 30% are B.Sc./HND holders while 10 respondents representing 11% are postgraduate holders.

4.4 Data Presentation and Analysis

This section presents the data and discusses the findings of the study, which set out to evaluate working capital on the performance of Hamdala Hotel, Kaduna. The findings were based on analysis of the 94 valid responses from the respondents.

Variables	SA	A	UD	D	SD	Total	Mean Score	Remarks
Working capital evaluates the performance of Hamdala Hotel, Kaduna.	58 X 5	19 X 4	7 X 3	10 X 2	0 X 1	94		
	290	76	21	20	0	$\frac{407}{94}$	4.3	Agreed

Source: Researcher's Computation, 2022

Therefore: $\frac{\Sigma fx}{\Sigma f} = \frac{409}{94} = \underline{4.3}$

Table 4.4.1: The impact of working capital management on the performance of Hamdala Hotel, Kaduna.

S/N	Variables	SA	A	UD	D	SD	Total	Mean	Remarks
1.	Adequate working capital management allows a business to pay on time its short-term obligations.	58 X 5 290	19 X 4 76	7 X 3 21	10 X 2 20	0 X 1 0	94 $\frac{407}{94}$	4.3	Agreed
2.	Efficient working capital management allows a business to allocate its resources better and improve its cash management.	60 X 5 300	19 X 4 76	7 X 3 21	8 X 2 16	0 X 1 0	94 $\frac{413}{94}$	4.4	Agreed
3,	Working capital management generates more free cash flows, which result in higher business valuation and enterprise value.	42 X 5 210	50 X 4 200	1 X 3 3	1 X 2 2	0 X 1 0	94 $\frac{415}{94}$	4.4	Agreed
4.	Efficient working capital management helps a firm survive a crisis or ramp up production in case of an unexpectedly large order.	42 X 5 210	50 X 4 200	1 X 3 3	1 X 2 2	0 X 1 0	94 $\frac{415}{94}$	4.4	Agreed
5.	Efficient working capital management helps maintain smooth operations of business.	54 X 5 270	40 X 4 160	0 X 3 0	0 X 2 0	0 X 1 0	94 $\frac{430}{94}$	4.6	Agreed

Source: Field Survey, 2022.

Grand Mean = $\frac{22.1}{5}$ = 4.4 (Agreed)

From the table illustrated above, it shows that variable 1, 2, 3, 4 and 5 were accepted with the mean scores of 4.3, 4.4, 4.4, 4.4 and 4.6 respectively which are all higher than the cut-off point of 3.0. This implies that adequate working capital management allows a business to pay on time its short-term obligations, efficient working capital management allows a business to allocate its resources better and improve its cash management, working capital management generates more free cash flows, which result in higher business valuation and enterprise value, efficient working capital management helps a firm survive a crisis or ramp up production in case of an unexpectedly large order, and efficient working capital management helps maintain smooth operations of business.

Table 4.4.2: The dimensions of working capital on the performance of Hamdala Hotel, Kaduna.

S/N	Variables	SA	A	UD	D	SD	Total	Mean	Remarks
6.	Formulation of policies relating to risk, profitability and liquidity.	48 X 5 240	38 X 4 152	8 X 3 24	0 X 2 0	0 X 1 0	94 $\frac{416}{94}$	4.4	Agreed
7.	The decision about the determination of current assets to sales level.	48 X 5 240	38 X 4 152	8 X 3 8	0 X 2 0	0 X 1 0	94 $\frac{416}{94}$	4.4	Agreed
8,	The decision about the financing of current assets.	58 X 5 290	36 X 4 144	0 X 3 0	0 X 2 0	0 X 1 0	94 $\frac{434}{94}$	4.6	Agreed
9.	Sound working capital management policy	48 X 5 240	36 X 4 144	4 X 3 12	6 X 2 12	0 X 1 0	94 $\frac{408}{94}$	4.3	Agreed
10.	Other techniques used for working capital management such as ratio analysis, over trading and under trading, and working capital leverage.	48 X 5 240	38 X 4 152	8 X 3 24	0 X 2 0	0 X 1 0	94 $\frac{416}{94}$	4.3	Agreed

Source: Field Survey, 2022.

