EQUITY FINANCING AND PERFORMANCE OF HOTELS IN WAKISO DISTRICT: A CASE STUDY OF LAKE VICTORIA HOTEL, ENTEBBE, UGANDA.

BY

KYOLOOBI JOHN

2016/FEB/MBA/WKD/M219186

A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (ACC & FIN) OF NKUMBAUNIVERSITY, ENTEBBE UGANDA

OCTOBER 2018

DECLARATION

I, Kyoloobi John declare that this study is my original work and has never been presented to any institution or university for any professional or academic award. Where the work of others have been used, due acknowledgement has been done.

Signed: ………………………….. **Date: ………………………….**

KYOLOOBI JOHN

APPROVAL

This is to certify that this dissertation entitled "Equity Financing and Performance of Hotels in Wakiso District, A case study of Lake Victoria Hotel has been conducted by Kyoloobi John under my supervision and is hereby approved.

Signed;…………………………………………….. Date: ……………………………..

Dr. Richard Mwirumubi (PhD)

Supervisor

DEDICATION

This research dissertation is dedicated to my family members.

ACKNOWLEDGEMENTS

First and foremost, I would like to acknowledge the Almighty God for His Grace, strength and protection during my academic struggle.

I express my sincere gratitude to my supervisor Dr Richard Mwirumubi (PhD) for accepting to spend his valuable time to supervise my work especially his patience, support and guidance that made this study successful.

I am also indebted to my family members and children who missed me during the time of academic struggle.

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ABBREVIATIONS AND ACRONYMS

SMEs	Small –Medium Enterprises
LVH	Lake Victoria Hotel

OPERATIONAL DEFINITION

Equity is the money raised by shareholders or proprietors and put into a business.

Performance refers to the ability of the business to survive and expand its operations, accomplishment or achievement of its objectives (Boon, 2011).

Performance is subjective measure of how well a firm can use assets from its primary mode of business and generate revenues Gordon (2004).

ABSTRACT

The study was about “Equity Financing and Performance of Hotels in Wakiso District, using Lake Victoria Hotel as a case study. It was guided by the following objectives;

i. To examine the extent to which savings contribute to business growth and expansion.
ii. To establish how retained earnings contribute to increased profitability.
iii. To establish how sale of current and fixed assets ensure improved services.

The case study strategy that used both quantitative and qualitative approaches were adopted. The study population of 100 and a sample size of 80 respondents (based the Sloven’s formula) was used. However only 75 respondents filled in and returned the questionnaires making a response rate of 92%. Census, purposive and simple random sampling methods were used to select the sample. Self-administered questionnaire and interviews guide and documentary review were the main data collection instruments.

The study findings reveal that, savings contribute to business growth making owners take control of business stock and making them gain access to other development opportunities and it also revealed that savings are irrelevant as far as making independent decisions is concerned. The study also revealed that retained earnings facilitate planning for the future, it is an indication of the progress of the business. The study also found out that sale of fixed and current assets leads to quality services, makes funds available, enhances liquidity, encourages business effectiveness and efficiency and improves on production.

In conclusion, the study found out that equity financing contributes 61% to the performance of Lake Victoria Hotel. The study adopted the convectional 0.05 level of significance. The P values for the area under the normal curve with Z score of 2.2 was 0.028 which is less than 0.05 which means that the null hypothesis was rejected and therefore, there was a significance relationship between equity financing and performance of Lake Victoria Hotel.

The study recommended that, Hotel owners should get ways of improving saving since the available is not enough and this can be done by engaging other consultants in decision making regarding the saving strategies and this will help them make important decisions which will make hotel to improve on the savings culture.

Hotel owners should get other income generating activities so as to increase on their retained earnings, savings and income from their assets. This can be done by adopting the business diversification strategy and that will open up other sources of capital hence increasing on their equity financing. Other means of seeking contributions from friends and families will help them to increase on their capital base. Other areas for further research in respect of Equity financing and promotion and internal financing and the economic growth of Hotel in Uganda; as well as Debt financing and performance of small scale businesses in Uganda, are recommended, finally the pecking order theory that guided the study should be adopted and used for equity and performance of hotels in Uganda, especially Lake Victoria Hotel.

CHAPTER ONE

INTRODUCTION

Background to the study

The study was about Equity Financing and Performance of Hotels in Wakiso District, using Lake Victoria Hotel as a case study. The study is very important because the finance is the main stream of all businesses. It is also a very significant component of the overall performance of an organization given that an organization is expected to mobilize an adequate amount of finance in order to expand its operations and to improve performance and therefore hotels in Uganda will benefit from study recommendations. Lake Victoria was chosen as the case study because it is one of the Hotels in Uganda dealing in diverse services, such as accommodation, meals, gardens, bar, entertainment among others (Lake Victoria Hotel, 2015) and therefore it acts as a good representative of other hotels in Uganda.

Historically, Hotels have been the engines for economic development of several developed countries such as the US and Japan since 1980's. Developing countries such as Uganda have also identified the potential of hotels to turn economies with negative growth to become vibrant ones (Narain, 2001). In Uganda's case, the economy has been undergoing major changes, underpinned by economic policy liberalization and growing privatization since 1986. These policy initiatives have transformed the economy from being public-sector-led to private- sector-driven inclusive of the hotel sector. The hotels play an important role in this emerging economic structure. The hotel sector in Uganda is believed to be responsible for about 40 percent of the total non-firm private sector employment, as well as informal sector, constitutes approximately 20 percent of the national GDP and contributes over 20 percent of incomes of the labor force, and has tremendous potential for reducing poverty levels in the population (Bank of Uganda report, 2000).

During 1990s some of these hotels in Uganda depended on small capital generated from internal sources which was characterized by challenges such as; inadequate finance, lack of materials and staff which results into inefficiency and ineffectiveness. The provision of services to the guests was as a result slow and inefficient (Kargar, 1994). This study therefore is paramount, because it provides recommendations to these challenges.

Lake Victoria is located in Entebbe Municipality, Wakiso District, Central Uganda. It lies along the Entebbe-Kampala Road approximately 30 KM. Lake Victoria Hotel, the project of constructing the Hotel started in 1960's. It was later on halted due to the high level of political instability that was in the country during 1970's. After the National Resistance Movement (NRM) took over power, it was officially opened to the public for its operations on 26th August 1999 by His Excellency the President of the Republic of Uganda.

Conceptually, Equity is the money raised by shareholders or proprietors and put into a business.

Performance refers to the ability of the business to survive and expand its operations, accomplishment or achievement of its objectives (Boon, 2011). Performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Performance is the act, process or manner of doing, functioning or execution of the duties as expected or set by the management. Performance is measured by the quality of the work done, cost reduction, reduction in variances among others. Performance has different features such as the continuity of the process and not an annual event and individual contribution to the firm as a whole must be considered. Performance is subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Performance is also used as a general measure of a firm's overall health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Gordon 2004). According to Gordon (2004), performance is measuring the results of a firm's policies and operations where these results should be reflected in the firm's return on investment, return on assets and value added. There are many different ways to measure performance, but all measures should be taken in aggregation.

Globally, the major reason for the poor performance is lack of finance. According to Loneoux, (2004), Performance of any organization or business is assessed by the way they succeed or fail in the way they intend to achieve their objectives. Equity financing offers huge finance opportunities that could be used sustainability within a relative short period of time but businesses which fail to generate finance face challenges of reduction in their performance. It is against this background therefore that the research intended to find out whether it is the same situation in Lake Victoria Hotel. When the Hotel is considering new investments, it should consider weighing the available debt and equity sources of finance to determine which would be most appropriate for its new endeavor.

For Lake Victoria Hotel to survive and grow, it needs a well strategized financial structure. Financial strategy is understood as the entrepreneur’s goal in securing financing that identify the appropriate mix of funds with the least cost to the business and the fewest restrictions on business operations (Soenen, 1993). A firm’s financing strategy consists of the debt and equity used to finance its operations, with a minimum weighted-average cost of finance so as to maximize its value. The management of Lake Victoria Hotel seeks to retain a large a share of ownership in the firm, so as to realize returns on the investment and innovation and business control.

The Performance of Hotels in Uganda has been a subject of growing interest in the field of finance due to the high rate of failure. The subjective measure of how well Lake Victoria Hotel uses its assets from its primary mode of business to generate revenues is referred to as 'Performance'. The concept of performance covers both what and how has been achieved Profitability, tax liability, solvency, value of the firm and growth in sales are used as key performance indicators (Kayanula, 2000).

Theoretically, the study adopted the pecking order theory**,** though other theories like static trade off theory, signaling theory are applicable. The pecking order theory (also referred to as the Information Asymmetry Theory) was proposed by Meyer (2003). It states that firms prefer to finance new investment first internally with retained earnings which are majorly part of equity financing as they influence performance. This is the theory that guided this thesis.

Contextually, Lake Victoria Hotel is one of the biggest hotels in Entebbe and it is located in Entebbe municipality in central Uganda, it stands at lower ground on the shores of Lake Victoria. The Hotel's consistence in maintaining international standards, gives services of high level with good sanitation. The continuous maintenance and upgrading of hotel facilities means that the hotel has managed to retain and attract high and quality client from the emerging middle class and this is because of its good sanitation environment. According to the World Bank Business Report (2015), it was indicated that 40% of hotels in Uganda do not sustain their business due non-profitable activities, have inadequate cash reserves, yet with huge family expenditures. The same report shows that hotels fail to react to the changes in the market like inflation, competition and seasonal changes. They also lack training in proper financial management. Despite the fact that these businesses are built on equity finances. The study is guided by the following policy objectives as per the Hotel's Business manual (2014):

1. To bring services closer to people of Entebbe municipality.
2. To expand the hotel sector in Entebbe municipality.
3. To carry out income generating activities that promotes growth and development in Uganda.

The performance of Lake Victoria Hotel is explained by the analysis which links the study variables for the years 2013-2016 as indicated in table 1.1.

Table 1.1 trend analysis of Lake Victoria Hotel (2013-2016)

Variables	**Factors**	**2013**	**2014**	**2015**	**2016**
Equity Financing	Savings	60%	60%	60%	60%
	Retained earnings	70%	70%	70%	70%
	Sale of Current and fixed assets	50%	50%	50%	50%
Performance	Business growth and expansion	50%	40%	39%	35%
	Increased Profitability	50%	45%	40%	38%
	Improved Services	51%	48%	39%	36%

Source: Adopted from Lake Victoria Hotel Report, 2016

The trend analysis of Lake Victoria Hotel indicates that the performance in relation to business growth and expansion, improved services and profitability has been declining over a period of four years. This was despite the favourable equity financing factors which included savings, retained earnings and sale of current and fixed assets.

Problem Statement

Noting from the annual report of Lake Victoria Hotel (2016), it was reported that though the management of the hotel had become innovative, a lot of money had been invested, but much of it had not been utilized as expected hence reducing on the hotels' profitability and growth from 50% to 38% and 50% to 35% respectively. This therefore made investment in the hotel difficult, noting that 30% of the hotel activities had to close due to problems like lack of capital to expand its business, purchase of new stock, recruitment of new staff and attracting innovative services (Lake Victoria Hotel, 2016). It is with this background that, the researcher set out to investigate whether equity financing contributes to the performance of Lake Victoria Hotel.

