Original Research Article

Working Capital Management Issues in Educational Sector: A Case Study of a Private Campus in Sri Lanka

Abstract

Business organizations try to maintain financial sustainability in the long run and ultimately try to maximize shareholders' wealth. It has been argued that financial constraints in short term are a major barrier to the firms' long term financial success. Working capital has seen as the basic factor that affect firm's ability to continue their day-to-day business operations with financial stability. This case study mainly focuses on examining the reasons for working capital management issues faced by the Campus and the relationship between working capital and firm's financial performance. This study is mainly focusing on working capital problems faced by a private Campus that operates in Sri Lankan educational sector. Required qualitative data gathered through semi-structured face to face interviews with financial experts and the quantitative data gathered using annual financial statements for last six years. Panel data regression was performed to identify the relationship between working capital management and financial performance. Qualitative data was analyzed using content and thematic analysis. Based on the regression results, average collection period, average payment period and cash conversion cycle have significant relationship over return on assets and net profit margin of the Campus. Five major themes were recognized in the thematic analysis which contained distinct subthemes. As the existing research articles lack the working capital management issues faced by the organizations in private education industry, this can be considered as an opportunity to perform an empirical study on working capital management issues faced by a private campus.

Keywords: Working capital management; Financial performance; Educational sector; Case study

Introduction

The main objective of working capital management is to facilitate company to preserve adequate cash flow to manage its short-term operational costs as well as short term commitments. An effective working capital management structure supports the organizations to properly handle their financial commitments and enhance organization's earnings (Tuovila, 2020). In simple context amount of working capital of an organization can be calculated by deducting its current liabilities from current assets. Highly liquid assets of an organization come under current assets whereas liabilities which should be payable within the succeeding twelve months comes under the current liabilities. Sturdy balance between company current assets and current liabilities and proper supervision of company current assets and current liabilities, facilitate effective and efficient working capital management in a company.

Competent working capital management supports a company to maintain smooth operations within the organization and through efficient use of organization resources it will be able to improve the company's earnings, profitability, productivity and cost effectiveness. As mentioned above working capital management mainly comprises with inventory management, managing accounts receivables and managing accounts payables. In similar aspect working capital management is fundamentally an accounting approach with an emphasis on the maintenance of an adequate steadiness between business's current assets and current liabilities.

The needs for working capital management methods can be vary from sector to sector, and they can even have differences among companies operate in same sector (Atseye et al., 2015). This can be occurred due to numerous factors. The collection and payment policies are different from company to company even they are in the same industry and the timing of asset purchases also depends on the company requirements.

On this points, the working capital management requirements and policies used in educational industry may differ from working capital management practices used in other industries. Government and private educational institutes also have different working capital management practices as well as issues. Apart from that each company build inside polices to their working capital management and make their fullest effort to adhere for the implemented policies.

An efficient working capital management is regularly validated by key performance ratios, such as the working capital ratio, the inventory turnover ratio and the collection ratio. Even though these ratios are common for all businesses, in private higher educational industry, the main income source is students' course income and main expenses are lecturer cost and royalty fee for affiliated universities. Accordingly, private educational institutes shall mainly consider on course fee receivable from students and expenses payable for service rendered. Theses validations help to identify areas that require attention to maintain liquidity and profitability in the organization.

Education Industry in Sri Lanka

The Government of Sri Lanka is very keen to develop Sri Lanka as the tertiary education hub in the Asian region, particularly in South Asia. Sri Lanka's natural beauty, centuries old education standards, highly qualified academics and professionals, health and living standards, improved law and order situation, education-centered culture and family values, proximity to countries with large populations are some of the attributes that make Sri Lanka a realistic contender to become an educational hub in the region.

Sri Lankan market for higher education is very promising as a business proposition for private universities. One does not have to go beyond the basic data to appreciate this fact. In

Sri Lanka, 247,379 students sat for the GCE Advanced Level examination in 2014. Out of which 149,489 (about 60 per cent) became qualified to enter a higher educational institution to study for a degree. However, state universities could offer only 25,200 places. Out of the rest, 25,464 students joined technical colleges (TAFEs), Open University and other similar tertiary institutions. It is estimated that about 9,000 students left the country to study at overseas higher educational institutions. This leaves about 90,000 GCE Advanced Level qualified students who would pursue a tertiary qualification, preferably a degree, if avenues were available in Sri Lanka. This leaves at least 90,000 prospective students a year looking for affordable tertiary education within Sri Lanka. (University Grant Commission – Sri Lanka 2020).

As a developing country Sri Lanka faced many complex challenges such as inequality, unemployment, crime and diseases and poverty which require combined attempts to respond appropriately and effectively (Ekanayake, 2019). However, neither government nor the market can achieve the required capabilities to address these disputes on their own. At this point education industry came to the action and the collaboration between educational institutions and government will improve the capabilities to address complicated challenges faced by Sri Lanka. The education and training system shall have a close relationship and it will reduce the mismatch between educational outcomes and workplace requirements.

