

THE EFFECTS OF WORKING CAPITAL ON LIQUIDITY OF BEVERAGE COMPANIES IN RWANDA; EVIDENCE FROM BRALIRWA INDUSTRIES

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ABSTRACT

The purpose of this study was to examine the effects of working capital on liquidity of Beverages companies.

This is because working capital

management is considered to be a very important element to analyze the organizations' performance while conducting day to day operations, by which balance can be maintained between liquidity and profitability. Maintaining liquidity on daily base operation to make sure it's running and meets its commitment is a crucial part required in managing working capital. It is a difficult task for some managers to make sure that the business function running in well-organized and advantageous manner. There are chances of inequality of current assets and current liability. During this procedure Firm's growth and profitability will be affected and if this occurs and firm manager wouldn't be able to manage working capital efficiently hence effect on return on investment.

The researcher studied a Beverage

company called Bralirwa Industries limited located in Kicukiro district, Kigali Rwanda for the

period of 2011 to 2013. The researcher used descriptive research design based on both qualitative and quantitative approach in order to come up with required report. Data was collected from both primary and secondary sources and then analyzed using SPSS computer software and interpreted in order to come up with a conclusion.

In the finding it was established that the organisation has different sources of working capital which include existing cash reserve

,
new equity or loans

, long term loans and Return on asset and they have great impact liquidity management

.
The table 4.12 gave the relationship between working capital and

liquidity

in Bralirwa

whereby the respondents

N is 96 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to

.966

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and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between working

capital and operating cash flow in Bralirwa

. In conclusion it can be stated various sources of working capital such as existing cash reserve

,
new equity or loans

, long term loans and Return on asset has improved liquidity inform of

and current ratio, inventory, return on investment, return on loan and equity and profitability

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KEY WORDS: Working capital, Operating Cash Flow/Liquidity, BRALIRWA Industries

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