

**CASH MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF
HOTELS IN UGANDA: THE CASE OF SELECTED 3-STARS
HOTELS IN GULU CITY**

BY

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**A DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS AND
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DECLARATION

I Agenorwot Anna, hereby declare that the information given in this dissertation titled "*Cash Management Practices and Financial Performance of Hotels in Uganda: The case of selected 3-Stars Hotels in Gulu City*" is my own original work and has never been submitted to any academic institution or anywhere else for the award of any academic qualification.

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APPROVAL

This is to certify that this dissertation titled "*Cash Management Practices and Financial Performance of Hotels in Uganda: The case of selected 3-Stars Hotels in Gulu City*" has been done under our supervision and therefore approved.

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LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA:	One way Analysis of Variance
CCC:	Cash Conversion Cycle
CEO:	Chief Executive Officer
CVI:	Content Validity Index
GM:	General Manager
HR:	Human Resources
ICT:	Information and Communication Technology
ILO:	International Labour Organization
NGO:	Non-governmental Organization
PMS:	Property Management System
PSFU:	Public Sector Foundation Uganda
RevPAR:	Revenue Per Available Room
ROE:	Return on Equity
SAQ:	Self-Administered Questionnaire
SME:	Small and Medium Enterprise
SPSS:	Statistical Package for Social Sciences
UTB:	Uganda Tourism Board
VAT:	Value Added Tax
WCM:	Working Capital Management

ABSTRACT

The purpose of the study was to examine the effects of cash management on financial performance of 3-stars hotels in Gulu City. The study was guided by five objectives; to determine the cash management practices in 3-stars hotels, to assess the level of financial performance of 3-stars hotels, to examine the relationship between cash management and financial performance of 3-stars hotels, to examine government policies governing 3-stars hotels, and to examine the moderating effects of government policies on the relationship between cash management and financial performance of 3-stars hotels in Gulu City. The study employed a cross-sectional design. Both quantitative and qualitative approaches were applied. A sample size of 140 was selected using purposive, random, and convenience sampling. Data were collected using structured questionnaire and interview guide. The study revealed that cash budgeting is moderately applied, primarily addressing operational needs, but with limited staff participation and monitoring. Cash disbursement practices were generally standardized, yet gaps exist in the recording of minor transactions and in the review of irregular expenditures. Cash control mechanisms are the most consistently practiced, focusing on safekeeping of funds, authorization processes, and bank reconciliations, though challenges remain in the segregation of duties. In terms of financial performance, profitability is actively pursued through planning and reinvestment, although fluctuating profit trends and external operational pressures hinder consistency. Liquidity is managed at the operational level, with limited application of formal assessment tools. Return on Equity is poorly understood and rarely used in performance evaluation. The study established a positive relationship between effective cash management and financial performance, revealing the strategic importance of budgeting, disbursement, and control mechanisms in enhancing financial outcomes. The study recommends improved staff involvement in budgeting, strengthening of internal control systems, and adoption of structured financial performance tracking tools. The study further calls on government authorities to support hotels through simplified regulatory compliance and greater awareness of tax relief provisions.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Recent research underscores the critical impact of effective cash management on the financial performance of the hospitality industry, particularly hotels (Chepkong'a & Kimutai, 2023). Studies revealed that hotels implementing robust cash management strategies experience improved liquidity, profitability, and operational efficiency (Afandy, 2024 & Obushuru, 2023). Furthermore, these practices help mitigate financial risks, ensuring sustainable growth and stability in an increasingly competitive market (Davis & Clark, 2023).

This study focused on cash management and financial performance in hotels in Gulu City. Where, cash management is an independent variable while financial performance is a dependent variable. This chapter consists of the background to the study, problem statement, purpose, objectives, research questions, the significance and the scope of the study.

1.1 Background to the study

The background to the Study was presented under the historical, theoretical, conceptual and contextual backgrounds.

1.1.1 Historical background

The historical development of financial performance and cash management in hotels evolved significantly over the centuries.

Globally, the historical development of cash management in the hotel industry has evolved significantly over the centuries. In the 18th century, hotels primarily served as basic lodging and food service providers, with little to no focus on structured financial management. During this time, there was a lack of formal financial systems, which made it difficult for hotel operators to measure performance or make informed financial decisions (Singh, Kline, Ma & Beals, 2012). Moving into the 19th century, as global travel expanded due to the Industrial Revolution, financial practices remained largely informal. Hotel operators still relied on basic ledgers, and profitability assessments lacked consistency across establishments. The absence of benchmarking tools and standard performance indicators led to continued inefficiencies and poor cash handling (Singh et al., 2012).

By the 20th century, international hotel chains began to emerge, and financial accounting systems saw significant improvements. However, many hotels faced challenges such as delayed financial reporting, lack of forecasting tools, and liquidity issues. The Great Depression revealed these weaknesses as hotels were unprepared for economic downturns.

Even with the introduction of electronic accounting and payment systems in the later decades, many establishments struggled with system integration and limited staff capacity (Larsson, 2010).

In the 21st century, the global hotel industry has incorporated sophisticated performance metrics such as Revenue per Available Room (RevPAR), Average Daily Rate (ADR), and Gross Operating Profit per Available Room (GOPPAR). Despite these advancements, numerous hotels particularly smaller and independent ones continue to face difficulties in implementing and interpreting these metrics. Common issues include inadequate staff training, outdated financial systems, and poor data management. Furthermore, increasing global competition and rapidly changing market conditions have made it difficult for hotels to maintain financial consistency (Niewiadomski, 2016; Ma, 2021).

Continently, in Europe and North America, hotel financial management matured earlier, with hotels increasingly integrating standardized financial controls and adopting strategic planning tools by the late 20th century. However, issues of cash flow volatility and delayed revenue realization have persisted, especially during economic recessions and in regions dependent on seasonal tourism (Rahman, 2018).

In Asia and the Middle East, Li & Zhang (2025) argued that hotel development surged in the late 20th and early 21st centuries due to tourism and business travel growth. While major hotel chains in these regions adopted global best practices in financial performance measurement, many small and medium enterprises (SMEs) continued to fight with liquidity issues, limited access to financial expertise, and weak internal controls, which affected overall financial sustainability (Li & Zhang, 2025).

In Africa, the growth of the hospitality sector has been evident in countries like Kenya, South Africa, and Nigeria. However, the lack of robust cash management practices continues to hinder performance. Many hotels operate without clear cash flow systems or forecasting tools, which exposes them to operational shocks and funding gaps (Mutinda & Kieti, 2019). The limited application of performance benchmarks and inadequate financial literacy further weaken the sector's resilience and competitiveness (Adeleke, 2020).

Locally in Uganda, the hotel industry has expanded due to urbanization, tourism, and development programs. Nevertheless, most hotels operate under weak financial structures, with poor cash budgeting, limited use of digital accounting systems, and inadequate performance evaluation mechanisms. Many small hotels face recurring issues such as delayed payments, lack of internal financial audits, and poor liquidity planning, all of which contribute to inconsistent financial performance and increased risk of insolvency (Nansubuga, 2020).

1.1.2 Theoretical background

This study was guided by the Cash Management Theory developed in 1999. The major proponent of this theory is Brigham. The theory posits that cash is a critical component in the survival and success of businesses, and that the absence of effective cash management techniques has led many businesses both small and large into bankruptcy. It highlights that, like oxygen to a business, money is frequently taken for granted until its absence causes the business to perish quickly (Mungal & Garbharran, 2014). Budgeting, disbursement, and cash control are all part of proper cash management, which guarantees that a company has enough cash on hand to cover its immediate liabilities and run efficiently (Nasimiyu, 2023).

The key assumptions of the theory include; businesses require continuous cash flow to meet operational and financial obligations; failure to manage cash effectively leads to financial distress or bankruptcy (Youssef, 2024); cash shortages can occur even in profitable businesses due to poor liquidity planning; all businesses, regardless of size or sector, are vulnerable to cash flow challenges (Nasimiyu, 2023).

This theory was relevant to the study as it provided a framework for understanding how effective cash management practices directly influence the financial performance of hotels, particularly in Gulu City, where many hospitality businesses may face liquidity constraints. Hotels often use most of their cash for operations and investments, and may struggle to generate enough liquidity to meet their rising obligations, making cash management crucial for avoiding insolvency and sustaining financial performance (Lihandah, 2018).

The major concepts that this study borrowed from the theory include: cash budgeting, cash flow forecasting, liquidity management, profitability, financial solvency, cash control mechanisms. These notions influenced the study of how cash management influences financial success in the hotel business.

1.1.3 Conceptual background

The key concepts defined in the study include cash management, performance in business, financial performance, profit, liquidity, solvency, and financial efficiency, each relating to how businesses manage, measure, and optimize their financial resources and outcomes.

Cash management is described as the planning, control, and accounting of cash transactions and balances (Ahmad, 2016). Good cash management means knowing when, where, and how your cash needs will occur and knowing what the best sources are for meeting additional cash needs being prepared to meet these needs when they occur by keeping good relationship with bankers and other creditors (Ahmad, 2016).

According to Torre (2013), cash management refers to the various methods used by a company to manage its short-term money needs. These methods help in monitoring and controlling how cash is generated and used in the daily running of the business, with the aim of improving performance and proper handling of working capital. Today, cash management has become an essential part of running a successful business.

Taouab and Issor (2019) explain business performance as the way a company handles its financial matters. More generally, performance shows how well a business is achieving its financial goals. It involves measuring how the company's policies and day-to-day activities affect its financial outcomes. Business performance also gives an overall picture of a company's financial position during a given period, and it can be used to make comparisons between companies in the same line of work or across different sectors.

Kennon (2010) explains performance as a judgment based on how well a company is able to use its main business activities to earn income. It is also commonly used as a broad measure of the company's financial wellbeing within a certain period. This concept can help in making comparisons between businesses in the same line of work or even across different industries.

In the same line, Alfred (2007) defines financial performance as a reflection of how effectively a business has used its resources to generate income. The financial position of a company is usually assessed through its financial statements, which give a summary of the business outcomes over a given time. According to Essia, Fatima, and Harash (2013), financial performance is also used to examine the financial condition of an organisation or the results of decisions taken by management during a particular period.

Financial performance is commonly measured using indicators such as profitability, liquidity, solvency, ability to repay debts, short-term financial control, financial efficiency, and the overall capacity of the firm (Noy, 2023). Stern and Rogers (2014) describe profit as the value or wealth that a company is able to create by using the resources it has at its disposal. On the other hand, liquidity is measured using tools like the quick ratio and current ratio to assess whether the company has enough cash or near-cash resources to meet its financial obligations when they fall due (Woodruff, 2014). Solvency, in this context, refers to the firm's ability to settle all its debts in case it decides to sell off all its assets, as well as its strength to recover from financial stress. How successfully a hotel handles its short-term financial objectives, such as inventory and working capital management, can also be used to gauge its financial performance. Financial efficiency, on the one hand, gauges how well a company uses its resources to generate gross revenues and how well it produces, buys products, sets prices, and makes financing decisions (Woodruff, 2014).

1.1.4 Contextual background

Uganda's hotel industry faces major financial challenges in profitability, liquidity, and solvency. Profit margins are low (5-10%) due to high operating costs (labor at 30-40% of expenses) and low occupancy rates (50-65%), which are below the global average of 70-75% (Atwijukire, 2019). RevPAR remains weak, and cash flow is inconsistent due to seasonal fluctuations, with off-peak occupancy dropping to 20-30% (Tushabe, Turyasingura & Rwotolonya, 2023). Over 76% of the hotels also experience accounts receivable delays, making up 10-15% of total revenue. Solvency is threatened by high debt levels, with a debt-to-equity ratio often exceeding 1:1 and low interest coverage ratios (Nkundabanyanga, Nayebare & Kabuye, 2024). Additionally, ROI is low at 5-7%, far below global standards of 10-15% (Nabukeera & Namagembe, 2020).

In Gulu City, the hotels business sector, faces unique financial challenges due to limited access to advanced cash management tools and training. Hotels in Gulu City have reported difficulties in maintaining consistent cash flows, which impacts their overall financial performance. Implementing strong cash management practices can contribute to a 10% improvement in financial performance stability and operational efficiency of small and medium-sized enterprises (Okello & Odongo, 2022). However, no study is identified on cash management and financial performance in hotel businesses in Gulu city in particular, indicating the need to undertake this study..

1.2 Statement of the Problem

Local hotels in Gulu City would have sufficient cash generated from their daily business activities, allowing them to effectively fund expansion, improve liquidity, and enhance overall financial performance. This would enable them to remain competitive, grow sustainably, and consistently improve profitability, return on equity (ROE), and liquidity (Dahiyat, Weshah, & Aldahiyat, 2021).

However, a significant number of local hotels in Gulu City, specifically 255 out of 367 (69.5%), continue to struggle with financial performance issues such as low profits, low liquidity, and inadequate return on equity (Kalokwera, 2023). These problems are exacerbated by income inequality, poor credit policies, access to limited financing, and late payments by clients. This results in cash deficits, making it difficult for these hotels to expand or operate efficiently.

If such financial problems were properly addressed, local hotels in Gulu City would be able to operate optimally, expand their services, and increase their market share. With adequate cash flow management, these hotels could maintain stable operations, improve their

competitiveness, and contribute to job creation and economic development within the region (Uganda Tourism- Board, 2019).

Notwithstanding the urgent financial concerns, the Uganda Tourism Board and the Private Sector Foundation Uganda have consistently arranged workshops to equip hotel managers, owners, and accountants with cash management, financial, and entrepreneurial skills in order to address the financial performance issues that Gulu City's hotels face. According to research, cash management techniques such appropriate budgeting, cash planning, and disbursement can greatly improve a company's financial performance (Dahiyat, Weshah, & Aldahiyat, 2021). However, the local hotels in Gulu City have not fully embraced these techniques.

If the current financial problems are left unaddressed, the consequences for local hotels in Gulu City will be severe. Hotels that continuously operate with financial deficits, low liquidity, and low ROE may face bankruptcy, leading to the closure of businesses (Kalokwera, 2023), and this will negatively impact the local economy and diminish the prominence of Gulu City as one of the major tourist and business destination.

This study aims to bridge the gap in empirical research by investigating the effects of cash management practices on the financial performance of hotels in Gulu City.

1.3 Purpose of the Study

To examine the effects of cash management on financial performance of 3-stars hotels in Gulu City

1.4 Study Objectives

- i. To determine the cash management practices in selected 3-stars hotels in Gulu City.
- ii. To assess the level of financial performance of selected 3-stars hotels in Gulu City.
- iii. To examine the relationship between cash management and financial performance of selected 3-stars hotels in Gulu City.
- iv. To examine government policies governing 3-stars hotels in Gulu City.
- v. To examine the moderating effects of government policies on the relationship between cash management and financial performance of selected 3-stars hotels in Gulu City.

1.5 Research Questions

- i. What was the cash management practices in selected 3-stars hotels in Gulu City?
- ii. What was the level of financial performance of selected 3-stars hotels in Gulu City?
- iii. What was the relationship between cash management and financial performance of selected 3-stars hotels in Gulu City
- iv. What are the government policies governing 3-stars hotels in Gulu City.

- v. What was the moderating effects of government policies on the relationship between cash management and financial performance of selected 3-stars hotels in Gulu City?

1.6 Scope of the Study

Scope of the study comprises of content scope, geographical scope, and time scope as explained below:

1.6.1 Content scope

The research examined how cash management influences the financial performance of hotels within Gulu City. To assess cash management, the study considered indicators such as cash budgeting, cash disbursement, and control of cash, treating it as the independent variable. Financial performance, taken as the dependent variable, was measured using Return on Equity (RoE), profitability, and liquidity levels. Government policy was included as a moderating factor, and it was assessed based on tax regulations as well as labour and employment-related policies.

1.6.2 Geographical scope

The study was conducted in Gulu City, located in the Northern Region of Uganda, which became operational in July 2020. Gulu City consists of two divisions: Gulu West and Gulu East. It lies approximately 333 kilometers north of Kampala, Uganda's capital. Gulu is bordered by Amuru District to the north, Nwoya to the west, Omoro to the south, and Kitgum to the northwest. Following the end of the Lord's Resistance Army (LRA) insurgency which lasted from the late 1980s to the early 2000s Gulu City transitioned from a conflict-affected region into a hub for post-war recovery and development. With the restoration of peace, economic activities resumed, attracting people, NGOs, development agencies, government institutions, and business travelers. As a result, the hospitality sector, particularly the hotel industry, experienced rapid growth (Muloodi, 2023).

1.6.3 Time scope

The study covered the analysis of information relating to cash management and financial performance in Gulu City from 2018 to 2024. This period was selected because it marked the years in which many hotels in Gulu City began facing significant challenges related to financial performance (Kalokwera, 2023).

1.7 Conceptual Framework

Conceptual framework shows the relationship between independent variables and dependent variables. The independent variable is the cash management and the dependent variable is the financial performance. This is illustrated below;

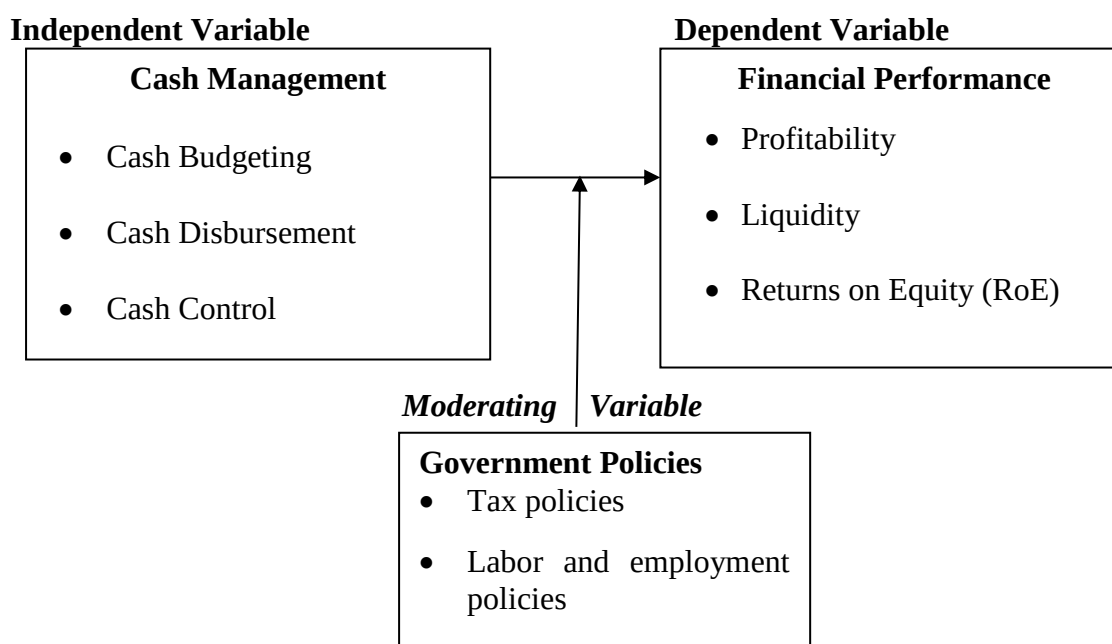


Figure 1.1 A Conceptual framework showing between cash management and financial performance in hotels

Source: Adapted from Brigham (1999) and modified by the researcher (2025).

Figure 1.1 above is a conceptual framework comprising of independent variable (cash management) measured in terms of cash budgeting, cash disbursement and cash control. Dependent variable (financial performance which was measured in terms of profitability, liquidity and RoE. There exist a relationship between cash management and improved financial performance. Companies that manage their cash efficiently tend to show better profitability, higher liquidity, RoE and overall better financial health. Therefore, the constructs of cash management and financial performance are closely interrelated, However, government policies such as employment and tax policies affect financial performance and cash management of the hotel business.

1.8 Significance of the Study

The significance of this study lies in its potential to provide practical and academic value to various stakeholders. It may benefit the researcher academically, while offering actionable insights to hotel managers, owners, and investors on how effective cash management practices can enhance financial performance and promote business sustainability.

The researcher gained comprehensive knowledge from this study, which also serves as partial fulfillment of the requirements for the award of Degree of Master of Business Administration of Gulu University.

Hotel managers and proprietors may benefit from practical insights on proper cash management approaches that can positively impact their financial performance. The findings can guide them in making well-informed decisions concerning how they manage liquidity, plan investments, and improve operational efficiency.

By implementing recommended cash management practices, hotel managers and owners may optimize their financial performance, leading to higher profitability and sustainable growth.

Investors and shareholders may gain confidence from knowing that the hotels they have invested in are utilizing effective cash management practices to enhance financial performance. In addition, better financial performance through improved cash management increases the likelihood of higher returns on investment, thus satisfying shareholders and attracting potential investors.