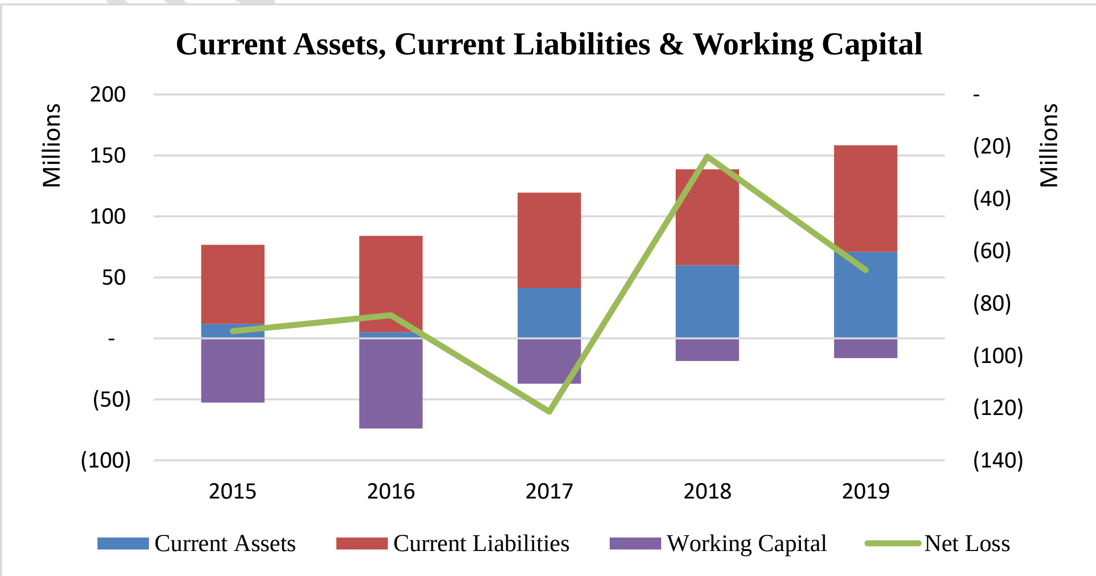
Based on the wealth and income levels of Sri Lankan population, about 20 percent of the families of these students would be able to afford average course fees charged by private providers who offer foreign-university degree programs in Sri Lanka. To be extremely cautious, let us assume that only 10% of the students can afford to pay the fees charged for degree programs offered locally by reputed overseas universities in Sri Lanka. The absolutely minimum, hither to unfulfilled, market for overseas degrees offered in Sri Lanka, would still be 9,000 students a year. This number will keep rising due to demographic trends and rising income levels of the population. (University Grant Commission – Sri Lanka 2020)

The selected private campus is a Sri Lankan government approved higher educational Institution, located in a picturesque setting at the educational capital of Sri Lanka just 6 KM away from Colombo. The campus was registered in 2010 under the Company act No. 07 of 2007 and starts its operations during 2013. Accordingly, the Campus provides educational supports to student during last 7 years. The campus is backed by the financially strong parent and closely connected main banks to continue their operations without any interruptions. The Campus owns its buildings and lands and in the process of expanding their premises.

Currently the Campus has approximately 1,500 on-campus students studying in their MBA, MSc, Degree, Advanced Diploma and Diploma courses. These numbers are expected to increase significantly by next two years because of starting new local degree programs. In line with its policy of delivering high quality programs of highly ranked universities and Institutions, the Campus currently offers 3years degree programs of Business Administration, Computer Science, Accounting & Finance, Software Engineering and Marketing affiliated with renowned University in United Kingdom, MBA in Business Administration and MSc in international Business affiliated with renowned University in United Kingdom, Advanced Diploma in Business Management and Computer Science and Degree Foundation and English Diploma. All these Institutions conduct very stringent quality audits on programs offered at the Campus and are very happy with the internal quality assurance regime and students leaning outcomes. In addition to above mentioned programs the Campus started Ministry approved local degree programs in 2018 and another several local degree programs are under the approval of higher education ministry.

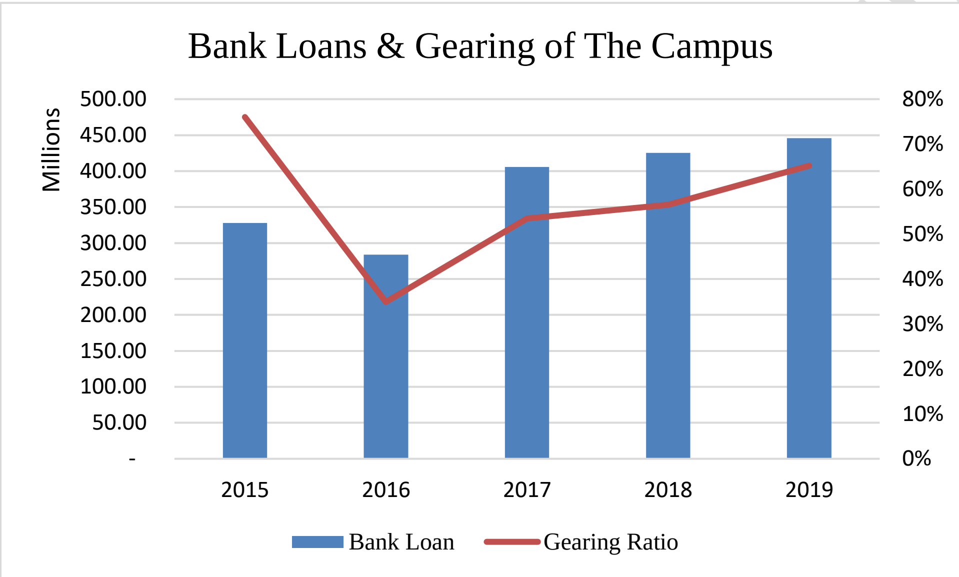
The main income source of the Campus is course fee income and the main expense is the royalty payments to the affiliated universities. When consider the said period, the Campus faced biggest working capital management issue during 2016 and still the Campus is incapable to manage their current liabilities through current assets. Below (Figure 1) show the Campus current assets, current liabilities, working capital and financial profit of the Campus for the last five-year period.

Figure 1: Current Assets, Current Liabilities & Working Capital



As a result, in some cases the Campus has to go for bank loans in order to settle the royalty payments for affiliated universities and create an impact on company gearing ratio. Below (Figure 2) illustrates the bank loans & gearing of the Campus.

Figure 2: Bank Loans & Gearing of The Campus



After considering the financial status over the last five years it provides evidence that the Campus face working capital management issues. Therefore, this study intends to identify the issues relating to this area as well as to articulate solutions for the working capital management issues faced by the Campus. The study aims to address;

- What is the relationship between the working capital management and financial performance of the Campus?
- What are the reasons for the working capital management issues in the Campus?
- What are the recommendations to enhance working capital management and financial performance of the Campus?