Grand Mean = $\frac{22}{5}$ = 4.4 (Agreed)

From the table illustrated above, it shows that variable 6, 7, 8, 9 and 10 were accepted with the mean score of 4.4, 4.4, 4.6, 4.3 and 4.3 respectively which are all higher than the cut-off point 3.0. This implies that the dimensions of working capital on the performance includes the formulation of policies relating to risk, profitability and liquidity, the decision about the determination of current assets to sales level, the decision about the financing of current assets, sound working capital management policy, and other techniques used for working capital management such as ratio analysis, over trading and under trading, and working capital leverage.

Table 4.4.3: The problems of working capital on the performance of Hamdala Hotel, Kaduna.

S/N	Variables	SA	A	UD	D	SD	Total	Mean	Remarks
11.	Lack of visibility on cash and working capital performance across the organization.	42 X 5 210	52 X 4 208	0 X 3 0	0 X 2 0	0 X 1 0	94 $\frac{418}{94}$	4.4	Agreed
12.	Lack of cash awareness across departments and geographies.	38 X 5 190	42 X 4 168	5 X 3 15	5 X 2 10	4 X 1 4	94 $\frac{387}{94}$	4.1	Agreed
13.	High levels of overdue receivables and bad debt write-offs.	36 X 5 180	54 X 4 216	0 X 3 0	4 X 2 8	0 X 1 0	94 $\frac{404}{94}$	4.3	Agreed
14.	Poor controls in relation to setting and managing payment terms of customers and suppliers.	47 X 5 235	47 X 4 188	0 X 3 0	0 X 2 0	0 X 1 0	94 $\frac{423}{94}$	4.5	Agreed
15.	Lack of co-ordination between sales and planning, coupled with a lack of visibility on stocks.	36 X 5 180	44 X 4 176	8 X 3 24	6 X 2 12	0 X 1 0	94 $\frac{392}{94}$	4.2	Agreed

Source: Field Survey, 2022.

Grand Mean = $\frac{21.5}{5}$ = 4.3 (Agreed)

From the table illustrated above, it shows that variable 11, 12, 13, 14 and 15 were accepted with the mean score of 4.4, 4.1, 4.3, 4.5 and 4.2 respectively which are all higher than the cut-off point 3.0. This implies that the problems of working capital on the performance of Hamdala Hotel, Kaduna includes lack of visibility on cash and working capital performance across the organization, lack of cash awareness across departments and geographies, high levels of overdue receivables and bad debt write-offs, poor controls in relation to setting and managing payment terms of customers and suppliers, and lack of co-ordination between sales and planning, coupled with a lack of visibility on stocks.

4.5 Summary of Findings

Having carefully analyzed and interpreted the data collected, the following findings were obtained.

1. Working capital management has impact on the performance of Hamdala Hotel, Kaduna as it allows a business to pay on time its short-term obligations, efficient working capital management allows a business to allocate its resources better and improve its cash management, working capital management generates more free cash flows, which result in higher business valuation and enterprise value, efficient working capital management helps a firm survive a crisis or ramp up production in case of an unexpectedly large order, and efficient working capital management helps maintain smooth operations of business.
2. The dimensions of working capital on the performance includes the formulation of policies relating to risk, profitability and liquidity, the decision about the determination of current assets to sales level, the decision about the financing of current assets, sound working capital management policy, and other techniques used for working capital management such as ratio analysis, over trading and under trading, and working capital leverage.

3. The problems of working capital on the performance of Hamdala Hotel, Kaduna includes lack of visibility on cash and working capital performance across the organization, lack of cash awareness across departments and geographies, high levels of overdue receivables and bad debt write-offs, poor controls in relation to setting and managing payment terms of customers and suppliers, and lack of co-ordination between sales and planning, coupled with a lack of visibility on stocks.