The employees at the hotels may enjoy improved financial performance leads to better job security for employees, as financially stable hotels are less likely to undergo downsizing or closures.

Suppliers and creditors may enjoy an effective cash management ensures that hotels can meet their financial obligations on time, leading to better relationships with suppliers and creditors.

Policy makers and regulators may gain insights from the study may help policymakers understand the financial dynamics of the hotel industry in Gulu City, leading to informed decisions that promote economic growth and development.

1.9 Operational Definition of Key Terms

Cash Control:

This includes the management and monitoring of credit and collection rules, cash allocation and disbursement policies, accounts payable policies, and the invoicing cycle.

Cash disbursements:

In accounting, payments made by a business over a given time frame, like a quarter or a year, are referred to as cash payments. It covers both cash and cash-equivalent payments, such as checks or electronic financial transfers. The date, amount, mode of payment, and transaction goal should all be included in each item on the cash disbursements page.

Cash Management:

Refers to the collection, handling, control, and investment of the organizational cash and cash equivalents, to ensure the optimal exploitation of the firm's liquid resources.. Money is the lifeline of the business, and therefore it is essential to maintain a sound cash flow position in the organization.

Financial performance:

This refers to the overall evaluation of how well a business is doing, especially in terms of making profits, generating returns on investments, and maintaining steady cash flow. While the term "performance" may appear straightforward, there is no single agreed-upon definition in academic literature. Different scholars tend to define it based on the specific focus and objectives of their research.

Liquidity:

Liquidity is the amount of money a business can quickly access for settling debts or making investments. It shows how much cash is readily available and how fast other assets can be converted into cash without losing significant value. In simple terms, it reflects how quickly something can be sold and turned into money. The stronger a business's liquid position meaning its cash savings and investment value compared to what it owes the healthier its financial condition is.

Profitability:

Profitability is a firm or entity's ability to make earnings or profit over a specified time period. It occurs when total revenues exceed entire expenses in a certain reporting period. In terms of financial performance, profitability is a major indicator used to analyze an organization's efficiency and success in employing its resources to generate returns.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents literature review relating to cash management and financial performance. The chapter presents the theoretical review and empirical review followed by the independent variable (cash management) including its sub variables (constructs) and independent variable (financial management) including its sub variables (constructs) as indicated in the conceptual framework.

2.1 Theoretical Review

The study was underpinned by the Cash Management Theory as explained below:

2.1.1 Cash Management Theory

This study is explained by the Cash Management Theory, originally proposed by Brigham (1999), which underscores the fundamental importance of cash in ensuring business survival and financial sustainability. According to this theory, cash is the lifeblood of any enterprise, and much like oxygen to the human body, it is often underappreciated until it becomes scarce. When businesses lack proper mechanisms to manage their cash flow, even those that are profitable on paper may quickly spiral into insolvency. Brigham emphasized that failure to plan, monitor, and control cash effectively has been a major cause of bankruptcy across both small and large businesses.

At the heart of this Theory is the belief that consistent cash flow is required to meet a company's operational and financial commitments. Effective cash management entails a variety of tasks, including cash budgeting, cash flow forecasting, liquidity planning, and cash control measures. These policies ensure that a company has enough liquidity to pay its short- and long-term financial obligations (Ali & Anwar, 2021; Ngugi & Waweru, 2020). Poor cash flow management such as delays in receivables, overspending during low seasons, or lack of reserves for unexpected expenses can severely disrupt a firm's operations regardless of its profitability.

The theory's relevance becomes particularly evident in the hotel industry, especially in emerging urban centers such as Gulu City in Northern Uganda. Hotels are highly cash-intensive businesses. They deal with frequent and large outflows for expenses such as salaries, inventory, utilities, maintenance, and marketing. Despite generating income, hotels may still face liquidity challenges due to seasonal variations in customer volume or delays in receiving payments from travel agencies, government bookings, or corporate clients. For instance, a hotel may record

significant profits during peak tourist seasons but still fail to meet its immediate obligations due to a lack of liquid cash (Munyua & Moronge, 2019). This can affect service delivery and damage customer loyalty, both of which impact long-term performance.

Moreover, many hotels make long-term investments such as renovations and asset upgrades, which can tie up cash for extended periods. Without careful cash flow forecasting, hotel managers might find themselves unable to cover day-to-day expenses, especially during off-peak months. According to Mutinda and Namusonge (2020), financial distress in Kenyan hotels often stems from poor liquidity planning rather than actual unprofitability, demonstrating how crucial cash management is in the hospitality sector.

This study adopts key concepts from Cash Management Theory to evaluate their influence on the financial performance of hotels. These include cash budgeting, which involves forecasting and planning cash inflows and outflows; liquidity management, which ensures availability of enough cash to meet short-term obligations; and cash control mechanisms, which include internal controls such as authorization of disbursements and regular reconciliations. Profitability and financial solvency are outcomes that effective cash management aims to support. For example, hotels that implement cash budgeting tools are better positioned to allocate funds for salary payments and supplier contracts, especially during low-revenue periods (Kariuki & Makori, 2021).

Oduro, Asare and Mensah (2022) found that hotels in Ghana with structured cash management practices performed significantly better in terms of liquidity and return on assets compared to those without such practices. Similarly, Achieng and Musiega (2021) reported that Kenyan hotels that adopted cash control procedures and systematic budgeting achieved higher operational efficiency and profitability. These findings confirm the assertion that poor cash flow management not necessarily a lack of profitability often leads to financial collapse.

Cash Management Theory offers a critical theoretical lens through which the relationship between cash handling and financial performance in hotels can be understood. In the context of Gulu City, where many hotels may face irregular income flows and rising operational costs, effective cash management is essential. Without it, even the most promising hotels may suffer liquidity crises, reducing service quality, damaging reputation, and threatening their long-term financial viability.

2.2 Cash Management

Cash management is a critical financial practice across all business sectors, and it is particularly vital in the hospitality industry, where operations are highly cash-intensive and revenues are often seasonal. As defined by Njeru et al. (2015), cash management refers to a financial

discipline that involves forecasting receipts and payments to ensure continuous operational efficiency and sustainable business growth, regardless of business size or type. In hotel operations, this entails closely monitoring guest payments, vendor disbursements, utility costs, staff wages, and maintenance expenses often on a daily basis.

Effective cash management allows hotels to plan for future cash requirements while maintaining optimal liquidity to fund day-to-day operations. This includes aligning cash inflows from bookings, events, and restaurant sales with cash outflows such as supplier payments, payroll, and overhead costs. For example, hotels in tourist-heavy regions like Bali, Indonesia, rely heavily on peak-season revenues to support operations in low seasons. Without prudent cash flow planning, these hotels may face liquidity shortfalls in off-peak periods, even if they are profitable annually (Putra & Mulyana, 2020).

Attom (2014) emphasized that effective cash management enables businesses to meet their debt obligations as they fall due and to pay for upcoming expenses, ensuring financial continuity. This is especially important for hotels, which often deal with advance bookings and need to manage deposits while preparing for high-cost service delivery. A well-managed hotel in Kampala, Uganda, for instance, may allocate customer deposits from events and room bookings to pre-purchase supplies, manage staff rosters, and cover utility bills in advance to avoid service disruptions.

Furthermore, cash management is a core element of working capital management, as noted by Brealey, Myers and Allen (2008). Hotels must balance between having enough liquid cash to remain solvent and investing excess funds to earn returns. Holding too much cash may limit growth potential, while insufficient cash could lead to borrowing at high interest rates or missed obligations. In countries such as South Africa, some hotels have adopted automated cash flow forecasting systems integrated into their property management software (PMS) to ensure real-time decision-making regarding expenditures, thereby improving financial resilience (Mawela & Mthombeni, 2021).

A key risk in hotel management is the mismatch between payment timings and available liquidity. Guests may book in advance but pay later, while staff and suppliers expect prompt payment. This timing mismatch, if unmanaged, can lead to serious liquidity crises. As noted by Horne and Wachowitz (2012), such mismatches can threaten even asset-rich production or service businesses. In Uganda, several mid-sized hotels in cities like Gulu and Arua have suffered from cash flow issues due to reliance on government and NGO clients, who often delay payments. These delays can cripple operations, especially when the hotel must continue offering services on credit, settle supplier dues, or pay wages (Okello & Obwona, 2022).

In fast-growing or seasonal hospitality markets, poor cash management is a leading cause of business failure. Hamilah (2020) observed that even profitable firms could face bankruptcy when they fail to manage their cash effectively. This is particularly relevant in rapidly growing hotel businesses that invest heavily in infrastructure or marketing but fail to cushion their working capital. For example, during the COVID-19 recovery phase, many hotels in Kenya and Tanzania resumed operations with aggressive promotions but underestimated operational cash needs, resulting in insolvency despite high booking volumes (Kivuva & Odhiambo, 2021).

Attom (2014) also outlined best practices in cash management, including timely cash flow forecasting, revenue collection strategies, efficient disbursement scheduling, and the use of technology to monitor financial positions. In Uganda, hotels such as Speke Resort Munyonyo have adopted point-of-sale (POS) systems and digital accounting software to automate billing and monitor cash movements across departments, thereby improving transparency and control.

In summary, cash management is indispensable in the hotel industry where cash flows are dynamic and unpredictable. Hotels that implement strategic cash management practices, such as accurate forecasting, liquidity planning, and controlled disbursements, are better positioned to maintain financial health and long-term sustainability. By learning from global practices and contextualizing strategies to local realities as seen in hotel operations in Uganda and beyond, hospitality businesses can strengthen their financial resilience and enhance service delivery. These include; cash budgeting, cash disbursement and lastly cash control as discussed in details below:

2.2.1 Cash budgeting

Budgeting is widely recognised as one of the key management tools used to guide the direction of an organisation, assess its performance, and encourage staff commitment (Nguyen et al., 2018). Other businesses have improved their budgeting processes to include planning, coordinating, controlling, and evaluating performance (Nguyen et al., 2018).

A cash budget refers to a financial plan that outlines the expected flow of cash within a business over a set period. It includes details of all expected cash inflows and a schedule for planned cash outflows, such as payments to suppliers for goods and services purchased. It is a measure that establishes the cash position (deficit or surplus) of a firm given the cash inflows and outflows over the period under consideration (Attom, 2014). Uwonda, Okello and Okello (2013) argue that for small and medium enterprises (SMEs) to grow and realise their full potential, they need to go beyond drafting business plans. They must also prepare cash budgets, make cash flow forecasts, practise effective budgetary and internal control, manage their spending habits, and strengthen their credit management strategies.

A cash budget is considered one of the most vital tools for planning and managing how money comes in and goes out of a business (Bosch-Badia et al., 2020), and it contributes to the smooth day-to-day running of operations (Barrel, 1999). Pierrot (2019) found that many businesses prepare cash budgets weekly, mainly to anticipate cash shortages or surpluses. They also aim for specific cash balance targets, basing these on expected transactions, and often invest any idle cash in management accounts or fixed-term deposits like certificates of deposit.

Controlling the budget, nevertheless, can sometimes lead to issues. First, a lack of engagement in budgets can demotivate workers. This typically occurs when staff members believe that budgets are imposed top-down arbitrarily, making it difficult for them to comprehend the rationale behind planned expenses and making them uncommitted to them. Budgets may give the impression that something is unfair. Second, in the sense that a strict budget structure discourages initiative and innovation at lower levels, making it impossible to secure funding for novel ideas, budgets can foster competition for resources and politics. These budgetary system flaws could prevent the company from achieving its objectives (Zarzycka et al., 2021).

2.2.2 Cash disbursement

Singh and Bhar (2014) define cash disbursement as the release of funds in exchange for goods delivered or services rendered. In some cases, cash may also be used to issue refunds to customers, which is usually recorded as a reduction in sales revenue. Another example of cash outflow is the payment of dividends, which reduces the company's equity. Cash disbursements can be made using different methods such as cheques, electronic transfers, or even physical cash in the form of notes and coins. According to Okpara and Igwe (2021), when a cheque is used for payment, delays often occur due to postal and processing float meaning there may be a few days before the money is actually withdrawn from the company's account.

While the accounts payable system is the most common method used for managing cash disbursements, businesses may also use petty cash systems or payroll arrangements. Shapiro (2021) adds that some companies choose to outsource this process to their banks, which then handle payments directly from the business's account based on pre-approved schedules (Shapiro, 2021).

Crawford (2018) also observed that cash disbursements can be made through either cheques or physical currency. However, to maintain proper records and accountability, most businesses prefer using cheques when handling commercial payments. Here, we shall discuss financial disbursements made by check since the habit of writing checks improves internal control. Notification of the requirement for cash disbursements and vendor account maintenance are typically handled by the accounts payable department. To improve the efficacy and efficiency

of the process, some actions should be conducted prior to paying a vendor. These processes include steps such as authorising payments, implementing proper cash management practices, and reconciling vendor accounts. As noted by Arinaitwe (2014), effective cash management requires continuous monitoring of available cash balances, expected cash inflows, and planned payments, to make sure the business can meet its financial obligations without running short of funds (Arinaitwe, 2014).

According to Haavig (2019), cash disbursements are recorded in a specific book called the cash disbursement journal, also referred to as the cash payments diary. This journal helps to track and keep a clear record of all cash outflows made by the business. In simple terms, it shows every payment made in cash. Before transactions are posted to the general ledger or other ledgers such as accounts payable, they are first entered into the cash disbursement journal by either bookkeepers or through accounting software systems.

2.2.3 Cash control

According to Atugasha (2019), all firms should always have employees who are trained to manage cash. All funds should be properly deposited, recorded, and receipted for by any employee of an organization with cash handling responsibilities. According to Ionici & Evans (2023), who concur with Atugasha, for a financial institution to prosper, management must consistently give prompt feedback in order to address any current financial issues. According to Dick (2010), prompt feedback is crucial for most firms' efficient cash management.

According to Haavig (2019), for a firm or organization to succeed, money must be closely handled. To avoid fraud and fake payments, Millicamp (2013) states that all invoices should be approved and that only authorized individuals should pay checks. The following are the ways that check payments are supervised, under the ACCA audit framework (2013): Unused checks should be stored in a safe location, checks should be made in the correct order, and the person writing the checks should not be held accountable for any expenditures. A worker at a company with cash handling duties should make sure that every money received has been deposited and documented correctly (Atugasha, 2019). To guarantee that money is moved securely and precisely from one location or branch to another, management of businesses should routinely monitor all cash transfers and financial products, claims Ssekandi (2018).

2.3 Financial Performance

Financial performance is a critical indicator of a hotel's success, reflecting how efficiently it utilizes its resources to generate profits and maintain sustainable operations. According to Owolabi and Makinde (2019), financial performance in the hospitality sector is evaluated based

on profitability, liquidity, solvency, and operational efficiency, and is largely influenced by internal financial policies and external economic conditions.

Key financial parameters such gross operating profit per available room (GOPPAR), return on assets (ROA), occupancy rate, and net profit margin are commonly used to evaluate the financial performance of hotel operations (Yıldız & Karahan, 2021). These metrics aid in assessing the hotel's progress toward its strategic financial goals. Performance is the result of the tactics a company uses to achieve its financial objectives, according to Liao and Wu (2009). For hotels, these tactics include cost control procedures, effective cash flow management, and dynamic pricing.

Alfred (2007) previously found out that that financial performance reflects the extent to which a business effectively uses its resources to generate income. In a hotel context, this includes revenue from rooms, food and beverage services, event hosting, and other amenities. In Uganda, for instance, hotels in Kampala and Gulu have been noted to face challenges in optimizing these revenue streams due to inconsistent cash inflows, seasonal demand, and high operating costs (Namusoke & Obwoya, 2022). Hotels that implement sound financial planning and liquidity management tend to report improved financial outcomes.

Cash flow management remains a foundational element of financial performance in hospitality. According to Muriithi and Obura (2021), effective cash management involving accurate cash budgeting, timely collection of receivables, controlled disbursements, and prudent investment in working capital enhances a hotel's ability to meet its short-term obligations and avoid insolvency. This is especially important in regions like Sub-Saharan Africa, where hotels often operate in volatile economic environments with limited access to credit.

Supporting this view, Waswa, Mukras and Oima (2018) demonstrated that hotels that actively manage their liquidity through proper funding strategies and real-time monitoring of operational expenses experience stronger financial performance. In Southeast Asia, for example, boutique hotels in Thailand improved profitability during the COVID-19 recovery phase by reducing non-essential expenditure and optimizing cash flows through digital bookings and automation (Pavlatos & Kostakis, 2020).

Globally, solvency and flexibility are vital for long-term financial sustainability. Turcas (2011) argued that a firm's ability to generate positive cash flows from operations, investing, and financing activities determines its financial resilience. This assertion is echoed by Gao and Pan (2020), who found that hotels in China with higher solvency ratios had better capacity to withstand market shocks and access funding for expansion.

Firm size and structure also impact hotel financial performance. Alrawabdeh, (2022) as well as Akbas and Karaduman (2012) found that larger hotel chains tend to report stronger financial performance due to economies of scale, greater resource pools, and brand equity. In contrast, smaller hotels in Uganda and Kenya struggle with access to capital and skilled financial managers, leading to inconsistent performance (Okello & Alinda, 2023).

Additionally, Frank and James (2014) introduced the concept of free cash flow as a key financial performance measure. In hotel operations, free cash flow indicates the amount of cash a hotel retains after capital expenditures, which can be reinvested for expansion, debt servicing, or stakeholder dividends. For example, large international hotel chains like Marriott and Hilton have leveraged free cash flow to renovate properties and invest in digital marketing, boosting profitability in competitive markets (Khan & Rehman, 2021).

Conversely, poor financial performance in hotels is often attributed to inadequate financial planning, high debt levels, and ineffective cost controls. Maina (2021) emphasized the need for short-term liquidity optimization to ensure smooth daily operations. In Uganda, studies show that a lack of real-time financial data and poor forecasting hinder hotels' ability to manage their financial obligations, leading to reduced profitability and increased risk of insolvency (Tumwesigye & Bukenya, 2021).

In summary, the financial performance of hotels is shaped by multiple interrelated factors, including cash flow management, firm size, financial planning, and market conditions. Effective financial performance ensures not only survival but also sustainable growth, profitability, and competitiveness in the hospitality sector.

2.3.1 Liquidity

Bhunja (2010) describes liquidity as the ability of a company to meet its short-term financial responsibilities as they arise. Similarly, Mahavidyalaya et al. (2010) explain that liquidity refers to a firm's ability to clear its short-term debts by converting its current assets into cash without making a loss.

The Basel Committee on Banking Supervision (2013) points out that high-quality liquid assets are those that can be turned into cash quickly and easily, with minimal or no reduction in value. Dalgaard (2009) adds that liquidity also relates to how easily a financial asset or security can be bought or sold in the market without causing major changes in its price. He goes on to clarify that a liquid asset is one that is highly traded and is essential to the operation of financial markets. When people who own assets can sell them for prices that don't result in significant losses and get the money they need to meet other obligations, markets are said to be liquid (Amihud, 2002).

For a corporate entity to operate successfully, liquidity is essential. A business should make sure it doesn't have too much or too little liquidity to cover its immediate obligations. Liquidity plays an important role in a company's daily operations and is closely monitored by both internal and external stakeholders (Bhunja & Khan, 2011). Barnabas and Oloyede (2024) outlined three views of liquidity, focusing on the cash aspect, the asset-equity relationship, and the general asset structure. Financial liquidity, in terms of assets, refers to how easily and quickly a company can convert its assets into cash, at low cost and without major loss in value. Having adequate liquid resources especially cash helps the company avoid falling into financial distress.

Barnabas and Oloyede (2024) further explain that the asset-equity angle of financial liquidity refers to a company's ability to settle short-term obligations (due within a year) by using its most liquid assets, such as current assets. The level of financial liquidity is said to improve when a company holds a larger portion of high-liquidity assets. On the other hand, it weakens when such assets are few. For an organisation to maintain a healthy level of financial liquidity, it should keep a high amount of cash and other liquid assets, while limiting its short-term liabilities.

2.3.2 Profitability

Profitability refers to a company's ability to earn a profit from its business activities (Hamilah, 2020). Profit is the portion of income that remains after a business has covered all its costs including those directly tied to production and other operational expenses. Profitability remains the core objective of any business undertaking. Without it, a company cannot sustain its operations in the long term. Evaluating both current and past profitability, as well as projecting future profits, is important when assessing how well a business is performing in terms of sales and operations.

Stevens (2013) emphasises that whether one is assessing past profitability or estimating future returns, measuring profitability is among the key ways to determine how successful a business is. A company that is not making profit will eventually collapse. On the other hand, a business that performs well in terms of profit can give its owners a strong return on their investment. As such, increasing profitability is one of the main concerns of business managers, who are always exploring new strategies to improve business performance and raise profit levels.

