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**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**



**THE IMPACT OF CASH MANAGEMENT ON ORGANIZATIONAL PERFORMANCE.  
A CASE OF SMEs IN BINDURA TOWN ZIMBABWE**

**SUBMITTED BY**

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## **DEDICATION**

This project is dedicated to my family members, who have shown unconditional love and support until the completion of this dissertation. God bless you!

## **ABSTRACT**

The research was focusing on the impact of cash management on the overall performance of small and medium-sized businesses in Bindura town. The objectives of the study were to identify challenges being faced by SMEs in managing cash, to establish cash management techniques, they use to hold optimum cash and determine the effect of cash management on Profitability. The aim was to come up with solutions of efficiently and effectively handling management of cash in these small businesses especially in this economy characterized by high interest rates, high inflation rates and high exchange rates so as to improve performance of smes financially such as in terms of net profit margin. Questionnaires were used to obtain data from a sample of 166 smes in Bindura town from the sample only 127 managed to respond thereby providing a response rate of 76%, in addition to this the random probability sampling technique was used to obtain the sample from a total population of 738. The validity and reliability of the data was tested through SPSS version 20 and the reliability was found to be 0,879 which is recommend by this software and also a pilot study was done on few smes to ensure the questionnaire was user friendly, free from errors and bias so that necessary adjustments can be done on the questionnaire to make it line with the research objectives and to yield the reliable expected outcome. The participants were consisting of the smes in grocery shops and food outlets, clothing, electrical gadgets and a combination of all. Data gathered or obtained from the research was presented through the use of bar graph and tables. Following the research findings, it was proved that there is a positive relationship between cash management and the level of net profit margin although some practices or techniques of managing cash were insignificant or have less impact on the net profit margin as supported by the results obtained from the regression analysis. The research recommends that future research must be done considering smes in the whole country of Zimbabwe since this one is considering those in Bindura only.

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## **List of Abbreviations**

SME	Small Medium Enterprises
CBD	Central Business District
CCC	Cash Management Cycle
CMU	Cash Management Unit
CM	Cash Management
USA	United States of America
DIO	Days Inventory On-hand
DSO	Days Sales Outstanding
DPO	Days Payable Outstanding
EOQ	Economic Order Quantity
WCM	Working Capital Management

# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

The research focuses on the impact of cash management on the performance of small to medium enterprises in Bindura town. Cash management is a vital aspect of every business, and it plays a critical role in the success of small to medium enterprises (SMEs). SMEs are the backbone of most economies, and they face unique challenges in managing their cash flow due to limited resources and competition from larger companies as supported by Franco and Haase (2009). In recent years there has been an increased focus on the importance of cash management in SMEs, and several studies have been conducted to understand the impact of effective cash management on their performance therefore this paper aims to explore the background of cash management and its impact on the performance of SMEs in Bindura town, with a focus on the relevant literature and practical examples.

### 1.1 Background of the study

Cash Management is a critical aspect of small and medium-sized enterprises (SMEs) as it affects their performance. According to Gitman (2008), cash management involves managing the inflow and outflow of cash within an organization. Efficient cash management ensures that a company has enough cash to meet its obligations, such as paying suppliers and employees, and investing in growth opportunities. SMEs face unique challenges in managing their cash flows due to limited resources, and this can have a significant impact on their performance.

According to Kawai and Motohashi (2019), SMEs cash shortages can cause them to delay payments, which can lead to a loss of trust from suppliers and customers, resulting in decrease in sales and profitability. According to Deegan (2019), having an efficient cash management system in place can help SMEs meet their financial obligation on time and make better investment decisions. And also maintaining cash reserve can help SMEs withstand economic shocks and

survive during difficult times Gitman, (2008). According to Nguyen and Zhao (2020) effective cash management practices, such as cash forecasting and monitoring, significantly improve the financial performance of SMEs. In addition to this, the study also found that SMEs that adopt technology-based cash management systems have a competitive advantage over those that use traditional methods. On the other hand, poor cash management can result in cash flow shortages, missed opportunities and even bankruptcy Nguyen and Zhao (2020). Similarly, another study by Kim and Lee (2021) found that effective cash management practices, such as optimizing cash conversion cycles and minimizing working capital, have a positive impact on SMEs profitability and growth. The study also emphasized the need for SMEs to develop cash management that align with their business objectives and operating environment.

Management often use the term cash referring to marketable securities such as bonds, treasury bills, cheques, currency notes this was according to Jones (1992). A profitable entity may shutdown if it has insufficient cash to settle payments such as rent, wages, taxes and utilities therefore effective cash management is very crucial. Institute of Chartered Accountants (2000) Cash is considered as one of the most essential current assets since all departments of the organization highly depends on cash hence it is regarded as the life blood of the company. It is also considered as the most liquid asset. Inadequacy of cash hinders production processes of the entity also too much cash may not be good to the organization considering factors like opportunity cost of investment that is if cash remains idle it does not bring anything so it must be invested to bring returns. Cash management is more than avoiding bankruptcy and collapse of the firm, it also improves revenue and reduces cost

According to Keynes (2005) Organizations hold hard cash for various reasons these includes the transaction motive which says that individuals hold cash to meet daily expenses, precautionary motive this implies that individuals hold cash to meet unforeseen or un planned circumstances and also there is the speculative motive which implies that individuals have hopes that in a certain period of time of a future date cost of raw materials maybe relatively lower. It is a thing of the past that all payments or bills have to be made via banks. An organization can plan for its future needs. Huseyin (1991) Indicated that managers have the duty to hold cash so that they will be in a position to make investments from an informed position.