4.6 Discussion of Findings

The data presented and analyzed were not just revealing but deserve further discussion thus:

Research Question 1: *What are the impact of working capital management on the performance of Hamdala Hotel, Kaduna?*

In providing answer to the above research question, variables 1, 2, 3, 4 and 5 of the data analyzed in table 4.4.1 with grand mean score of 4.4 which is greater than the cutoff point 3.0 was utilized. This shows that *working capital management has significant impact on the performance of Hamdala Hotel, Kaduna.*

Research Question 2: *What are the dimensions of working capital on the performance of Hamdala Hotel, Kaduna?*

To provide answer to the above raised research question, variables 6, 7, 8, 9 and 10 of the data analyzed in table 4.4.2 were established with the grand mean of 4.4 which is also greater than the cutoff point 3.0. This implies that there are effective dimensions of w*orking capital on the performance of Hamdala Hotel, Kaduna.*

Research Question 3: *What are the problems of working capital on the performance of Hamdala Hotel, Kaduna?*

In order to answer the above raised research question, variables 11, 12, 13, 14 and 15 of the data analyzed in table 4.4.3 were utilized with the grand mean of 4.3 which is greater than the cutoff point 3.0. This revealed that *the performance of Hamdala Hotel, Kaduna were faced with various problems of working capital.*

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study examined the evaluation of working capital on the performance of Hamdala Hotel, Kaduna. Three (3) research questions guided the study. A survey method was used for this study. The population consists of all the management and staff of Hamdala Hotel, Kaduna. Out of 130 staff, a sample size of 97 was drawn using simple random sampling technique. A questionnaire developed by the researcher based on 5 points Likert scale was used for the collection of primary data for the study.

97 questionnaires were finally administered to the staff of the organization out of which 3 were damage and 94 were validly filled and returned. Data collected for the three research questions were presented in tables, analyzed using mean statistics, so as to confirm its degree of conformity with the objectives of the study earlier put forward, and on the basis of which the major findings of the study were revealed and discussed for valid research conclusion and appropriate recommendations.

5.2 Conclusion

Based on the findings, the study concluded that working capital management has impact on the performance of Hamdala Hotel, Kaduna as it allows a business to pay on time its short-term obligations, efficient working capital management allows a business to allocate its resources better and improve its cash management, working capital management generates more free cash flows, which result in higher business valuation and enterprise value, efficient working capital management helps a firm survive a crisis or ramp up production in case of an unexpectedly large order, and efficient working capital management helps maintain smooth operations of business.

The study further concluded that the dimensions of working capital on the performance includes the formulation of policies relating to risk, profitability and liquidity, the decision about the determination of current assets to sales level, the decision about the financing of current assets, sound working capital management policy, and other techniques used for working capital management such as ratio analysis, over trading and under trading, and working capital leverage.

Finally, it can be concluded that the problems of working capital on the performance of Hamdala Hotel, Kaduna includes lack of visibility on cash and working capital performance across the organization, lack of cash awareness across departments and geographies, high levels of overdue receivables and bad debt write-offs, poor controls in relation to setting and managing payment terms of customers and suppliers, and lack of co-ordination between sales and planning, coupled with a lack of visibility on stocks.

5.3 Recommendations

Based on the findings of this study, the researcher recommends the following measures to remedy the problems.

i. Management should continue to emphasize and implement strong controls that will ensure effective and efficient working capital management systems.

ii. The management should manage their working capital efficiently to achieve optimal profitability. This can be achieved by improving the inventory control process, collecting receivables in line with the agreed credit terms and by delaying payments to suppliers. All these will lead to shortening the cash conversion cycle resulting to an increase in profitability.

iii. Management should engage in relationship with those suppliers who allow long credit time period and those customers who will take short payment period.

iv. Hotel industries should avoid excess expenditure on inventory management which can affect their working capital and led to borrowing to support operations of the working capital demands.