Purpose of the study

The purpose of the study was to establish how equity financing contributes to the performance of Lake Victoria Hotel with a view of achieving business growth and expansion, increased profitability and improved services.

Objectives of the study

The study was guided by the following objectives:

i. To examine the extent to which savings have contributed to growth and expansion at LVH.
ii. To establish how retained earnings have contributed to increased profitability of LVH.
iii. To establish how sale of current and fixed assets has ensured improved services.

Research questions

The study was guided by the following research questions

i. To what extent have savings contributed to growth and expansion of LVH?

ii. How has retained earnings contributed to profitability of Lake Victoria Hotel?

iii. How has sale of current and fixed assets ensured improved services at LVH?

Research hypotheses

The following hypotheses were tested.

H_0: There is no significance relationship between equity financing and performance of Lake Victoria Hotel.

H_I: There is a significant relationship between equity financing and performance of Lake Victoria Hotel.

Scope of the study

The study focused on the following scope

Subject scope

The study focused on equity financing and performance of Lake Victoria Hotel and focused on the following objectives: To examine the extent to which savings contribute to business growth and expansion, to establish how retained earning has contributed to profitability of Lake Victoria Hotel and to establish the contribution of sale of current and fixed assets to improved services.

Geographical Scope

The study was conducted at Lake Victoria Hotel located in Entebbe Municipality a long Kampala Entebbe airport road approximately 30 Km in Wakiso District.

Time scope

Data collection and presentation of the study on Equity financing and performance of Lake Victoria Hotel took a period six months Jan-June 2018, which the study covered 2013-2016.

Significance of the study

The study may be of importance to the following parties.

Lake Victoria Hotel

It is expected to help the management of Lake Victoria Hotel to internally generate finance for its businesses.

Future Researchers

The study may add to the existing knowledge on equity financing and performance of hotels. In this regard, literature for future researchers and academics will be available.

Justification

This study sought to ascertain how the acquisition and use of Equity Financing contributes to the Performance of Hotels in Wakiso District, Uganda. Hotels in Wakiso District have experienced reduced business growth and expansion, as well low profitability, here negatively impacted on their service delivery which motivated the researcher to carry out the current study. Noting that obtaining funds from external sources at higher interest rates pose challenges, for Hotels to survive and grow, hence need for developing a well strategized financial structure that can identify the appropriate mix of funds with the least costs and restrictions on business operations. Equity financiers seek to retain as large share of ownership in the firm as possible, so as to realize returns on the investment and innovation and to maintain business control.

Setting of the study

Lake Victoria Hotel is located in Entebbe Municipality, Wakiso District, Central Uganda. It lies along the Entebbe-Kampala Road approximately 30 Km from Kampala City.

Arrangement of the thesis

This study is divided into eight chapters;

Chapter one presents the background of the study, problem statement, and purpose of the study, objectives and research questions, hypothesis, scope of the study, significance setting of the study and arrangement of the study.

Chapter two presents a review of the literature related to the study. The literature is divided into subsections and these are the literature survey and the literature review. The literature survey looks at research work conducted locally by other researchers in Uganda under the area of study. The literature review looks at the theories and models explaining the key variables so as to set the study in line with the current practices.

Chapter three shows the methods and procedures of data collection and analysis. It indicated the design, population, sample, research methods and quality of instruments, and analysis, validity and reliability of instruments, data processing ethical considerations and the limitations to the study.

i. To examine the extent to which savings contribute to business growth and expansion.

ii. To establish how retained earnings contribute to increased profitability.

To establish how of sale of current and fixed assets ensure improved services

Chapter four presents the findings on the extent to which savings contribute to business growth and expansion.

Chapter five presents findings relating on how retained earnings contribute to increased profitability.

Chapter six presents findings on how sale of current and fixed assets ensure improved services.

Chapter seven presents the harmonization of the study variables.

Chapter eight presents the summary, conclusion and recommendations

Finally, References and Appendices formed part of this dissertation.

Conclusion

This chapter covers the background to the study which came up with the study objectives that need be translated in the literature hence leading to chapter two study literature.

CHAPTER TWO

STUDY LITERATURE

Introduction

This chapter contains literature regarding the topic under investigation; it outlines different views and ideas that have been written about the area under study. It covers the literature survey, literature review, theoretical review gaps and conceptual framework.

Literature Survey

Mwangi (2011), carried research on access to finance and performance of small and medium enterprises, a case study of Wandegeya restaurants in Kampala Uganda. The study objectives were; To establish the source of finance for Wandegeya super restaurant, to determine factors that influences the performance of Wandegeya restaurants and to assess the relationship between access to finance and the performance of Wandegeya super restaurant. The key findings of the survey showed that 59% of the respondents were using internal financing of which equity financing is part, while only 41% were not using internal financing, Out of those who used internal financing, 67% of the respondents were successful while 33% of the respondents were not successful, Most of the respondents indicated that inadequate capital as far as business operations are concerned causes poor performance. In case they continue operating, they are incapable of raising subsequent funds. However this study did not cover specifically equity financing and performance of Hotels, which the current study intended to close.

Mutesasira (2001), carried out a research on external financing and the performance of small medium enterprises (SMEs), it was established that the funding of SMEs in Uganda is obtained from both the informal and formal sources. He agrees that informal sources play a leading role in availing funds to many SMEs, especially during the start-up phase. This is highlighted further by the Deloof (2003) which points out that, informal financing arrangements are the most commonly used financing mechanisms for SMEs in Uganda. However, this study did not look specifically on equity financing.

Literature review

This section presents the literature that has been reviewed by other authors regarding the study variables.

Equity financing

Equity is the ownership that both the business owner and other investors have in a company. Finance is a constant requirement for every growing business. There are several sources from where a business can acquire finance or capital which it requires. But, the finance manager cannot just choose any of them indifferently. Every type of finance has different pros and cons in terms of its cost, availability, eligibility and legal boundaries. Choosing a right source of finance is a challenge. We need to have in-depth understanding of the characteristics of source of finance (Penrose, 1995).

Peterson (1993) states that, equity finance is a source of finance for business firms which is generated by the business itself in its normal course of operations. The key characteristic is that there is no outside dependency on funds for catering the capital need of the firm. Equity financing is raising money through investors for the small business. When a business owner uses equity financing, they are giving away part of their ownership interest in the business firm. Investors are actually buying a piece of the firm when they invest their money and they are looking for a return on their investment. Equity is the money raised by shareholders or proprietors and put into a business.

Types of equity financing

Retained profits:

Businesses can increase funds by retaining profits and not distributing them for their shareholders as dividends. The shareholders therefore expect the retained profits to be invested so as to achieve a competitive rate of return. Some businesses as per their finance regulations retain 50% of profits to fund expansion. Retained Profits are often termed as Retained Earnings which act as the internal sources of finance. The phenomenon is also known as 'Ploughing Back of Profits'. Retained profits also can be understood as the formula for profit left after paying dividend to the shareholders or drawings by the capital owners. Retained Profits = Net Profits – dividend on drawings. Retained earnings are a long term source of finance for a company because there is no compulsory maturity like term loans and debentures. They are also not characterized by fixed burden of interest or installment payments like borrowed capital (Kagar, 1994).

Sale of Assets

Another internal source of finance is the sale of assets. Whenever a business sells its assets and the cash generated is used internally for financing the capital needs, it is known as internal source of finance. It can work as a short term or long term finance depending on what kind of assets are sold. For example, selling a car can cater for short term and smaller finance needs and selling land, buildings, or machinery can cater to long term and bigger financial needs.

A major drawback of this type of internal source of capital is that, the benefits of useful assets which are sold can no more accrue to the business. A possible and perfect solution to that situation is 'Sale and Lease Back'. It is a type of lease under which we can get the required cash and at the same time use the asset under concern in exchange for a lease rental. With this option, the business may end up paying more money in the long term but current finance problem can be solved (Karaduman, 2010).

Reduce inventories

Purchase and storage costs use revenue that could otherwise be used to expand the business. However, when reducing inventories enterprises should be careful to retain the capacity to meet future demand. Companies can also raise internal finance by selling off assets for cash. This can include patents, works of art, and other assets controlled by the company. Sale of assets must be done with care to avoid taking losses or exposing the company to the risk of future losses. Companies in need of cash in a hurry can end up in trouble, as they may be forced to sell assets below market value in order to get cash into company coffers (Kloot, 1999).

Delay paying trade payables

This cheap form of finance extends the period before a business has to make good on their credit payments, releasing the funds in the interim. This can come at a reputational cost, which damages the possibility of buying on credit in the future (Kwame, 2007). Given the heterogeneity that characterizes it, the Chinese economy represents an ideal laboratory for testing the financing constraints hypothesis. It contains in fact several types of firms, likely to face very different degrees of credit constraints. The two extreme groups are the state owned and the private enterprises. Because of their multi-functionality. their need to respond to both political and social stresses, as well as to economic objectives (Kaplan, 1992), the state owned enterprises (SOEs) typically experience soft budget constraints, and are able to obtain large amounts of loans from the banking system, despite their low profitability. These firms are therefore unlikely to face any financial constraints, and we do not expect their growth to be significantly affected by their internally generated funds. Private firms, on the other hand, make up the largest group, and constitute the engine of growth of the Chinese economy, with growth rates in excess of 10%. Yet, these firms are typically discriminated against in terms of access to external funding (Kaplan, 1992).

Performance

Soenen (1993) argues that Performance has been the most widely used measure of success. According to Horne (2002), measuring performance of a firm is better obtained from analysis and interpretation of various ratios. Kulter, (2007) clarify Performance as the gross value added (sales minus the costs of inputs) less the wage bill, divided by the value of capital.

According to Deloof (2003), indicators of performance include: efficiency, effectiveness, productivity and competitiveness. Efficiency in general describes the extent to which time, effort or cost is well used for the intended task or purpose. It is often used with the specific purpose of relaying the capability of a specific application of effort to produce a specific outcome effectively with minimum expenses, or unnecessary effort. "Efficiency" has widely varying meanings in different disciplines. Productivity is the ratio of output to inputs in production; it is a measure of the efficiency of production. Competitiveness is the production of highly demanded services that give the organization competitive advantage.

According to Armstrong (1993), performance in relation to finance is a series of processes used to monitor long-term and short-term financial results of any business entity. This term is most commonly applied in investment management but also can be applicable to business operations. Therefore the primary purpose of performance and management is to compare actual results of the firm to budgets or forecasts and make adjustments to reach specific financial goals.

Performance in finance refers specifically to the rate of return for the financial portfolio of an organization. A portfolio is comprised of multiple financial instruments, with a variety of risks and rates of return. Although it is impossible to predict the future, statistics are used to provide a forecast of the performance of the firm like cash forecasts over a specific period of time. A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health and performance over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Deloof, 2003).