According to Hutchison (2007) cash management is the technique which includes management of cash and collection to make sure that the organization has the best level or balance to run its operations smoothly. Managers of cash concentrate on making sure that sufficient money, is reserved by the organization and excess funds are invested to bring returns. It can also be said that budgeting cash allows planning, controlling of payments and receipts. Management will be aware as to when they are likely to have cash flows for the estimated period in time. Organizations require cash forecasts for them to prepare budgets. In preparing budgets organizations should ensure that it takes into consideration cash outflows and inflows made by an organization and be in a position to prepare cash forecast. Organizations must make sure that the cash conversion cycle is shorter. This means that the entity requires less resources in order for it to run. On the other hand, if the C.C.C is greater this means that sales are higher which can lead to more revenue. Gitman (2008) highlights that the smaller or lesser the C.C.C the greater the performance of the entity financially.

As from 2008 the country of Zimbabwe was highly volatile due to a variety of factors, including political unrest, high cost of living triggered hyper-inflation. High levels of instability made financial institutions to be hesitant to lend to SMEs. The economic environment has been characterized by high levels of inflation and the country was relying on the South African Rand, Botswana Pula, and US Dollar as the medium of exchange. As a result of the resulting liquidity crisis in the financial sector, SMEs were viewed as vulnerable. The most vulnerable were those who were hazardous and less appealing to lenders. As a result, SMEs have struggled to overcome the consequences of currency fluctuations or the dollarization of the economy Mambo, (2010). Banks were to consider lending to SMEs in an uncertain environment to be business suicide Makina, (2009). According to Koush (2008), there are three reasons why SMEs are important. According to Koushi (Ibid), increased entrepreneurship and competition resulting in innovation, efficiency, and also productivity development. Second, SMEs outperform large corporations in terms of productivity. Finally, SMEs increase employment. They require a lot of time and effort to create. According to Beck et al. (2005), a robust SMEs sector is positively connected with various benefits to the country. According to Ayyagary (2005), formal SMEs contribute to the national output of the country and uplifting standard of living. In light of this, the Zimbabwean government has established an entity which can represent small businesses known as the Small Scale Enterprise Development (MSED) to promote the growth of SMEs.



## **1.2 Statement of the problem**

SMEs throughout the country were passing through a difficult phase financially due to lack of sufficient cash to finance their operations which was being fuelled by the prevailing economic hardship of high interest rates, inflation rates and exchange rates which were adversely impacting on the performance of SMEs. Inflation rate in July 2022 was at 256, 9% and interest rates were raised from 60% in April to 200% in June as stated in the 2023 monetary policy RBZ (2023). In addition to this, another factor that has adversely impacted on SMEs cash management it is the lack of professionals who possess skills and competence in cash management since they do not have enough resources to hire these professionals' as supported by Franco and Haase (2009). Cash is a very critical resource of the company therefore without cash the organization is at high risk to cash management challenges hence the need for this study to ensure efficient and effective techniques of managing cash.

## **1.3 Aims of the study**

Investigating the impact of cash management on organizational performance and providing long lasting solutions to the challenges associated with failure to manage cash properly in SMEs.

### **1.4 Research Objectives**

1. To identify challenges being faced by SMEs in managing cash.
2. To establish cash management techniques, they use to hold optimum cash.
3. To determine the effect of cash management on net profit margin.

### **1.5 Research Questions.**

1. What are the challenges facing SMEs in managing cash?
2. How do cash management techniques affect performance?
3. What can be done by SMEs to maintain optimum levels of cash?

## **1.6 Significance of the study**

To the researcher this study improves accounting skills and build knowledge gap which are very essential for every accountant.

To SMEs the research is expected to contribute immensely towards the most efficient and effective ways of cash management not only to the SMEs but also to various companies who might be in need of this information.

The study will bridge the gap of mismanagement of cash by SMEs through long term solutions provided in this research.

To Bindura University of Science Education, it provides secondary data for future researchers therefore it can be used for learning purposes.

### **1.7 Research Assumptions**

- Effective cash management is critical to the success of SMEs.
- There is a positive correlation between effective cash management and profitability.
- SMEs face unique cash management challenges compared to larger organizations.
- Technological advancement has impacted cash management practices.

### **1.8 Delimitation of the research**

The study was done in Bindura town in 2023. SMEs in grocery shops and food outlets, clothing, electrical gadgets and a combination of all are the ones that are under the scope of this study of improving performance through better practices of managing cash.

### **1.9 Limitations**

- Access to relevant information was constrained since department managers they feel exposed and they did not want to publish certain information therefore the researcher was not in a position to collect all information in these circumstances for the research to produce the desired outcome.
- Only smes in Bindura town are considered in this study therefore the study ignored smes in other parts of Zimbabwe.
- There was no clear consensus on cash management practices which makes it difficulty in defining the scope of the study.

### **1.10 Definition of terms**

- **Organization** - to an institution that consist of one or more stakeholders who runs a company with refers the same views and goals.
- **Liquid asset** – the ease with which an asset can be turned into cash.
- **Cash** - these are cash and cash equivalents that can be easily changed into cash within a short period of time.
- **Management**- Involves overseeing the operations of an organization in a manner that maximizes productivity and profitability while minimizing costs and waste.
- **Cash Management** - activities which includes estimation, handling and investment of cash.
- **Obligation**- refers to financial commitment or responsibility that an organization has to fulfil.
- **Liability** – refers to an obligation or debt that a company owes to another party, often in the form of money or goods or services.
- **Assets** – are resources that are owned or controlled by a company that have a measurable economic value and can be used to generate future benefits.
- **Investment**- refers to the allocation of resources, typically money, with the expectation of generating income or profit.
- **Effectiveness** - is the company achieving its objective in this case of cash management
- **Efficiency** - how well a process in being carried out using limited funds or resources.
- **Small to Medium Enterprise**- refers to businesses with a limited number of employees and a relatively low revenue compared to larger companies.

### 1.11 Chapter Summary

This part of the research addressed introduction, background of the study, problem statement and several others that have been highlighted above. Next chapter is going to look at the literature review

## CHAPTER II

### LITERATURE REVIEW

#### 2.2.0 Introduction

In this part of the study, the researcher reviews, examines various academic sources on cash management to gain a better understanding of its importance and the different strategies that the organizations can use to manage their cash effectively. The review will cover various aspects of cash management, including cash forecasting, cash collection, cash disbursement, and cash investment just to mention a few. The review will also look at the effect of cash management practices on performances of SMEs. Through this literature review, the researcher aims to provide insights into the best practices in cash management and highlight the importance of effective cash management in ensuring the financial stability of SMEs. The review will also provide basis for research in the field of cash management.