As per the investigation done on literature survey, identified the working capital management issues faced by organizations in different industries and working capital management relationship with finance performance of the organization. However, empirical studies were silent about the working capital management issues faced by the organizations in private education industry. As the existing research articles lack the working capital management issues faced by the organizations in private education industry, this can be considered as an opportunity to perform an empirical study on working capital management issues faced by a private campus. This will help to identify what are the issues faced by the organization in managing their working capital and how the Campus can overcome their issues to enhance better working capital management within the Campus.

Review of Literature

The historic involvement of working capital management starts from the earliest awareness era of 1900s. The industrialization era from 1950 to 1980 resulted in change of working capital studies to a new direction. During the industrialization era advanced technologies and machinery transformed in manufacturing sectors empowered companies to gain advantage of economic of scale by lowering their operational cost (Chandler, 1994).

Working capital is the capital amount required to maintain day-to-day businesses of a firm signified by its net current assets including cash, inventory, accounts receivable, accounts payable, and the percentage of debt payable within one year (Pandey, 2000). Accordingly, in broader terms, working capital is also a measure of a company's financial healthiness. The larger the difference between what company own and what company indebted in short-term, the business has healthier working capital within the company. If company indebted far exceeds what company own, then the company have negative working capital and finally it will result to being out of business.

Gross working capital and net working capital are the main two concepts in working capital (Pandey, 2004). The investments made in company current assets can be referred as Gross working capital and assets which can be converted into cash within 12 months period can be identified as current assets. This includes cash, short term securities, accounts receivables, bills receivables and inventory. The difference between current assets and current liability can be defined as net working capital. Same as current assets, obligations and claims of outsiders which are probable to settle within 12 months period can be identified as current liabilities, and this includes accounts payable, bills payable and outstanding expenses.

The discussion of working capital management is regarded to be one of the significant topics within the last few centuries in the business world. Working capital management mainly includes the management of current assets and by extension of the company's current liabilities. Literatures of corporate finance have generally concentrated on financial decisions that are long term in nature and this mainly contains investment decisions, company valuation, capital structure and dividend policies of the company (Afza & Nazir, 2007). Atseye et al. (2015) further describe working capital management and they argue that significant integral part of overall financial management is working capital management. This may refer to the investing, financing and controlling the net current assets of the company within the established policy guidelines. Accordingly working capital management means to take necessary actions for bringing working capital at optimal level. Only doing this, working capital management can maintain proper working capital position within the organization.

The findings and results of prior studies undertaken in this field over a lengthy period, show a range of variables such as current ratio, quick ratio, debtors' turnover ratio, cash conversion cycle, number of days account payable and number of days account receivables. Among all these variables, current ratio and cash conversion cycle was widely used as a determinant of working capital management of a business organization.

Altaf and Ahmad (2019) evidenced that when a firm used higher level of short-term debt to finance working capital requirements the firm's finance performance will be deteriorating while the finance performance of the firm improves when working capital requirements are funded by short term debt financing. This indicates that short term funding sources can be used in greater quantity only by companies which experienced lesser financial limitations without decreasing firm's finance performance. In here, three policies; restricted policy, relaxed policy and moderate policy, can be used to manage working capital components.

Many research groups as well as financial professionals are fascinated to understand how the working capital management of an organization affects to its financial performance, profitability, sustainability etc. Altaf and Ahamad (2019) and Abuzayed (2012) argue that more attention on working capital management shall be performed especially by small firms in small economics and firms in emerging markets. They argued that such economies, firms have limited access to funding and financial forecasting is less efficient. When organizations are willing to manage their working capital requirements effectively at the day-to-day business operations, they can concentrate on their long-term investments, expansions and finally the wealth maximization of their shareholders. Apart from contributing to financial performance and profitability of an organization, positive level of working capital also will be strengthening an organization to conduct their day-to-day operations efficiently and effectively. Factors such as being willing to pay for the creditors without any delay, ability to collect debtors on time, maintain quick ratio and current ratio above the industry average can be identified under this layer. These are particularly valid in the modern-day industry, which needs better working capital management to perform well in the market than the competitors who directly complete in the industry. There is a need for those who aspire to become industry giants in the long term to possess better working capital management system within the organization.

Maeenuddin et. al (2020) stated that there is a significant positive relationship between working capital management components such as inventory turnover, debtor turn over and creditor turnover and the firm's profitability represented by return on equity. Moreover, Abuzayed (2012), Singhania and Metha (2017) and Altaf and Ahmad (2019), have developed relationships between working capital and other financial components. When there is a necessary to integrate changing trends to working capital components all the policies shall be firmly reviewed and followed by the experts since working capital does not only have written policies (Kung et al. 2014).

Tauringana and Adjapong (2013) developed their hypothesis based on the assumptions of with the aggressive working capital management strategy, a negative relationship is probable between profitability of the firm and cash conversion cycle, inventory, accounts receivable which are used to measure overall working capital, while a positive relationship between accounts payable and profitability is expected. With the conventional approach, a positive relationship should exist between cash conversion cycle, inventory, accounts receivable and profitability and a negative relationship between accounts payable and profitability.

Seth et al. (2020) Sawarni and Narayanasamy (2020) state that most of the research emphasis on discovering the connection among some metrics reflecting the performance or valuation of firms and some proxy representing the efficiency of working capital management, either as a composite measure or as a component of working capital such as account receivables, inventory level and account payables of the firm. To measure the impact of working capital on firm finance performance return on assets was used to measure accounting-based performance (Baños-Caballero et al., 2016). Lyroudi and Lazaridis (2000) indicated that cash conversion cycle used as working capital management component positively related to the return on assets and the net profit margin of an organization and also have impact over company finance performance.