Theoretical review

A theory is a contemplative and rational type of abstract or generalized thinking, or the results of such thinking (Miller, 1963). Depending on the context, the results might, for example, include generalized explanations of how nature works. The theories considered for this study are: The Static Trade-off Theory, Signaling Theory although the pecking Order Theory was adopted to guide this study

The Static Trade-off Theory

Under the Static Trade-off of Financing Strategy (also referred to as the Tax Based Theory), Baxter, (1967) noted that optimal financing strategy is obtained where the net tax advantage of debt financing balances leverage related costs such as financial distress and bankruptcy, holding the firm's assets and investment decisions constant. In view of this theory, issuing equity finance means moving away from the optimum and should therefore be considered as not good. Myers (op. cit.) had found that firms adopting Static Trade-off were regarded as setting a target debt-to-value ratio with a gradual attempt to achieve it. He however, suggested that managers will be reluctant to issue equity finance if they feel it is undervalued in the market. The consequence is that investors perceive equity issues to occur only if equity is either fairly priced or overpriced. As a result investors tend to react positively to an equity issue and management is at par when issuing equity.

Signaling Theory

This theory emphasizes the pecking order theory which noted the problem of the under pricing of equity. If a firm opts for equity instead of debt for financing its new projects, investors will interpret the signal positively (Miller, 1963). Since managers have superior information about the firm than investors, they normally run for equity financing.

Noting the above theories, it was noted that, the Pecking Order Theory would be more applicable to this study. This is because it strives to precisely determine the increasing performance of hotels and it also links the alternative financing strategies to the performance of organizations.

Pecking Order Theory

The Pecking Order Theory (also referred to as the Information Asymmetry Theory) was proposed by Meyer (2003). It states that firms prefer to finance new investment first internally with retained earnings, then with debt, and finally with issue of new equity. They theory states that, an optimal Financing Strategy is difficult to define, as equity appears at the top and the bottom of the 'pecking order'. Internal funds incur no flotation costs and require no disclosure of the firm's proprietary financial information that may include the firm's potential investment opportunities and gains that are expected to accrue from undertaking investments.

Meyer (2003) pointed out that, under pricing would be the best result of less information held by potential investor vis-a-vis management with respect to the expected cash flows from the firm's assets, both current and future. Considering this information asymmetry, investors would infer that the management would issue equity only when it is overpriced. Thus the newly issued equity might be sold at a discount. This would be regarded as wealth transfer from existing investors to the new ones. The debt financing problems could be avoided if the firms use internally generated resources, such as retained earnings.

Literature review

This section presents the literature put forward by other authors regarding the study objectives.

Savings contribution to business growth and expansion

Saving are income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash.[1] Saving also involves reducing expenditures, such as recurring costs. In terms of personal finance, saving generally specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is higher; in economics more broadly, it refers to any income not used for immediate consumption (Kwan, 1992).

According to Petersen (1993), saving refers to the act of increasing one's assets, whereas the *savings* refers to one part of one's assets, usually deposits in savings accounts, or to all of one's assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one time, a stock variable. This distinction is often misunderstood, and even professional economists and investment professionals will often refer to "saving" as "savings"

In different contexts there can be subtle differences in what counts as saving. For example, the part of a person's income that is spent on mortgage loan repayments is not spent on present consumption and is therefore saving by the above definition, even though people do not always think of repaying a loan as saving (Kwan, 1992). However, in Uganda, measurement of the numbers behind its gross national product (the National Income and Product Accounts), personal interest payments are not treated as "saving" unless the institutions and people who receive them save them.

Saving is closely related to business growth in that it provides a source of funds for the capital. By not using income to buy consumer goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth (Kwan, 1992).

However, increased saving does not always correspond to increased investment. If savings are stashed in or under a mattress, or otherwise not deposited into a financial intermediary such as a bank, there is no chance for those savings to be recycled as investment by business. This means that saving may increase without increasing investment, possibly causing a short-fall of demand (a pile-up of inventories, a cut-back of production, employment, and income, and thus a recession) rather than to economic growth. In the short term, if saving falls below investment, it can lead to a growth of aggregate demand and an economic boom. In the long term if saving falls below investment it eventually reduces investment and detracts from future growth. Future growth is made possible by foregoing present consumption to increase investment. However savings kept in a mattress amount to an (interest-free) loan to the government or central bank, which can recycle this loan (Carter, 2004).

In businesses savings might take the form of holding back the best of the money for the next investments. Within personal businesses, the act of saving corresponds to nominal preservation of money for future use (Kulter, 2007). A deposit account paying interest is typically used to hold money for future needs, an emergency fund, to make a capital purchase (car, house, vacation, or to give to someone else (children, tax bill). Within personal finance, money used to purchase shares, put in a collective investment scheme or used to buy any asset where there is an element of capital risk is deemed personal savings. This distinction is important as the investment risk can cause a capital loss when an investment is realized, unlike cash saving(s). Cash savings accounts are considered to have minimal risk (Carter, 2004).

Contribution of retained earnings to profitability

Retained earnings are the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business or to pay debt. It is recorded under shareholders' equity on the balance sheet.

In broad terms, capital retained is used to maintain existing operations or to increase sales and profits by growing the business. If it has any chance of growing, a company must be able to retain earnings and invest them in business ventures that, in turn, can generate more earnings. In other words, a company that aims to grow must be able to put its money to work, just like any investor (Carter, 2004). Retained earnings should boost company value and, in turn, boost the value of the amount of money you invest into it. The trouble is that most companies use their retained earnings for maintaining the status quo. If a company can use its retained earnings to produce above-average returns, then it is better off keeping those earnings instead of paying them out to shareholders (Penrose, 1959).

It is important to understand that retained earnings do not represent surplus cash or cash left over after the payment of dividends. Rather, retained earnings demonstrate what a company did with its profits; they are the amount of profit the company has reinvested in the business since its inception. These reinvestments are either asset purchases or liability reductions (Miller, 1963).

Retained earnings somewhat reflect a company's dividend policy, because they reflect a company's decision to either reinvest profits or pay them out to shareholders. Ultimately, most analyses of retained earnings focus on evaluating which action generated or would generate the highest return for the shareholders (Carter, 2004). Most of these analyses involve comparing retained earnings per share to profit per share over a specific period, or they compare the amount of capital retained to the change in share price during that time. Both of these methods attempt to measure the return management generated on the profits it is invested back into the business.

Contribution of sale of current and fixed assets to improved services

The initial examination focuses on the performance of industries where internal funds have been active relative to industries where these investors have not been active. Equity finance has the ability to improve the operations of firms. By closely monitoring managers, restricting free cash flow through the use of leverage and incentivizing managers with equity, it is argued that equity-backed firms are able to improve operations in the industries they operate. These leveraged buyouts (LBOs) may not only affect the bought-out firm itself but may also increase competitive pressure and force competitors to improve their own operations and hence performance.

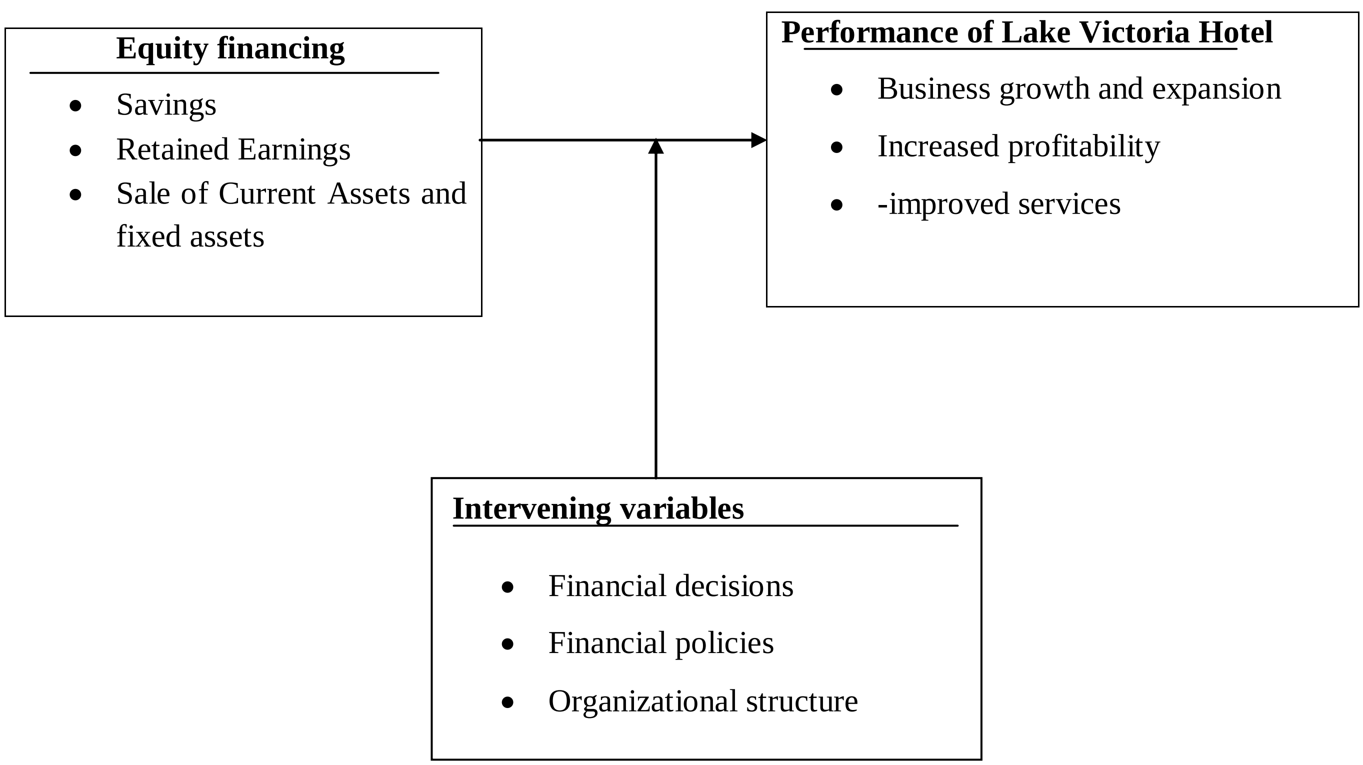
Kaplan (1989) examines changes in accounting performance for 76 large management buyouts of SMEs between 1980 and 1986. He shows that in the three years after the transaction operating income, cash flow and market value all increase. He argues that these increases reflect the impact of equity financing improved on performance. These firms experienced a dramatic increase in profitability, which they argue is a reflection of cost reductions and is an indication of improved performance.

Equity financing is highly vital for the periods of easy finance and availability (often in response to the successes of earlier transactions) leading to an acceleration of deal volume, greater use of leverage, higher valuations, and ultimately more troubled investments. The availability of leverage is also strongly associated with higher valuation levels and ways of generating finance.

Conceptual Framework

From the fore going literature review, the conceptual framework of the study is shown in the diagram below:

Independent variable **Dependent variable**



Source: Modified by the researcher from Nakamura, G (2005)

Figure 2.1 Conceptual Framework

The conceptual framework describes the relationship between the study variables.