#### Theoretical framework

##### 2.1.0 Miller-Orr Cash Management model

Miller and Orr model (1966) they assumed that cash flow of the organization is stochastic that is different amounts of cash payments are done at various points in time. Also assumes that movement in cash balance occur randomly. It is a model with control limits that has control size and time. The model consists of upper limit, lower limit and return point. SMEs should not hold too much cash or less therefore if neither of the two happens the firm will need to come up with a way to get back to the return point. When the cash balance approached the upper limit level securities are bought back until the level of cash get back to the return point and When the cash balances approached the lower limit securities are sold until the level of cash increases until it reaches to the return point therefore the contribution from this model is relevant for this study in the sense that SMES can implement this model in managing their money balances that is if their cash levels increased beyond the return point they need to invest excess idle cash since there is opportunity cost of not investing , also when it goes down they can implement strategies to get back to the return point. Below is a formula for calculating return point

**RP =  $3 \sqrt{3}$  \* conversion cost \* variance of daily net cash flow<sup>4</sup> \* daily opportunity cost (decimal)**

### **2.1.2 Limitation of the Theory**

Research has proved that cash inflows and outflows are unlikely to be predictable.

### **2.1.3 Baumol's inventory Approach to Transaction demand for money**

Baumol's (1982) emphasis on transactions demand for cash. He linked the demand for cash to the viewpoint of the inventory control. Individuals and firms hold inventory of money in order to meet transactions such as buying goods and services. Individuals and firms. Individuals and firms have to keep the best level of inventory of cash for transaction purposes. As it can be said that, there are cost associated with holding idle cash balances. The cost is in the form of opportunity cost of not investing the inventories of cash which could have been invested and obtain a return on investment. According to him, it's safe to keep cash in saving deposits since earn interest. The model is in line with this study, in the view that this study looks at techniques of management of cash such as investing idle cash balances and maintaining optimum levels of cash sufficient to finance the operations of the entity therefore its relevant for this study.

Used the Economic order quantity formula

**EOQ = (cost per conversion\* number of conversions) + (opportunity cost \* average cash balances)**

### **2.1.4 Limitations**

It can be used when payments can be assessed

There is a high degree of uncertainty in predicting the cash flows

It only suggests optimum balance under a set of assumption

### **2.1.5 Free cash flow theory**

According to Jensen (1986) he argued that free cash flow can lead to agency problems, as managers will be tempted to invest in projects that do not maximise shareholder value. He suggested that the problem can be mitigated by returning excess cash to shareholders in the form of dividends or share purchases The free cash flow theory suggests that firms with excess cash flows will have lower profitability as compared to firms with less or no cash flows. Huseyin and Eljelly (2017) explained that when firms have excess cash flows, managers may be tempted to use the cash for

non-profitable investments or to engage in a wasteful spending. This may lead to lower profitability as the firm may not be investing in profitable projects or may be wasting resources. Furthermore, the free cash theory suggests that firms with less or no excess cash flows will have higher profitability as they will be focused on investing in profitable projects. This may lead to higher profitability as the firm is utilizing its resources more effectively therefore

### **2.1.6 Liquidity preference Keynes Theory**

According to this theory of Keynes (2005) individuals and organizations demand cash for three reasons which are:

#### **2.1.7 The transaction motive demand for money.**

Keynes (2005) Individuals and firms hold cash balances in order to meet day to day transactions and expenses. Firms need cash to pay wages, buy raw materials, paying distribution and administrative expenses whilst individuals need cash to buy goods and services. Cash hold for this purpose depends on the level of income any individual receives. Also, it has been indicated that when goods and services are cheaper individuals hold less money balances since they will need less cash to meet the transaction whereas, when goods and services are expensive, they hold more balances of cash since they need more in order to buy these goods and services. Also, according to this motive, the need for cash depends on real income and it is not influenced by interest rates.

#### **2.1.8 Precautionary motive demand for money**

Keynes (2005) Individuals and firms hold cash for this motive in order to meet unforeseen contingencies, emergencies. For instance, to pay for hospital bills, accidents, theft and many others.

#### **2.1.9 Speculative motive demand for money**

Keynes (2005) under this motive individuals and firms save money as a store of value. Under this motive it is said that there is a risk of keeping too much cash therefore excess cash should be invested and bring a return provided that there are favourable interest rates. When the levels of interest rates are high individuals and firms will invest in marketable securities such as bonds since there is a high opportunity cost of holding cash and it's vice versa. This theory is considered to be relevant for this study since when these motives of holding cash are implemented efficiently and effectively by smes in Bindura town they have a positive impact on the performance of smes such

as in terms of increasing the level of net profit margin a well expansion of the entities and customer satisfaction

#### **2.1.10 Cash conversion cycle**

Trade debtors, inventory and trade creditors are the components of the C.C.C model. The theory is anchored on the circle that starts from the payment made for raw material purchase collection of trade receivables from the buyers. Financial analyst says that working capital investments life span varies that is they do not have the same life expectancy and their change in Liquidity differs (Richard and Laughlin 2008). The entity's liquid is a function of its conversion cycle. According to Arnold (2008) the shorter the C.C.C the lesser the resources required by the firm. The greater the cycle the bigger will be the investment in the working capital. A greater cycle can boost sales which can result in more revenue. However, this greater cycle can also result to huge investment and can rise at a faster rate than those benefits of more Profitability. C.C.C is used to measure effective and efficient an entity's Management are: Managing the working capital. CCC measures the time between an entity's ordering of inventory and the receipts of cash from its account receivables. Also, CCC can be used to show how longer an organization cash remains tied in its operations

$$\text{C CC} = \text{Inventory} + \text{trade receivables less trade payables}$$

A greater CCC period implies that the entity is taking more time to generate cash, which may lead to insolvency in SMEs.