In the long run, profits are essential for survival, especially in a competitive business environment. However, the management of small-scale businesses (SSBs) may sometimes choose not to pursue growth. According to Arnold (2013), long-term profitability depends on the balance between costs and revenues. While it is necessary for growth, profitability alone

does not guarantee expansion. In some cases, barriers to entry may limit the income a business can earn, while innovative management practices may help to cut down on operational costs. A business making low profits may lack the financial strength to grow, whereas one that is highly profitable may still choose not to expand if the expected risks outweigh the benefits. In what is often referred to as a "lifestyle" SSB, the owner may prefer to enjoy current profits rather than take on the uncertainties associated with future growth (Arnold, 2013). Dynamic pricing or sequential investment initiatives may necessitate lower initial earnings in order to reap larger future returns from increased market penetration. The intertemporal profit trade-off is most likely determined by the time preference of an SSB manager (Gleim, 2020).

2.3.3 Returns on equity

According to McDonal, Smith and Ward (2006) state that Return on Equity (ROE) is a measure used to assess how much profit a company earns compared to the total shareholders' equity reported in its financial statements. A company with a high ROE is generally seen as having a stronger capacity to generate internal cash compared to one with a lower ROE.

Return on Equity is calculated by dividing net income by the average equity. It shows the proportion of profit a business earns for every unit of shareholder investment. While ROE does not directly reflect the actual cash returned to shareholders since that depends on the company's dividend policy and share price performance it still gives a useful indication of whether the business is generating a return that justifies the investment risk (Berman & Knight, 2023).

2.4 Government Policies

Policies, stances, and directives of the government, as well as programs and incentive support systems for the private sector, especially for SMEs (Dandago & Usman, 2021). Numerous suggestions have been made by the studies, and governments still need to make conscious efforts through their array of effective policies that impact market competition in order to foster an environment that supports the profitable and successful operations of SMEs (Akoyo & Muathe, 2017). Among these suggestions are the following: the government should take proactive measures to stop the importation, dumping, and smuggling of low-cost foreign goods; corruption should be curbed; social justice should be provided; market information should be made available; infrastructure should be improved; SMEs should be trained; and private investment should be encouraged. The majority of the variables affecting SMEs' financial performance are intricate and unpredictable. To influence the development of sustainable market variables, for instance, the government can operate in an entrepreneurial manner. According to Nguyen et al. (2009), it can also play an entrepreneurial role in influencing the development of land infrastructure conditions to promote SMEs.

2.4.1 Tax policy

Since taxes have an impact on all economies, regardless of country variations, they have always been a global issue. A tax is an amount, effort, contribution, or service that is paid into a common fund for the operation of society, either in cash or in kind.

Omotoso (2019) defines tax as a compulsory charge imposed by the government on the income of individuals, companies, and organisations, in accordance with legal provisions or policies. This payment is required regardless of the actual amount of services received in return. It is important to note that penalties unrelated to tax offences and any compulsory borrowing by the government do not qualify as taxes. Taxes remain the main source of revenue for most governments. A well-functioning government is one where citizens willingly meet their tax obligations without coercion or unnecessary pressure. This distinction is often observed in borderline cases where it may be difficult to differentiate between tax and non-tax revenues, especially in relation to certain fees and levies. Historically, both developed and developing countries have struggled with challenges like tax evasion and financial misconduct, which negatively affect national economies. Common examples of tax instruments and reforms include corporate tax, value-added tax (VAT), capital gains tax, and customs duties (Omotoso, 2019).

Kourdoumpalou and Karagiorgos (2012) carried out a study to explore the extent of corporate tax evasion and its impact on shareholder protection and the functioning of capital markets. Their findings revealed that the estimated average rate of tax evasion stood at around 16%, suggesting that being listed on a stock exchange does not necessarily reduce a company's tendency to evade taxes. Notably, firms only showed improved tax compliance in the year they went public and the year before the listing. The study also established that the level of tax evasion may be linked to the type of audit firm engaged. This pointed to the widespread nature of corporate tax avoidance and the need for appropriate measures to address it. The matter was particularly pressing given Greece's ongoing financial crisis at the time. Additionally, the study highlighted the importance of audit effectiveness in identifying tax evasion, especially since the Greek tax law enacted in 2010 granted audit firms the authority to issue tax compliance certificates.

Bernal (2018) examined the microeconomic effects of Value Added Tax (VAT), with a focus on whether the tax burden is entirely shifted to product prices or instead absorbed by reducing business profits. The study found that while VAT increases long-term output, it also causes initial output losses. These losses persist even when the price increase is offset by a shift in monetary policy.

2.4.2 Labor and employment policy

Previous studies indicate that labor and employment policies significantly influence financial performance and cash management across various regions. In the United States, research has shown that increases in minimum wage are associated with higher operational costs, but can also boost productivity, leading to mixed effects on profitability (Schmitt, 2015). In Europe, particularly in countries with rigid labor markets like France and Germany, labor costs have a negative impact on profitability, with firms in these countries seeing lower profit margins due to the inflexibility of employment laws (Bassanini et al., 2009). However, in more flexible labor markets, like the UK, businesses tend to experience higher profitability and growth (OECD, 2018).

In Asia, particularly China and India, labor policies also play a crucial role in financial performance. In China, policies regarding social insurance and wages have raised operational costs for businesses, although this impact is less pronounced in service sectors compared to manufacturing (Liu & Wang, 2016). Similarly, in India, complex labor laws have been found to hinder business growth and cash flow management, especially among SMEs (Bhattacharjea, 2006). In Africa, particularly South Africa, firms dealing with stringent labor protections experience higher compliance costs, affecting profitability (Bassett & Calitz, 2013). Conversely, businesses in countries with less formal labor regulations face challenges in cash flow management, often relying on informal practices.

Overall, labor and employment policies, including wage regulations and worker protection laws, affect profitability and cash management across the globe. In regions with stringent labor laws, businesses often experience increased operational costs and need advanced cash management strategies to remain profitable. Conversely, countries with more flexible labor policies tend to see higher profitability and growth, with firms benefiting from lower labor costs (ILO, 2017).

2.5 Relationship between Cash Management Practices and Financial Performance

Research has shown that there is a connection between how cash is managed and the financial performance of businesses, as illustrated in the following example. Kinyanjui, Kiragu, and Kamau (2017) conducted a study to assess how different cash management practices specifically cash holding behaviours, adoption of technology, and cash pooling affect the financial performance of small and medium enterprises (SMEs) in Nyeri Town, Kenya. The researchers adopted a descriptive research approach, targeting SMEs that were officially registered in the area. Data were gathered using a semi-structured questionnaire administered directly to a sample of 62 SMEs, all registered with the Nyeri County registrar of companies.

The collected data were analysed using the Statistical Package for Social Sciences (SPSS), which was used to generate both descriptive and inferential statistics. The findings revealed that practices related to cash holding and the use of technology in managing cash had a significant positive influence on the financial performance of the SMEs under study.

Afrifa and Tingbani (2018) explored how working capital management (WCM) relates to the performance of small and medium enterprises (SMEs), while also considering the possible influence of cash flow. The study used a panel data regression analysis on a sample of 802 British quoted small and medium-sized firms listed on the alternative investment market between 2004 and 2013. The study's findings highlighted the relevance of cash flow in SMEs' WCM and success. The data indicate that working capital management (WCM) has a significant negative effect on the performance of SMEs. Additionally, the findings suggest that SMEs facing cash flow constraints can improve their performance by reducing investment in working capital, while those with sufficient cash flow tend to perform better when they increase their working capital investment (Afrifa & Tingbani, 2018).

Ndirangu (2017) studied the link between cash management and the performance of companies listed on the Nairobi Securities Exchange. The study found that company size had a small but negative effect on financial performance. In a similar study focused on manufacturing firms in Nigeria, Abioro (2013) showed that having cash available (liquidity) without proper management does not always lead to better financial results. Research conducted among manufacturing companies in Sri Lanka by Janaki (2016) and Yousef (2016) also found no significant relationship between cash ratio or cash turnover ratio and financial performance. Furthermore, it was reported that 67% of SMEs in Jordan were unaware of cash control procedures, suggesting that cash management might not always impact financial performance. However, this situation could change as companies grow. For example, cash holding practices and the use of technology in cash management were shown to significantly influence the financial performance of SMEs in Nyeri, Kenya (Kinyanjui, Kiragu & Kamau, 2017). Similarly, Mohamed and Omar (2016) found that cash management had a notable effect on the financial performance of private secondary schools in Mogadishu. Murkor, Muturi and Oluoch (2018) also reported that effective management of operating cash flow positively influenced return on assets and had a smaller but positive effect on return on equity.

2.6 Moderation effect of Government Policies on Financial Performance in Businesses

Studies have established that there is a relationship between government policies and financial performance as expounded below:

Previous studies have shown that government policies significantly impact the financial performance of businesses across various regions. In developed economies, such as the United States and Europe, the implementation of fiscal policies like taxation and government subsidies has mixed effects on business profitability. For instance, a study by Mertens and Ravn (2014) found that tax cuts in the U.S. led to a 0.5% increase in business investment, which positively impacted financial performance. Similarly, in the EU, tax policies and regulations on corporate social responsibility were shown to influence business profits, with firms in higher-tax countries like France experiencing lower profit margins compared to those in tax-friendly nations such as Ireland (Hines, 2019).

In developing economies, government policies related to trade liberalization, labor laws, and regulation enforcement also affect financial outcomes. In India, for example, research by Aghion et al. (2018) revealed that trade liberalization policies led to a 15-20% increase in firm productivity, improving overall financial performance. However, stricter labor regulations in some Latin American countries, such as Argentina and Brazil, have been shown to reduce profitability by as much as 12% due to higher operational costs and rigid labor markets (Gómez-Salvador & O'Reilly, 2024). These findings highlight that government policies, including taxation, trade, and labor laws, have diverse effects on business performance, depending on regional contexts and the nature of the policies implemented.

2.7 Chapter Summary

The literature on cash management and financial performance in hotels in Gulu City, Uganda, reveals several gaps. Theoretical gaps include the limited applicability of existing theories, such as the Liquidity Preference Theory and Cash Conversion Cycle (CCC) Theory, in the context of the local hospitality industry. These theories primarily focus on factors like interest rates and general operational assumptions, but they do not fully account for external factors affecting Gulu's hotels, such as political stability, tourism trends, and unique local economic conditions. Additionally, the theories overlook behavioral factors influencing managerial decision-making, which are crucial in understanding cash management practices in this context.

Methodologically, there is a lack of studies focusing specifically on hotels in Gulu City, Uganda. Most research on cash management and financial performance is generalized or focused on SMEs or other industries in different regions, which may not be directly applicable to the hotel sector in Uganda. Moreover, existing studies predominantly use generalized measures of financial performance like profitability, liquidity, and return on equity, without accounting for the unique operational and financial dynamics of hotels. Contextually, while

there is evidence of cash management's effect on performance in other regions, studies specific to Gulu City and its unique socio-economic environment are scarce, creating a gap in understanding the local impact of cash management practices on hotel financial outcomes.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The study's methodology is presented in this chapter. It addressed reliability and validity, data collection methods and their associated data collection tools, sample size, sampling procedures, research design, study population, sample population, data collection procedure, data analysis, and ethical considerations.

3.1 Research Design

A cross-sectional research survey design was used. Data were collected once at one point. To address questions of interest, data was gathered from a subset of the total population in this study design. This was also a result of the design being employed while handling multiple types of persons simultaneously. In order to gather information from hotel managers and cashiers, the researcher used a cross-sectional research design. The researcher also used both qualitative and quantitative methods to arrive at the reliable and valid conclusions and suggestions needed for the study. While qualitative procedures enabled the researcher to characterize and textualize the data, quantitative approaches enabled the researcher to gather and evaluate data statistically. Therefore, the researcher was able to enhance the understanding of the research study's findings by integrating both qualitative and quantitative data.

3.2 Study Population

The study population involved a total of 220 respondents comprising general managers, all the managers from different departments, front desk officers, cashiers/accountants, and clients/customers of all the 21 registered 3-star hotels in Gulu City (Kalokwera, 2023).

3.3 Sample Size and Selection

A total sample size of 140 respondents was selected from the population of 220, determined using Krejcie and Morgan's (1970) sample size determination table (Appendix C). To ensure proportional representation from each category, the sample size of 140 was allocated proportionally to the size of each group in the population using the formula:

Category Sample Size = (Category Population ÷ Total Population) × 140. This approach ensured equitable representation of each category in the final sample

Table 3.1: Sample size and selection

Population Category	Population	Sample size	Sampling Technique
General manager	05	4	Purposive sampling
Food and Beverage department	30	19	Simple Random Sampling
Maintenance and technical department	10	6	Simple Random Sampling
Sales and marketing department	30	19	Simple Random Sampling
Front desk officer	30	19	Simple Random Sampling
Hotel Accountants or cashiers	35	22	Simple Random Sampling
House keeping department	30	19	Simple Random Sampling
Clients / customers	50	32	Convenience
TOTAL	220	140	

Source: Primary Data (2025)

3.4 Sampling techniques

The study used simple random sampling, purposive, and convenience sampling techniques.

Purposive sampling was used to select individuals with specific knowledge or roles. In this case, general managers were purposefully chosen because they possessed strategic and operational insights into hotel management. They were key informants who provided valuable, high-level perspectives that general staff or customers might not have. Since general managers were responsible for decision-making for cash management, their views directly aligned with the research.

Simple random sampling ensured that every member of each category had an equal chance of being selected, minimizing selection bias. It enhanced the representativeness of the sample, making the findings more generalizable to the population. This method increased the reliability of the results by reducing researcher bias in the selection process. In each department, the roles and responsibilities were relatively similar, making simple random sampling suitable.

Convenience sampling was used to select customers from the five selected 3-star hotels in Gulu City. This approach enabled the researcher to gather data quickly and economically from clients who were available and willing to participate during the data collection period. Since

customers are transient and not part of a fixed staff list, it was impractical to apply probabilistic methods. Therefore, only those who happened to be present at the hotels during the research visit were approached and included in the sample.

3.5 Data Sources

The data for this study were obtained from both primary and secondary sources, as outlined below:

3.5.1 Primary data

Primary data were obtained directly from the selected respondents through surveys, interviews, or questionnaires. These included general managers of the 21 registered 3-star hotels (see appendix D) in Gulu City, managers from various departments, front desk officers, hotel accountants or cashiers, and clients or customers staying at or visiting the hotels. These respondents provided first-hand information relevant to the research objectives, particularly on cash management practices and financial performance in their respective hotels.

3.5.2 Secondary Data

Secondary data were collected from existing literature and institutional records to supplement the primary data and provide broader context for the findings. Sources included: Uganda Tourism Board (UTB) hotel registry and grading reports, Hotel financial reports (where accessible) AND Previous academic research, journal articles, and dissertations on cash management and financial performance in the hospitality industry. These secondary sources helped the researcher to validate primary data, analyze trends, and frame findings within national and sector-wide benchmarks.

3.6 Data Collection Methods

Questionnaire survey and interview methods were used to collect data as explained below:

3.6.1 Questionnaire survey method

The questionnaire survey approach was used to gather quantitative data. Quantitative statistics were gathered using the questionnaire survey approach. A more effective collection technique that complied with the study's objectives was selected. One of the most popular instruments for surveys with lots of respondents is the questionnaire. A systematic questionnaire was used in this investigation. This approach made use of a self-administered questionnaire (SAQ). SAQs were created with one open-ended question each section to allow managers and cashiers to provide more information or to express their opinions; the remaining questions were closed-ended. For simple measures of variables, questions were created using a five-point Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree".

Questionnaires were chosen because they saved time, were affordable, and allowed for a high response rate (Creswell, 2018). They also ensured confidentiality, making them suitable for sensitive topics such as cash management and financial performance in hotels. Respondents were required to select answers according to their level of agreement with the questions provided.

3.6.2 Interviews method

Interviews were employed to collect qualitative data from selected key informants, particularly general managers of the 3-star hotels. These individuals were purposively chosen due to their strategic roles and in-depth knowledge of both cash management practices and financial performance indicators within their institutions. The study adopted semi-structured interviews, allowing the researcher to use a predefined guide while also probing for deeper insights as necessary. Interviews were conducted in person at the hotel premises. Responses were noted down and were later transcribed and analyzed thematically to supplement the quantitative findings.

3.7 Data Collection Instruments

These were tools that aided in data collection in the field. Questionnaire and interview guides were used to collect data from the field.

3.7.1 Questionnaires

A questionnaire is a set of questions the researcher uses to gather the required data for the study. This research employed closed-ended questionnaires, as recommended by Mugenda and Mugenda (2013). Self-Administered Questionnaires (SAQs) were distributed to hotel managers and cashiers to collect information. To measure variables simply, the questions were designed using a five-point Likert scale, where 1 represented "strongly disagree" and 5 represented "strongly agree" (Jackson, 2009). The survey was conducted among hotel managers and cashiers within Gulu City.

3.7.2 Interview guide

An interview guide is a tool consisting of open-ended questions designed to steer the interview process. For this study, the guide was structured around the research objectives and aimed at collecting qualitative insights from hotel general managers. The guide allowed the researcher to explore themes such as cash management decisions, internal controls, financial challenges, and the influence of government policies. The semi-structured format offered flexibility to follow up on new themes that emerged during the interviews.

3.8 Data Quality Control

Data quality control was assured through validity and reliability tests of the research instruments.

3.8.1 Validity of instruments

The validity of the research instruments was ensured by developing items that aligned closely with the study's objectives and the constructs outlined in the conceptual framework. The questionnaire was then reviewed by three experts lecturers from the Faculty of Business who assessed how relevant each item was to the study objectives. They rated each item as either Relevant (2) or Not Relevant (1). Additionally, the Content Validity Index (C.V.I) was calculated by dividing the number of items rated as relevant by the total number of items in the questionnaire, based on the evaluations of the three experts.

$$\text{Content Validity Index (CVI)} = \frac{\text{Number of items rated relevant, (a)}}{\text{Total number of items in the questionnaire, (b)}} = \frac{a}{b}$$

Table 3.2: Content Validity Index

S/N	Experts	$CVI = \frac{a}{b}$	CVI
1	Expert I	$\frac{74}{83}$	0.892
2	Expert II	$\frac{70}{83}$	0.843
3	Expert III	$\frac{77}{83}$	0.928
Average			0.888

Source, Primary Data

The acceptance criterion used was based on Amin (2005), who stated that an instrument is considered valid if its average validity index is 0.70 or higher. Therefore, CVI of 0.888 was acceptable.

Pretesting, also known as pilot testing, was conducted prior to the actual data collection to ensure that the research instruments were clear, reliable, and understandable to the target respondents. The purpose of pretesting was to identify and correct any ambiguities, inconsistencies, or technical flaws in the questionnaire or interview guide before they were administered on a larger scale.

Ten respondents, who were not included in the final study sample but had similar characteristics to the actual study population, participated in the pretest. These participants' feedback was gathered in order to evaluate the questions' clarity, the language's

appropriateness, the time required to complete the questionnaire, and the items' relevancy. The necessary changes were made to enhance the tools' layout, phrasing, and structure in response to the pretest input. This procedure improved the instruments' content validity and reliability, guaranteeing that they measured the things they were supposed to assess.

3.8.2 Reliability of instruments

The reliability of the questionnaire was evaluated using the Cronbach's Alpha test, which assesses internal consistency meaning how well the items in the questionnaire relate to each other and measure the same underlying concept. For this study, a Cronbach's Alpha value of 0.70 or above was considered acceptable, showing that the questionnaire items were sufficiently reliable (Taherdoost, 2016).

Table 3.3: Reliability Test Results

S/N	Variables	Dimension	Cronbach's Alpha Coefficient	Numbers of items
1	Cash	Cash Budgeting	0.755	10
	Management	Cash Disbursement	0.859	11
		Cash Control	0.795	9
2	Financial	Profitability	0.830	12
	Performance	Liquidity	0.855	7
		Returns on Equity (RoE)	0.790	8
3	Government	Tax policies	0.722	9
	Policies	Labor and employment policies	0.881	9
Average			0.811	

Source, Primary Data

The overall scale of 0.811 in the Cronbach's Alpha Coefficient was considered reliable.

3.9 Data Collection Procedure

Official channels of requesting for permission to carry out this study were followed. After successfully defending the proposal, the researcher obtained approval of the research proposal from the Dean of Faculty of Business and Development Studies of Gulu University. Request to carry out this study was granted by the Dean Faculty of Business and Development Studies of Gulu University to the managers or directors of the hotels who were involved in the study because this authenticated the research process. The researcher later trained a research assistant who helped her in the field and then helped to make appointments with the different managers and cashiers by the use of letters and telephone calls. On the appointed dates, the questionnaires

were administered to participants and were collected later by the researcher or the research assistant. Finally, the data were analyzed, interpreted and the report was processed.