Equity financing (independent variable) involves; Savings, Retained Earnings, current assets and fixed assets while performance (dependent variable) includes: improved services, business expansion and growth and increased profitability. However, these are connected by the intervening variables which include: Financial decisions, financial policies and organizational structures.

Gaps

In contrast, the literature reviewed highlighted mixed results as far as performance of equity offering firms is concerned, (Kwan, 1992).Some studies showed no change in earnings for seasoned issuers while others presented either a positive or negative change in financial performance, (Kaplan, 1989) .The results obtained from the studies above cannot be generalized for emerging stock markets such as the NSE due to differences in policies, structures and the fact that, rights offers have become the most preferred and popular method of raising equity capital for expansions and growth of firms listed at the NSE. The performance of seasoned equity offering firms at the NSE has received little attention with existing studies focusing on all firms listed at NSE. Such findings are too general to guide investors in choosing the stocks to include in an equity portfolio. This study therefore sought to fill this gap by establishing the relationship between equity financing and performance on a particular sector that is the hotel industry.

Conclusion

This chapter describes the study literature which includes the literature survey and literature review as well as the conceptual framework based on the study objectives. There is a need for identifying the methods on how these objectives are to be achieved hence connecting the researcher to chapter three which discusses the study methodology.

CHAPTER THREE

STUDY METHODOLOGY

Introduction

This chapter describes the procedures that were followed in conducting the study. It discussed the researcher design, study population, sample size, sampling procedure, data collection methods, data collection instruments, validity and reliability of research, instruments, data collection procedure, data analysis, data processing, ethical consideration and limitations of the study.

Research design

Research design is a plan used by researchers to collect data to fill gaps or to answer research questions. The research design of the study is divided into four sections that are; research approach, research strategy, and research duration and research classification.

Research approach

Phenomenology and descriptive approaches were used in this study. These approach were used because they focused on understanding why something was happening rather than being able to describe what is happening.

Research strategy

The study focused on the case study strategy. The case study approach refers to an in-depth study or investigation of a contemporary phenomenon using multiple sources of evidence within its real-life context. According to Yin (2003), case research is particularly useful when the phenomenon of interest is of a broad and complex nature and, hence, is best studied within the context in which it occurs.

Research duration

This study focused on a period 2013-2016 due to the fact that, Lake Victoria Hotel's reports for this period were available. The question and answer process gave the researcher the flexibility to collect data and not only on the subjects' activities and behavior pattern, but also on the respondents' attitudes towards the topic.

Research classification

The study was classified as explanatory and this ensured that the data was effectively interpreted using numbers, figures as well as the narratives.

Study Population

The study included; top management (3), supervisors (5), support staff (20), suppliers (20) and guests (52) making a targeted total population of 100.

Sample size

The sample size comprised of 80 respondents and this was determined by the Sloven's formulae for sample size determination as shown below.

$$n = \frac{N}{1 + N(e)^2}$$

Where, N is the target population,

n is the sample size

e, is the level of statistical significance which is 0.05 whereby $(e)^2 = 0.0025$

For this case:

N = 100

$$n = \frac{100}{1+100(0.0025)} \quad \frac{100}{1+0.25} = 80$$

In supporting of the above formula, Sekaran (2003) contends that, a sample size larger than 30 but less than 500 is appropriate for most studies and this in agreement with the current study sample size. The computed sample size was 80 and the distribution of the population are indicated in table 3.1:

Table 3.1. Distribution of the target population and Sample size

Position	**Population**	**Sample size**	**Percentage (%)**	**Sampling technique**
Top management	3	3	4	Census
Supervisors	5	5	6	Census
Support staff	20	16	20	Purposive sampling
Suppliers	20	16	20	Purposive sampling
Guests	52	40	50	Simple Random Sampling
Total	**100**	**80**	**100%**	

Source; Researcher (2018)

Sampling procedure and Techniques

The researcher selected the sample size using census, purposive and simple random sampling techniques.

Census Sampling

A census is a study of every unit, everyone or everything, in a population. It is known as a complete enumeration, which means a complete count (Joshua, 1998). When a population has been identified, a decision needs to be made and taking a census sample is a more suitable option. This method was used because it provides a true measure of the population (no sampling error). It also provided a benchmark data that may be obtained for future studies, and further provides detailed information about small sub-groups within the population that would have been neglected.

Purposive sampling

This is the selecting of respondents with the aim of obtaining specific information. In this method, the researcher targeted specific staff in Lake Victoria Hotel. This was because such members have gathered relevant and adequate information about the operations and they were involved in the Lake Victoria Hotel's activities and are therefore more knowledgeable about the topic. They acted as key informants and provided reliable information on the problem under study.

Simple Random sampling

Simple Random sampling involved organizing the units in the population into strata using common characteristics, in this way every person in the selected strata had an equal chance of being selected (Creswell, 2012).

Respondents background information

The background information focused on gender, age, marital status, Academic Qualification and duration of employment. The study distributed 80 questionnaires but only 75 were filled and returned which represents 94% response rate that was used for data analysis.

Gender of respondents

Respondents were asked to state their gender and the results are indicated in the table 3.2 below:

Table 3.2: Gender of respondents

		Frequency	Percentage
Valid	Male	45	60
	Female	30	40
	Total	**75**	**100.0**

Source: Primary data (2018)

From the table 3.2, 45(60%) were male and 30(40%) were female. Majority of the respondents were males and this implies that males are much participating in business than females in Lake Victoria Hotel and therefore considered for this research.

Age of the respondents

Respondents were asked to state their age and the results are indicated in the table 3.3 below

Table 3.3: Age group of respondents

		Frequency	Percentage
Valid	18-25	10	13.3
	25 - 35 Years	40	53.3
	35 - 45 years	20	26.7
	Above 45	5	6.7
	Total	**75**	**100**

Source: Primary data (2018)

From the table 3.3, 40(53.3%) of the respondents were between the age brackets of 18-25 years, 40(53.3%) were between 25-35 years, 20(26.7%) were of 35-45 years and 5(6.7%) above 45 years. All the respondents were above 18 years and this implies that Lake Victoria Hotel is operated by mature people and young energetic staffs since the majority were below 40 years.

Marital status of respondents

Respondents were asked to state their marital status and the results are indicated in table 3.4:

Table 3.4: Marital status of respondents

		Frequency	Percentage
Valid	Single	40	53.3
	Married	20	26.7
	Divorced	10	13.3
	Separated	5	6.7
	Total	**75**	**100**

Source: Primary data (2018)

From table 3.4, 40(53.3%) were single, 20(26.7%) were married, 10(13.3%had divorced and 5(6.7%) above 46 years. Majority (53.3%) of the respondents were single and every worker at this Hotel this implies that Lake Victoria Hotel employs people who are committed to their jobs and this helps them to put much attention on their duties and thus improving the performance of the Hotel.

Highest Academic Qualification

Respondents were asked to state were asked to state their highest academic qualification and the results are indicated in table 3.5.

Table 3.5: Education Level attained by respondents

		Frequency	Percentage
Valid	UCE	20	27
	UACE	25	33
	Degree	20	27
	Master	10	13
	PhD	0	00
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 3.5, 20(27%) had Uganda Certificate of education, 25(33%) had Uganda National Certificate of education, 20(27%) were degree holders, and 10(13%) were masters' holders and none with PhD 0(00%). All the respondents had at least attained a certificate and this implies that they would understand and interpret questions that were sent to them and thus they gave reliable data.

Duration of employment

Respondents who are members of the staff of hotel were asked to state the period they have been with Lake Victoria Hotel and the results are indicated in table 3.6

Table 3.6: Duration of employment

		Frequency	**Percentage**
Valid	Less than1 year	5	20.8
	1 – 5 years	12	50
	5-10 years	7	29.2
	Above 10 yrs	-	-
	Total	**24**	**100**

Source: Primary data (2018)

According to table 3.6, 5(20.8%) had worked with Lake Victoria Hotel for less than 1 year, 12(50%) 1-5 years and 7(29.2%) 5-10 years. Majority (79.2%) of the respondents have within Lake Victoria Hotel for the period between 1-9 years and this implies that they had enough experience regarding equity financing in the Hotel and in addition, they had enough knowledge and therefore they gave reliable data.

Sources of data

The study used both primary and secondary sources of data.

Primary data

This was obtained from the targeted study population and was collected by use of self administered questionnaires and interview guide.

Secondary data

This was obtained from published data, which included News papers, Magazines, Brochures and Websites.

Data collection methods

The study used the following research methods:

Questionnaires

The study used questionnaires when collecting data and this helped the researcher to get first hand information.

Interviews

The researcher carried out face to face interviews with the respondents and this helped to obtain data that was not collected by the use of questionnaires**.**

Documentary review

Documentary review is a way of collecting data by reviewing existing documents (Sekran, 2003). Documents were in hard copy or electronic and they included reports, performance ratings, meeting minutes and newsletters. Reviewing existing documents helped the researcher to understand the history, philosophy, and operation of the hotel and the study variables.

Data collection Instruments

The self-administered questionnaire was the major Primary data (2018) collection instrument;

The self-administered questionnaire (SAQ)

The self-administered questionnaires with (Appendix I) questions reflecting the study objectives containing questions on equity financing and performance were addressed to the respondents. A pilot test of the questionnaire was conducted prior to administration using key staff with experience at Lake Victoria Hotel.

The self administered questionnaire was preferred because it was an appropriate instrument for any survey research (Groonos, 2007). The questionnaire contained statements requiring the respondents to opt for one answer out of five which was designed using the likert scale. The letter indicated Strongly Disagree (SD) = 1, Disagree (D) = 2, Not Sure (NS) = 3, Agree (A) = 4 and strongly Agree (SA) = 5, Questionnaires were appropriate for the study because the respondents filled them immediately in the presence of the researcher and this ensured positive response rate. According to Groonos (2007), questionnaires are popular with researchers because information can be obtained fairly, easily and responses are easily coded. However, the major weaknesses of questionnaires is that they do not provide detailed information to the problem and this is why they were substantiated with documentary reviews on available literature as well as the interview guide.

Interviews guide

The researcher also used interview guide to collect data from the respondents (Appendix II). The interview guide was preferred because most respondents were not in fixed places where questionnaires could be delivered and picked later. This method also was preferred because it generated a wide range of responses and hence facilitated the collection of sufficient data. The interview guide facilitates the easy collection of data from the primary source that collected first hand information for this study.

Documentary Review Checklist

The documentary review checklist (appendix iv) helped the research to analyze information contained in various text books, reports and Journals pertaining to equity financing and performance of Hotels, especially that of Lake Victoria Hotel.

Validity and Reliability of research instruments

Validity

Omagor (1986) defines validity as the accuracy and meaningfulness of inferences, which are based on the research results. Validity of instruments was ascertained by discussing the questionnaire drafts with the supervisor. To ensure that data collection instruments are valid, they were pre-tested in Lake Victoria Hotel using a reasonable number of respondents. My supervisor and other experts in the field were consulted about the content of instruments, ambiguity of question items and their relevancy. Therefore, the instrument(s) were given to raters rated the relevancy of each item.