#### **2.1.11 The Behavioral theory of cash management**

According to Geudes etal (2011) The theory highlights the significance of the role of Behavioral components in the decision making process in relation to the cash management. According to this theory, managers possess personal biases which might result in making sub-optimal decisions concerning different aspects of cash management such as the amount of cash to hold, where to invest the cash, and how to finance the cash requirements of the firm. For instance, managers who possess a conservative yet risk-averse outlook might prefer to hold more cash than the optimum level that could earn the firm higher returns. Moreover, assumptions related the degree of transaction costs and market imperfections can result in companies making sub-optimal investment decisions based on Behavioral considerations.

### **2.1.12 The Probability approach to cash management**

According to Brigham (2018) emphasize the significance of uncertain and random elements associated with the size and timing of cash flows. Cash balances need to be maintained to minimize the probability of encountering a deficiency I funds to finance the firm's activities. According to this theory, firms must determine the optimal cash balance that reduces the probability of experiencing a cash deficit to an acceptable level therefore this theory is in line with the objectives of this study.

### **2.2.0 Empirical Evidence**

#### **Walihanya, K.S (2013). Impact of Working capital management on Profitability. A case of Kenyan firms for the period 2010-2012**

Walihanya (2013) analyses the impact of capital employed on the financial viability of Kenyan enterprises. Working capital metrics such as C.C.C. and inventory turnover were investigated in the study. To determine the relationship between capital and profitability, he applies a linear regression model. He concluded that the C.C.C had minimal effect on Kenyan enterprise profitability. Additionally, Maranga (2011) claims to have investigated all of the Nairobi stock exchange's listed companies. He then discovered that the cash conversion cycle has a greater impact on the financial performance of the organizations. Mutegi (2012) has performed research on the long-term impact of budgetary limitations on the financial performance of Kenyan construction firms.2005- 2010. A population of 47 was used and only a sample of 26 companies was chosen from the population. The research was aiming to examine several budgetary controls in improving financial performance. He makes use of linear regression model. He reached to a conclusion that budgetary control has an important impact towards performance of firms' construction industry in Kenya.

#### **Smirat, B. Y. (2016). Cash Management Practices and Financial Performance of Small and Medium Enterprises (SMEs) in Jordan**

According to Smirat (2016), in this study, just 32% of SMEs kept track of payments as well cash receipts. Furthermore, the vast majority of respondents (67%) are unaware of cash control procedures. According to the report, cash management methods have an effect on their performances as minor businesses. The researchers advocate for SME managers to use effective



cash management procedures and techniques so as to boost their performances. The researcher selected organizations from various industries. A systematic questionnaire was utilized to obtain data, which was then processed to yield frequencies and percentages. The study predicted that efficient W.C.M would have a greater influence on the profitability of small businesses because a significant share of the total assets of small businesses. Small and medium-sized businesses are made up of Current Assets, and Current Liabilities make up a sizable portion of their total liabilities. The aim was to analyse the possible effect of W.C.M on the net profit margin of Pakistani small and medium-sized businesses. To examine, the influence of wcp on profits was determined for a sample of 40 Pakistani firms smes registered on the Karachi Stock Exchange over a six-year period.

**Andy, S Johnson, H.N and (2010). The impact of cash management on the financial performance of American businesses**

According to Andy and Johnson (2015) researched on the impact of management of money on companies of U.S.A. The companies were selected from. Various industries which. Consist of insurance, agriculture and construction industry. The population under study were 789 companies however only a sample of three hundred and twenty-six companies were considered for the research and they make use of regression model. The research consists determining C.C.C and a return on assets which were said to be the indicators of management of cash and its performance financially. It has been said that management of cash had a less impact on the financial performance of companies of U.S.A.

**Uwalomwa, A.W (2013). Effect of Cash Management on Profitability. A case of Nigerian Insurance companies for 2006-2011**

Uwalonwa (2013) conducted research on the effect of cash management towards the Profitability aspect of risk taking firms in Nigeria for the period 200- 2011. A population of 102 insurance companies was used for the study nonetheless, only 27 of them were regarded as the sample. The research makes use of past data found from companies' financial statements. Cash conversion cycle determine cash management and return on equity the Profitability of the insurance company. The findings revealed that a significant positive relationship between cash management and profitability of the insurance companies.

**Bosra (2013). Relationship between management of cash and financial performance. A case of Indian Insurance companies (2005)**

According to Bosra (2013) he carried out research on the relationship between cash management and financial performance of the insurance firms in India. Several working capitals were obtained which involves average collection period and C.C.C. The study employs quantitative research design and uses secondary data collected from the annual reports of 20 Indian insurance companies for the period 2005- 2010. The study uses various financial ratios to measure cash management efficiency and financial performance. These ratios include accounts receivable turnover, accounts payable turnover, cash conversion cycle, return on assets, return on equity. The findings of the study suggest that there is a positive but insignificant relationship between cash management efficiency and financial performance. The study finds that insurance companies with efficient cash management practices tend to have higher profitability, liquidity, and solvency ratios compared to those with poor cash management practices.

**Adesina, O.S., & Adeleke, A.A. (2017). An appraisal of cash management practices in small and medium enterprises in Nigeria. Journal of Entrepreneurship and Business Innovation, Vol4** The study examined the factors affecting the cash management practices of small and medium sized enterprises smes in Nigeria. The survey conducted sampled 200 registered smes drawn from different locations in Lagos, Nigeria. The findings revealed that inflation, foreign exchange rate, and regulatory requirements significantly impact the cash management practices of smes in Nigeria. Moreover, the study recommended that smes operators understand the importance of cash management practices in their enterprise's survival and success

**Oluoch, J. O. (2016). The Impact of Cash Management Practices on Performance of SMEs: A Survey of SMEs in Eldoret C. B.D**

In this study, Oluoch (2016) sampled 171 respondents in Eldoret C.B.D, UasinGishu County, Kenya. For data collecting, documents were analysed and also questionnaires were utilized. The data was analysed using both methods of research. The outcome of the study show that management of cash techniques had a positive and significant effect on the performance of SMEs. Following the outcome, it has been recommended that smes emphasize efficient techniques of managing cash. This paper bases its discussions on empirical study findings and contends that

management of cash methods which consist of using correct and petty cash books have a favourable outcome on the performances of a firm.