3.10 Data Analysis and Presentation

Data analysis comprised of qualitative and quantitative. These were analyzed as below:

3.10.1 Quantitative data analysis

Quantitative data collected through the questionnaires were analysed using the Statistical Package for Social Sciences (SPSS) version 26. Descriptive statistics, including percentages and frequencies, were employed to assess cash management practices and evaluate the level of financial performance. For inferential statistics, correlation and regression analyses were applied. Pearson's Product Moment Correlation was used to examine the relationship between cash management and the financial performance of hotels in Gulu City. Additionally, regression analysis including the regression model and One-Way Analysis of Variance (ANOVA) was conducted to compare the mean responses related to objectives 1 and 2, with the aim of investigating the moderating effect of government policies on the relationship between cash management and financial performance in hotels within Gulu City.

3.10.2 Qualitative data analysis

Qualitative data from interviews with key informants of selected 3-star hotels were analyzed using thematic content analysis. This involved transcribing the interviews, identifying key statements, and coding recurring ideas relevant to the study objectives. The codes were then grouped into major themes such as cash handling procedures, financial control challenges, and the impact of government policies. This helped uncover patterns and deeper insights that enriched the understanding of how cash management practices influence financial performance. Findings from the interviews were narratively presented and used to supplement the quantitative results. Key quotes were included where necessary to support emerging themes and provide contextual depth to the statistical analysis.

3.11 Ethical Considerations

In conducting this research, ethical standards were strictly observed to protect the rights, dignity, and privacy of all participants. The researcher acknowledged the importance of upholding ethical principles throughout the research process from seeking permission to collect data to ensuring confidentiality, informed consent, and responsible data management. The following ethical measures were taken to guide the implementation of the study and ensure the trust and cooperation of the participants and institutions/stakeholders involved.

Upon finishing corrections with the guidance of the supervisors, the researcher obtained an introduction letter from the Dean of Faculty of Business and Development Studies. This letter introduced the researcher to the respondents in the field but first to the management of hotels in Gulu City. It formally introduced the researcher and the purpose of the study. This letter was addressed to the management and other relevant authorities requesting their cooperation and support throughout the research process. It also served to legitimize the study and foster a sense of trust with potential participants.

The researcher also considered informing participants of the procedures and purpose of the study as being purely academic and any unforeseen risk or discomfort was equally communicated. A consent form was given to the participants to sign before administering the questionnaires and the interview guide.

All participants were briefed on the study's objectives, procedures, benefits, and any potential risks involved. Participation was voluntary, and no individual was coerced into taking part. A consent form was issued and signed by each participant as an agreement that they fully understood the study and agreed to participate freely. Participants were also informed of their right to withdraw at any point without any consequences.

Knowing some information but not disclosing it to others because they shouldn't know it was known as confidentiality (Gladwell, 2010). The hardcopy data was locked in a secure bag that only the researcher could access, guaranteeing its confidentiality. A password was used to encrypt the soft copy data.

All research participants were advised by the researcher that their particular identities were not necessary and that they had the freedom to remain anonymous. Therefore, data was aggregated and released as group data rather than individual data, and participants were identified by tags rather than names to ensure anonymity.

Participants were not permitted to complete the questionnaire in groups, and each interviewee was contacted individually for the purposes of the interviews. The researcher then removed any recordings made for this investigation from their database. The confidentiality of all official documents that were read and examined was likewise maintained. All respondents' private information, details, and opinions were kept anonymous by the researcher. All information was kept confidential and used only for academic purposes.

Strict procedures were followed to manage data responsibly. Participants responded to questionnaires individually, not in groups, to avoid influence and preserve integrity. Interviews were conducted on a one-on-one basis in a secure and private setting. Any audio recordings

made during interviews were deleted once transcribed. All collected data whether documentary, written, or audio were treated with the utmost care and used strictly for academic purposes only. Documents reviewed also remained confidential and were not shared with unauthorized parties.

3.12 Study Limitations and Delimitations

Every research study faced certain challenges and constraints that might have affected the scope, depth, and applicability of its findings. These limitations arose from methodological, logistical, or contextual factors beyond the researcher's control. However, researchers often defined the boundaries within which the study was conducted to minimize the impact of these limitations. This section outlined the key limitations encountered during the study and the corresponding delimitations that were put in place to mitigate their effects.

One key limitation was the reluctance of some respondents to disclose sensitive information, particularly regarding financial data and performance indicators, due to concerns about confidentiality. In response, the researcher provided strong assurances of anonymity and confidentiality, explaining that the study was purely academic and that individual or institutional identities would not be revealed. This helped build trust and encouraged more open participation.

Another challenge was the non-response or unavailability of some targeted respondents, especially those in senior hotel management positions who had demanding schedules. To address this, the researcher made early appointments and maintained flexibility in scheduling interviews and survey administration, often rescheduling to accommodate respondents' availability. Also, concise and clearly structured questionnaires were used to reduce response time and burden, encouraging higher participation rates.

The study's geographical and institutional scope was also limited, being restricted to selected 3-star hotels within Gulu City. This raised concerns about the generalizability of the findings to other contexts. However, the researcher carefully selected institutions that were considered representative of the target population, allowing for relevant and meaningful information within the local hotel industry.

There was a risk of response bias, where participants might have provided socially desirable answers rather than candid responses. To minimize this, the researcher employed triangulation by combining data from questionnaires, interviews, and secondary documents, which helped validate responses and improve the overall accuracy and reliability of the study outcomes.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents the findings of the study. The results are organized according to the study objectives and are based on the data collected from hotel management and finance personnel. The findings are presented using descriptive statistics such as frequencies, percentages, means, and standard deviations, as well as inferential statistics including correlation and regression analysis.

4.1 Respond Rate

A total of 140 survey tools were distributed to selected hotel staff and clients across five 3-star hotels in Gulu City. All 140 were successfully retrieved and found valid for analysis, yielding a 100% response rate. The high return rate was attributed to the simplicity of the tools, cooperation from hotel management, and close follow-up by the researcher during the data collection period

Table 4.1: Response Rate for Quantitative and Qualitative Instruments

Instruments Distributed	Instruments Returned	Not Returned	Response Rate (%)
140	140	0	100%.

Source, Primary Data

4.2 Socio-Demographic Characteristics of Respondents

This section presents the demographic profile of the 140 respondents who participated in the questionnaire survey. The respondents consisted of hotel staff drawn from various departments and clients/customers. These characteristics provide essential context for interpreting their views and experiences related to cash management practices and financial performance in 3-star hotels within Gulu City.

Table 4.2: Descriptive result on Bio-data

S/N	Parameters	Variables	Frequency (n = 140)	Percent (%)
1	Gender	Male	65	46.4%
		Female	75	53.6%
		Total	140	100.0%
2	Marital Status	Single	44	31.4%
		Married	86	61.4%
		Separated	7	5.0%
		Divorced	3	2.1%
		Total	140	100.0%
3	Level of Education	Certificate	59	42.1%
		Diploma	27	19.3%
		First Degree	40	28.6%
		Postgraduate Diploma	4	2.9%
		Masters	7	5.0%
		Secondary	3	2.1%
		Total	140	100.0%
4	Age Bracket	18–25	37	26.4%
		26–33	61	43.6%
		34–41	33	23.6%
		42–49	4	2.9%
		50–57	3	2.1%
		58 and above	2	1.4%
		Total	140	100.0%
5	Work Experience	Less than 1 year	20	14.3%
		1–2 years	6	4.3%
		3–4 years	57	40.7%
		5–6 years	13	9.3%
		7 years and above	30	21.4%
		Clients	14	10.0%
		Total	140	100.0%
6	Employment Type	Full-time	80	57.1%
		Part-time	20	14.3%
		Contract	23	16.4%
		Casual	17	12.1%
		Total	140	100.0%
7	Position in Hotel	General Manager	5	3.6%
		Food and Beverage Dept	20	14.3%
		Maintenance & Technical Dept	5	3.6%
		Sales & Marketing Dept	20	14.3%
		Front Desk Officer	20	14.3%
		Hotel Accountant/Cashier	20	14.3%
		Housekeeping Dept	20	14.3%
		Clients / Customers	30	21.4%
		Total	140	100.0%

Source: Primary Data, 2025 (SPSS Output)

The gender distribution shows a near balance, with females slightly dominating at 53.6% (75), compared to males at 46.4% (65). This balance implies inclusive participation from both

genders in hotel operations, which is valuable for obtaining diverse views on financial practices and performance.

The majority of respondents were married, accounting for 61.4% (86). Single individuals constituted 31.4% (44), while separated and divorced respondents made up 5.0% (7) and 2.1% (3) respectively. The majority of respondents hold a Certificate 42.1%, (59), followed by First Degree holders at 28.6% (40), and Diploma holders at 19.3% (27). A smaller proportion had Postgraduate Diplomas 2.9%, (4), Master's degrees 5.0%, (7), and Secondary education 2.1%, (3). This distribution reflects a moderately educated group, with most possessing vocational or professional training suitable for hotel management and financial tasks.

Most respondents fell within the 26–33 years age bracket 43.6% (61), followed by 18–25 years 26.4% (37) and 34–41 years 23.6% (33). Only a small number were aged 42 years and above, including 4 (2.9%) aged 42–49, 3 (2.1%) aged 50–57, and 2 (1.4%) aged 58 and above. This shows that the hotel industry in Gulu City is largely staffed by a youthful population, which may influence the use of digital tools and informal methods in cash handling.

Respondents with 3–4 years of work experience were the majority at 40.7% (57), followed by those with over 7 years of experience at 21.4% (30). A smaller percentage had less than 1 year 14.3% (20), 5–6 years 9.3% (13), or 1–2 years 4.3% (6) of experience. Clients made up 10.0% (14). This distribution indicates a reasonably experienced workforce capable of offering informed insights into hotel financial practices.

Full-time employees comprised the largest group at 57.1% (80), followed by contract workers 16.4% (23), part-time workers 14.3% (20), and casual workers 12.1% (17). The dominance of full-time staff enhances the reliability of the data, given their consistent exposure to hotel financial systems and procedures.

The sample was well distributed across hotel departments: Food and Beverage 14.3% (20), Sales and Marketing 14.3% (20), Front Desk 14.3% (20), Housekeeping 14.3% (20), and Accounting/Cashiers 14.3% (20). General Managers and Maintenance/Technical staff each made up 3.6% (5). Clients/Customers accounted for 21.4% (30). This broad distribution ensures that the data captures insights from key functional areas directly involved in financial operations, thereby strengthening the study's findings.

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4.3 Cash Management Practices in Hotels in Gulu City

This section presents findings related to the first objective of the study: To determine the cash management practices in hotels in Gulu City. The results are structured and analyzed under three key subsections reflecting major dimensions of cash management: cash budgeting, cash disbursement, and cash control. These areas collectively illustrate how hotels plan, allocate, utilize, and regulate their cash resources to ensure smooth operations and financial sustainability.

4.3.1 Cash budgeting

This subsection presents findings related to how hotels in Gulu City plan their cash flows through structured budgeting practices. It assesses participation, control mechanisms, and the strategic value attached to the budgeting process.

Table 4.3: Cash budgeting

SN	Statement	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	The hotel always prepares its cash budget	6.4	5.0	11.4	15.0	48.6	25.0	73.6	3.8	1.07
2.	Staff in this hotel are involved in matters of cash budgeting.	6.4	18.6	25.0	27.9	36.4	10.7	47.1	3.2	1.04
3.	I always monitor the cash budget of this hotel	20.7	18.6	39.3	16.4	27.9	16.4	44.3	2.9	1.36
4.	This hotel always has a cash surplus	0.7	10.7	11.4	39.3	26.4	22.9	49.3	3.5	0.92
5.	The cash budget is driven through bottom-up approach	2.1	10.0	12.1	35.0	33.6	19.3	52.9	3.5	0.95
6.	The cash budget of this hotel is a resultant of annual increments based on previous budgets	5.7	6.4	12.1	40.7	35.0	12.2	47.2	3.3	0.91
7.	This hotel provides social responsibility e.g. sponsoring sports, providing scholarships, development initiatives	9.3	26.4	35.7	27.9	27.9	8.5	36.4	2.9	1.07
8.	This hotel has the appropriate restrictions on access to cash budget processes	1.4	5.7	7.1	34.3	32.1	26.5	58.6	3.7	0.93
9.	This hotel has the cash budget committee who are financially literate.	4.3	3.6	7.9	20.0	47.1	25.0	72.1	3.7	0.96
10.	The cash budget committee of this hotel focuses on improving the hotel's financial performance and competitiveness	1.4	5.0	6.4	20.0	40.0	33.6	73.6	3.9	0.91
Average		5.8	11.0	16.8	27.7	35.5	20.0	55.5	3.4	1.01

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The results in Table 4.3 indicate that cash budgeting is moderately practiced across the selected hotels. The overall mean score was 3.4 (on a 5-point Likert scale), with 55.5% of respondents affirming positive statements related to cash budgeting, while 16.8% opposed, and 27.7% remained neutral. Specifically, 73.6% of respondents affirmed that their hotels always prepare

cash budgets, with a mean score of 3.8, showing that formal budgeting procedures are commonly implemented. However, only 47.1% affirmed that hotel staff are involved in matters of cash budgeting; 27.9% were neutral, and 25.0% opposed, indicating limited participatory budgeting. The mean score stood at 3.2.

Individual responsibility for monitoring hotel cash budgets was also weak: 44.3% affirmed that they actively monitor the hotel's budget, while 39.3% opposed, and 16.4% were neutral. The mean score for this item was 2.9, pointing to a potential gap in internal oversight and accountability. Regarding budget surpluses, 49.3% affirmed that their hotels always experience a cash surplus, with a mean of 3.5, reflecting moderate liquidity positioning. 52.9% affirmed that their hotels use a bottom-up approach to budgeting, with a mean of 3.5, suggesting some level of participatory decision-making. In contrast, 47.2% affirmed that the budgeting process is based on incremental increases from previous budgets (mean = 3.3), showing a persistent reliance on historical data rather than forward-looking planning.

When asked about corporate social responsibility (CSR), only 36.4% affirmed that their hotels budget for activities such as sponsorships, scholarships, or community development, while 35.7% opposed, and 27.9% remained neutral. The mean was 2.9, indicating that CSR remains a low priority in most hotels' budgeting frameworks. In terms of budget security, 58.6% affirmed that there are appropriate restrictions in accessing budgeting processes (mean = 3.7), suggesting strong access control mechanisms. Additionally, 72.1% affirmed that their hotels have budgeting committees composed of financially literate individuals (mean = 3.7), while 73.6% affirmed that these committees focus on improving the hotel's financial performance and competitiveness, reflected by a strong mean score of 3.9.

During the interviews with general managers and hotel accountants across the five 3-star hotels in Gulu City, varying but structured approaches to cash budgeting were revealed. One of the general managers said that:

“Our budgeting primarily focuses on key cost areas like salaries, rent, and purchase of inventory. Before any money is spent, a clear budget is prepared and approved by management to avoid overspending. We hold regular budget meetings to track spending and reallocate funds where necessary.”

This statement was consistently confirmed across other managerial respondents who viewed cash budgeting as essential for financial discipline. In terms of practical processes, hotel accountants described procedural controls in place. For instance, one hotel accountant remarked:

“All our payments, including salaries and operational expenses, are planned for in advance. The payroll guides our monthly expenditure, and all cash disbursements are signed off by authorized personnel to ensure accountability. We also prepare monthly financial statements that help us stay within budget limits.”

Another respondent explained that comparing the system-recorded cash balances with physical cash in hand was a routine internal control measure aimed at reinforcing the budgeting process. Few managers pointed out that budgeting was not only about cost control but also about planning for future investments. As one informant noted:

“Our budget also includes allocations for hotel upgrades and expansions, which are drawn from retained earnings and return on investment. These plans are approved at the board level, and we forecast based on seasonal trends and long-term financial goals.”

The interviews revealed that although cash budgeting practices are generally formalized and controlled across the sampled hotels, flexibility and responsiveness to unplanned needs remain an integral part of their budgeting philosophy.

4.3.2 Cash disbursement

This subsection explores how hotels authorize, record, and manage outgoing cash flows. It assesses the level of internal control, responsibility in disbursement, documentation practices, and general accountability in cash outflows.

Table 4.4: Cash disbursement

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	All cash payments are fully authorized by the responsible person	5.0	3.6	8.6	12.9	57.9	20.6	78.5	3.8	0.94
2.	All cheque are fully signed by authorized persons before payments are made	0.7	4.3	5.0	20.7	46.4	27.9	74.3	3.9	0.85
3.	I always record all cash disbursements	7.9	10.0	17.9	17.1	46.4	18.6	65.0	3.5	1.13
4.	Management of this hotel reviews cash disbursement reports	1.4	4.3	5.7	20.0	47.9	26.4	74.3	3.9	0.86
5.	I always record all the cash payments of this hotel	11.4	10.7	22.1	14.3	40.7	22.9	63.6	3.5	1.26
6.	I am allowed to collect cash from the hotel's business transactions	13.6	10.7	24.3	15.0	39.3	21.4	60.7	3.3	1.28
7.	The hotel's debtors normally comply within the stipulated time frame	5.0	7.9	12.9	34.3	33.6	19.2	52.8	3.5	1.02
8.	The cash collections for this hotel is through the banks on the hotel's account numbers	2.1	5.0	7.1	21.4	44.3	27.2	71.5	3.8	0.93
9.	Cash receipt is sufficiently documented in this hotel to control fraud	6.4	2.1	8.6	19.3	33.6	38.5	72.1	3.9	1.12
10.	I always post all the cash disbursements to the general ledger	12.1	7.9	20.0	17.1	47.9	15.0	62.9	3.4	1.17
11.	I always investigate unusual or significantly large expenditures	10.0	10.7	20.7	17.9	34.3	27.1	61.4	3.3	1.22
Average		6.9	7.0	13.9	19.1	42.9	24.1	67.0	3.6	1.07

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The results in Table 4.4 reveals that hotels in Gulu City maintain strong cash disbursement practices, with an overall mean score of 3.6 and 67.0% of respondents affirming positive practices, while 13.9% opposed and 19.1% remained neutral. These figures reflect a generally sound level of financial discipline in managing disbursements. Specifically, 78.5% of respondents affirmed that all cash payments are fully authorized by the responsible persons, with a mean of 3.8, suggesting adherence to strict approval procedures. Similarly, 74.3% affirmed that all cheques are signed by authorized persons before payments are made (mean = 3.9), pointing to formal and controlled disbursement protocols. 65.0% affirmed that they always record all cash disbursements (mean = 3.5), while 63.6% affirmed that they always record all the cash payments of the hotel (mean = 3.5), though these relatively moderate figures also highlight the need for consistent documentation across all operations.

Management involvement in monitoring was reflected by 74.3% affirming that cash disbursement reports are reviewed (mean = 3.9), suggesting routine oversight. Meanwhile, 60.7% affirmed they are allowed to collect cash from business transactions (mean = 3.3), while 24.3% opposed, which might reflect varying access levels among different roles. Compliance from debtors was moderate, with 52.8% affirming that debtors comply within the stipulated

time frame, while 34.3% were neutral, indicating uncertainty in receivables management (mean = 3.5).

Also, 71.5% of respondents affirmed that cash collections are routed through the hotel's bank accounts (mean = 3.8), indicating good banking practices and reduced risk of leakage. Also, 72.1% affirmed that cash receipts are sufficiently documented to control fraud (mean = 3.9), suggesting sound fraud prevention procedures. Posting to the general ledger was affirmed by 62.9% (mean = 3.4), and 61.4% affirmed that they investigate unusual or significantly large expenditures (mean = 3.3). Both practices indicate moderate but consistent financial recordkeeping and internal control practices across the hotels.

During interviews with informants such as hotel accountants and general managers, it was indicated that all payments within the hotels are strictly controlled and authorized. One accountant explained that:

“Before any cash leaves the hotel accounts, it must be signed and approved by designated signatories. This applies to both cheque payments and cash transactions. We have a two-signatory policy in place, and disbursements only happen after verifying supporting documents such as invoices and purchase orders.”

This practice was described as necessary to minimize unauthorized spending and ensure that all disbursements align with the approved cash budget. Supporting this, a general manager added:

“All payments, especially for suppliers and major services, are documented in the cash book for traceability. This helps us reconcile expenses at the end of the month and ensure everything is accounted for. We also use payment vouchers for each transaction to avoid inconsistencies.”

The use of a cash book emerged as a standard practice across all five hotels to track every cash movement. Another common theme among the informants was the structured review of cash disbursements. One hotel manager highlighted that:

“Cash disbursement reports are reviewed monthly by management to monitor operational expenses and adjust financial plans where necessary. This review process helps us detect overspending early and implement corrective actions, especially when we are approaching budget limits.”