Data collection instruments such as the questionnaire and the interview guide were presented to a panel of judges from Nkumba University who tested the content validity of the instrument thereafter was pilot-tested on staff and top management of Lake Victoria Hotel to measure content validity. Amin (2005) holds that validity is the appropriateness of the instrument. To ensure that data collection instruments are valid, they were pre-tested in one of the selected schools using a reasonable number of respondents. Validity is the extent to which that data collection instrument collects data that have the characteristic or attribute the researcher wants to measure.

Odiya (2009) in support of Amin, holds that, validity of an instrument is the ability of the instrument to collect justifiable and truthful data; that is, measuring what it is developed to measure (Odiya, 2009). Experts in the field were consulted about the content of instruments, ambiguity of question items and their relevancy. Therefore, the instrument(s) were rated ascertained of their relevancy for each item and a content validity index (CVI) was computed using the following formula.

CVI=$\frac{R}{R+N+IR}$

Where

CVI = content validity index;

R= Total number of items rated as relevantly = Total number of items rated as Neutral; and

IR= Total number of questions rated as irrelevant

By using the noted formula, the researcher calculated the content validity index for the questionnaire as follows;

The validity of the questionnaire was tested using the content validity test (CVI).

$$CVI = \frac{R}{R+N+IR} \qquad CVI = \left(\frac{R}{R + N + IR}\right)$$

Relevant (R), Neutral (N), to Irrelevant (IR).

The closer to one the CVI the more valid is the instrument. The results of the CVI are shown in table 3.7 below.

Table 3.7: Content Validity Index of the study variables

Variable	Total Number of items judged	Number of items declared valid	CVI
Savings and business growth and expansion	7	6	0.86
Retained earnings and profitability	8	6	0.75
Sale of current and fixed assets	9	7	0.77
Average			**0.79**

Source: From expert judgment

The computed CVIs were above the 0.60 threshold as postulated by Odiya (2009) the results indicate and an average of CVI 0.79 which is the 0.60 threshold above. This implies that, the tools that were used in data collection were valid.

Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Omagor, 2000). The reliability of instruments was established basing on the preliminary results derived from the pilot study. Results realized were discussed with the supervisor for reliability and to make sure that, the instrument was acceptable. The reliability of the questionnaire was assessed using Cronbach's Alpha at 0.05 level of significance. According to Odiya (2009) reliability is threshold as the consistency of the instrument in measuring whatever it is intended to measure.

According to Odiya (2009: 197), Cronbach's alpha is used if the instrument has more than two responses provided for each item. Cronbach's alpha coefficient was used to test for internal consistency of the research instruments.

The following formula was used;

$$\alpha = \frac{k}{k-1}\left(1-\frac{\sum \sigma_k^2}{\sigma^2}\right)^2$$

Where

$\sum \sigma^2_k$ = the sum of the variances of the k parts usually items of the test.

σ = standard deviation of the test (items in the instrument).

α = reliability coefficient.

The results obtained were as follows;

	Independent variable (equity financing) (X)	dependent variable performance (Y)	X^2	X^2-Y	$\frac{X^2-Y}{N}$
Equity financing	5	10	25	15	0.625
Retained earnings	6	13	36	23	0.958
Savings	6	14	36	22	0.917
Sale of current and fixed assets	7	17	49	19	0.792
					$\sum \frac{X^2-Y}{N}$ **= 3.292**

Source: Primary data (2018) (2018)

From $\alpha = \frac{k}{k-1}(1-\sum\sigma^2{}_k)^2$

k is the questions of the dependent variable

$\alpha = \frac{5}{5-1}\frac{(1-3.292)^2}{(\sqrt{3.292})^2}$

$\frac{5}{4}\ \frac{(2.292)}{3.292}$

$1.25\ \frac{(2.292)}{3.292}$

α = 0.871

α of 0.871 is higher than 0.60 recommended for common researches by Odiya (2009) and therefore all the items used to measure each variable were consistently reliable.

Data Collection Procedure

A supporting letter from the School of Business Administration (SBA) signed by the dean was attached to the questionnaire explaining the objectives of the research. The letter assured respondents of confidentiality of the provided data. Prior arrangements with the respondents were made that ensured for the facilitation and security of the collected data and how it was analyzed.

Data Processing

Data collected from the field was put together, carefully examined, organized, sorted, edited, coded and tabulated with the aim of checking errors that enabled reliable analysis. Data from the questionnaires was coded, entered, edited for consistency and easiness and it was presented in form of frequency tables and percentages that gave meaningful interpretation in chapter four through six.

Data analysis

Analysis of quantitative data

The relationship between equity financing and performance of Lake Victoria was evaluated using Statistical Package of Social Sciences (SPSS) to compute the regression results.

Analysis of qualitative data

Qualitative data was descriptive and obtained from interviews, open ended questions and review of documents. This data was presented in accordance with the objectives of the study and helped to substantiate findings from quantitative data. Responses obtained were categorized into common responses and was analyzed using both inferential and descriptive statistics. Content analysis was used to edit the data from interviews and re-organize it into meaningful shorter sentences. This was then presented to supplement the quantitative data in order to have a clear interpretation of the results.

Measurement of Variables

The relationship between equity financing and performance was evaluated using Pearson's correlation coefficient and the regression analysis with a function $Y = a + bx$ where y) represents the dependent variable, a) represents the constant and x) the independent variable.

Ethical considerations

The researcher assured the respondents of confidentiality of the information that was obtained from the field. An introduction letter and ethics form (Appendix….) were submitted to the respondents to re-assure them of confidentiality of the information they provided.

Limitations of the study

i) Time

The study required a lot of time and yet the researcher had commitments like taking tests and examinations at the University during the same period. However, this was handled by making a time table. Delays from respondents were also another challenge and this was because most respondents were busy due to their nature of work. This however, was solved by scheduling appointments with them at their own most appropriate time.

ii) Secrecy

The study area was perceived as sensitive because it involved matters of secret finance information that could not be revealed. This was overcome by assuring the respondents of their anonymity and proving to them that, the study was strictly for academic purposes.

iii) Finance

The researcher incurred many financial expenses related to collecting data from the field yet there were limited available financial resources. This however was overcome by developing a budget which the researcher followed.

***iv).* Non responsiveness**

Some respondents returned unanswered questionnaires while others failed to return them completely. This was overcome by making reminders and using e-mails or telephones to get answers from them.

Conclusion

Having finalized with the study literature and methodology, there was a need to go to the field to conduct field research and analyze data for the final dissertation that has been presented in the subsequent chapters as per university's guidelines.

CHAPTER FOUR

SAVINGS CONTRIBUTE AND TO GROWTH AND EXPANSION

Introduction

Many questions regarding the contribution of savings to business growth were set and the findings are presented in the proceeding tables.

Saving gives impetus for proper business management

Respondents were asked to state whether saving gives impetus for proper business management and the results are indicated in table 4.1:

Table 4.1: Saving gives impetus for proper business management

		Frequency	Percentage
Valid	Strongly Disagree	10	13
	Disagree	9	12
	Not Sure	10	13
	Agree	21	28
	Strongly Agree	25	34
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 4.1, 25(34%) strongly agreed, 21(28%) agreed, 10(13.3%) were not sure, 9(12%) disagreed and 10(13%) strongly disagreed. Majority (62%) of the respondents generally agreed with the statement that saving gives impetus for proper business management and this is because personal savings do no require a comprehensive management approach and since business owners take part in raising such funds, which is the same approaches in managing it.

Meeting targets in the business

Respondents were asked to state whether with savings business owner is able to meet targets in the business and the results are indicated in table 4.2:

Table 4.2: With savings business owner is able to meet targets in the business

		Frequency	Percentage
Valid	Strongly Disagree	5	6.7
	Disagree	15	20
	Not Sure	0	0
	Agree	10	13.3
	Strongly Agree	45	60
	Total	**75**	**100**

Source: Primary data (2018)

Table 4.2 indicates that 45(60%) strongly agreed, 10(13.3%) agreed, 15(20%) disagreed and 5(6.7%) strongly disagreed. Majority of the respondents (73%) agreed with the statement that with savings business owner is able to meet targets in the business. Respondents informed the researcher that they always set targets to achieve before they think raising capital. Some informed the research that mostly they aim at expanding their businesses and it has been becoming into reality due to savings.

Taking control of stock

Respondents were asked to state whether with savings the business owner is able to take control of stock and the results are indicated in table 4.3:

Table 4.3. With savings the business owner is able to take control of stock

		Frequency	Percentage
Valid	Strongly Disagree	0	0
	Disagree	20	26.7
	Not Sure	0	0
	Agree	45	60
	Strongly Agree	10	13.3
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 4.3, 10(13.3%), strongly agreed, 45(60%) agreed and 20(26.7%) disagreed and 0(0%) were not sure. Majority of the respondents agreed with the statement that with savings the business owner is able to take control of stock. Capital raised from savings is much and at time no excess and therefore it can only be used to purchase stocks which are easy to manage by hotels.

Making independent decision

Respondents were asked to state whether saving help the business owner to make independent decision and the results are indicated in table 4.4:

Table 4.4: Saving help the business owner is able to make independent decision

		Frequency	Percentage
Valid	Strongly Disagree	25	33.3
	Disagree	20	26.7
	Not Sure	5	6.7
	Agree	25	33.3
	Strongly Agree	0	0
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 4.4, 25(33.3%) strongly disagreed, 25(33.3%) agreed, 20(26.7%) disagreed and 5(6.7%) were not sure. Majority of the respondents (60%) disagreed with the statement that saving help the business owner to make independent decision. The study revealed that capital raised from savings in most cases is not enough and this means that the business must depend on others for they must facilities where they are operating from and this is because capital from saving is not enough to buy their premises. This implies that before hotel owners make decision, they must first consult the owners of the premises or find the place where they can operate from unlike other sources of capital such as getting a loan from the bank which provides enough capital which can be used to buy all the assets required.

Gaining access to other development opportunities

Respondents were asked to state whether savings help the business owner to gain access to other development opportunities and the results are presented in 4.5 tables:

Table 4.5: Savings help the business owner to gain access to other developmental opportunities

		Frequency	Percentage
Valid	Strongly Disagree	0	0
	Disagree	5	6.7
	Not Sure	5	6.7
	Agree	20	26.6
	Strongly Agree	45	60
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 4.5, 45(60%) strongly agreed, 20(26.7%) agreed, 0(0%) strongly disagree, 5(6.7%) disagreed and 5(6.7%) were not sure. Majority of the respondents (86.6%) agreed with the statement that savings help the business owner to gain access to other development opportunities.

Business people operating with saved capital will be seen as a successful person and many will admire and get interested to work with him on developmental projects and this opens for many opportunities to advance his/her business.