**Ojeka, Surujlal and Pooe (2018) The study Cash Management Practices by Small and Medium Enterprises: Evidence from Malaysia**

The study examines the management of cash techniques of smes in Mlaysia. The study administered survey questionnaires to collect data from 201 smes in Johor, Mlaysia. The study found that most smes in Malaysia use several cash management practices such as monitoring cash inflows and outflows, setting cash budgets, and negotiating better payment terms with suppliers. Additionally, the study found that smes in Malaysia face challenges such as insufficient working capital, delayed payments from customers and difficulty from accessing loans from banks. The study recommends that smes in Malaysia should adopt additional management of cash practices such as investing surplus cash in short term investment and seeking alternative sources of financing to address these challenges. The study provides important insights into the practices of managing cash of smes in Malaysia and highlights the challenges they face in their cash flows, which can be useful for smes in other emerging economies facing similar challenges such as Zimbabwe.

**Oyediran, K.O, and Rashid, T., A. (2018) Cash Management practices of small business enterprises: A case study in the United Kingdom. Journal of Small Business and Entrepreneurship Development**

The study aimed to investigate the cash management practices of smes in UK. The authors conducted a case study involving seven smes in the UK using face to face interviews. The results of the study showed that most of the SMEs faced several challenges in managing their cash flow, including late payment from customers, unexpected expenses, and overreliance on overdraft facilities. Overall, the study provides valuable insights into the cash management practices of smes and highlights the need for better cash management systems to ensure the long term financial sustainability of smes.

**Anna. M.S, (2018) Analysis of small and medium enterprise financial performance and cash management: Evidence from Romania**

The study examines the relationship between cash management and financial performance of smes in Romania. The author collected data from a sample of 155 Romanian smes and conducted a regression analysis to examine the associations between the variables of the study using data

gathered from financial statements. The author found that there is a positive cash management practices, such as effective receivables management and efficient cash collection, have a significant impact on the performance of smes. This suggest that firms that have better practices of managing cash are likely to perform better financially. Additionally, the study found that smaller firms tend to have poorer cash management practices compared to large firms. This may be due to the fact that larger firms have enough and greater resources to implement better management practices of cash.

**Muya. W, and Gathogo, G. (2016). Effect of Working Capital Management on the Profitability of Manufacturing Firms in Nakuru Town, Kenya. International Journal of Economics, Commerce and Management**

Previous research has been reviewed Gathogo and Muya (2016) discovered that average payments duration and the C.C.C are said to be substantially connected to manufacturing business profitability. Furthermore, it was determined that the C.C.C has an adverse impact on the company's net profit margin. However, the average payments period influences the net profit margin positively. It was discovered that the management money balances had a considerable as well as favourable impact on the entity's profits. It can be advised that enterprises decrease their C.C.C and lengthen their payment time.

**Mugal, A, and Garbharran, H. L. (2014). Cash Management Challenges of Small Business in Developing Community**

Garbharran and Mungal (2014) conducted research on the association between management of money balances expertise and cash flows management. This study revealed the link between corporate profits and the use of management of cash methods and link between the issues of management of cash strategies and the capacity to make the firm net profit margin. This study proposed that organizations employ management of cash practices to get rid of problems associated with the management of cash. The aim was to explore the management of cash issues that small enterprises in developing communities confront.

**Afeef, M. (2011). Analyzing the Impact of Working Capital Management on the Profitability of SME's in Pakistan**

The findings of the studies revealed that measures of W.C.M had a discernible effect on the profits of the enterprises under consideration Afeef, (2011). The purpose of this study was to examine the impact of management of cash strategies as well as examine the overall influence of management of cash techniques on the performances minor firms in (Nyeri town), Kenya. The study used a descriptive research design with a target population of 21 registered SMEs in Nyeri town. Data were collected using a self-administered semi-structured questionnaires and the population was 62 small businesses. To create the results, the data was analysed using the statistical software for social sciences (SPSS).

### **2.3.0 Cash management**

Organizations make use of cash to buy and facilitating payments. All firms require cash to acquire assets which they can use in production and any other operation they may conduct. If cash is managed properly and effectively the firm's management may buy inventories based on funds controlled by the business. According to (Tennent 2012) for instance, if a company examines its report and say they do not have the funds, they may decide to buy lower cost products with less amount of money. Also (Debit al. 2015) defined cash as taking control of money balances which belongs to the entity at a certain period of time which includes cash flow and outflow. Meanwhile, steis and Nwagwu (2001) highlighted that cash management emphasis on expenditure as well revenue to get rid of money challenges

### **Cash management challenges**

#### **2.4.0 Inadequate forecasting speed and quality**

Nick (2009) the technique of cash flow forecasting is dependent on information from numerous departments inside your firm. Such units could be cash managers, financial controllers across multiple companies, and so forth. The accuracy of reporting and forecasting is thus contingent on the incoming data Also said that businesses can expand and new units open around the world, system and bank volume tends to rise. For many people, localization can be a problem. Some businesses demand specialized technology that can cater to their needs better than others. This generates a decentralized nature in terms of data openness and currency availability. As previously said, cross-border payments and currency changes affect cash some businesses demand specialized technology that can cater to their needs better than others. This generates a decentralized nature in terms of data openness and currency availability. According to Debt (2005) the physical execution

of the individual procedures can result in entry errors and a significant amount of time lost. Consolidating, entering, and validating data frequently consumes the majority of time, leaving just slivers of time for strategic activities. Payment processing times and a lack of information provided with payments are two major impediments to rapid reconciliation. When cross-border payments and currency changes are included in, the situation becomes much more difficult.