v. The management of hotel industries should consider proper management of accounts receivable to ensure financial performance of hotel industries in Nigeria. This will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders and create better decisions.

vi. Hotel industries should put in place proper measures on the management of accounts payable that will help them gather information which will provide valuable insights in the strategy and the necessary input to find effective responses to optimize financial performance of deposit taking firms.

vii. The management should keep on monitoring inventory procedure and benefits paid to shareholders of medical firms so as to ensure an increase in profits. This will help in identifying whether the adopted counteractive measures are making any acceptable difference in working capital management techniques or not.

viii. Management should have effective working capital management techniques. This will help to identify problems likely to bring significant increase in the budget, or cause financial performance problems. By proper dealing with potential working capital management techniques in advance, organizations can respond effectively to challenges whenever they emerge thus ensuring effective financial performance of hotel industries in Nigeria.

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APPENDIX I

INTRODUCTION LETTER

Department of Business Administration,
College of Business & Management Studies,
Kaduna Polytechnic,
Kaduna.

30th May, 2022.

Dear Respondents,

AN EVALUATION OF WORKING CAPITAL ON THE PERFORMANCE OF HAMDALA HOTEL, KADUNA

I am a Higher National Diploma student of the above named institution, currently conducting a research on the above topic. This research is part of the requirement for the award of Higher National Diploma (HND) in Business Administration and Management. Your response to the attached questionnaires can make the research a tremendous success.

I wish to appeal to you to assist this study by kindly sparing a few minutes to complete this questionnaire. You are not required to disclose your identity. Be rest assured that your responses will be treated in strict confidence and used for the stated academic purpose only.

Thanks.

Yours faithfully,

Odoje Ochanya Mercy
KPT/CBMS/19/54380
The Researcher

APPENDIX II

QUESTIONNAIRE

INSTRUCTION: Please tick [√] the appropriate choice.

SECTION A: Personal Data

1. Sex:

   (a) Male [ ]

   (b) Female [ ]

2. Age:

   (a) 20-29 [ ]

   (b) 30-39 [ ]

   (c) 40-49 [ ]

   (d) 50 and above [ ]

3. Educational Qualification:

   (a) SSCE/WASSCE [ ]

   (b) NCE/ND [ ]

   (c) HND/B.Sc [ ]

   (d) Postgraduate [ ]

SECTION B: Research Questions

The acronyms given in the boxes are

SA	=	Strongly Agreed
A	=	Agreed
UD	**=**	Undecided
D	=	Disagree
SD	=	Strongly Disagree

Table 1: The impact of working capital management on the performance of Hamdala Hotel, Kaduna.

S/N	Variable	SA	A	UD	D	SD
1.	Adequate working capital management allows a business to pay on time its short-term obligations.					
2.	Efficient working capital management allows a business to allocate its resources better and improve its cash management.					
3.	Working capital management generates more free cash flows, which result in higher business valuation and enterprise value.					
4.	Efficient working capital management helps a firm survive a crisis or ramp up production in case of an unexpectedly large order.					
5.	Efficient working capital management helps maintain smooth operations of business.					

Table 2: The dimensions of working capital on the performance of Hamdala Hotel, Kaduna.

S/N	Variable	SA	A	UD	D	SD
6.	Formulation of policies relating to risk, profitability and liquidity.					
7.	The decision about the determination of current assets to sales level.					
8.	The decision about the financing of current assets.					
9.	Sound working capital management policy					
10.	Other techniques used for working capital management such as ratio analysis, over trading and under trading, and working capital leverage.					

Table 3: The problems of working capital on the performance of Hamdala Hotel, Kaduna.

S/N	Variable	SA	A	UD	D	SD
11.	Lack of visibility on cash and working capital performance across the organization.					
12.	Lack of cash awareness across departments and geographies.					
13.	High levels of overdue receivables and bad debt write-offs.					
14.	Poor controls in relation to setting and managing payment terms of customers and suppliers.					
15.	Lack of co-ordination between sales and planning, coupled with a lack of visibility on stocks.					