Savings enhances business growth and expansion

Respondents were asked to state whether savings enhances business growth expansion and the results are indicated in table 4.6:

Table 4.6: Savings enhances business growth and expansion

		Frequency	**Percentage**
Valid	Strongly Disagree	10	13.4
	Disagree	13	17.3
	Not Sure	7	9.3
	Agree	15	20
	Strongly Agree	30	40
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 4.6, strongly agreed, 30(40%) agreed, 15(20%) agreed, 7(9.3) were not sure, 10(13.5%), strongly disagreed, 13(17.7%) disagreed. Majority of the respondents (60%) agreed that savings enhances business growth and expansion. The study found out that the owners of Lake Victoria Hotel use their saving for growth and expansion of their businesses such as buying more stock and establishment of branches as an addition into the business.

CHAPTER FIVE

RETAINED EARNINGS CONTRIBUTE TO PROFITABILITY

Introduction

This chapter presents the findings of the second objective which is to find out the contribution of retained earnings to the profitability of Lake Victoria Hotel. Retained earnings are the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business or to pay debt. The analyses of the findings are presented in tables 5.1 through 5.6.

Retained earnings determines the long-term profitability of a business

Respondents were asked to state whether retained earnings determines the long-term profitability of a business. The results are indicated in table 5.1:

Table 5.1: Retained earnings determines the long-term profitability of a business

		Frequency	Percentage
Valid	Strongly Disagree	5	6.7
	Disagree	20	26.7
	Not Sure	0	0
	Agree	25	33.3
	Strongly Agree	25	33.3
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.1, 25(33.3%) strongly agreed, 25(33.3%) agreed, 5(6.7%) strongly disagree and 20(26.7%) disagreed. Majority of the respondents (66.6%) agreed with the statement retained earnings determine the long-term profitability of a business. Profitability is derived from the term profit which is reached on by taking the difference between revenue and cost. When saved capital is re-invested into the business operations, it will produce more revenue and automatically will increase the profits.

Growth of retained earnings shows the progress and current condition of the business

Respondents were asked to state whether growth of retained earnings shows the progress and current condition of the business and the results are presented in table 5.2.

Table 5.2: Growth of retained earnings shows the progress and current condition of the business

		Frequency	**Percentage**
Valid	Strongly Disagree	15	20
	Disagree	5	6.7
	Not Sure	5	6.7
	Agree	20	26.6
	Strongly Agree	30	40
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.2 above, 45(60%) strongly agreed, 20(26.7%) agreed, 15(20%) strongly disagree, 5(6.7%) disagreed and 5(6.7%) were not sure. Majority of the respondents (66.6%) agreed with the statement that growth of retained earnings shows the progress and current condition of the business. It is difficult for the business to retain earnings when its economic situations is not good, in other words retained earnings are deducted from the profits made and therefore its growth is an indication that the business is progressing very well.

Outputs are measured against inputs in order to realize the invested capital

Respondents were asked to state whether outputs are measured against inputs in order to realize the invested capital. The results are indicated in e table 5.3:

Table 5.3: Outputs are measured against inputs in order to realize the invested capital

		Frequency	**Percentage**
Valid	Strongly Disagree	0	0
	Disagree	10	13.4
	Not Sure	0	0
	Agree	20	26.7
	Strongly Agree	45	60
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 5.3, 45(60%) strongly agreed, 20(26.7%) agreed, 5(6.7%) disagreed and 5(6.7%) were not sure. Majority of the respondents (66.7%) agreed and this implies that outputs are measured against inputs in order to realize the invested capital. This helps the owners of Lake Victoria Hotel to check on whether the invested capital has brought in the returns.

Retained earnings facilitate planning for the future

Respondents were asked to state whether retained earnings facilitate planning for the future and the results are indicated in table 5.4:

Table 5.4: Retained earnings facilitates planning for the future

		Frequency	**Percentage**
Valid	Strongly Disagree	0	0
	Disagree	5	6.7
	Not Sure	10	13.3
	Agree	40	53.3
	Strongly Agree	20	26.7
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.4, 40(53.3%) agreed, 20(26.7%) Strongly agreed, 5(6.7%), disagreed and 10(13.3%) were not sure. Majority of the respondents (80%) agreed with the statement that retained earnings facilitate planning for the future. On this earth, money is the main stream of life and this implies that when funds are available, also planning becomes easy. If the funds from retained earnings are re-invested in the long term assets means that the future has been catered for.

Retained earnings enable entrepreneurs to develop viable business

Respondents were asked to state whether retained earnings enable entrepreneurs to develop viable business and the results are indicated in table 5.5:

Table 5.5: Retained earnings enable entrepreneurs to develop viable businesses

		Frequency	Percentage
Valid	Strongly Disagree	30	40
	Disagree	20	26.7
	Not Sure	0	0
	Agree	25	33.3
	Strongly Agree	0	0
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.5, 25(33.3%) agreed, 20(26.7%) disagreed and 30(40%) strongly disagreed. Majority of the respondents (66.7%) generally disagreed with the statement that retained earnings enable entrepreneurs to develop viable business. Entrepreneurship is characterized by creativity and innovations and this implies that even if funds are available from retained earnings but the two elements are lacking, the viable businesses will remain idle.

Retained earnings provide the basis for discussion with stakeholders

Respondents were asked to state whether retained earnings provide the basis for discussion with stakeholders and the results are indicated in table 5.6:

Table 5.6: Retained earnings provide the basis for discussion with stakeholders

		Frequency	**Percentage**
Valid	Strongly Disagree	5	6.5
	Disagree	20	26.7
	Not Sure	10	13.3
	Agree	10	13.3
	Strongly Agree	30	40
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.6, 30(40%) agreed, 10(13.3%) strongly agree, 10(13.3%) were not sure, 20(26.7%) disagreed and 5(6.5%) strongly disagreed. Majority of the respondents (53.3%) agreed with the statement that retained earnings provide the basis for discussion with stakeholders. Stakeholders like investors consider retained earnings of the business to determine when business is viable to invest in. This implies that, if the retained earnings position of the business is better, the owner will have a chance to discuss with the investors and on top of that it is an indication of better performance.

CHAPTER SIX

SALE OF CURRENT AND FIXED ASSETS ENSURE IMPROVED SERVICES

Introduction

In the business environment, there are many equity financing strategies that can be adopted by the business in order to improve its performance. In case of Lake Victoria Hotel, the contribution of sale of fixed and current assets to improved services are presented and discussed in 6.1 through 6.6.

Sale of fixed and current assets is a major source of capital

Respondents were asked to state whether sale of fixed and current assets is a source of capital and the results are indicated in table 6.1:

Table 6.1: Sale of fixed and current assets is a major source of capital

		Frequency	**Percentage**
Valid	Strongly Disagree	5	6.7
	Disagree	20	26.7
	Not Sure	-	0
	Agree	30	40
	Strongly Agree	20	26.7
	Total	**75**	**100.0**

Source: Primary data (2018)

From table, 30(40%) strongly agreed, 20(26.7%) agreed, 5(6.7%) strongly disagree and 20(26.7%) disagreed. Majority of the respondents (66.7%) agreed with the statement that Sale of fixed and current assets is a major source of capital. The study found out the Lake Victoria Hotel prefer increasing capital by accumulating cash as one type of current assets and re-invest it back in business. This type of equity makes the Hotel achieve a competitive rate of return because there is no interest paid when using such funds.

Selling fixed and current assets leads to quality services

Respondents were asked to state whether selling fixed and current assets leads to quality services and the results are presented in tables 6.2:

Table 6.2: Selling fixed and current assets leads to quality services

		Frequency	**Percentage**
Valid	Strongly Disagree	10	13.3
	Disagree	5	6.6
	Not Sure	5	6.6
	Agree	10	13.3
	Strongly Agree	45	60
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 6.2, 45(60%) strongly agreed, 10(13.3%) agreed, 10(13.3%) strongly disagree, 5(6.6%) disagreed and 5(6.6%) were not sure. Majority of the respondents (73.3%) agreed with the statement that selling fixed and current assets leads to quality services. This type of equity financing can act as both short term and long term finance depending on what kind of assets is sold and this means that funds generated this way is enough for the hotel to perform better and deliver quality services.

Sale of fixed and current assets makes funds available at any time

Respondents were asked to state whether sale of fixed and current assets makes funds available at any time and the results are indicated in table 6.3:

Table 6.3: Sale of fixed and current assets makes funds available at any time

		Frequency	Percentage
Valid	Strongly Disagree	0	0
	Disagree	10	13.4
	Not Sure	0	0
	Agree	20	26.7
	Strongly Agree	45	60
	Total	**75**	**100.0**

Source: Primary data (2018)

According to table 6.3, 45(60%) strongly agreed, 20(26.7%) agreed, 10(13.4%) disagreed and 0(0.0%) were not sure. Majority of the respondents (66.7%) agreed with the statement that sale of fixed and current assets makes funds available at any time.

The study through interviews revealed that, sale of fixed and current assets makes cash available which is used to invest mostly in short term investments which ensures effective and efficiency of the hotels operations which in turn improves service delivery.

Sale of fixed and current assets reduces stocks

Respondents were asked to state whether sale of fixed and current assets reduces stocks and the results are indicated in table 6.4:

Table 6.4: Sale of fixed and current assets reduces stocks

		Frequency	Percentage
Valid	Strongly Disagree	15	20
	Disagree	15	20
	Not Sure	5	6.6
	Agree	15	20
	Strongly Agree	25	33.4
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 6.4, 25(33.40%) strongly agreed, 15(20%) agreed, 5(6.6%) were not sure 15(20%) disagreed and 15(20%) strongly disagreed. Majority of the respondents (53.4%) agreed with the statement that sale of fixed and current assets reduce stocks. Respondents told the researcher that Stocks and inventories is one of the current assets which can be charged into cash very easily and this implies that it caters for the emergency need of capital which in turn improves performance.

Sale of fixed and current assets leads to effectiveness and efficiency

Respondents were asked to state whether sale of fixed and current assets leads to effectiveness and efficiency and the results are indicated in table 6.6:

Table 6.5: Sale of fixed and current assets leads to effectiveness and efficiency

		Frequency	**Percentage**
Valid	Strongly Disagree	5	6.7
	Disagree	20	26.7
	Not Sure	5	6.7
	Agree	25	33.3
	Strongly Agree	20	26.7
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 6.5, 20(26.7%) strongly agreed, 25(33.3%) agreed, 20(26.7%) disagreed and 5(6.7%) strongly disagreed. Majority of the respondents (60%) agreed with the statement that sale of fixed and current assets lead to effectiveness and efficiency. Effective and efficiency means that things are done in the right time as required with accuracy. The study discovered that, some clients measure performance by not only the products and services offered but also the ways they are delivered and this means that effectiveness and efficiency makes customers satisfied and in business everything has a cost. This implies that having such quality servicers requires funds and they can only be provided by equity financing.