#### **2.4.1 Inflation rates**

According to Bortis (2004) Inflation have negative consequences on performance of SMEs Inflationary effects include it raises costs of keeping cash or money balances, difficult to plan about the future, negative effect on investments and saving inadequacy of products due to stockpiling. Inflation affects earnings through influencing cost levels and transforming relationships on cost and pricing. Because manufacturing firms they base their prices according to the costs that they have incurred, pricing policy became important in times of inflation, and the level of net profit margin tend to vary according the price which has been pegged this is in line with Bortis (2004) When prices rise, businesses face high production costs, and as a result they simply pass over the costs to consumers in form of higher prices therefore they share these costs with consumers this erodes the purchasing power of the clients hence reduces revenue for the business revenue.

#### **2.4.2 Interest rates**

Hambur etal (2018) high interest rates affects smes negatively. Interest rates can have an impact on a company's goals. Interest rates cannot only impact on repayments of loans but also on the ability of smes to get funds. The prime rate is the smallest rate a bank will provide loans. There is a positive relationship between the rate of interest and the rate of prime. As a result of this, lenders will raise credit card and the rate of loan, therefore it becomes relatively expensive for firms to obtain loans and repaying borrowed funds will require a long space of time, and you will have required to payback a bigger amount provided that the rate of interest has gone up will happen. It can be said that it will be more challenging to access small loans to settle any unforeseen bills or to develop your firm when necessary Flow of Cash High loan rates have an effect on small enterprises, which most likely have restricted cash flow. In addition to this, Hambur (2018) indicated that owners of smes should have balance of money which has been putting excess cash aside for the purpose of repaying outstanding loans this will in turn reduces business revenue. Also

they can lower asset costs, thereby becoming harder to sell for money. Inadequate Consumer Income the purchasers will be left with less money balances due the rise in the rate of interest. This adversely affect the revenue since the quantities that they can buy will be lowered, which will have an adverse effect not only consumers but as well as the firms that cut back on expenditure on the new equipment's. Also Hambur (2018) highlighted that firms that sells expensive products are the ones that are likely to be affected mostly as consumers have less money balances for spending. Low rates of interest are, customers spend more on goods and services and borrow more, it costs less to repay a loan. Obtaining Business Loans Is Difficult Increased interest rates impact SMEs expenses in two ways. For starters, your long-term debt gets more expensive, your loans may become more expensive. It will take a while.

### **2.4.3 Exchange rates**

In light of Omotosho (2015), the exchange rate is a key notion in economics that refers to the prices of the country's currency against another country's currency. It is significant because it connects the overall price level inside the economy to prices in the rest of the globe while also influencing other prices. The exchange rate is a significant variable for central banks since it can be utilized as a target, an instrument, or simply an anchor, it depends on the monetary policy in place in the economy. As a result, the exchange rate is at the heart of any real economic stabilization scheme. The country's current economic position is volatile, which has major economic implications for the SMEs sector. High exchange rates have resulted in SMEs in Zimbabwe selling their products in foreign currency which might be difficult to access to

### **2.4.4 Multiple currency settlements or transactions**

Also Nick (2009) highlighted that as previously said, cross-border payments and currency changes affect cash without adequate protocols in place, cross-border receivables can be costly and complicated. The biggest cross-border receivables difficulties fall into three categories: reconciliation, currency-related complexity, and sub-optimal payment periods. As a result, currency rate fluctuations might have a negative impact on your business. In addition to this, Nick (2009) regulatory changes, Compliance can be challenging to ensure when laws, regulations, and work practices are constantly changing. For instance, when the department does not have an oversight of cash, counter-party risk, and current controls in a high-risk country, you should consider if working in that segment can provide any meaningful value. When a company is not compliant and has no internal controls in place, fraud, carelessness, and lawsuits can occur.

## **Strategies or techniques of cash management**

### **2.5.0 Forecasting**

According to (Nibbering et al 2018) forecasting help the management to get rid of unexpected conditions such as insufficient cash balances that is cash deficit. (Fay and Patterson 2018), statement of financial position and cash flow statements. Budgeting allows the firm to plan for its future expenditure and how much they are likely to earn therefore the management can be in a position to identify the gap or variances which may result due to cash deficit and be in a position to look for alternative solutions to increase cash flows.

### **2.5.1 Cash Mobilization**

This is a form of management of money so that a firm can get quick information to invest an excess funds. (Finnerity 2006) cash mobilization can be grouped into two categories that is acceleration of receivables and acceleration of disbursement. These two are going to be explained in detail below as how firms can speed up collection of trade receivables and postponing or delaying disbursement of trade payables.

### **2.5.2 Acceleration Collections**

This is very essential as it can be said that since receivables are said to have a risk of uncollected. If the organization is not following its debts in time or collecting them, the organization will be at risk of cash deficit to finance its operating activities. According to (Agyei Mensah 2010) firms may extend their collection period in an effort to boost their sales without the knowledge of credit risk that have the debtors which may lead to de fault. The credit control can be achieved through reducing the collection period of the accounts receivables. According to (Steiss and Nwagwu 2011) an organization can centralize its payments and more emphasis what put on those items that require huge money balances. This can be achieved through creating a centralized depository account. Also, through creating an administrative limit for any firm's cash outflow. Nonetheless, it can be said that these practices and efforts cannot be effective for SMEs as they have fewer suppliers and clients to centralize their deposits as to what can be done by bigger companies. According to (Hamza et al 2015) SMEs which involves those in Ghana maintains bank accounts to boost their chances of having bank loan. In addition to this will enable SMEs to reduce impact of cash deficiency and make monthly reconciliations that is on cash book and the bank balance. Ahmad (2016) surplus cash should be invested. A firm must limit levels of cash surplus by putting that



excess cash into a profitable investment which will bring returns. It can be put in variable resources such as non-current assets or other investments. Research that that was done from Enow and Kamala (2016) indicated that South African SMEs have little intention of investing their cash surplus or putting into bank deposit.