This ensures real-time financial control and allows management to quickly detect any financial irregularities. Furthermore, some hotels have empowered their accountants to post all

transactions directly into the general ledger, providing another layer of financial accountability.

As a cashier noted:

“After any disbursement, I immediately post the payment to our general ledger to prevent omissions and fraud. This ensures our books are always up to date and makes it easy for both internal and external auditors to trace all transactions.”

Some respondents pointed out operational challenges linked to cash handling, particularly in relation to customer payments. One cashier remarked that:

“Most payments from clients are received via bank transfers, but for direct cash payments, strict documentation and receipt issuance are mandatory. We issue receipts in duplicate and record all payments both manually and in the accounting system to ensure accuracy.”

This mix of electronic and physical cash handling reveals the evolving cash management systems within these hotels. However, despite a growing preference for non-cash transactions, the hotels continue to maintain strict controls over all cash disbursements.

4.3.3 Cash control

This section assesses the mechanisms in place for controlling cash within the hotels, focusing on adherence to procedures, safety of cash handling, authorization, and internal audits. Effective cash control is essential for preventing fraud and maintaining financial integrity.

Table 4.5: Cash control

SN	Statement	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	I always keep all the daily cash collections in a safe custody	13.6	8.6	22.1	7.1	32.9	37.9	70.8	3.6	1.4
2.	I always adhere to this hotel's documented guidelines governing its cash operations	9.3	11.4	20.7	12.1	28.6	38.6	67.2	3.7	1.33
3.	The accounts department of this hotel have authorized bank accounts	2.1	1.4	3.6	20.7	42.1	33.6	75.7	4.0	0.89
4.	I always seek for clear authorization before disbursement of cash of this hotel	7.9	3.6	11.4	16.4	42.9	29.3	72.2	3.8	1.13
5.	All cash collections are through the banks on the hotel's account numbers	0.0	8.6	8.6	17.1	44.3	30.0	74.3	3.9	0.89
6.	This hotel has an internal audit department	3.6	4.3	7.9	31.4	35.0	25.7	60.7	3.7	0.99
7.	Auditing this hotel is done at the end of every month	1.4	2.9	4.3	31.4	37.9	26.4	64.3	3.8	0.88
8.	Auditing in this hotel is done annually	3.6	4.3	7.9	36.4	25.7	30.0	55.7	3.7	1.03
9.	Bank reconciliations are prepared by independent individuals not associated with processing cash activities	1.4	4.3	5.7	42.9	32.1	19.3	51.4	3.6	0.86
Average		4.8	5.5	10.3	23.9	35.7	30.1	65.8	3.8	1.04

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The findings in Table 4.5 reveal that cash control mechanisms are generally well implemented in the selected 3-star hotels in Gulu City. The overall mean score was 3.8, with 61.0% of respondents affirming the various cash control statements, while only 10.3% opposed and 23.9% were neutral. This suggests that most hotels have moderately strong internal control systems to safeguard cash.

A significant number of respondents (70.0%) affirmed that their hotels' accounts departments operate authorized bank accounts (Mean = 4.0), indicating strong institutional structures for secure cash handling. Additionally, 69.3% affirmed seeking authorization before disbursement, reflecting adherence to internal approval protocols (Mean = 3.8). Likewise, 67.9% of respondents affirmed that all cash collections are processed through official bank accounts (Mean = 3.9), supporting effective tracking and transparency.

Internal auditing practices also show promising trends. 60.0% affirmed that audits are conducted monthly, and 50.7% affirmed annual audits, with mean scores of 3.8 and 3.7 respectively implying regular monitoring efforts. Moreover, 70.8% of respondents affirmed keeping daily cash collections in safe custody, and 62.9% affirmed following the hotel's documented cash handling guidelines, with mean scores of 3.6 and 3.7, respectively, signifying compliance with operational procedures. However, there is room for improvement in segregation of duties: only 47.1% affirmed that bank reconciliations are handled independently (Mean = 3.6), indicating a potential weakness in fraud prevention and accountability.

During the interview, key informants from the hotels emphasized the importance of safeguarding daily cash collections and minimizing cash handling risks. One hotel accountant explained that:

“All daily cash collections are securely kept in a designated safe, and access is restricted to a few authorized individuals. The safe is only opened at the end of the day during reconciliation, and any discrepancies are immediately reported to the finance office for review.”

This physical control mechanism ensures that collected revenues are protected until they are deposited into the hotel's official bank accounts. Another informant from the front desk added:

“The safe key is controlled by a senior manager, and any cash movement from the safe must be recorded and counter-signed. There's also a logbook that tracks every instance the safe is accessed, ensuring accountability and traceability of funds at all times.”

Such practices highlight the hotels' commitment to limiting unauthorized access and enhancing accountability. Several respondents mentioned adherence to formalized cash handling guidelines. A general manager stated that:

“Cash operations in the hotel are guided by documented procedures, which all staff must follow to avoid discrepancies. These include step-by-step instructions on how to handle payments, verify transactions, and reconcile balances at the close of each business day.”

These guidelines cover processes such as authorization for cash payments, reconciliation procedures, and reporting requirements. The presence of authorized bank accounts managed exclusively by the accounts department further reinforces internal controls. For instance, one accountant remarked:

“All deposits are made directly into hotel bank accounts to avoid misplacement or misuse of funds. Even for weekend collections, we use night deposit slips at the bank, and then reconcile on the next working day to ensure records are consistent.”

Bank reconciliations are conducted regularly to compare recorded transactions against bank statements, serving as a critical fraud prevention measure. Auditing was identified as an integral part of cash control within these hotels. Informants confirmed that both monthly and annual audits are routinely conducted to assess compliance with financial procedures. As one manager explained:

“We have internal auditors who examine our cash books at the end of every month to identify and address any anomalies early. They also check whether all payment vouchers are attached with proper support documents before approving monthly summaries.”

This regular auditing practice not only promotes transparency but also strengthens financial discipline across departments. Combined with systematic authorization protocols and secure storage of physical cash, these auditing measures contribute significantly to the overall effectiveness of cash control in the hotels studied.

Table 4.6: Summary of Cash Management Practices

Dimension	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1. Cash budgeting	4.9	9.2	14.0	23.0	29.6	25.9	55.5	3.4	1.01
2. Cash disbursement	6.9	7.0	13.9	19.1	42.9	24.1	67.0	3.6	1.07
3. Cash control	4.3	4.9	9.2	21.6	32.2	33.6	65.8	3.8	1.04
Average	5.4	7.0	12.4	21.0	34.9	27.9	62.8	3.6	1.04

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The findings in Table 4.6 highlight the extent to which respondents affirmed the presence of structured cash management practices in the selected hotels. Overall, the average agreement scores show a generally strong affirmation across all three components, albeit with some variation with mean agreement across all three components 62.8% indicates a generally strong affirmation. The overall mean score of 3.6 and standard deviation of 1.04 further imply moderately high and consistent level of agreement on the existence of cash management practices.

Cash budgeting was affirmed by 55.5% of respondents, the lowest among the three components, indicating that while more than half of the participants recognize the existence of budgeting practices, a considerable portion of the staff remain neutral (23.0%) or doubtful (14.0%).

Cash disbursement received a higher affirmation level, with 67.0% of respondents, that proper disbursement procedures were followed. This indicates that a significant majority support the existence of controls such as authorization and documentation of payments, reflecting moderately strong financial practices in this area.

Cash control was affirmed, by 65.8% of respondents acknowledging effective control measures in their hotels. This suggests widespread confidence in the internal mechanisms such as safe custody, audits, and cash handling procedures. The implies there are more institutionalized approach to preventing cash misuse and ensuring accountability.

4.4 Level of Financial Performance of Hotels in Gulu City

This section addresses objective two of the study, which was to assess the level of financial performance of hotels in Gulu City. The assessment was based on three key financial indicators: profitability, liquidity, and return on equity (ROE), each of which is discussed in the subsections below..

4.4.1 Profitability

Profitability is a crucial measure of financial performance, reflecting the hotel's ability to generate income above its expenses. This subsection explored staff perceptions of profit planning, revenue generation, cost control, and salary management.

Table 4.7: Profitability

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	The hotel always plans to meet the desired profits	6.4	4.3	10.7	23.6	43.6	22.1	65.7	3.7	1.06
2.	Survival of this hotel has been due to the profits it always earns	0.7	6.4	7.1	20	57.1	15.8	72.9	3.8	0.8
3.	The returns on capital employed is appropriate to the expectations of this hotel owner(s)	2.1	5.7	7.9	34.3	45.7	12.1	57.8	3.5	0.81
4.	I always plan to increase profitability in the hotel	10.0	5.7	15.7	12.9	37.9	33.5	71.4	3.7	1.25
5.	I always ensure that this hotel's revenue exceeds its expenditure	9.3	9.3	18.6	18.6	34.3	28.5	62.8	3.6	1.24
6.	Hotel's profit margins have increased in the last year	3.6	6.4	10.0	37.9	35.7	16.4	52.1	3.5	0.94
7.	Hotel has been able to generate profit in the last year	1.4	5.7	7.1	47.1	26.4	19.4	45.8	3.5	0.89
8.	The hotel has been able to meet its annual financial objective	3.6	7.9	11.4	40.7	37.1	10.8	47.9	3.4	0.9
9.	This hotel has been able to raise salaries and wages from profits	5.0	4.3	9.3	23.6	47.1	20.0	67.1	3.7	0.98
10.	This hotel pays in time as a result of availability of profits	12.1	7.9	20.0	20.0	41.4	18.6	60	3.4	1.22
11.	The hotel has been able to generate profit in the last year	0.7	5.7	6.4	36.4	36.4	20.8	57.2	3.7	0.87
12.	This hotel has been able to meet its annual financial objective	0.7	7.1	7.9	49.3	25.7	17.1	42.8	3.5	0.87
Average		4.6	6.4	11.0	30.4	39.0	19.6	58.6	3.6	0.99

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The findings on profitability, as a key indicator of financial performance, reveal a generally positive yet mixed picture among the selected 3-star hotels in Gulu City. On the statement that "the hotel always plans to meet the desired profits," the majority of respondents affirmed (65.7%), while only 10.7% opposed and 23.6% remained neutral. This is further supported by a relatively high mean of 3.7, suggesting that profit planning is a prominent practice in the hotel's financial management structure.

Regarding whether "the survival of the hotel has been due to the profits it always earns," 72.1% of the respondents affirmed the statement, only 7.1% opposed, and 20.0% were neutral. The mean score was 3.8, indicating that many hotels sustain operations primarily through internally generated profits, underscoring the central role of profitability in long-term survival and growth. In terms of capital returns, 57.8% of respondents affirmed that "the returns on capital employed meet owner expectations," while 7.9% opposed and a notable 34.3% were neutral. The mean for this item was 3.5. This suggests that while over half believe return expectations are met, the relatively high neutrality might reflect variability in returns or lack of access to such financial information by some staff.

Further, when asked whether "they personally plan to increase profitability in the hotel," 71.4% of respondents affirmed the statement, 15.7% opposed, and 12.9% were neutral. With a mean of 3.7, the findings indicate strong individual commitment among employees toward enhancing the financial outcomes of their hotels. The statement "I always ensure that this hotel's revenue exceeds its expenditure received 62.8% affirmation, while 18.6% opposed and the same percentage were neutral. The mean of 3.6 implies that many staff are engaged in cost control measures, though implementation may vary across departments or management levels.

When asked whether profit margins had increased over the last year, 52.1% affirmed, 10.0% opposed, and 37.9% were neutral. The mean score of 3.5 reveals a modest perception of improvement, indicating that while some hotels have seen growth, others may still be struggling to maintain or increase margins consistently.

Regarding whether the hotel had been able to generate profits in the past year, 45.8% of respondents affirmed, 7.1% opposed, while 47.1% remained neutral. A mean of 3.5 reflects a somewhat uncertain yet cautiously positive trend, possibly indicating that profit levels fluctuate seasonally or are unevenly distributed across hotels. Similarly, on the statement that hotels have met their annual financial objectives, 47.9% affirmed, 11.4% opposed, and 40.7% were neutral. The mean of 3.4 indicates some progress toward financial targets, though success is not consistent across the board.

The ability of hotels to raise salaries and wages from profits" received 67.1% affirmation, 9.3% opposition, and 23.6% neutrality. The mean score of 3.7 implies that in many hotels, increased profitability has led to better staff remuneration, reflecting reinvestment of financial gains into human resources. When respondents were asked whether "the hotel pays in time as a result of profit availability," 60.0% affirmed, 20.0% opposed, and another 20.0% were neutral. The mean stood at 3.4, showing moderate reliability in meeting financial obligations on time, though some challenges may still persist.

In a repeated statement on profit generation over the past year, 57.2% affirmed, 6.4% opposed, and 36.4% were neutral, producing a mean of 3.7. This reinforces the earlier perception that profitability exists, but is unevenly distributed or not uniformly experienced by all staff. A similar repeated statement on meeting financial objectives showed 42.8% affirmation, 7.9% opposition, and a high neutrality of 49.3%, with a mean of 3.5. This suggests that while financial targets are being achieved in some hotels, many staff are either unaware of them or unclear about their outcomes.

The average responses across all statements yielded a general mean of 3.6, with 58.6% affirmation and only 11.0% opposition. This portrays a moderately strong level of profitability in the surveyed hotels. However, the relatively high levels of neutrality across several items may reflect either limited awareness of financial details among some staff or genuine variability in financial outcomes across different hotels.

During the interviews, most key informants indicated that their hotels strive to consistently generate profits to sustain operations and meet financial obligations. One general manager explained that

“the hotel always plans to meet targeted profits through proper budgeting for salaries, inventory, and operational expenses so that we don’t incur losses or fall behind on key obligations. This planning is done at the beginning of every financial quarter and reviewed regularly. We sit down with the finance team to look at projections and past expenditures to make sure we’re not overspending unnecessarily.”

Another manager emphasized the central role of profits in the hotel's survival, stating that

“we survive because of the profits we generate every month. If there’s a shortfall in profits for just two months, we start struggling with staff payments and utility bills. That’s how crucial profits are. Without profits, we can’t even afford simple things like linen replacement or basic maintenance of facilities.”

Several respondents also noted that despite market fluctuations, their hotels prioritize ensuring that revenues exceed expenditures in order to maintain healthy margins. This approach was said to support both day-to-day operations and long-term strategies such as renovations and gradual expansion. In addition, key informants stressed that profits are routinely reinvested into core operations and capital development. A front desk officer explained that

“any profits generated are reinvested directly into areas like room upgrades, painting, and replacing worn-out equipment. It’s a cycle that helps the hotel grow

and maintain standards. We also channel some profits into staff motivation activities, like team outings or bonuses at the end of good business months.”

Managers also reported that annual profits have facilitated the timely payment of salaries and minimized the need for borrowing. One hotel accountant highlighted this by saying,

“we are able to pay salaries on time mainly because of the profits made from room sales and events. It gives us financial independence and reduces pressure from creditors, which is a big advantage. When we don’t borrow, we also avoid interest costs, which means more money is left for reinvestment.”

This reinvestment of profits was perceived as critical to maintaining the hotel’s financial health, competitiveness, and the ability to achieve annual objectives such as clearing debts or acquiring new assets. However, some key informants acknowledged that profitability is not guaranteed and is often influenced by both market and operational challenges. One hotel manager pointed out that

“when market prices rise for essential supplies like food items and fuel, our profit margins drop unless we adjust our service prices, which is not always possible due to customer expectations. Guests compare rates with other hotels and may leave if prices go too high, so sometimes we have to absorb the cost.”

Others cited issues such as delayed payments by clients, high utility bills, and rent increments as factors that strain profitability. Yet, the general consensus was that, through effective planning, cost control, and financial discipline, most hotels have managed to maintain a steady level of profitability. This financial performance, although variable across time and institutions, has enabled them to sustain operations, fulfill financial commitments, and pursue small-scale expansions or renovations without excessive dependence on external funding.

4.4.2 Liquidity

This subsection examines the ability of hotels to meet their short-term financial obligations. It highlights how well hotels manage their current assets and liabilities to remain solvent and operationally stable.

Table 4.8: Liquidity

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	The hotel's monthly cash inflows and outflows are consistent over the past months	5.7	17.1	22.9	42.1	26.4	8.6	35.0	3.0	0.90
2.	The hotel's current asset ratio is high	4.3	12.9	17.1	45.0	22.1	15.8	37.9	3.2	0.95
3.	The hotel periodically collects payments from its customers	2.1	5.7	7.9	29.3	46.4	16.4	62.8	3.6	0.84
4.	This hotel has its suppliers promptly	6.4	8.6	15.0	25.0	45.0	15.0	60.0	3.4	0.99
5.	The hotel's working capital position has been stable	5.0	11.4	16.4	35.7	28.6	19.3	47.9	3.3	1.03
6.	This hotel maintains high amount of cash reserves	5.7	17.9	23.6	30.7	31.4	14.3	45.7	3.2	1.02
7.	The hotel's operations is efficient in terms of converting assets into cash	10.0	17.1	27.1	35.0	25.7	12.2	37.9	3.0	1.06
Average		5.6	13.0	18.6	34.7	32.2	14.5	46.7	3.2	0.97

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The liquidity status of the hotels in Gulu City, as reflected in various indicators, shows a mixed but moderately positive picture. On the consistency of monthly cash inflows and outflows over recent months, 35.0% of respondents affirmed, 22.9% opposed, while a significant 42.1% were neutral. The mean score of 3.0 suggests uncertainty or variability in cash flow stability across the hotels surveyed. Regarding the hotel's current asset ratio, 37.9% affirmed that it was high, 17.1% opposed, and nearly half (45.0%) remained neutral. This resulted in a mean of 3.2, indicating a moderate but somewhat unclear perception of asset liquidity.

The periodic collection of payments from customers was positively viewed, with 62.8% affirming that collections were timely, 7.9% opposed, and 29.3% neutral. A higher mean of 3.6 reflects stronger confidence in the hotels' ability to manage receivables effectively. On the promptness of supplier payments, 60.0% of respondents affirmed, 15.0% opposed, and 25.0% were neutral. This is supported by a mean score of 3.4, indicating reasonable efficiency in managing payables. The stability of the hotels' working capital position received moderate affirmation (47.9%), with 16.4% opposed and 35.7% neutral. The mean of 3.3 suggests some degree of stability, though with room for improvement. When asked about maintaining high cash reserves, only 45.7% affirmed, 23.6% opposed, and 30.7% were neutral, reflected by a mean of 3.2. This points to some inconsistency in liquidity buffers held by hotels.

The efficiency of operations in converting assets into cash showed 37.9% affirmation, 27.1% opposition, and 35.0% neutrality, with a mean score of 3.0. This indicates a moderate but

uneven capacity among hotels to generate cash from their assets. Overall average affirmation across liquidity indicators was 46.7%, opposition was 18.6%, and neutrality was 34.7%, with an overall mean of 3.2. These results suggest that while many hotels maintain reasonable liquidity, variability and uncertainty remain, which could impact their ability to meet short-term obligations effectively.

In the interview, key informants described various practices that help their hotels manage short-term cash availability to meet operational needs. Several managers reported that regular payroll payments and scheduled disbursements for rent and inventory help stabilize their cash flow. One general manager explained:

“We always budget to ensure salaries and routine bills like electricity and water are cleared promptly to avoid cash shortages. Once we receive income from clients, a portion is immediately allocated to these critical areas. This discipline helps us avoid delays or disconnection notices from utility providers and keeps our staff motivated because payments are never late.”

Another manager highlighted the value of daily verification processes, stating:

“At the end of every day, physical cash is compared to what the system shows to avoid shortfalls. This practice has become routine. It not only ensures that no money is missing but also helps us detect errors early. We’ve found that daily reconciliation protects us from internal fraud and strengthens accountability among the cash handlers.”

Hotel accountants emphasized the role of digital transactions in enhancing liquidity management. A cashier from one of the hotels noted:

“Using mobile payments and bank transfers minimizes the need to hold too much physical cash, which helps us avoid risks like theft and misuse. Nowadays, most guests also prefer cashless payments. It’s faster, more secure, and allows us to track who paid, when, and for what services with just a few clicks.”

This shift towards non-cash payment methods, as highlighted by multiple respondents, was considered beneficial for controlling and monitoring cash inflows and outflows in real time. Managers also pointed out that preparing regular financial reports allows them to assess the liquidity status and plan for upcoming financial needs more effectively, reducing the chances of running short of working capital. However, some key informants acknowledged challenges that occasionally disrupt liquidity. For instance, unpaid customer bills and rising supplier prices were cited as factors that could strain cash flow. One respondent explained:

“When customers delay payments, it affects our ability to pay suppliers on time, creating short-term liquidity gaps. Some clients book large events and promise to clear the balance later, but they often take weeks. Meanwhile, our suppliers don’t wait they want their money within days. This mismatch puts pressure on our cash reserves.”