Considering above identified evidence companies are required to maintain positive working capital position within the company. However, the method used to create funds for working capital has a direct impact on firm's finance performance. Therefore, any fault in working capital management policies or decisions may directly impact upon the preferred liquidity level of the company and thereby create negative impact on the resourceful use of fixed assets. Working capital of the company is liken to the blood circulation system of a human being. As blood circulation is crucial for sustaining human life, working capital is crucial for smooth and competent running of the business and finally this is directly linked to the financial performance of the company. Finally, the core of working capital management is to maintain stable liquidity position within the company all the time so that neither the company face very high risk nor the fall in company returns on investment. This is a very difficult task for companies but in order to sustain in the long run companies shall have to manage their working capital in an advanced manner.

This study presents a fresh task for management of the company to create a proper working capital management approach to reduce working capital management issued faced by the company in education sector. This study thus contributes to the existing literature on working capital management and fill the gap, especially in relation to developing country educational sector, like Sri Lanka.

Methodology

Study Design

This research was based on case study method and used primary data collected from experts within the organizations and industry whereas secondary data collect from organizations financial statements.

Firstly, the study aims to identify relationship between the working capital management and financial performance of the Campus. Figure 3 represents the basic overall research framework; including working capital management independent variables such as average collection period, average payment period and cash conversion cycle and financial performance of the Campus through return on assets, return on equity and net profit margin. Moreover, Table 1 shows the operationalization developed for the study. The financial statements of the Campus from 2014 - 2019 were collected to analyze quantitative aspects.

Figure 3: Conceptual Framework

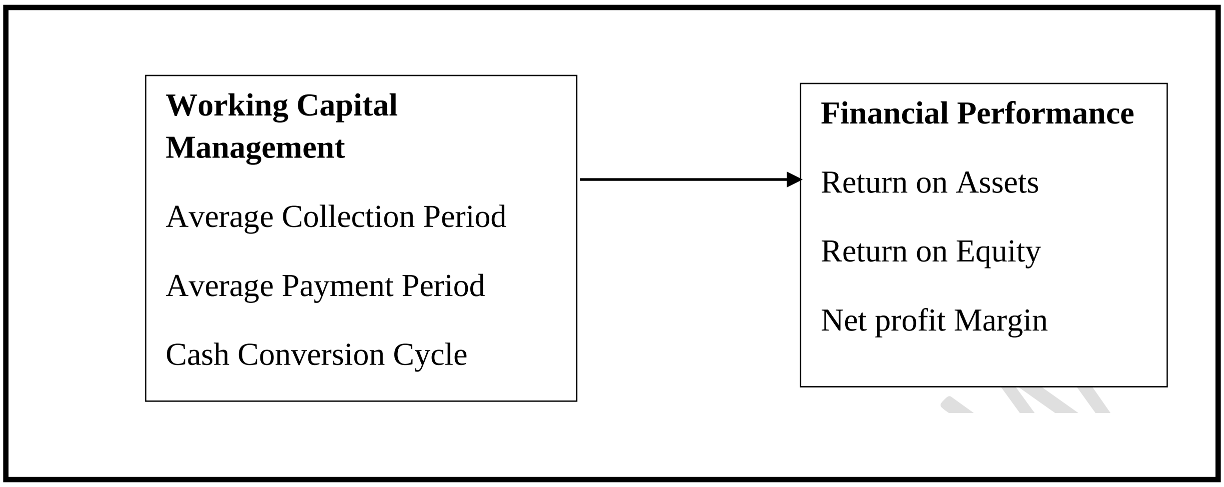


Table 1: Operationalization

Variable	**Working Definition**	**Measurement**
Independent Variables		
Average Collection Period (ACP)	The time takes to receive money from customers who purchase goods and services on credit basis.	(365 * Average Account receivable) / Net Credit Sales
Average Payment Period (APP)	The average time period taken by an organization for paying off their dues with respect to purchases.	Accounts Payable / (Credit Purchases / Number of Days)
Cash Conversion Cycle (CCC)	Cash conversion cycle measures how long a firm will be destitute of cash if it increases its investment in inventory in order to expand customer sales.	Days of Sales Outstanding + Days of Inventory Outstanding - Days of Payables Outstanding.
Dependent Variables		
Return on Assets (ROA)	This shows the percentage of profit a company earns in relation to its overall resources.	Net income/ Total assets
Return on Equity	This measures the profitability of a firm in relation to the equity of the firm.	Net income/ Shareholder's equity

(ROE)		
Net profit Margin (NPM)	This variable measures how much net income a firm makes as a percentage of total sales achieved.	Net Profit/ Revenue

To address the second and third research questions (what are the reasons for the working capital management issues in the Campus? and what are the recommendations to enhance working capital management and financial performance of the Campus?), a semi structured interview were conducted. Semi structured interview guide was constructed to collect in depth information about the subject through open ended questions, to explain, better understand, and explore research subjects' opinions, experiences with respondents and to share information in their own words and are beneficial for collecting detailed information. Accordingly, Chief Operating Officer, Finance Consultant and Head of Finance as internal interviewees and External Auditor and Finance Manager of sister company as external interviewees were selected.

Data Analysis

The panel data regression analysis is a statistical data analysis method which commonly used to analyze two-dimensional panel data in areas such as econometrics, social science and epidemiology. To run the regression analysis over the two dimensions, required data are normally gathered over the time and over the same respondents. The panel data analysis has several advantages, for it to use for the equation such as reduce measurement errors, prejudgment of the sample generated from the presence of discrete effects and control ability of unobservable heterogeneity (Gujarati, 2009). As despite by Jager (2008) this panel of data has inimitable features that can improve the analysis, but specific econometric methods are needed, and regression results can change expressively when panel data techniques are used. On the other aspect accounting studies should permit for heterogeneity between organizations, and the use of panel data techniques could assist in accomplishing this goal. Accordingly, panel data regression analysis was used for quantitative data analyze.