### **2.5.3 Disbursements of Cash**

Gitman (2008), payments of cash are an account payable function that encompasses all cash outlays made by the firm during a certain fiscal period. The goal of these cash payments is to reduce business expenses with regard to make these payments. Van Horne (2001) supported the idea of Ross AS (2000)'s view that the goal of cash disbursement is to postpone payment for a certain period of time legally and physically possible. In achieving this goal, the company should avoid jeopardizing its ties with suppliers, since this may result in the loss of trade credit. Delaying in making payments is usually done to minimise disbursements, according McLaney E (2006). This was accomplished by taking more time. However, if the credit length is already generous, creditors may be hesitant to extend credit. There is significant chance of subsequent shipments being withheld. The reasoning for this is to take control over money and to create more investments alternatives using higher sums of cash balances accessible as excess Bort, (2004). Cash outflows are regulated in the context of a corporation by a strategy of deferring payments to suppliers global Journals of Economics, Commerce, and Management. Nonetheless, inability to satisfy the company's financial commitments on schedule due to cash difficulties means further supplies from harmed providers will be lost. Kakuru (2001), Van Horne (2001), and Pandey (2003) the following methods of postponing payments were largely agreed upon by the aforesaid scholars: forecasting the banking habits of the workforce and disbursement of the salary paying bill appropriately. When workers are willing to tolerate delayed payments, wages should not be paid in advance. Payments should be made by cheque because bank clearing takes time. Maximizing disbursement float by selecting geographically appropriate banks that can facilitate payments. These banks should be designed in a way that drawings are not returned for an extended period of time. Cash payments must rely on decrease or increase in the forecasted cash account, which can depict movement of cash in and out of the company from the forecasted revenues, operating costs, as well as capital expenditure thereby improving the overall performance of the company.

#### **2.5.4 Inventory administration and control**

Kincaid (2008) noted that efficient control of inventory can increase a company's revenue. In a slowing economy, streamlining business operations and concentrating on where most of the company's cash is being invested. According to Barrera (2013), it is very easy to transform money into stock, nonetheless it's very hard to transform stock into money or cash Barrera (2013) discovered that revenue of companies will boost when companies hold low levels of inventory therefore long lasting inventory must not exceed five percent of total inventory in stock. Kincaid (2008), Emphasize the significance of using control systems of managing inventory in business, particularly in small and medium-sized enterprises. Cohen (2013) stated that it's critical to spot what others have in their firms while being in a position to know what is really needed by the clients. It is not considered as a good idea of loading the shelves with what the proprietor believes is correct Makina, (2009), the proprietor should assess what is needed by the clients to sell. Stock count at the firm can show who the best seller and which things sit on the shelves for longer period. .

#### **2.5.5 Good Corporate Governance practices**

According to Alfred (2007) good corporate governance contribute immensely towards the success of SMEs. Good practices of corporate governance have got a positive impact on SMEs that is it improves the overall performance of the firm. The aspect of good practices of corporate governance aims at improving the share price growth of the shareholders as well as taking into consideration the interest of various interested stakeholders. As a result of bad practices of corporate governance that had happened to companies like Enron most companies have devoted to best practices of corporate governance. It has been discovered that most SMEs are failing due to the issue of corporate governance where directors of the companies are giving themselves hefty packages even if the companies are not performing well that is they are having cash challenges now the corporate governance comes in by trying to strike a balance so that the company will benefit and all other interested parties as a result this will boost the performance of these SMEs

#### **2.5.6 Investing Extra Money in Marketable Securities**

According to Knott (2004) Securities that can be traded, the firm's extra cash held to satisfy changeable cash requirements and future eventualities should be temporarily placed in marketable securities, which can be considered near moneys. There may be a variety of marketable securities

accessible in the market. The finance manager must select how to invest the firm's extra cash in a portfolio of marketable securities.

Marketable securities are financial instruments that can be bought and sold in the market.

These financial instruments often have maturities of less than a year. These investments are ideal for organizations that require immediate cash because of their high liquidity. In addition to this, Knott (2004) indicated that, Government bonds and common stock are two types of financial products. Alternatively, certificates of deposit. Businesses hold cash reserves. Such reserves assist them when they need cash, such as for acquisitions or other unplanned obligation. Companies, on the other hand, do not keep all of their cash in reserve. Instead, they put some of their money into short-term liquid securities in order to make interest therefore SMEs in Bindura town can also do likewise by taking this advantage of investing in marketable securities. This, pays interest but may also be easily liquidated to fulfil any future monetary needs. Because of their liquidity and our perception of them as secure investments, returns on such assets are relatively lower. Apple's wealth is largely comprised of such securities

### **2.5.7 Accelerating cash conversion with technology**

According to Deloitte (2023) by sending electronic bills rather than through e-mail, it helps to improve the collection of receivables and invoicing. The introduction of what is known as the vendor-portal, SMEs may facilitate electronic payments. Deloitte (2023) Also added improve your money management, you can employ a range of optimization techniques. Accounts receivable operations, for example, require minimizing invoice error rates and maintaining a consistent collection follow-up schedule. Payment accounting comprises using trade expenditure efforts and available volume rebates, making buy orders for new orders, negotiating favourable terms and rebates with suppliers, and comparing vendor contracts to industry norms on a regular basis.

### **2.5.8 Developing a cash management culture requires**

Deloitte (2023) check your cash flow on a regular basis. Forecasting is an important step toward improving cash flow and, eventually, profitability. Reviewing both the revenue and cash flow accounts and linking your cash flow forecasts to critical balance-sheet working capital variables such as DIO, DSO, and DPO. Accounting for capital expenses, debt repayments, and other

operating cash flows ensures that management is aware of all future financial demands. Consider automating this procedure instead of depending on labour-intensive and error-prone spreadsheets to improve the accuracy of these estimates. It is advantageous to study differences aggressively. In addition to this Deloitte (2023) indicated that cash management is even more crucial during difficult times because it allows you to devote more time to important tasks. Stakeholders, minimizes the likelihood of covenant violations, and reduces the need for extra funding. To improve openness and accuracy, prepare to transition to weekly cash flow forecasting and reporting. Consider creating a cash committee to supervise the process and drive change within the firm.