Despite such challenges, most managers expressed confidence in their current liquidity management strategies, stating that these practices have helped their hotels to remain operationally stable, meet payroll commitments promptly, and handle urgent financial needs without resorting to high-interest borrowing.

4.4.3 Return on Equity (ROE)

This subsection evaluates how effectively hotels generate profits from shareholders’ investments. It also reflects the financial efficiency and growth potential of the hotels over time.

Table 4.9: Return on Equity (ROE)

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	I always use return on equity to determine the profitability of this hotel	13.6	13.6	27.1	25.0	28.6	19.3	47.9	3.1	1.24
2.	There is increased total amount of shareholder equity of this hotel	5.7	12.9	18.6	54.3	12.1	15.0	27.1	3.0	0.87
3.	There are few risks facing this hotel business	6.4	14.3	20.7	35.0	26.4	17.9	44.3	3.2	1.04
4.	This hotel has increasing return on equity	2.1	5.7	7.9	49.3	23.6	19.2	42.8	3.3	0.82
5.	This hotel has committed finance department to guide on return on equity	1.4	5.7	7.1	42.9	29.3	20.7	50.0	3.5	0.85
6.	This hotel has simple metric for evaluating investment returns to ROE	0.0	4.3	4.3	43.6	33.6	18.5	52.1	3.5	0.72
7.	This hotel compares its return on equity to the historical ROE of other hotels	2.1	7.9	10.0	44.3	30.0	15.7	45.7	3.3	0.82
8.	The hotel derives its ROE by dividing its dividend growth rate by its earnings retention rate	8.6	5.7	14.3	44.3	22.1	19.3	41.4	3.2	1.05
Average		5.0	8.8	13.8	42.3	25.7	18.2	43.9	3.3	0.93

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The use of return on equity (ROE) as a measure of profitability in hotels shows varied responses. 39.3% of respondents affirmed that they always use ROE to determine hotel profitability, while 27.1% opposed and 25.0% were neutral. The mean score of 3.1 indicates a

moderate acknowledgment of ROE's role in profitability assessment. Regarding the increase in total shareholder equity, only 17.1% affirmed that it had increased, with 18.6% opposition and a large neutral group of 54.3%. This suggests uncertainty or limited growth in shareholder equity, reflected in a mean of 3.0.

When considering risks faced by the hotels, 35.0% affirmed that there were few risks, 20.7% opposed, and 35.0% were neutral. The mean of 3.2 indicates a generally moderate perception of risk levels within the hotel businesses. The statement that the hotel has an increasing return on equity received 31.4% affirmation, 7.9% opposition, and 49.3% neutrality, producing a mean score of 3.3. This points to moderate optimism about ROE trends but with a large undecided portion.

Commitment of the finance department to guide on ROE had 40.0% affirmation, 7.1% opposition, and 42.9% neutrality, with a mean of 3.5. This reflects a reasonably positive view of financial oversight concerning ROE. Similarly, 40.7% affirmed that their hotel uses a simple metric to evaluate investment returns relative to ROE, 4.3% opposed, and 43.6% were neutral, with a mean of 3.5, suggesting clarity and accessibility in ROE measurement.

Comparison of the hotel's ROE to historical ROE of other hotels saw 35.7% affirmation, 10.0% opposition, and 44.3% neutrality, resulting in a mean of 3.3, indicating a moderate benchmarking practice. 32.9% affirmed that ROE was derived by dividing dividend growth rate by earnings retention rate, with 14.3% opposition and 44.3% neutrality, producing a mean score of 3.2. This suggests some awareness but also uncertainty about ROE calculation methods. The average affirmation across ROE indicators was 34.0%, opposition was 13.8%, and neutrality stood at 42.3%, with an overall mean of 3.3. These results suggest moderate familiarity and use of ROE as a financial performance metric in the hotels studied, with notable uncertainty in some areas.

In the interview, key informants revealed that while formal tracking of ROE is limited, the concept plays an implicit role in guiding reinvestment decisions within their hotels. One general manager remarked,

“We may not calculate ROE in strict accounting terms, but profits made are often directed back into expanding the hotel. For example, we focus on constructing new rooms, improving guest facilities, or upgrading equipment. These improvements show us that our investment is paying off, even if we’re not formally computing the ratio.”

This indicates that owners prioritize visible growth and asset development as indicators of their return on investment, rather than relying on formal financial ratios.

Another hotel accountant explained that

“The shareholders monitor how much is earned each year and decide how much to reinvest or withdraw, depending on the hotel’s needs and performance. In most cases, profits are ploughed back into the business to fund new initiatives or refurbishments. We avoid borrowing when possible, so reinvestment is key to sustaining growth.”

This shows that while the ROE concept may not be formally applied, profitability remains central to shareholder decision-making. The financial gains made are primarily used to finance internal developments rather than seeking external funding. This reinvestment strategy is viewed as a way of maximizing returns over time, thus serving the function of ROE in a practical sense, albeit informally measured. A few respondents, however, acknowledged weaknesses in structured financial monitoring. One general manager admitted,

“We do not have detailed financial analysis reports like ROE; we simply focus on whether our profits are growing and whether the business is expanding. If there’s money left after covering costs, and we see more customers or bigger bookings, we take it as a good sign. We go by results rather than ratios.”

This highlights the gap in technical financial analysis among some hotels, where ROE is not routinely computed. Nevertheless, the consistent focus on profitability, reinvestment, and business growth reflects that hotel owners are still pursuing equity returns, albeit without formal financial documentation.

Table 4.10: Summary of Financial Performance

Dimension	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1. Profitability	4.6	6.4	11.0	30.4	39.0	19.6	58.6	3.6	0.99
2. Liquidity	5.6	13.0	18.6	34.7	32.2	14.5	46.7	3.2	0.97
3. Return on Equity (ROE)	5.0	8.8	13.8	42.3	25.7	18.2	43.9	3.3	0.93
Average	5.1	9.4	14.5	35.8	32.3	17.4	49.7	3.4	0.96

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The overall financial performance of hotels in Gulu City was assessed through key indicators including profitability, liquidity, and return on equity (ROE). On average, 49.7% of respondents affirmed the financial performance of their hotels across the three dimensions, while the overall mean score stood at 3.4 with a standard deviation of 0.96, indicating a moderately positive but varied perception among respondents. Profitability recorded the highest level of affirmation among respondents, with 58.6% affirming that the hotels perform

well in generating profits. Meanwhile, the opposition rate was relatively low at 11.0%, and a notable 30.4% of respondents remained neutral. This yielded a mean score of 3.6, indicating a generally positive perception of profitability performance.

Liquidity showed a slightly lower level of positive perception, with 46.7% affirmation, 18.6% opposition, and 34.7% neutrality. The mean score of 3.2 suggests moderate satisfaction with the hotels' ability to manage cash flows and meet short-term obligations, though there remains some uncertainty or variability in liquidity management.

Return on equity (ROE), as a critical financial metric, garnered the lowest level of affirmation at 43.9%, while opposition was 13.8%, and the largest proportion of respondents, 42.3%, were neutral. This resulted in a mean of 3.3, reflecting moderate recognition of ROE's role in financial performance but also highlighting considerable uncertainty or limited emphasis on this measure within the hotels.

4.5 Relationship between Cash Management and Financial Performance

This section focuses on objective three, which aimed to investigate the relationship between cash management and the financial performance of hotels in Gulu City. To achieve this, the study used Pearson correlation and multiple regression analysis to explore how cash management practices relate to the financial performance of these hotels.

4.5.1 Pearson Correlation

The purpose of the Pearson correlation analysis was to determine the strength and direction of the linear relationship between cash management practices (cash budgeting, disbursement, and control) and financial performance indicators (profitability, liquidity, and return on equity) among hotels in Gulu City. This analysis helped to identify whether increases or improvements in specific cash management practices are associated with corresponding changes in financial outcomes.

Table 4.11: Correlations

		Cash Budgeting	Cash Disbursement	Cash Control	Profitabi lity	Liquidity	ROE
Cash Budgeting	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	140					
Cash Disbursement	Pearson Correlation	.534**	1				
	Sig. (2-tailed)	.000					
	N	136	136				
Cash Control	Pearson Correlation	.572**	.762**	1			
	Sig. (2-tailed)	.000	.000				
	N	140	140	140			
Profitability	Pearson Correlation	.553**	.562**	.542**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	140	140	140	140		
Liquidity	Pearson Correlation	.346**	.242**	.242**	.492**	1	
	Sig. (2-tailed)	.000	0.005	0.005	.000		
	N	140	140	140	140	140	
Return on Equity (ROE)	Pearson Correlation	.326**	.466**	.498**	.454**	.521**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	140	140	140	140	140	140

** Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data, 2025 (SPSS Output)

Cash Budgeting showed a moderate positive and significant correlation with profitability ($r = 0.553$, $p < 0.01$), indicating that hotels with effective cash budgeting practices tend to report higher profitability. It also had a weak but significant correlation with liquidity ($r = 0.346$, $p < 0.01$) and return on equity ($r = 0.326$, $p < 0.01$), suggesting a modest positive influence on these financial indicators.

Cash Disbursement was found to be moderately correlated with both profitability ($r = 0.562$, $p < 0.01$) and return on equity ($r = 0.466$, $p < 0.01$), implying that structured and timely disbursement of funds contributes to better financial returns. Its relationship with liquidity was weaker ($r = 0.242$, $p = 0.005$), though still statistically significant.

Cash Control demonstrated a moderate positive correlation with profitability ($r = 0.542$, $p < 0.01$) and return on equity ($r = 0.498$, $p < 0.01$), and a weaker but significant correlation with liquidity ($r = 0.242$, $p = 0.005$). This indicates that effective cash control mechanisms positively influence the overall financial performance of the hotels, especially in terms of profitability and equity returns.

4.5.2 Regression analysis

The purpose of the regression analysis was to examine the extent to which cash management practices predict or influence the financial performance of hotels in Gulu City. By identifying the contribution of each independent variable (cash budgeting, disbursement, and control) to financial outcomes, regression analysis provides more understanding of which cash management components have the most significant impact on profitability, liquidity, and return on equity.

Table 4.12: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 ^a	.396	.382	.40010

a. Predictors: (Constant), Cash Control, Cash Budgeting, Cash Disbursement
Source: Primary Data, 2025 (SPSS Output)

The analysis through regression modeling demonstrated that cash management practices collectively explain approximately 39.6% of the variation in financial performance, as indicated by the R Square value of 0.396. The adjusted R Square value of 0.382 confirms that this relationship remains substantial even after accounting for the number of predictors in the model. The relatively low standard error of the estimate (0.400) indicates a good fit of the model to the data. These findings imply that effective cash management practices, including cash control, budgeting, and disbursement, play a crucial role in enhancing the financial performance of hotels in Gulu City. Managers and stakeholders should therefore prioritize sound cash management as a strategic approach to drive profitability, liquidity, and overall financial health in the hospitality sector.

Table 4.13: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	13.864	3	4.621	28.870	.000 ^b
Residual	21.130	132	.160		
Total	34.995	135			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Cash Control, Cash Budgeting, Cash Disbursement
Source: Primary Data, 2025 (SPSS Output)

Table 4.13 summarizes the overall model fit, where the regression model explains a significant portion of the variance in financial performance ($F(3, 132) = 28.870, p < 0.001$). The model's sum of squares of 13.864 relative to the residual sum of squares (21.130) indicates a meaningful explanatory power. The mean square for regression (4.621) compared to the residual mean square (0.160) further confirms the model's statistical significance. These findings validate the

hypothesis in the regression analysis that robust cash management practices particularly budgeting, disbursement, and control are significant drivers of financial performance in 3-star hotels within Gulu City.

Table 4.14: Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.297	.230		5.633	.000
Cash Budgeting	.273	.074	.311	3.711	.000
Cash Disbursement	.157	.079	.212	1.989	.041
Cash Control	.161	.085	.208	1.894	.006

a. Dependent Variable: Financial Performance

Source: Primary Data, 2025 (SPSS Output)

The regression analysis results presented in Table 4.14 demonstrate the individual contributions of the three cash management practices cash budgeting, cash disbursement, and cash control to the financial performance of hotels in Gulu City. The constant term has an unstandardized coefficient of 1.297 ($p < 0.001$), indicating the baseline level of financial performance when all predictors are zero. The level of significance for this constant is 0.001 ($\alpha = 0.001$).

Cash budgeting emerged as the strongest predictor with an unstandardized coefficient (B) of 0.273 ($p < 0.001$) and a standardized beta coefficient of 0.311, signifying that a one-unit increase in effective cash budgeting is associated with a 0.273 unit increase in financial performance, holding other variables constant. The level of significance for cash budgeting is 0.001 ($\alpha = 0.001$).

Similarly, cash disbursement has a positive and statistically significant effect ($B = 0.157$, $p = 0.041$), implying that better management of cash outflows is linked to improved financial outcomes. A one-unit increase in effective cash disbursement is associated with a 0.157 unit increase in financial performance. The level of significance for cash disbursement is 0.041 ($\alpha = 0.05$).

Cash control also significantly predicts financial performance ($B = 0.161$, $p = 0.006$), confirming the importance of stringent oversight on cash handling in enhancing hotel financial health. A one-unit increase in effective cash control is associated with a 0.161 unit increase in financial performance. The level of significance for cash control is 0.006 ($\alpha = 0.01$).

4.6 Government policies governing 3-stars hotels in Gulu City

This section addressed objective four, which aimed to examine the government policies on the relationship between cash management and financial performance of hotels in Gulu City. The

presentation starts with the descriptive results of tax policies and employment policies. This is followed by the moderation test results, which in effect address objective five.

4.6.1 Tax Policy

Most hotel managers acknowledged that tax obligations, including local hotel taxes and national statutory payments, significantly influence their cash flow planning and reinvestment decisions. Compliance costs and frequent policy changes were reported to affect operational flexibility.

Table 15: Tax policies

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	Tax policies significantly affect the overall profitability of this hotel.	5.0	9.3	14.3	21.4	33.6	30.7	64.3	3.6	1.12
2.	Changes in tax rates influence this hotel's pricing strategy	4.3	10.0	14.3	22.1	40.0	23.6	63.6	3.6	1.04
3.	Tax compliance procedures affect this hotel's operational efficiency	5.0	2.1	7.1	28.6	40.0	24.3	64.3	3.7	0.98
4.	This hotel has ever benefited from tax incentives or exemptions	10.7	5.0	15.7	33.6	28.6	22.1	50.7	3.3	1.14
5.	Tax policies influence this hotel's investment decisions	1.4	2.9	4.3	32.9	38.6	24.2	62.8	3.7	0.84
6.	Tax regulations in Uganda affect this hotel's cost management	1.4	14.3	15.7	27.9	32.9	23.5	56.4	3.5	0.99
7.	The implementation of new tax policies creates financial opportunities for this hotel	9.3	12.9	22.1	45.0	16.4	16.5	32.9	3.0	1.04
8.	This hotel frequently encounters financial difficulties related to tax payments or tax-related penalties	3.6	10.7	14.3	35.7	32.1	17.9	50.0	3.4	0.97
9.	There are favorable tax policies that has improved the competitiveness of this hotel	7.9	8.6	16.4	43.6	19.3	20.7	40.0	3.2	1.07
Average		5.4	8.4	13.8	32.3	31.3	22.6	53.9	3.4	1.02

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

The role of tax policies as a moderating factor in the relationship between cash management and financial performance was examined through several key statements. Respondents generally affirmed that tax policies significantly affect the overall profitability of their hotels, with 64.3% affirmation, while 14.3% opposed, and 21.4% were neutral, reflected in a mean score of 3.6 (SD = 1.12). Similarly, 63.6% of respondents affirmed that changes in tax rates

influence the hotel's pricing strategy, while 14.3% expressed opposition and 22.1% were neutral, with a mean of 3.6 (SD = 1.04).

Regarding operational efficiency, 64.3% of participants affirmed that tax compliance procedures impact this aspect of the hotel's business, with only 7.1% in opposition and 28.6% neutral, yielding a mean of 3.7 (SD = 0.98). However, fewer respondents affirmed that their hotel had benefited from tax incentives or exemptions, with 50.0% affirmation, compared to 15.7% in opposition and 33.6% neutral, resulting in a slightly lower mean of 3.3 (SD = 1.14).

Investment decisions were perceived as influenced by tax policies by 62.8% of respondents, while only 4.3% opposed and 32.9% remained neutral, corresponding to a mean of 3.7 (SD = 0.84). Tax regulations were seen to affect cost management by 56.4% of respondents, with 15.7% in opposition and 27.9% neutral, reflected in a mean score of 3.5 (SD = 0.99).

The implementation of new tax policies was less positively perceived, as only 32.9% affirmed that these policies create financial opportunities, while 22.1% opposed and a substantial 45.0% remained neutral, resulting in a lower mean of 3.0 (SD = 1.04). Financial difficulties related to tax payments or penalties were reported by 50.0% of respondents, with 14.3% in opposition and 35.7% neutrality, giving a mean of 3.4 (SD = 0.97). Lastly, 40.0% affirmed that favorable tax policies improved competitiveness, compared to 16.4% opposition and 43.6% neutral, with a mean of 3.2 (SD = 1.07).

While respondents generally affirmed that tax policies influence profitability, pricing, operational efficiency, investment, and cost management, there was less consensus on whether new tax policies provide financial opportunities or significantly enhance competitiveness. The overall average shows 53.9% affirmation, 13.8% opposition, and 32.3% neutrality, indicating a moderately positive perception of tax policies' role, with an average mean around 3.5, suggesting that tax policies are a relevant but complex moderating factor in hotel financial performance.

4.6.2 Employment Policies

Respondents generally agreed that employment-related regulations such as minimum wage laws, social security contributions, and labor protections play a critical role in shaping payroll management and budgeting priorities, indirectly influencing cash control and overall financial performance.

Table 4.16: Employment policies

SN	Statements	SD %	D %	SD+D %	N %	A %	SA %	A+SA %	Mean	Std. Dev
1.	Employment policies in Uganda influence this hotel's ability to manage labor costs effectively	7.9	4.3	12.1	25.7	40.0	22.2	62.2	3.5	1.08
2.	The implementation of employment policies affects this hotel's staffing levels and operational efficiency	6.4	9.3	15.7	26.4	41.4	16.5	57.9	3.4	1.02
3.	Labor laws and employment regulations have an impact on this hotel's wage structure	1.4	6.4	7.9	32.9	42.1	17.1	59.2	3.6	0.83
4.	Changes in employment policies affect this hotel's cash flow due to fluctuations in labor costs	5.0	4.3	9.3	35.0	44.3	11.4	55.7	3.4	0.86
5.	Employment policies in Uganda influence this hotel's ability to attract skilled staff, affecting financial performance	9.3	3.6	12.9	25.7	39.3	22.1	61.4	3.5	1.12
6.	This hotel faces challenges in managing employee benefits and compensations due to employment policies in Uganda	9.3	2.1	11.4	34.3	34.3	20.0	54.3	3.4	1.08
7.	Employment policies affect this hotel's training and development budgets	5.0	14.3	19.3	32.9	26.4	21.4	47.8	3.2	1.03
8.	Employment regulations in Uganda influence this hotel's flexibility in adjusting staffing levels during low or peak seasons	3.6	2.9	6.4	41.4	30.0	22.2	52.2	3.5	0.93
9.	The financial performance of this hotel is impacted by the costs associated with complying with employment policies	2.1	7.1	9.3	37.1	31.4	22.2	53.6	3.5	0.93
Average		5.6	6.0	11.6	32.4	36.6	19.4	56.0	3.4	0.99

Key: A= Agree, D = Disagree, N = Neutral, Std. Dev = Standard Deviation, SA=Strongly Agree, SD = Strongly Disagree.

Source: Primary Data, 2025 (SPSS Output)

In examining the influence of employment policies on hotel operations, it was found that employment policies in Uganda significantly affect hotels' ability to manage labor costs effectively, with a combined affirmation level of 62.2%. In contrast, 12.1% opposed, while 25.7% remained neutral, leading to a mean score of 3.5 (SD = 1.08). Similarly, respondents indicated that the implementation of employment policies impacts staffing levels and operational efficiency, as shown by 57.9% affirmation. Meanwhile, 15.7% opposed and 26.4% were undecided, reflected in a mean of 3.4 (SD = 1.02).

Labor laws and employment regulations were perceived to influence wage structures, with 59.2% affirmation, only 7.9% opposition, and a relatively high neutrality level of 32.9%, corresponding to a mean of 3.6 (SD = 0.83). Changes in employment policies were also seen to affect cash flows due to fluctuating labor costs, as reported by 55.7% of respondents in affirmation, compared to 9.3% who opposed and 35.0% who remained neutral; this yielded a mean of 3.4 (SD = 0.86).