Content analysis and thematic analysis was used for qualitative data analysis of this study. The presence of themes, ideas or certain words within collected or given qualitative data can be determined using Content analysis research tool. As despite by Haggarty (1995) qualitative data collected for data analysis of the research can be analyzed systematically and reliably using content analysis research method and based on the interest of the researcher generalization can be done in relation to the categorization. Relational analysis and conceptual analysis are two general types of content analysis. The presence and occurrence of concepts in a text can be determine by suing conceptual analysis whereas relational analysis build the conceptual analysis by inspecting the associations between the concepts in a text. Using content analysis, researchers can quantify and analyze the occurrence, meanings and contacts of such certain words, themes, or ideas.

Thematic analysis is used to emphases on analytical themes or patterns of meaning within data in qualitative research. This analysis tool can highlight both organization and rich description of the data set used for analysis and theoretically informed explanation of meaning. Braun and Clarke (2006) provide step by step guidelines to trainee researches to conduct thematic analysis. Accordingly, thematic analysis is an initial data analysis method which facilitate defining and describing the solidity in recognizing techniques, data patterns studying and reporting in qualitative research. Thematic analysis goes beyond simply counting expressions or words in a text and explores explicit and implicit senses within the data. Different types of thematic analysis are underpinned by different logical and theoretical assumptions and are different in terms of procedure.

Findings

Quantitative Analysis

Table 2 shows the results of model summary under the panel data regression analysis used for this study and adjusted R-square values.

Table 2: Model Summary

Dependent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
ROA	.975[a]	.950	.899	.02162	2.864
ROE	.816a	.666	.331	.27756	2.882
NPM	.973a	.946	.893	.57703	2.363

a. Predictors: (Constant), CashConv, Collection, Payment

High value of adjusted R-square for dependent variables indicates high explanatory power of independent variables towards dependent variables. Accordingly Return on assets (ROA) and

Net profit margin (NPM) have high explanatory power since they had high value of adjusted R-square and Return on equity (ROE) has with low value of adjusted R-square.

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
ROA	Regression	.026	3	.009	18.895	.019[b]
	Residual	.001	3	.000		
	Total	.028	6			
ROE	Regression	.460	3	.153	1.991	.293[b]
	Residual	.231	3	.077		
	Total	.691	6			
NPM	Regression	17.586	3	5.862	17.605	.021[b]
	Residual	.999	3	.333		
	Total	18.585	6			

a. Predictors: (Constant), CashConv, Collection, Payment

ANOVA table (Table 3) shows relationship with independent variable and dependent variable. Working capital has significant (at 99% confidence) relationship with ROA and NPM, however working capital has no significant relationship with ROE since p value is higher than 0.05.

The average functional relationship between two or more variables can be identified through regression coefficient. In this analysis one variable is recognized as dependent variables and other variable(s) as independent variables. When any variable is substantial to the model, then only the independent variable regression coefficient sign become vital in the analysis (Goel and Sharma, 2015). Table 4 emphasizes the significant variables along with variables which has influence over the working capital management of a company.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
ROA	(Constant)	-.209	.027		-7.754	.004		
	ACP	-.040	.013	-18.091	-3.189	.040	.001	1920.859
	APP	.041	.013	26.217	3.212	.049	.000	3975.428
	CCC	.040	.013	32.430	3.120	.052	.000	6447.640

ROE	(Constant)	-.580	.347		-1.672	.193		
	ACP	-.097	.162	-8.803	-.602	.590	.001	1920.859
	APP	.097	.163	12.518	.595	.594	.000	3975.428
	CCC	.093	.163	15.219	.568	.610	.000	6447.640
NPM	(Constant)	-3.748	.721		-5.199	.014		
	ACP	-.454	.337	-7.916	-1.349	.045	.001	1920.859
	APP	.464	.339	11.547	1.368	.050	.000	3975.428
	CCC	.432	.340	13.685	1.273	.293	.000	6447.640

The first independent variable is average collection period (ACP), and it has significant negative relationship with ROA and NPM. The significant relationship with ROA and NPM is occurred because when the collection received with shorter collection period both return on assets and net profit margin for the period is increased and vice versa. However according to the analysis ACP has no significant relation with ROE. Hence, there is a significant relationship of ACP only over return on assets and net profit margin of the Campus. The second independent variable is average payment period (APP). According to the analysis, APP has significant relationship with ROA of the Campus. This relationship occurs when the Campus increase average payment period cash position increased and as a result Campus return on assets increased. However, the APP has no significant relationship with ROE and NPM. Cash conversion cycle (CCC) is the third independent variable considered under above analysis. Hence relationship of CCC over ROE, ROA and NPM was not significant.

Qualitative Analysis

Five experts were selected to conduct semi-structured interviews to collect data. Average duration of an interview is one to two hours. All the interviews were tape recorded with permission. Recorded interviews are transcribed and analysed by the researchers individually and independently. The underneath table (Table 5) summarizes the demographic factors of the responders.

Table 5: Demographic Factors of the Responders

Factor		**Frequency**
Gender	Male	04
	Female	01
Professional Qualifications	CA Qualified	04
	CA Part Qualified	01

Age	30 - 40 Years 40 – 50 Years 50 – 60 Years	02 01 02

Using content analysis, the study quantified and analyzed the occurrence, meanings and contacts of such certain words, themes, or ideas generated through interviews. In here, main points were coded and included into a mapping. The outcomes of mapping were summarized to identify major themes and sub themes under thematic analysis. Linan and Fayolle (2015) state that themes and subthemes emphasize the main ideas, opinions and conceptual relationship of expressions on which research questions, concepts or measurements are based. The responses from the interviewees are grouped together based on similarity in themes. Five major themes were recognized in this analysis which contained distinct subthemes (Table 6).