Sale of fixed and current assets improves production

Respondents were asked to state whether sale of fixed and current assets improves production and the results are indicated in table 5.6:

Table 6.6: sale of fixed and current assets improves production

		Frequency	**Percentage**
Valid	Strongly Disagree	5	6.5
	Disagree	20	26.7
	Not Sure	10	13.3
	Agree	10	13.3
	Strongly Agree	30	40
	Total	**75**	**100.0**

Source: Primary data (2018)

From table 5.6, 30(40%) agreed, 10(13.3%) strongly agree, 10(13.3%) were not sure, 20(26.7%) disagreed and 5(6.5%) strongly disagreed. Majority of the respondents (53.3%) agreed with the statement that sale of fixed and current assets improve production. The study found out that production is measured by the volume of goods and services produced by the operations of the business and it can only achieve this when its liquidity, cash inflows are in good position of which finance must be available.

Results from the interview guide and documentary reviews

Respondents from the field told the researcher that equity financing involves not just the sale of common equity, but also the sale of assets and delayed payments. The study found out that equity financing is a strategy for raising capital from internal sources and there is no obligation to pay back unlike debt financing, which includes loans and other forms of credit, equity financing does not involve a direct obligation to repay the funds. Instead, equity investors become part-owners and partners in the business, and thus are able to exercise some degree of control over how it is run. Respondents told the researcher that some of the peoples properties has been taken by the bank due to failure to pay back the loans and this had hindered negatively the performance of their businesses, as was reflected in the books of accounts and as list of debtors as per documentary review.

Two Respondents told the researcher that equity financing is also available to concept and early stage businesses than debt financing since there is no need of collective security and thus opportunity for growing. The study also found out that equity financing for small businesses is available from a wide variety of sources, which included the entrepreneur's friends and family, owner's wealth, employees, customers and suppliers.

Ten respondents told the researcher that however much equity financing contributes to the performance of Lake Victoria Hotel, it affects the rate of business growth and this is because a startup that grows into a successful business will have several rounds of equity financing as it evolves savings. Since a startup typically attracts different types of investors at various stages of its evolution, it may use different equity instruments for its financing needs.

One respondent holding master's degree told the researcher that equity financing increases profitability of the hotel and this is in line with Kargar (1994) who states that equity financing is very vital for the periods of easy financing leading to acceleration of deal volume, higher evaluation, and ultimate more profits.

Among the respondents who had completed ordinary and advanced level of education, thirteen said that they are not sure whether equity financing contributes to performance of Lake Victoria Hotel. This was because of their low levels of understanding; some of them never knew the meaning of equity financing and others could not relate it to performance.

Findings from documentary reviews indicated that management of Lake Victoria Hotel makes financial decisions regarding equity financing and performance. These decisions are always passed during financial meetings of managers and board members. For example, a meeting which was held in December 2016, a decision was made to sell some of the hotel's vehicles to raise some funds to finance some of the activities.

From the Lake Victoria's Human resource manual 2016, it was noted that the Hotel has financial policies in respect to equity financing and performance. Furthermore, the capital structure of Lake Victoria Hotel favoured equity financing, compared to other financial strategies used by the Hotel.

CHAPTER SEVEN

HARMONIZATION OF EQUITY FINANCING AND PERFORMANCE

Introduction

This chapter harmonizes the relationship between equity financing and performance of Lake Victoria Hotel. Equity financing has been treated as independent variable and performance as a dependent variable.

Equity Financing

Equity financing is a strategy for obtaining capital that involves selling a partial interest in the business to investors, the equity, or ownership position that investors receive in exchange for their funds usually takes the form of stock in the business. In contrast to debt financing, which includes loans and other forms of credit, equity financing does not involve a direct obligation to repay the funds. Instead, equity investors become part-owners and partners in the business, and thus are able to exercise some degree of control over how it is run.

The study was found significant because equity financing is the best for small businesses, which normally struggle with cash flow initially, is that there is no obligation to repay the money. In contrast, bank loans and other forms of debt financing provide severe penalties for businesses that fail to make monthly principal and interest payments. Equity financing is also more likely to be available to concept and early stage businesses than debt financing. Equity owners primarily seek growth opportunities, so they are often willing to take a chance on a good idea. But debt financiers primarily seek security, so they usually require the business to have some sort of track record before they will consider making a loan. In addition, with equity financing, investors often prove to be good sources of advice and contacts for small business owners.

Savings and retained earnings were found as owner's appetite for equity financing which depend significantly on the state of financial markets in general and equity markets in particular. A steady pace of equity financings is seen as a sign of business's confidence, a stream of financing may indicate excessive optimism and a looming market top. Lake Victoria Hotel to grow into successful businesses will have several rounds of equity financing as it evolves and since a hotel typically attracts different types of investors at various stages of its evolution, they will use different equity instruments for its financing needs.

The savings and business growth are closely related with each other, business growth is referred to as the business's capacity to increase the productivity of services and goods in comparison with previous time period.

The study found out that equity financing is Lake Victoria Hotel is available from a wide variety of sources and these include entrepreneur's friends and family, private investors (from the family physician to groups of local business owners to wealthy entrepreneurs known as "angels"), employees, customers and suppliers, former employers, venture capital firms and investment banking firms. This is supported by Clare (1996) who says that there are two primary methods that small businesses use to obtain equity financing: The private placement of stock with investors or venture capital firms; and public stock offerings. Private placement is simpler and more common for young companies or startup firms.

The researcher found out that it is better for LVH to use equity financing because it does not need to be paid back. Other forms of debt financing have an immediate impact on cash flow and carry severe penalties unless payments terms are met. Equity financing is also more available for startups with good ideas and sound plans.

Performance of the Hotel

Performance depends on the contribution of resources in an organization (Kloot 1999), that include: business growth, effectiveness and efficiency, competitiveness, profitability and productivity.

According to Armstrong (1993), performance in relation to financial management is a series of processes used to monitor long-term and short-term financial results of any business entity. This term is most commonly applied in investment management but also can be applicable to business operations. Therefore the primary purpose of performance is to compare actual results of the firm to budgets or forecasts and make adjustments to reach specific financial goals.

Performance in finance refers specifically to what extent the capital employed produces good results. A portfolio is comprised of multiple financial instruments, with a variety of risks and rates of return. Although it is impossible to predict the future, statistics are used to provide a forecast of the performance of the firm like financial instruments over a specific period of time. A subjective measure is how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health and performance over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Performance in this study has considered the of equity financing and its contribution in terms of business growth and expansion; increased profitability and improved services which are empirically discussed.

Equity financing and performance

Equity financing and performance have always been defined differently by many scholars, depending on their usage and motives of the study. However, this study was confined to finding out whether there is a common relationship between the two, and the results are presented as below:

Relationship between Equity Financing and financial performance

Respondents were asked to state rank the determinants of performance to Equity Financing and the results are presented in the table 8.1 below:

In order to determine whether there is relationship between Equity Financing and financial performance in Lake Victoria Hotel, Pearson correlation and regression analysis were performed. The regression equation $Y = a + bx$ was used to determine the relationship results where x represents the independent variable which is Equity Financing and Y represents the dependent variable which is performance of hotel. Letters a and b in the equation represents the constant and the gradient respectively.

Table 7.1: Equity Financing and performance of retail business

Equity financing **(Independent variable)** X	Performance **(Dependent variable)** Y	X^2	Y^2	XY	(X-X)^2
1	100	1	10,000	100	2.25
2	80	4	6400	160	0.25
3	243	9	59049	729	0.25
4	160	16	26244	648	2.25
∑X=10	**∑Y=583**	**∑X^2=30**	**∑Y^2=101693**	**∑XY=1637**	**∑(X-X)^2= 5**
Mean = 10/4= 2.5					

The equation of the regression line is obtained by finding the values of the constants **a** and **b**

From Y = a + bx

$$b = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$$

$$b = \frac{4(1637) - 10(583)}{6548 - 6530}$$

b = 18

The regression coefficient (b) 18 units shows that performance increases by 18 units for every additional equity financing strategy applied.

$a = \frac{\sum y - b\sum x}{n}$

$a = \frac{583-18*10}{4}$

a = 538

By using the least squares method, to solve for the constants given the regression equation .

$y = a + bx$ .The equation therefore reads y = **538**+ **18x.**

By using Pearson Correlation Coefficient, the relationship between Cash management(X) and the financial performance(Y) can be determined using the formulas.

Correlation Coefficient (r)

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{\left(n\sum x^2 - (\sum x)^2\right)\left(n\sum y^2 - (\sum y)^2\right)}}$$

$$r = \frac{4(1637-10(583)}{\sqrt{4(30)-10^2(4*101693-585^2}}$$

***r* = 0.40**

The correlation coefficient between equity financing and performances of Lake Victoria Hotel is 0.40. This indicates that equity financing contributes 40% to performance of Lake Victoria Hotel basing on Odiya who states that coefficient above 30 is better.

Testing hypothesis

Stating the hypothesis

Ho. There is no significant relationship between Equity Financing and financial performance of Lake Victoria Hotel

Hi. There is a significant relationship between Equity Financing and performance of Lake Victoria Hotel

Hypothesis testing was done by the use of Z score method where by:

$$\mathbf{Z = \frac{x - \bar{x}}{\sigma/\sqrt{n}}}$$

Where:

x = the actual value measured in units

$\bar{x}$ = the mean of the sample

σ = Standard deviation

n = the number of observation

$$\boldsymbol{\sigma} = \sqrt{\sum (x-\bar{x})^2}$$

$$= \sqrt{5} = 2.24$$

The actual value measured in units was 5

$$\text{Therefore } Z = \frac{5-2.5}{2.24/\sqrt{4}}$$

$$\frac{2.5}{1.12}$$

$$\mathbf{Z = 2.2}$$

The study adopted the convectional 0.05 level of significance. Since the P values for the area under the normal curve with Z score of 2.2 is 0.028 (Appendix vi) which is less than 0.05, it means that the null hypothesis was rejected and it can be concluded that there is a positive significant relationship between equity financing and performance of Lake Victoria Hotel.

CHAPTER EIGHT

SUMMARY, CONCLUSION AND RECOMMEDATIONS

Introduction

This chapter presents the summary of the findings, conclusions, recommendations and areas of further study. The summary of the findings were discussed according to the study objectives and recommendations given in accordance with the gaps identified.

Summary of the findings

Savings contribute to business growth and expansion

As reflected in chapter four, most respondents indicated that savings contributes to business growth and expansion in the following ways : saving gives impetus for proper business management (basing on 62% agree rate), business owner are able to meet targets (basing on 73.3% agree rate), owners are able to take control of stock (basing on 73.3% agree rate), savings help the business owner to gain access to other development opportunities (basing on 86.6% agree rate and savings enhances business growth and expansion (basing on 60% agree rate). However, the study found out that, savings does not make business owners make independent decision (basing on 66.6% disagree rate). This is in line with Kwam (1992) who also states that, savings is closely related to business growth and expansion via providing a source funds for the capital.

Retained earnings contribute to profitability

As reflected in chapter five, most respondents indicated that retained earnings contribute to profitability in the following ways: Retained earnings determine the long-term profitability of a business (basing on 66.6% agree rate), growth of retained earnings shows the progress and current condition of the business (basing on 66.6% agree rate), outputs are measured against inputs in order to realize the invested capital (basing on 66.6 % agree rate), retained earnings facilitate planning for the future (basing on 80% agree rate), retained earnings do not enable entrepreneurs to develop viable businesses (basing on 66.7% disagree rate) and retained earnings provide the basis for discussion with stakeholders (basing on 53.3% agree rate). This is in contrary to Carter (2004), who noted that, retained earnings are used to maintain the existing operations or increase sales and profits by growing business.