Regarding recruitment challenges, employment policies were reported to influence the hotel's ability to attract skilled staff, thus affecting financial performance, with 61.4% affirmation, 12.9% opposition, and 25.7% neutrality, reflected in a mean score of 3.5 (SD = 1.12). Challenges in managing employee benefits and compensations due to employment policies were acknowledged by 54.3% of respondents, while 11.4% opposed and 34.3% were neutral, resulting in a mean of 3.4 (SD = 1.08).

In terms of training budgets, employment policies were perceived to limit resources, though affirmation was comparatively lower at 47.8%, with 19.3% expressing opposition and 32.9% undecided, leading to a mean of 3.2 (SD = 1.03). Notably, 52.2% of respondents indicated that employment regulations affect flexibility in staffing adjustments during low or peak seasons, while only 6.4% opposed and 41.4% were neutral, corresponding to a mean score of 3.5 (SD = 0.93). Finally, 53.6% of respondents affirmed that financial performance is affected by compliance-related employment costs, compared to 9.3% opposition and 37.1% neutrality, resulting in a mean of 3.5 (SD = 0.93). Employment policies were recognized as a significant factor influencing hotel operations and financial outcomes, with 56.0% average affirmation, 11.6% opposition, and 32.4% neutrality across statements, reflecting moderate perceived impact with mean scores generally ranging between 3.4 and 3.6.

4.7 Moderating effects of government policies on the relationship between cash management and financial performance of selected 3-stars hotels in Gulu City.

This section presents the moderation analysis conducted to assess the effect of government policies specifically tax and employment policies on the relationship between cash management practices and the financial performance of hotels in Gulu City. The test was conducted using hierarchical regression in two models. Model 1 included only the three dimensions of cash management (cash budgeting, disbursement, and control), while Model 2 added the government policy variables to evaluate any moderating or conditional influence. The output is summarized in Table 4.17 below.

Table 4.17: Regression Results for Moderating Effects of Government Policies

		Coefficients ^a			
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t Sig.
1	(Constant)	1.383	.238		5.804 .000
	Cash Budgeting	.251	.078	.285	3.208 .002
	Cash Disbursement	.185	.088	.255	2.105 .037
	Cash Control	.127	.091	.167	1.395 .016
2	(Constant)	1.458	.289		5.048 .000
	Cash Budgeting	.262	.082	.297	3.185 .002
	Cash Disbursement	.180	.089	.247	2.009 .047
	Cash Control	.138	.094	.181	1.466 .014
	Tax Policies	-.014	.072	-.016	-.197 .844
	Employment Policies	-.024	.060	-.033	-.398 .691

a. Dependent Variable: Financial Performance

Source: Primary Data, 2025 (SPSS Output)

The regression analysis results in table 4.17 provide data about the direct and contextual effects of cash management practices and government policies on the financial performance of hotels in Gulu City. In Model 1, where only cash management variables were considered, the findings reveal that cash budgeting has a significant positive effect on financial performance ($B = 0.251$, $p = 0.002$). This indicates that a one-unit increase in effective cash budgeting practices is associated with a 0.251-unit increase in financial performance, holding other variables constant. Similarly, cash disbursement significantly enhances financial outcomes ($B = 0.185$, $p = 0.037$), suggesting that streamlined payment processes contribute to improved financial health. Cash control, while positively associated ($B = 0.127$), demonstrated weaker significance ($p = 0.016$), implying that although control mechanisms are important, their immediate financial impact may be less direct.

When government policies (tax policies and employment policies) were introduced in Model 2, the explanatory strength of the model shifted slightly. Both cash budgeting and cash disbursement retained their significant positive contributions, with their coefficients rising slightly to $B = 0.262$ ($p = 0.002$) and $B = 0.180$ ($p = 0.047$), respectively. This increase suggests that the inclusion of regulatory factors possibly amplifies the influence of efficient budgeting and payment processes on financial outcomes. Cash control also exhibited a mild increase in its coefficient ($B = 0.138$, $p = 0.014$), reinforcing its supportive but less dominant role in financial performance. In contrast, both tax policies ($B = -0.014$, $p = 0.844$) and employment policies ($B = -0.024$, $p = 0.691$) were statistically insignificant.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter presents the discussion of findings that assessed the relationship between cash management practices and financial performance of hotels in Gulu City. The chapter discusses the findings in light of the study objectives, highlighting key conclusions drawn from the results and offering practical recommendations.

5.1 Cash Management Practices in Hotels in Gulu City

5.1.1 Cash budgeting

The study found that cash budgeting is moderately practiced among 3-star hotels in Gulu City. The majority of hotels undertake formal budgeting procedures, focusing primarily on operational necessities such as payment of salaries, rent, and purchase of inventory. This reflects an emphasis on covering recurrent costs and maintaining liquidity stability. However, despite this structured approach, the study revealed limited involvement of staff in the budgeting process. This reveals that while top management develops budgets, lower-level staff remain largely excluded from participatory planning, which could undermine ownership and compliance. Uwonda, Okello and Okello (2013) similarly found that SMEs often prioritize basic operational budgeting while ignoring participatory planning and strategic budget control, which limits their capacity for sustainable growth. Nguyen et al. (2018) further argued that where budgeting processes are centralized at management level without staff involvement, the effectiveness of budgets as performance and motivational tools is greatly reduced.

The study also revealed that monitoring and accountability for budget adherence were relatively weak across the hotels. Individual responsibility for tracking and reviewing budget performance appeared minimal, highlighting a gap in internal oversight. This may pose challenges in promptly identifying budget variances or inefficiencies during implementation, ultimately weakening financial control and strategic responsiveness. Pierrot (2019) noted that firms practicing continuous monitoring of weekly cash budgets often preempt cash shortfalls and effectively adjust operational expenditures, reducing financial risks.

The study also revealed under cash budgeting that although many hotels reported the existence of cash budget committees, the effectiveness of these committees varied. Some committees primarily focused on operational expenditure rather than strategic financial planning or investments. While a few hotels incorporated investment planning within their budgeting frameworks allocating funds for future upgrades and expansions this practice was not widespread. Corporate social responsibility (CSR) budgeting was largely absent, suggesting

that many hotels prioritize immediate operational needs over community investment or broader stakeholder engagement. Bosch-Badia et al. (2020) argued that the strategic role of cash budgeting extends beyond covering operational costs to include financial planning for growth and CSR initiatives, yet many businesses fail to apply budgets as control tools for long-term investment planning. Zarzycka et al. (2021) equally highlighted that failure to integrate non-financial priorities like CSR into budgetary allocations can limit stakeholder engagement and market positioning. The study revealed that while cash budgeting exists as a formal practice, its strategic depth and participatory aspects remain underdeveloped.

5.1.2 Cash disbursement

The study revealed that cash disbursement procedures in the selected hotels are relatively robust and standardized. Strict authorization protocols for both cheque and cash payments were observed, suggesting a strong commitment to maintaining financial discipline and minimizing unauthorized spending. The use of structured documentation, such as cash books and general ledgers, was consistently reported, reinforcing transparency and traceability of all cash disbursements within the hotels. Crawford (2018) similarly found that most firms rely on cheque-based disbursements specifically to maintain written records for internal control purposes. Recording transactions in cash disbursement journals ensures systematic tracking of all outflows, improving transparency and accountability.

The study found that hotel management actively reviews cash disbursement reports, contributing to effective oversight and control over financial outflows. Such regular monitoring practices enable timely detection of irregularities and help in realigning expenditures with budgetary allocations. The use of both manual and electronic transaction systems was noted, reflecting an evolving financial management environment where hotels are transitioning towards cashless payments to enhance security and efficiency. Shapiro (2021) argued that outsourcing disbursements to banks can further enhance cash flow security and compliance, although many firms prefer to retain manual oversight for greater control.

However, some operational challenges emerged, particularly around the handling of direct cash payments from customers and inconsistency in recording small or irregular transactions. Not all staff were permitted to handle or record cash, potentially creating bottlenecks in financial processes or over-dependence on specific individuals. Furthermore, the study revealed that investigation of unusually large expenditures was not a routine practice in some hotels, exposing potential gaps in expenditure control. Okpara & Igwe (2021) reported that firms with unclear or inconsistent policies on petty cash handling often face discrepancies in small transaction records, increasing the risk of undetected misappropriations. Likewise, Arinaitwe

(2014) noted that assigning cash handling duties to only a few staff members concentrate financial control and exposes firms to higher risks of manipulation and fraud.

5.1.3 Cash control

The study revealed that cash control mechanisms are the most established aspect of cash management in the surveyed hotels. Practices such as safeguarding daily cash collections, restricting access to cash storage areas, and maintaining official hotel bank accounts were widely reported. Hotels demonstrated a strong focus on minimizing risks associated with physical cash handling through secure custody and strict authorization protocols. This indicates a well-developed awareness of the importance of internal controls in mitigating theft and fraud risks. Haavig (2019) revealed that strict controls over physical cash storage and authorized bank accounts are fundamental in preventing misappropriation and fraud within cash-intensive businesses. Haavig (2019) also recommended that all cheque payments be authorized and sequential to ensure traceability and minimize fraudulent disbursements.

Hotels showed significant compliance with documented cash handling guidelines and policies. The presence of formally authorized bank accounts, coupled with routine bank reconciliations and posting of transactions into general ledgers, indicates a structured approach towards financial record-keeping and reporting. The routine execution of internal audits, both monthly and annually, further reflects the institutionalization of financial accountability within these hotels. Ssekandi (2018) found that routine cash audits and reconciliations strengthen internal controls and enhance the reliability of financial reporting. Atugasha (2019) similarly noted that ensuring all receipted funds are properly recorded and deposited is a basic but essential cash control procedure that supports organizational financial integrity.

Despite these strengths, the study identified weaknesses in the segregation of duties. Not all hotels consistently ensured independent review of reconciliations, potentially limiting checks and balances in their cash control systems. The lack of clear role separation could pose risks of internal collusion or undetected financial discrepancies. Ionici & Evans (2023) also revealed that insufficient segregation of cash duties can expose firms to internal fraud due to collusion risks between cash handlers and record keepers. The study revealed that while cash control systems in 3-star hotels in Gulu City are relatively mature and effective, there remains a need to strengthen certain internal control aspects, particularly those related to independent verification and separation of duties. Reinforcing these areas would further enhance the integrity and reliability of the hotels' cash management practices.

5.2 Level of Financial Performance of Hotels in Gulu City

5.2.1 Profitability

The study found that profitability is generally viewed as the primary driver of financial performance among 3-star hotels in Gulu City. Most hotels actively engage in profit planning to ensure consistent operations, with management focusing on meeting targeted profit levels through budgeting for salaries, rent, and operational expenses. This proactive approach allows hotels to align their financial strategies with operational needs, helping them maintain stability and meet routine obligations without excessive reliance on external financing. Supporting this finding, Yıldız and Karahan (2021) noted that profitability remains a central metric in hotel financial performance, driven by cost controls, revenue management, and operational efficiencies such as dynamic pricing strategies. Similarly, Rahiminezhad and Mokhatab (2022) argued that consistent profit planning is crucial in ensuring hotels meet both short-term operational targets and long-term financial sustainability, especially in contexts characterized by high fixed costs like salaries and infrastructure maintenance. In contrast, Okello and Alinda (2023) found that many small to mid-sized hotels in Uganda and Kenya lack structured financial planning, relying heavily on informal practices, which undermines stable profitability.

The study revealed that profits are not only directed towards meeting immediate operational expenses but are also reinvested into hotel development. Many hotels use their profits for activities such as renovations, expansion of guest rooms, and improving facilities. This reinvestment approach indicates that profitability is viewed as a foundation for long-term growth and competitiveness in the market. The ability to raise staff salaries and meet financial obligations like timely payments reflects a broader financial stability linked to profit generation. Similarly, Pavlatos and Kostakis (2020) reported that post-COVID recovery strategies among hotels in Southeast Asia emphasized reinvesting profits into technological upgrades and facility improvements to enhance competitiveness and service quality, affirming reinvestment as a growth-focused use of profits. Profitability, when used as a reinvestment driver, strengthens operational capacity and enables hotels to capture larger market shares over time. However, the study highlighted inconsistencies in the perception of profitability trends. While most respondents acknowledged that their hotels generate profits, a significant number remained uncertain about year-to-year profitability trends. This implies variability in profit margins or limited financial reporting and communication within some hotels. External factors such as rising operational costs, market price fluctuations, and delayed customer payments were identified as challenges that affect profitability, indicating that sustained profits require careful financial planning and adaptability to market dynamics. Alrawabdeh (2022) observed

that inconsistencies in profitability trends are common among small hotels due to lack of economies of scale and exposure to external shocks like seasonal demand changes and market volatility.

5.2.2 Liquidity

The study revealed that liquidity management among 3-star hotels in Gulu City is moderately effective but marked by inconsistency and uncertainty. Many hotels demonstrated practices aimed at stabilizing cash flow, including regular budgeting for salaries and operational expenses, and monitoring cash balances against system records. These practices help in ensuring that hotels meet routine financial obligations such as supplier payments and payroll without significant disruptions. Muriithi and Obura (2021) liquidity management is critical for meeting short-term obligations in hospitality operations where cash flow unpredictability is common. Muriithi and Obura (2021) further argued that cash budgeting and control of disbursements are central to maintaining liquidity in volatile environments like Sub-Saharan Africa, where credit access is limited. However, the study found that liquidity buffers, such as maintaining high cash reserves, were inconsistently applied. There were variabilities in monthly cash inflows and outflows, reflecting operational challenges like delayed customer payments and rising supplier costs. While digital payment systems such as mobile money and bank transfers have improved liquidity monitoring and minimized risks associated with physical cash handling, not all hotels consistently used these systems to manage liquidity proactively. Contrary to this, Mawela and Mthombeni (2021) reported that several hotels in South Africa have integrated automated cash flow forecasting tools directly into their property management systems, enhancing liquidity planning and reducing cash reserve uncertainties.

The study also highlighted a general uncertainty among hotel staff regarding key liquidity indicators, such as current asset ratios and the stability of working capital. This reveals limited awareness or understanding of formal liquidity assessment tools, which could hinder timely financial decision-making. Liquidity was managed primarily through day-to-day operational controls rather than structured financial analysis, indicating room for improvement in formal liquidity management practices. Barnabas & Oloyede (2024) supported this observation by emphasizing that in many smaller firms, liquidity management tends to focus on practical cash handling rather than analytical monitoring of liquidity ratios, leading to reactive rather than strategic financial control. Maina (2021) similarly highlighted that without systematic liquidity analysis, hotels face difficulty in identifying early signs of financial distress, often resorting to short-term fixes rather than sustainable cash flow solutions.

5.2.3 Return on equity

The study revealed that Return on Equity (ROE) is not a widely understood or formally applied financial metric among 3-star hotels in Gulu City. While some respondents recognized ROE as relevant in assessing profitability, many expressed uncertainty about its use and calculation. The use of ROE was often indirect, with hotel owners and managers focusing more on visible business growth and reinvestment outcomes rather than formal financial ratios. Profits were typically evaluated in terms of tangible expansions or improvements rather than computed equity returns. Gao and Pan (2020) argued that tracking solvency and formal financial ratios, including ROE, is vital for understanding long-term financial health in hospitality businesses, yet these practices are often absent in smaller or family-owned hotels, as found in China. Similarly, Waswa, Mukras and Oima (2018) observed that many Sub-Saharan African hotels underutilize ratio analysis, focusing instead on immediate operational outputs, which hampers comprehensive financial performance assessment.

The study found that financial decision-making regarding reinvestment or profit allocation was largely guided by observed profit levels and operational needs, rather than systematic ROE analysis. Hotel owners prioritized reinvesting profits into facility upgrades or expansions to grow the business, with returns assessed based on improvements in business capacity or service delivery rather than formal financial reporting. Supporting this, Khan and Rehman (2021) noted that global hotel chains like Marriott and Hilton use free cash flow rather than ROE as their primary reinvestment metric, focusing on reinvestment capacity rather than shareholder return ratios, due to the tangible nature of operational growth outcomes in the sector. Contrary to this, Nyambok (2023) argued that neglecting formal metrics like ROE can obscure the true profitability relative to owner equity, limiting the ability of hotel businesses to benchmark against competitors or assess long-term capital efficiency.

The study also noted that finance departments in some hotels provide basic guidance on investment returns, although this guidance tends to be informal and lacking in technical depth. Benchmarking ROE against other hotels or historical performance was not a common practice, highlighting a general lack of structured financial analysis frameworks within the sector. Owolabi and Makinde (2019) supported the assertion that many hotels rely on informal financial monitoring, which, while practical in resource-constrained environments, may result in suboptimal investment decisions. Understanding of structured financial performance indicators like ROE is often limited to finance specialists, leaving broader managerial teams unable to engage effectively in capital return assessments.

The study found that while the concept of maximizing returns on investment is understood in practice, formal tracking of ROE as a financial performance indicator remains weak. The findings suggest that building capacity in financial analysis and reporting could help hotel managers better assess profitability relative to shareholder investments, improving long-term financial planning and investment decisions.

5.3 Relationship between Cash Management and Financial Performance

The study demonstrated that all three cash management practices cash budgeting, cash disbursement, and cash control have a significant and positive relationship with key financial performance indicators in hotels. Cash budgeting is moderately linked to profitability and has a weaker association with both liquidity and return on equity. Similarly, cash disbursement demonstrates a strong connection with profitability and equity returns, while its impact on liquidity is less pronounced. Cash control also positively correlates with profitability and equity returns, implying the importance of strict oversight in enhancing hotel financial health. Kinyanjui, Kiragu and Kamau (2017) similarly found that in Kenyan SMEs, effective cash holding practices and the use of technology in managing cash flows significantly contributed to improved financial performance, particularly through ensuring liquidity for daily operations and avoiding cash shortages. Businesses that adopt structured cash management frameworks perform better financially compared to those with informal practices. Afrifa and Tingbani (2018) also established that efficient working capital management, including cash flow control, has a material effect on SME financial performance. However, Ndirangu (2017) found that among listed firms in Nairobi, cash management had only a limited influence on financial performance, especially when company size and sector were accounted for. This implies that for larger or more established firms, external factors such as market position and broader financial structures may dilute the direct impact of cash management on profitability.

The regression analysis results showed that the variation in financial performance is explained by the cash management practices in place, showing the importance role that effective management of cash plays in supporting profitability, liquidity, and general financial health. The study revealed that among the three dimensions of cash management examined cash budgeting, cash disbursement, and cash control cash budgeting emerged as the most influential predictor of financial performance. Hotels that consistently prepared and adhered to detailed cash budgets were better positioned to plan expenditures, minimize financial leakages, and respond to financial needs without resorting to costly external borrowing. Cash disbursement and cash control were also found to contribute significantly to financial performance, as hotels with disciplined cash outflow procedures and robust oversight mechanisms experienced fewer losses and improved operational stability. Mohamed and Omar (2016) similarly demonstrated

that in private secondary schools in Mogadishu, cash management, especially through formal budgeting and controlled disbursement, significantly enhanced financial outcomes by improving the schools' ability to manage expenditures and meet their financial obligations consistently. Murkor, Muturi and Oluoch (2018) found that operating cash flow management, encompassing budget control and disbursement discipline, had a significant positive impact on return on assets among Kenyan mutual funds, showing that structured cash management extends its benefits to different financial performance indicators across sectors. In contrast, Abioro (2013) argued that the mere availability of cash without proper managerial practices do not necessarily translate into better financial performance.

The study also confirmed that sound cash management practices are not just administrative tasks but strategic tools for ensuring financial sustainability in the hospitality sector. Hotels that implemented tight controls over cash handling, maintained proper authorization protocols, and monitored cash movements effectively were better able to pay suppliers on time, manage payroll, and handle unexpected financial demands. This disciplined approach to managing cash was consistently linked to higher profitability, greater liquidity, and stronger financial performance overall. Yousef (2016), reporting from Jordan, found that SMEs which maintained clear cash control procedures and staff awareness on cash handling protocols were better equipped to manage financial risks and sustain stable operations. Owolabi and Makinde (2019) similarly emphasized that in the hospitality sector, tight control of cash movements and real-time tracking of financial resources are essential for protecting liquidity and ensuring timely payment obligations, thereby supporting profitability. Conversely, Janaki (2016) found no significant relationship between cash ratios and financial performance in Sri Lankan manufacturing firms.