Table 6: Main Issues Identified by Responders

Responders	Identified main points
Chief Operating Officer	Low-income students
	Discouraging payment culture
	Lack of receivable follow-ups
Finance Consultant	Lack of new strategies
	Poor negotiations
	Lack of financial planning
Head of Finance	Student's financial problems
	Lack of student information
	Flexible collection policies
	Lack of financial planning
Finance Manager – Sister Company	Internal conflicts in strategies
	Inability of supplier prioritization
External Auditor	Difficulty in identifying receivables

Table 7: Thematic Analysis

Theme	Subtheme
Customer's problems	Low-income students Financial problems
Strategies weakness	Lack of new strategies

	Flexible collection policies Discouraging payment culture Internal conflicts in strategies
Lack of information	Lack of student information Difficulty in identifying receivables Lack of receivable follow-ups
Financial inefficiencies	Poor negotiations Inability of supplier prioritization Lack of financial planning
Negative reputation	Bad credit ratings Negative image with suppliers

Under *Customer's problem* theme, two subthemes have been used to clarify why students delay their payments. *Low-income students* are the first subtheme comes under customer's problem. Even though the Campus is focused on middle high-income students, most students are attracted from middle low level because of relationship with parent company. Most of the students are dependents and family financial disputes directly effect on their education process. Accordingly, when students did not have smooth financial flow, they gradually delay their payments and Campus faced difficulty with handling high number of receivables.

Strategic weakness is identified as second theme. This mainly consider on financial strategies and recovery strategies used by the Campus in practice. According to the company management this create major impact on working capital management of the Campus. Rusjan (2005), in his study, examines the strategies to ensure the achievement of appropriate return on assets and working capital in the future. Four subthemes were identified under this theme during the interviews. *Lack of new strategies* in the Campus for student recovery, is mainly highlighted in the interviews. The management and the staff practice same financial and recovery strategies over the period of time and Directors are reluctant to change those strategies even though financial department request to incorporate new financial and recovery strategies. The second subtheme is *Flexible collection policies* practiced by the Campus. Due to this flexible collection policy the students who made their payments without any arrears also are motivated to make their payments after due dates. It became difficult to impose any restrictions for the students with arrears payment because of the flexible collection policies and create direct impact over working capital management of the Campus.

Discouraging payment culture is third subtheme comes under strategies weakness. From the beginning onwards marketing staff themselves encourage students to make their payments as they pleased without adhering to the proper payment structure given by the Campus. As a result, the working capital budget and the finance plan cannot be achieved due to the time variance in collecting receivables. The *Internal conflicts in strategies* is the fourth subtheme under this category. The internal departments have their own strategies/policies to treat students with due payments. However, these independent policies create internal conflicts among departments. Under those circumstances it becomes difficult to collect payments on time to manage working capital of the Campus.

The third theme is *Lack of information* to take financial and working capital management decisions. Data and information play a significant role in decision making process. Blazevic et al. (2003) argued that high information awareness is an important factor for an organization success. With lack of information, it is very difficult to make proper decisions. There subthemes were identified under Lack of information theme. The first subtheme is *Lack of student information*. In present context Campus maintain most of the student records in manual context and communication to the students become difficult and time consuming. Thus, students with arrears payments cannot be contacted. *Difficulty in identifying receivables* due to lack of information become another problem in working capital management of the Campus. Because of that it become difficult to collect receivables from debtors (students). With the high amount of receivable which cannot be identified at beginning stage the Campus faced high amount of bad debt at the end of the period. The third subtheme identified under this theme is *Lack of follow ups in receivables*. During the interviews it was highlighted that there is no sufficient information to follow up receivables from students. Since there is no proper receivable follow up procedure and information it becomes difficult to collect course fee according to the working capital plan and working capital management become a challenge to the organization.

Financial Inefficiencies is the next theme identified under this analysis. Financial efficiency involves financial discipline and regulations over working capital management and operations (Bull, 2007). The first subtheme identified under this theme is *Poor negotiations.* This includes price negotiation and credit term negotiation. Due to poor negotiation the Campus had to pay high prices and unable to obtain favorable credit terms to the Campus. Favorable negotiations on price and credit terms would be helpful for better working capital management. During the interview finance consultant said that,

> *"This Campus is accepting what suppliers offer to them. We have to do proper negotiations. Everyone should have the feeling that we have working capital problem.*

> *So, we have to go for better credit terms and period with proper negotiations. Then we can manage our payments with what we collect from students"*

Inability of supplier prioritization is another important factor that affects working capital management. The Campus has to honor ad hoc payments due to internal and external pressure and because of that it becomes difficult to maintain proper supplier prioritization plan. When company has to pay suppliers on ad hoc basis, it becomes difficult to manage company working capital according to the working capital plan and budget. The main point highlighted during the interviews under this theme is *Lack of financial planning.* The mutuality of financial literacy and financial planning is highlighted in its definition: *"Financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision making and sound, long-range financial planning, while mindful of life events and changing economic conditions"* (Remund, 2010, p. 284).

The Campus is annually preparing proper financial plan at the beginning of the period. However due to management decisions and internal decisions finance experts have to reverse Campus financial plan from time to time from situation to situation without adhering to proper financial plan.

Negative reputation is the last theme identified for the analysis. The organization reputation is very much important when it wants to have financial support from external party. Currently the Campus have high amount of bank loans from several banks for the past five-year period. Due to that it created *Bad credit ratings* to the Campus. Therefore, it is very difficult for the Campus to obtain a bank loan facility for their working capital requirements. Hence all the working capital requirements had to be covered from day-to-day collection of the Campus. *Negative image with suppliers* also is another reason for working capital management problems faced by the Campus. Since they do not have strong positive relationship with Campus the credit periods and the quote prices are not much flexible and sometimes Campus has to pay significant amount as an advance payment. The Head of Finance stated that,

> *"We have to build strong relationship with suppliers and affiliations. Then only we can request extended credit period. Currently they do not trust us since our financial statements are not providing positive picture of our Campus. Because of that we must make advance payments to suppliers and affiliations. Simply we must pay them before we collect from students".*

Discussion

This study investigated the reasons for working capital management issues faced by a private campus and the influence of working capital towards the financial performance of the organization. Because of the financial and global competition, efficient working capital management has become essential factor to every industry.