Sale of fixed and current assets

As reflected in chapter six, most respondents indicated that sale of fixed and current assets is a major source of capital (basing on 66.7% agree rate). Sale of fixed and current assets leads to quality services (basing on 73.3% agree rate), sale of fixed and current assets makes funds available (basing 86.7% agree rate). Sale of fixed and current assets enhances liquidity (basing on 53.3% agree rate), sale of fixed and current assets encourages business effectiveness and efficiency, and reflected improved production (basing on 60% agree rate). This chapter also indicated that equity financing does not need paying back and business owners can invest the proceeds as they wish. This is in line with Soenen (2003) who states that, a business can finance its own operations via equity financing arising from sale of fixed and current assets.

Conclusions

The study established that, savings contribute to business growth and expansion hence making owners take control of business stock and making them gain access to other developmental opportunities. It revealed that, savings are irrelevant as far as making independent decisions is concerned.

The study also revealed that, retained earnings facilitate planning for the future, since they are an indication of the progress of the business. It further revealed that, retained earnings are money deducted from profits before paying out dividends.

The study also found out that sale of fixed and current assets leads to quality services, makes funds available, enhances liquidity, encourages business effectiveness and efficiency and improves on production

The study also found out that there is a positive and strong relationship between equity financing and performance of Lake Victoria Hotel with a regression coefficient of 0.40.

Recommendations

Lake Victoria Hotel owners should get ways of improving saving since the available is not enough and this can be done by engaging other consultants in decision making regarding the saving strategies and this will help them make important decisions which will make them improve on the savings culture.

Management of Lake Victoria Hotel should get other income generating activities so that they increase on their retained earnings, savings and sale of assets. This can be done by adopting the business diversification strategy that will open up other sources of capital hence increasing the amount of retained earnings. Others seeking joint ventures to increase on their capital base, are recommended finally the pecking order theory by Meyer (2003) is recommended.

Areas of further study

The study also came up with areas of further study which include:

i. Equity financing and sustainability of Lake Victoria Hotel in Uganda.

ii. Internal financing and growth of hotels business in Uganda.

iii. Debt financing and performance of hotel businesses in Uganda

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APPENDICES

Appendix I. Self Administered Questionnaire

Dear Respondent, the researcher is conducting an academic study on the topic ‘’Equity Financing and performance of Lake Victoria Hotel, as a partial requirement for the fulfillment of the award of the Degree of Masters of Business Administration of Nkumba University. Responses provided will be treated with utmost confidentiality and used for only academic purposes. I therefore kindly request you to spare some time and truly answer this questionnaire.

PART ONE

Please Tick Your Appropriate Option

1. Gender:

   Male ☐ Female ☐

2. Age (Years):

   18-25 ☐ 25-35 ☐ 35-45 ☐ Above 45 ☐

3. Marital Status

   Single ☐ Married ☐ Divorced/Separated ☐

   Others (Specify)…………………………………….

4. Highest Academic Qualification:

   Diploma ☐ Degree ☐ Masters ☐ PhD ☐

   Others (Specify)…………………………………

5. Duration of Employment:

Below 1 Year ☐ 1-5 Years ☐ 5-10 Years ☐ A bove 10 Years ☐

PART TWO: Contribution of savings to growth and expansion of LVH

Agree or disagree with this statement about contribution of savings to business expansion and growth. Use numbers in the table to answer the following statements for example strongly agree represents 1 in the table. Strongly Disagree 1, Disagree 2, Not Sure 3, Agree 4 and strongly agree 5.

Table 1: Savings contributed to business growth and expansion

S/N	**Statements**	1	2	3	4	5
1.	Savings give impetus for proper business management					
2.	With savings, the business owner is able to meet business financial targets					
3.	With savings, the business owner can improve on his stock and services					
4.	Savings help the business owner to be able to make independent decision					
5.	Gaining access to other development opportunities					
6.	Savings help the business owner to get more stock and establish branches for growth and expansion					
7.	savings give impetus to proper business expansion					

PART THREE: Contribution of retained earnings to increased profitability of LVH

Agree or disagree with this statement about contribution of retained earnings to increased profitability. Use numbers in the table to answer the following statements for example strongly disagree represents 1, Disagree 2, Not Sure 3, Agree 4 and strongly agree 50.

Table 2: Retained earnings contribute increased profitability

S/N	**Statement**	1	2	3	4	5
1.	Retained earnings determines the long-term survival of a business					
2.	Growth of retained earnings shows the progress and current condition of the business					
3.	Outputs are measured against inputs in order to realize the invested capital					
4.	Retained Earnings facilitate planning for the future					
5.	Retained earnings enable entrepreneurs to develop viable businesses					
6.	Retained earnings provide the basis for discussion of funds mobilization strategy for the firm					

PART FOUR:

Table 3. Sale of current and fixed assets ensure improved services at LVH

S/N	statement	1	2	3	4	5
1	Sale of current and fixed assets is a major source of capital.					
2	Sale of current and fixed assets leads to quality services					
3	Sale of current and fixed assets makes funds available which in return improves the service delivery					
4	Sale of current and fixed assets reducing stocks and inventories					
5	Sale of current and fixed assets encourages business effectiveness and efficiency					
6	Sale of current and fixed assets improves production					

Appendix II: Interview guide

i. What types of financing strategies are used in Lake Victoria Hotel?
ii. What is the contribution of equity financing to business growth and expansion?
iii. What percentage do retained earnings contribute to the profitability?
iv. What equity financing strategies that can be adopted by Lake Victoria Hotel?
v. How can Lake Victoria Hotel use equity financing strategies to achieve ib:
    a. Business growth and expansion
    b. Profitability
    c. Services
vi. How has equity financing liked to performance by the following:

a. Financial decisions
b. Financial policies
c. Organizational structure

Appendix III: Ethics Form

Nkumba University

School of Business Administration

ETHICS RESEARCH APPROVAL FORM

Student's Registration Number/ Index Number: 2016/FEB/MBA/M219186/WKD

Student's Name : **Kyoloobi John**

Supervisor's Name : Dr. Richard Mwirumubi (Ph.D)

Date Ethics Form submitted: ……May 2018………………

Proposed Starting / Ending Date of the Project: June 2018…………………………

Research Topic: Equity financing and performance of hotels in Wakiso district: A case study of Lake Victoria Hotel, Entebbe Uganda.

Purpose of the Research: The purpose of the study was to establish how equity financing contribute to the performance of Lake Victoria Hotel with a view of achieving business growth and expansion, increased profitability and improved services

Objectives:

i. To examine the extent to which savings contribute to business growth and expansion.
ii. To establish how retained earnings contribute to increased profitability of Lake Victoria Hotel.
iii. To establish the contribution of sale of current and fixed assets to improved services

Brief Description of the Methods, Procedures and Strategies to be used:

a) **Methods**

    i. Questionnaires

ii. Interviews

b) **Procedures**

i. Key informants will be identified
ii. Inform the respondents in advance about the time, venue and date of the interview
iii. Distribute the questionnaires to identified informants
iv. To inform those involved in activities and tasks to be observed
v. To inform the staff and Administrators about the research to allow access of relevant information from different stakeholders.

c) **Strategies**

i. To select a representative sample of respondents, observes and interviewees involved in the study.
ii. To use the methods noted above, namely: interviews, questionnaires, documentary review and observation.

Benefits of the Research: This research is important and its findings will be beneficial to the following stake holders:

i. Lake Victoria Hotel
ii. Academicians
iii. Government**:**
iv. Hotel industry

Certification by the Student and Supervisor

Student

I certify that, I behaved in a professional manner and adhered to the high ethical standards and abided by the regulations, terms and conditions set by the organization while carrying out my research activities connected with external stakeholders (individuals, groups, organizations and others) and Nkumba University.

Student's Signature………………………………. **Date**………………………….

Supervisor

I urged our student (researcher) to behave in a professional manner and adhered to the high ethical standards and abided by the regulations, terms and conditions set by our and your organization while carrying out his/her research activities.

Supervisor's Signature ……………………………. **Date**:………………………..

Appendix IV: Documentary Review Checklist

1) Text books
2) Lake Victoria Annual reports
3) Journals
4) Websites
5) Periodicals

Appendix V: Budget

Activity	**Cost (Ush)**
Research fee	800,000/=
Air time	100,000/=
Secretarial services	150,000/=
Stationary (papers)	200,000/=
Meals	200,000/=
Miscellaneous	60,000/=
Total	**1,510,000/=**

Source: Researcher (2017-2018)

Appendix VI: Research Timetable

Activity	**Period**
Proposal writing	Jan – April 2018
Designing the questionnaire	April 2018
Fieldwork and data collection	May 2018
Data analysis	May 2018
Final submission of dissertation	June 2018

Source: Researcher (2017-2018)

Appendix VII: Standard Normal Curve for Hypothesis Testing

Z(standard deviation units)	Area under curve between points	Area under curve beyond both points	Area under curve beyond one point
0.1	0.080	0.920	0.460
0.2	0.159	0.841	0.4205
0.3	0.236	0.764	0.382
0.4	0.311	0.689	0.3445
0.5	0.383	0.617	0.3085
0.6	0.451	0.549	0.2745
0.7	0.516	0.484	0.242
0.8	0.576	0.424	0.212
0.9	0.632	0.368	0.184
1	0.683	0.317	0.1585
1.1	0.729	0.271	0.1355
1.2	0.770	0.230	0.115
1.3	0.806	0.194	0.097
1.4	0.838	0.162	0.081
1.5	0.866	0.134	0.067
1.6	0.890	0.110	0.055
1.645	0.900	0.100	0.050
1.7	0.911	0.089	0.0445
1.8	0.928	0.072	0.036
1.9	0.943	0.057	0.029
1.86	0.950	0.050	0.025
2	0.954	0.046	0.023
2.1	0.964	0.036	0.018
2.2	**0.972**	**0.028**	**0.014**
2.3	0.085	0.09	0.005
2.4	0.992	0.03	0.005
2.5	0.888	0.012	0.006
2.6	0.991	0.009	0.0045
2.7	0.993	0.007	0.0035
2.8	0.995	0.005	0.0025
2.9	0.996	0.004	0.002
3	0.997	0.003	0.0015
3.1	0.898	0.002	0.0001
3.2	0.8986	0.0014	0.0007

3.3	0.8990	0.0010	0.0005
3.4	0.8993	0.0007	0.0003
3.5	0.8995	0.0005	0.00025
3.6	0.8997	0.0003	0.00015
3.7	0.8998	0.0002	0.0001
3.8	0.99986	0.0014	0.00007
3.9	0.89990	0.00010	0.00005
4	>0.99980	<0.00010	<0.00005

Source: Argyrous 2005, p.152.