The study established that effective cash management practices are key drivers of financial success in hotels operating within Gulu City. Budgeting, controlled disbursement, and strict cash control systems collectively enhance the ability of hotels to generate profits, maintain sufficient liquidity, and invest in future business growth. Therefore, hotel managers and stakeholders are encouraged to prioritize strengthening these areas of cash management as a practical strategy to improve their financial outcomes and long-term competitiveness. Pavlatos and Kostakis (2020) affirmed that post-pandemic recovery strategies among Southeast Asian hotels showed stronger financial recovery among those that institutionalized structured cash management, particularly by linking budget controls with investment decisions and operational adjustments, supporting the study's findings. Waswa, Mukras and Oima (2018) also argued that firms which align cash flow management with real-time expenditure monitoring consistently outperform their counterparts in profitability and operational flexibility. In

contrast, Maina (2021) contended that overemphasizing cash management procedures without integrating them into dynamic revenue strategies may limit business growth. His study emphasized that while cash control is necessary for operational stability, long-term financial performance depends more critically on sales optimization and strategic investments.

5.4 Government policies governing 3-stars hotels in Gulu City

5.4.1 Tax Policy

The study found that government policies, specifically tax and employment regulations, play a complex but significant contextual role in shaping the financial performance of hotels in Gulu City. While direct statistical effects of these policies on financial performance were insignificant, their moderating influence emerged as meaningful when analyzed through interaction effects in regression models. Tax policies, in particular, were shown to influence key operational areas such as profitability, pricing strategies, and investment decisions, as most respondents agreed that compliance with tax obligations affects their hotels' profitability and operational efficiency. However, fewer participants perceived direct benefits from tax incentives or exemptions, highlighting limited awareness or access to such relief measures. Bernal (2018) supported this argument, demonstrating that VAT reforms in European economies, while aimed at improving national revenues, imposed short-term operational losses on businesses due to adjustments in pricing and cash flow disruptions. Bernal highlighted that tax-related compliance and adjustment costs reduce short-term profitability, validating the moderating influence of tax regulations on operational financial outcomes. Contrarily, Omotoso (2019) argued that well-structured tax policies can stimulate voluntary compliance and indirectly enhance financial performance by reducing tax evasion and fiscal corruption.

5.4.2 Employment Policies

The study revealed that employment policies significantly affect labor cost management, staffing flexibility, and recruitment processes. Respondents commonly linked regulations around wages, benefits, and working conditions to fluctuations in operational costs and staffing levels, which, in turn, impacted financial performance. However, in statistical models, employment policies did not directly predict financial outcomes but acted as environmental factors that altered the effects of core cash management practices. Notably, employment policies influenced cash flow indirectly by shaping how hotels adjusted staffing during peak and low seasons, thus affecting financial planning and liquidity. Liu and Wang (2016) also reported that in China's service industries, labor regulations concerning social insurance and wage compliance increased operating expenses, which limited firms' cash flexibility and impacted investment decisions. This supports the argument that labor policies primarily function as environmental modifiers of financial outcomes. In contrast, OECD (2018) found

that in more flexible labor markets such as the United Kingdom, employment policies had a more direct and positive effect on profitability by enabling firms to optimize staffing and labor costs efficiently, suggesting that the impact of labor regulations is context-dependent.

5.5 Moderating effects of Government Policies on the relationship between cash management and financial performance

The study demonstrated that when government policies were modeled as moderators, their presence improved the explanatory power of cash management practices on financial performance outcomes. The introduction of interaction terms increased the model's R Square value, indicating that while policies themselves may not drive financial performance directly, they condition or modify the impact of internal financial practices. For instance, the interaction between tax policies and cash control or budgeting showed negative moderating effects, suggesting that strict tax compliance requirements may dilute the financial benefits of stringent cash management procedures, perhaps due to compliance costs consuming available resources. Hines (2019) found that in European markets, firms operating under high-tax environments demonstrated lower profit margins, but those that adapted their financial management practices to align with tax policies sustained relatively stable operations. However, Gómez-Salvador and O'Reilly (2024) argued that in some developing countries, including parts of Latin America, government policy interventions directly suppress profitability through aggressive taxation and strict labor controls, rather than operating purely as moderating factors.

The study revealed government policies function as environmental factors that influence how internal hotel cash management systems impact financial outcomes. The influence is more subtle and conditional rather than direct, implying that hotel managers need to focus not only on improving internal cash management but also on adapting strategies to effectively operate within the existing regulatory frameworks. Akoyo and Muathe (2017) also found that government policies and anti-corruption initiatives indirectly improved SME financial outcomes by creating an enabling environment, supporting the present study's argument of policies functioning as strategic environmental conditions.

The study revealed that government policies function as critical environmental factors that shape how internal hotel cash management systems impact financial outcomes. Their influence is more subtle and conditional rather than direct, emphasizing that hotel managers need to focus not only on improving internal cash management but also on adapting strategies to effectively operate within the existing regulatory frameworks. Pierrot (2019) reinforced this view by highlighting that entrepreneurial government roles in infrastructure development and market creation create sustainable environments in which SMEs' financial strategies yield stronger

outcomes. However, Dandago and Usman (2021) contended that in environments where policies are poorly implemented or unstable, government interventions can create uncertainty and operational risks that discourage private investment and limit financial performance, showing that policy frameworks may hinder rather than facilitate business growth in certain contexts.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents the key conclusions derived from the study findings and offers practical recommendations to enhance cash management practices and financial performance in hotels. The conclusions are drawn in alignment with the research objectives, while the recommendations aim to address identified gaps and propose actionable strategies for improvement.

6.1 Conclusions

The study concluded that cash management practices, namely cash budgeting, cash disbursement, and cash control, are generally established among 3-star hotels in Gulu City, albeit with notable gaps. Cash budgeting is moderately practiced, focusing mainly on operational needs like staff salaries and stock replenishment. However, limited staff involvement and weak monitoring undermine budget ownership and adaptability. Cash disbursement processes were found to be relatively robust, with clear authorization protocols and documentation procedures in place. Nonetheless, some inconsistencies in recording small transactions and irregular reviews of unusual expenditures expose financial control weaknesses. Cash control mechanisms, such as safekeeping of daily collections, restricted access to cash stores, and bank reconciliations, were the strongest cash management areas. However, inadequate segregation of duties and occasional lapses in independent reviews indicate areas requiring further strengthening.

The study concluded that financial performance of hotels in Gulu City is driven primarily by profitability, with most hotels actively pursuing profit planning and using profits for operational expenses and reinvestment in facility upgrades. However, inconsistent perceptions of profit trends and external challenges, such as rising costs and payment delays, undermine profit stability. Liquidity management was found to be moderately effective but hampered by inconsistent cash flow monitoring and weak application of formal liquidity assessment tools. Many hotels rely on operational cash monitoring rather than structured financial planning to manage liquidity risks. Return on Equity (ROE) as a performance metric was found to be poorly understood and rarely used, with decision-making guided more by observable business growth rather than formal financial ratio analysis.

The study established that there is a significant and positive relationship between cash management practices and the financial performance of hotels. Stronger budgeting, disbursement, and control mechanisms were associated with better profitability, liquidity, and

overall financial performance. Effective cash management was not merely an administrative task but a critical strategic function influencing business success in the hotel sector.

Government policies, tax and employment policies were found to influence the environment in which cash management practices operate. Compliance requirements increase administrative burdens, thereby affecting budgeting effectiveness. Conversely, where regulatory frameworks support structured financial operations, hotels were better positioned to implement efficient disbursement and control processes. Thus, the study found that government policies act as both enabling and limiting conditions, influencing the extent to which internal cash practices translate into financial outcomes. Hotels must adopt adaptable and compliant strategies that align with regulatory expectations while safeguarding operational flexibility and financial growth.

6.2 Recommendations

- i. Hotel managers should involve departmental heads and relevant staff in the budgeting process to enhance ownership, compliance, and adaptability. This can address the current challenge of top-down budget preparation and weak monitoring.
- ii. Management should establish periodic internal reviews of large and irregular cash disbursements to detect financial leakages and inefficiencies. Clear responsibility should be assigned for investigating unusual expenditures to improve financial control.
- iii. Owners and managers should enforce independent verification of reconciliations and separation of cash-related duties to reduce risks of collusion and internal fraud. This addresses weaknesses in cash control systems.
- iv. Hotel financial departments should implement basic financial analysis tools, such as current ratio and working capital monitoring, to improve liquidity management. Staff training in these tools can help overcome inconsistencies in cash flow handling.
- v. Managers should adopt ROE as a formal financial performance measure by engaging qualified accountants to track and report returns relative to shareholder investments. This will support informed reinvestment and growth decisions.
- vi. Hotels should invest in regular training sessions for management staff on tax and employment policy compliance, including understanding tax incentives. This will help mitigate compliance risks and unlock potential benefits from existing policies.
- vii. The Uganda Revenue Authority (URA) should streamline tax compliance procedures for small and medium-sized hotels through simplified guidelines and digital systems to reduce administrative burdens, which currently constrain financial performance.

- viii. The Ministry of Finance should broaden and publicize available tax relief programs targeting 3-star hotels to promote investment and reinvestment, addressing limited utilization of incentives noted in the study.

6.3 Areas of Further Research

- i. Assessing the impact of Digital Payment Systems on Financial Performance in Small and Medium Hotels.
- ii. Evaluating the effectiveness of tax incentive awareness programs among hospitality businesses in Uganda.
- iii. Investigating the role of financial literacy in Cash Management Practices in the Hospitality Sector.

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APPENDICES

Appendix A: Questionnaire for the respondents

Dear Respondent

I am **Agenorwot Ann**, a student of Gulu University pursuing a Master's Degree course of Business Administration. As part of the requirements for this award, I am undertaking a study on the relationship between Cash Management and financial Performance of Hotels in Gulu City. In relation to their study, I am contacting you for relevant information about the topic. Your responses/information will be treated with great confidentiality and used for this study purposes.

Section A: Bio-data

Instruction: Please tick only one in the box below.

1. Gender: (a) Male ☐ (b) Female ☐

2. Marital Status: (a) Single ☐ (b) Married ☐ (c) Separate ☐ (d) Widowed ☐
(d) Divorced ☐

3. Level of Education:

(a) Certificate ☐ (b) Diploma ☐ (c) First Degree ☐ (d) Postgraduate Diploma ☐
(e) Masters ☐ (f) Other (Specify).....

4. Age bracket in years

(a) 18-25 ☐ (b) 26 – 33 ☐ (c) 34 – 41 ☐ (d) 42 – 49 ☐ (e) 50 – 57 ☐
(f) 50 and above ☐

5. Years of work experience

(a) < 1 year ☐ (b) 1-2 years ☐ (c) 3-4 years ☐ (d) 5-6 years ☐ (e) 7 and above ☐
(f) N/A for clients ☐

6. How long has this hotel lasted:

(a) < 1 year ☐ (b) 1-2 years ☐ (c) 3-4 years ☐ (d) 5-6 years ☐ (e) 7 and above ☐

7. Hotel ownership:

(a) Sole proprietorship ☐ (b) Partnership ☐ (c) Other

(d) N/A for clients

8. Job Title/Position:

(a) General Manager ☐ (b) Departmental Manager ☐ (c) Front Desk Officer ☐

(d) Cashier/Accountant ☐ (e) Customer ☐ (f) Other (specify): _____

9. Employment type:

(a) Full-time ☐ (b) Part-time ☐ (c) Contract ☐ (d) Casual ☐

SECTION B: CASH MANAGEMENT PRACTICES

Cash management practices are categorized into three aspects, that is, cash budgeting, cash disbursement and cash control.

Please use the key below to give your view on the extent you agree or disagree with the following statements of inquiry on cash management practices, by ticking in the provided spaces/boxes:

Key: SD= Strongly Disagree, D= Disagree, NS= Not Sure, A= Agree, SA= Strongly Agree

N/o	Cash Budgeting	SD	D	NS	A	SA
1	The hotel always prepares its cash budget					
2	Staff in this hotel are involved in matters of cash budgeting.					
3	I always monitor the cash budget of this hotel					
4	This hotel always has a cash surplus					
5	The cash budget is driven through bottom-up approach					
6	The cash budget of this hotel is a resultant of annual increments based on previous budgets					
7	This hotel provides social responsibility e.g. sponsoring sports, providing scholarships, development initiatives					

8	This hotel has the appropriate restrictions on access to cash budget processes					
9	This hotel has the cash budget committee who are financially literate.					
10	The cash budget committee of this hotel focuses on improving the hotel's financial performance and competitiveness					
N/o	Cash Disbursement	SD	D	NS	A	SA
11	All cash payments are fully authorized by the responsible person					
12	All cheque are fully signed by authorized persons before payments are made					
13	I always record all cash disbursements					
14	Management of this hotel reviews cash disbursement reports					
15	I always record all the cash payments of this hotel					
16	I am allowed to collect cash from the hotel's business transactions					
17	The hotel's debtors normally comply within the stipulated time frame					
18	The cash collections for this hotel is through the banks on the hotel's account numbers					
19	Cash receipt is sufficiently documented in this hotel to control fraud					
20	I always post all the cash disbursements to the general ledger					
21	I always investigate unusual or significantly large expenditures					
N/o	Cash Control	SD	D	NS	A	SA
22	I always keep all the daily cash collections in a safe custody					
23	I always adhere to this hotel's documented guidelines governing its cash operations					
24	The accounts department of this hotel have authorized bank accounts					
25	I always seek for clear authorization before disbursement of cash of this hotel					
26	All cash collections are through the banks on the hotel's account numbers					
27	This hotel has an internal audit department					
28	Auditing this hotel is done at the end of every month					
29	Auditing in this hotel is done annually					
30	Bank reconciliations are prepared by independent individuals not associated with processing cash activities					

SECTION C: FINANCIAL PERFORMANCE

Financial management are categorized into three aspects, that is, profitability, liquidity and return to equity.

Please use the key below to give your view on the extent you agree or disagree with the following statements of inquiry on financial performance, by ticking in the provided spaces/boxes:

Key: SD = Strongly Disagree; D = Disagree; NS = Not Sure; A = Agree; Strongly Agree= SA.

N/o	Profitability	SD	D	NS	A	SA
30	The hotel always plan to meet the desired profits					
31	Survival of this hotel has been due to the profits it always earn					
32	The returns on capital employed is appropriate to the expectations of this hotel owner(s)					
33	I always plan to increase profitability in the hotel					
34	I always ensure that this hotel's revenue exceeds its expenditure					
35	Hotel's profit margins have increased in the last year					
36	Hotel has been able to generate profit in the last year					
37	The hotel has been able to meet its annual financial objective					
38	This hotel has been able to raise salaries and wages from profits					
39	This hotel pays in time as a result of availability of profits					
40	The hotel has been able to generate profit in the last year					
41	This hotel has been able to meet its annual financial objective					
N/o	Liquidity	SD	D	NS	A	SA
42	The hotel's monthly cash inflows and outflows are consistent over the past months					
43	The hotel's current asset ratio is high					
44	The hotel periodically collects payments from its customers					
45	This hotel has its suppliers promptly					
46	The hotel's working capital position has been stable					
47	This hotel maintains high amount of cash reserves					

48	The hotel's operations is efficient in terms of converting assets into cash					
N/o	Return on Equity (ROE)	SD	D	NS	A	SA
49	I always use return on equity to determine the profitability of this hotel					
50	There is increased total amount of shareholder equity of this hotel					
51	There are few risks facing this hotel business					
52	This hotel has increasing return on equity					
53	This hotel has committed finance department to guide on return on equity					
54	This hotel has simple metric for evaluating investment returns to ROE					
55	This hotel compares its return on equity to the historical ROE of other hotels					
56	The hotel derives its ROE by dividing its dividend growth rate by its earnings retention rate					

SECTION D: GOVERNMENT POLICIES

Government policies have categorized into three aspects, that is, tax policy and employment policy.

Please use the key below to give your view on the extent you agree or disagree with the following statements of inquiry on government policies, by ticking in the provided spaces/boxes:

Instruction:

Key: SD = Strongly Disagree; D = Disagree; NS = Not Sure; A = Agree; Strongly Agree= SA.

N/o	Tax Policies	SD	D	NS	A	SA
57	Tax policies significantly affect the overall profitability of this hotel.					
58	Changes in tax rates influence this hotel's pricing strategy					
59	Tax compliance procedures affect this hotel's operational efficiency					

60	This hotel has ever benefited from tax incentives or exemptions					
61	Tax policies influence this hotel's investment decisions					
62	Tax regulations in Uganda affect this hotel's cost management					
63	The implementation of new tax policies creates financial opportunities for this hotel					
64	This hotel frequently encounters financial difficulties related to tax payments or tax-related penalties					
65	There are favorable tax policies that has improved the competitiveness of this hotel					
N/o	Employment Policies	SD	D	NS	A	SA
66	Employment policies in Uganda influence this hotel's ability to manage labor costs effectively					
67	The implementation of employment policies affects this hotel's staffing levels and o'perational efficiency					
68	Labor laws and employment regulations have an impact on this hotel's wage structure					
69	Changes in employment policies affect this hotel's cash flow due to fluctuations in labor costs					
70	Employment policies in Uganda influence this hotel's ability to attract skilled staff, affecting financial performance					
71	This hotel faces challenges in managing employee benefits and compensations due to employment policies in Uganda					
72	Employment policies affect this hotel's training and development budgets					
73	Employment regulations in Uganda influence this hotel's flexibility in adjusting staffing levels during low or peak seasons					
74	The financial performance of this hotel is impacted by the costs associated with complying with employment policies					

End

Thank you for your time

Appendix B: Interview Guide to the Key Informants

Dear Respondent

I am **Agenorwot Ann**, a student of Gulu University pursuing a Master's Degree course of Business Administration. As part of the requirements for this award, I am undertaking a study on the relationship between Cash Management and financial Performance of Hotels in Gulu City. In relation to their study, I am contacting you for relevant information about the topic. Your responses/information will be treated with great confidentiality and used for this study purposes.

Please introduce yourself and describe your role in this hotel.

1. Describe how you manage your cash / funds
2. How would you describe your cash management in terms of; Cash Budgeting, Cash Disbursement and Cash Control.
3. Explain the financial performance of your hotel in terms of; Liquidity ,Profitability and Returns of equity.
4. How has available cash management affected the financial performance of your hotel business?
5. Describe the government policies in terms of; Tax policies and Employment polices.
6. Explain the moderating effects of government policy on the financial performance of your business hotel.
7. What are the challenges do you face in this hotel.

Thanks for your time and positive responses.

Appendix C: Sample size (S) required for the given population sizes (N)

Sample size determination using Krejcie and Morgan Table (1970).

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note. N* = POPULATION; S=sample size. Adapted from “Determining sample size for research activities,” by Krejcie R.V. & Morgan D.W. (1970) in S.Sarantakos (1998), Social Research, 607 – 610, London: Mac Millan Press Ltd.

(Source: Quoted in Barifaijo, Basheka and Oonyu, 2010:77

Appendix D: List of Registered 3-Star Hotels in Gulu City (as per UTB Records, 2024)

As for available names, publicly listed 3-star hotels in Gulu City include the following (as per UTB records and tourism platforms):

1. Bomah Hotel Gulu
2. Acholi Inn
3. Northern Pearl Hotel
4. Golden Peace Hotel
5. Palema Crown Hotel
6. The Dove's Nest Hotel
7. African Roots Gulu
8. Waribugo Hotel
9. Church Hill Courts Hotel
10. Hotel Free Zone
11. Northern Uganda Hotel
12. Hotel Pearl Afrique
13. The Boma Hotel Gulu (different from Bomah)
14. Sun Set Hotel
15. Sankofa Hotel
16. Signature Hotel Gulu
17. Vision Hotel
18. Elephante Hotel
19. Hotel Kakanyero
20. KSP Hotel
21. Comboni Samaritan Hotel

Source: Uganda Tourism Board (2024), Booking.com, UTB Registry Reports

Appendix E: Introductory Letter

GULU

P.O. Box 166
Gulu, Uganda



UNIVERSITY

Tel: 0471-42923
Fax: 256-471-42094

OFFICE OF THE DEAN FACULTY OF BUSINESS AND DEVELOPMENT STUDIES

Date: 6th May, 2025

TO WHOM IT MAY CONCERN

RE: AGENORWOT ANNA

REG. NO. 22/U/0881/MBA/PS

The above named person is a final year student of Gulu University pursuing Master's Degree of Business Administration (MBA) Degree of Gulu University.

In partial fulfillment of the requirements for the award of the Degree, she is carrying out a research on the topic: **"Case Management Processes and Financial Performance of Hotels in Uganda; A Case of Selected 3 Stars Hotels in Gulu City"**.

Due consideration accorded to her shall be highly appreciated.

Yours Faithfully,



Dr. Olanya David Rose (PhD)
Vice Chairperson - Higher Degrees' Committee
Faculty of Business and Development Studies
Tel: 0773-170-448
Email: d.olanya@gu.ac.ug

Appendix F: Plagiarism Certificate