This research project shed a light on identifying reasons for working capital management issues and the relationship between working capital management and finance performance especially in the education service sector. Considering the results of this research project, the thematic analysis can be used as a tool in short term and long-term decision make within the organization in order to improve working capital position. For example, findings identified in thematic analysis can be used when improve relationship with suppliers and do negotiations with suppliers. In long term, the policy makers and the decision makers of the Campus can use these findings to identify positive or negative impact of the decisions and policy developed by them and can finally forecast the better working capital management position within the company.

Two opinions were suggested by theoretical studies related to working capital management. The first opinion is, high investment in working capital facilitate to increase company sales, obtain significant discount or price deduction for early settlements and finally increase the firm value (Deloof, 2003; Aktas et al., 2015). The second opinion is value destruction for shareholders can be lead through undesirable effects of over investment in working capital (Aktas et al., 2015). On the other hand, according to Kieschnick et al. (2011) high investment in working capital increase profitability of bankruptcy since financing expenses increase as a result of company extra financing requirements. Collectively, the relationship between working capital and finance performance of an organization directed to a new perception with the findings of these researches. The empirical findings and discussions support important role of financial aspect in working capital management decisions. Some companies with more financially constrained maintain optimum working capital at lower level since high cost of external funding and debt regulating increased investment sensitivity in working capital. Additionally, according to the research findings aggressive working capital management is certainly and significantly connected with higher corporate values.

In the research conducted by Altaf and Ahmad (2019), relationship between working capital management and company finance performance and the impact of financial constraints on this relationship was proved with the evidences. The results of the research highlight the significance of effective working capital management for companies in comparing the cost and benefit of financing working capital within the organization. Moreover, in order to attain optimal finance performance, the organizations should always focus to optimization of working capital financing and should avoid possible deviations. Accordingly, most of the researches provide guide for subsequent studies in testing the relationship between working capital management and finance performance.

In two different ways this research project can affect working capital management of the Campus. Firstly, this provides guidance to decision makers of the Campus to consider the impacts of working capital of the company towards the stability more systematically in the future. Currently this is not much focus, as example the Campus give much attention to enroll high student number but do not provide attention towards the payment capacity. However, this project provide evidence that working capital cannot be ignored when achieving non-monetary targets of the company. Secondly, this project is focused towards the relationship between working capital management and finance performance.

On the basis of this research project, the decision makers of the companies in education industry can have an idea about the importance of working capital management. In addition, these findings provide insight that education institutions should be paid attention to effective working capital management. Previous studies and researches have not much addressed working capital management issues faced by education institutions, which gain more and more consideration under the unpredictable current economic conditions. Therefore, in present context there is a rising need for management techniques that emphasis relationship between working capital and financial performance. It should be noted that while this research project is mainly concentration on factors of the selected education institute, the findings and logic presented here can be applied to other institutes in same industry in Sri Lanka.

The discussion underneath includes possible managerial implications and solutions suggested by interviewers to implement with in the Campus during the interview process.

When conducting a business, it is essential to build a strong relationship with customers, suppliers, vendors and other related parties. This will be helpful to identify unreliable persons who are unable to fulfill their obligations to the organizations. In order to overcome this matter companies can introduce an incentive scheme to receivables to encourage them to meet their payment obligations. During the interview this solution was highly recommended by the experts and this will help to reduce students' receivables and on the other hand help to establish good rapport with students.

The Campus was unable to maintain long term relationship with the suppliers due to financial constraints. As a result, the Campus is unable to negotiate favorable credit terms with suppliers since there is no strong relationship with suppliers. Therefore, in order to overcome this matter, it is recommended to identify suppliers with favorable credit terms, met all debt obligations on time at the initial stage and maintains good relationship with them. Thereafter when the organization face working capital crunch, this relationship will go a long way in receiving some leniency to the organization.

During the interview all the responders recommended this solution for the working capital management problem faced by the Campus. According to the interviewees there is no proper cost analysis taken place within the Campus. Therefore, it is recommended to determine fixed and variable cost of the organization and identify expenses which do not create any value addition to the organization in order to eliminate such expenses.

Information is the main key of successful decision making. When consider the Campus, the lack of updated information is the main problem faced by the decision makers. Without proper information system it is very much difficult to take proper decisions. This is valid for both financial and non-financial aspects. As example, the Campus is unable to contact students with arrears payments since student records are not up to date and decision makers cannot take actions for those students. To mitigate these problems, it is much essential to maintain proper information system within the organization and based on the updated information decision makers can take working capital management decisions and other policy decisions as well.

In present context the Campus is mainly monitor account receivables and payable on manual basis. This is a time-consuming task which becomes difficult to handle. Therefore, in order to eliminate this problem, it was recommended to incorporate account receivable and payable monitoring system to the Campus. This will help to track daily inflows and outflows of the

Campus and also provide platform to identify students with arrears payment without any delay. Moreover, by automating the account receivable and payable function company working capital can be forecasted very easily to take financial policy decisions.

The main challenge faced by the companies is that how to develop an efficient and effective policy guideline for working capital management in order to minimize negative impact towards the company financial situation and secure the financial benefits associated with controlling shareholders as well as in protecting minority shareholders. As this study particularly looks at what criteria on working capital management would influence the private campus, Managers who made policies for working capital management can easily take steps to include precautions in the organization to minimize working capital management issues faced by the organizations.

There was no attempt taken to include both government sector universities and private sector universities in this study. However, out of 47 population, for this study, the above said private campus was taken into the consideration. Therefore, it is impossible to provide a 100% confirmation that the selected campus would represent the population and would lead to arriving at conclusions if the study is performed on the whole population.

This research was based on secondary data such as annual financial statements, where encountered some information manipulations according to the company requirements and face difficulties in gathering all the required information. Moreover, at the same time, it is supposed to collect data from the industry experts through interviews and their experience and opinions may have personal interpretation and industry bias.

REFERENCES

Abuzayed, B. (2012), "Working capital management and firms' performance in emerging markets: the case of Jordan", *International Journal of Managerial Finance*, Vol. 8 No. 2, pp. 155-179

Afza, T., and Nazir, M. S. (2007). Working Capital Approaches and Firm's Returns. Pakistan Journal of Commerce and Social Sciences, Vol 1 No. 1, pp. 25-36.

Aktas, N., Croci, E. and Petmezas, D. (2015), "Is working capital management value-enhancing? Evidence from firm performance and investments", Journal of Corporate Finance, Vol. 30, pp. 98-113.

Altaf, N. and Ahmad, F. (2019), "Working capital financing, firm performance and financial constraints: Empirical evidence from India", *International Journal of Managerial Finance*, Vol. 15 No. 4, pp. 464-477

Atseye, F.A, Ugwu, J. I and Takon, S. M. (2015). DETERMINANTS OF WORKING CAPITAL MANAGEMENT. *International Journal of Economics, Commerce and Management*. Vol. 3 (2), pp. 18-20

Baños-Caballero, S., García-Teruel, P.J. and Martínez-Solano, P. (2016), "Financing of working capital requirement, financial flexibility and SME performance", Journal of Business Economics and Management, Vol. 17 No. 6, pp. 1189-1204.

Blazevic, V., Lievens, A. and Klein, E. (2003), "Antecedents of project learning and time-to-market during new mobile service developments", International Journal of Service Industry Management, Vol. 14 No. 1, pp. 120-147.

Braun, V and Clarke, V. (2006). Using thematic analysis in psychology. *in Qualitative Research in Psychology*. Vo. 3 No. 2, pp. 65-80

Bull, R. (2007), Financial Ratios: How to use Financial Ratios to Maximize Value and Success for Your Business, Elsevier, London.

Chandler, A D. (1994). The competitive performance of US industrial enterprises since the second world war. *Business history revolution*. Vol. 68 No. 2, pp. 1-72.

Deloof, M. (2003), "Does working capital management affect profitability of Belgian firms?", Journal of Business Finance and Accounting, Vol. 30, pp. 573-587.

Ekanayake, S.B (2019) 'Solutions to the multiple crises in Sri Lankan education', Daily News, 26th November, p. 17.

Goel, U. and Sharma, A. (2015), "Working capital management efficiency in Indian manufacturing sector: trends and determinants", International Journal of Economics and Business Research, Vol. 10 No. 1, pp. 30-45.

Gujarati, D.N. (2009), Basic Econometrics, Tata McGraw-Hill Education Private Limited, New Delhi.

Haggarty, L. (1995). The use of content analysis to explore conversations between school teacher mentors and student teachers. *British Educational Research Journal*. Vol. 21, No 2, pp. 183–197.

Jager P.D. (2008). *Meditari: Research Journal of the School of Accounting Sciences*. 2nd ed. Department of Higher Education and Training: University of Pretoria. p. 53 – 68

Kieschnick, R., Laplante, M. and Moussawi, R. (2011), "Working capital management and shareholder wealth", Working Paper, SSRN Electronic Library, available at: http://ssrn.com/abstract_ 1431165

Kung‟u, J. N., Njui, N. W. and Kimani, L. W. (2014)," Working Capital Management in Government Technical Training Institutions in Kenya", *Journal of Economics and Finance*, Vol. 5 No. 5, pp. 134-142

Linan, F. and Fayolle, A. (2015), "A systematic literature review on entrepreneurial intentions: citation, thematic analyses, and research agenda", International Entrepreneurship and Management Journal, Vol. 11 No. 4, pp. 907-933.

Lyroudi, K. and Lazaridis, Y. (2000), "The cash conversion cycle and liquidity analysis of the food industry in Greece", working paper, available at: http://ssrn.com/paper¼236175 (accessed September 7, 2010).

Maeenuddin, Yusrini L., Nassir A.M.D., Hafeez M., Chughtai M.S. and Hussain A. (2020), "An Empirical Investigation of Working Capital Management Components and its Association with Firm's Profitability (ROE)" Vol.12, No.3, pp. 2644 – 2662

Pandey, I. M. (2004). Financial Management, 9th Edition. New Delhi: Vikas Publishing House

Pandey, I.M (2000). Financial Management Vikas, Publication Ltd; India

Remund, D.L. (2010), “Financial literacy explicated: the case for a clearer definition in an increasingly complex economy”, The Journal of Consumer Affairs, Vol. 44 No. 2, pp. 276-295.

Rusjan, B. (2005), "Model for manufacturing strategic decision making", International Journal of Operations & Production Management, Vol. 25 No. 8, pp. 740-761

Sawarni, K.S., Narayanasamy, S. and Ayyalusamy, K. (2020), "Working capital management, firm performance and nature of business: An empirical evidence from India", International Journal of Productivity and Performance Management, Vol. 70 No. 1, pp. 179-200

Seth, H., Chadha, S., Ruparel, N., Arora, P.K. and Sharma, S.K. (2020), "Assessing working capital management efficiency of Indian manufacturing exporters", Managerial Finance, Vol. 46 No. 8, pp. 1061-1079

Singhania, M. and Mehta, P. (2017), "Working capital management and firms’ profitability: evidence from emerging Asian countries", *South Asian Journal of Business Studies*, Vol. 6 No. 1, pp. 80-97

Tauringana, V. and Adjapong Afrifa, G. (2013), "The relative importance of working capital management and its components to SMEs' profitability", *Journal of Small Business and Enterprise Development*, Vol. 20 No. 3, pp. 453-469.

Tuovila A. (2020), “Working capital management”, *The Investopedia*, 10 May, accessed 14 July 2020, <https://www.investopedia.com/terms/w/workingcapitalmanagement.asp>