### **2.5.9 Matching funding to your cash flow obligation**

Deloitte (2023) highlighted that every business has long and short-term cash flow obligations. Everyday operational costs are factored into short-term requirements. Longer-term obligations include term debt maturities and capital project investments. To master monitoring of cash flows, businesses must connect their multiple sources of finance to their capital flows. This can ensure that a profitable business has access to the funds it requires to meet its ongoing obligations.

### **2.5.10 Internal control as a cash management tool**

According to Cash Management Policies and Procedures handbook (2011) implementing internal controls in the domain of cash management is critical due to the diversity of procedures involved, including billing, collections, deposits, and disbursement processes, as well as the distributed supervisory roles often associated with these operations. Additional key variables that need the continual implementation of strong internal controls include: To monitor the entire process; and the inherent risk of fraud. Internal controls for cash management show how to utilize common sense and behave responsibly when using and protecting government assets, each cash management choice must take into account the temporal worth of money. In addition to this, Cash Management Policies and Procedures handbook (2011) highlighted that cash-related transactions must have the permission of a person having delegated approval power before proceeding, cash-related transactions must be completely documented in order to create an audit trail and also to improve reconciliation and accountability, cash-related transactions must be documented on forms with sequential numbers.

Also the Procedures handbook (2011) documents used in cash-related transactions must be protected from unlawful reuse, alteration, and disposal, also transactions adjustments must be approved by an administrative authority, Cash management activities must be rigorously and consistently monitored and monies-related accounts need to be regularly examined and compared to subsidiary records. If practical and advantageous, electronic funds transfer and direct deposit must be employed. To the greatest extent possible, computer edit programs must be utilized to reveal or lower the frequency of inaccuracy in cash-related activities. In addition to this, Cash Management Policies and Procedures handbook (2011) indicated that money from collections and Cash used for disbursements and cash earned from collections cannot be mixed together, Deposits must be processed according to set deadlines and reconciled with receipts records. In order to address highlighted weaknesses, quick responses must be given to assessments of cash management activities. Also cash disbursement operations must be processed quickly, and daily cash reconciliation is required as well as credit can only be given out with a designated official's approval and in accordance with the Department's debt management guidelines and to ensure that sales of goods and services are under control, approved price lists must be published.

#### **2.5.11 Cash flow projections**

Ian (2009) indicated that when the budget has been approved, all managers are sent a standing circular requiring the breakdown of projections into monthly forecasts. To be able to more precisely plan the government's borrowing needs, the Treasury further breaks down the monthly predictions into weekly forecasts for the subsequent six months. Basically, forecasting expenditure is more challenging. The Committee on Short-Term Borrowing Needs of Government receives the daily predictions. The cash managers must coordinate with numerous other stakeholders for improved CM: Given the strong relationship between cash and debt management, the debt management entity that is Agencies that collect taxes, Line ministries that oversee spending and The reserve bank, considering Using spreadsheets, the analysis of the cash forecast's breakdown into monthly and daily requirements is done based on the review of past trends.

#### **2.5.12 Financial Markets Operations Division.**

Ian (2009) suggest the calendar for issuing government securities at the start of the fiscal year while taking the debt management plan into consideration; and Evaluate the issuance plan every three months in light of actual developments. Enabling information sharing on fiscal trends and

the government's short-term borrowing needs. Comparing the actual quarterly borrowing needs with those anticipated for the period and looking into the major reasons for variances.

### **2.5.13 Creating a cash management unit (CMU)**

According to Williams (2004) the finance manager should build a technical cash management unit. Cash management decisions must also be made by a high-level group. The board must create cash ceilings for ministries that are budget-strapped. In such instances, these organizations may be inclined to transform themselves into cash triage committees, deciding which invoices should be paid first. Also Williams (2004) indicated that as banking systems advance, both the government and taxpayers must gradually phase out the use of cash as a payment tool. As currency is carried inside vaults for new uses, monies may be stolen. In addition to this Williams (2004) highlighted that monetary advances should be restricted. Financial advances made to line ministries may result in cash gaps for some anticipated expenses. To minimize such problems, Treasury advances should be limited in both size and type of expenditure. Line ministries should also be held accountable by asking them to justify the use of treasury advances before replacing them with fresh ones.

### **2.6.0 Net profit Margin**

The net profit margin is the key financial ratio that measures a company's profitability and is calculated as the percentage of net income generated from total revenue. In a literature review by Akande, Oladele and Emmanuel (2015), it was found that a higher net profit margin indicates that a company is able to efficiently manage its expenses and generate profits from operations. Also According to Chander and Jaggi (2016) explained that a low net profit margin may suggest issues with cost management or pricing strategies, while a high net profit margin may indicate pricing power or operational efficiency. Furthermore, according to a study by Baral and Teebagy (2017), the net profit margin can be used to evaluate a company's performance over time and in comparison to its industry peers therefore, the net profit margin is a critical financial metric that demonstrate a company's profitability and overall financial performance.

### **2.7.0 Relationship between cash management and profitability**

Pandey (2004) discovered that companies may operate at a profit but still having cash challenges managed should search for alternative strategies so as to boost inflows at the same time reducing outflows and lowering operating costs excess cash must PE put in an investment portfolio.

According to John (2002) firms that have inefficient and poor cash management techniques cannot obtain their expected profits. If cash is being managed effectively, a firm can be in a better position to predict revenue to be generated. Also Smirat (2016), made his contribution that SMEs in any given time cash disbursement and cash receipts management should make sure there is no balance left unutilized idle cash must be put under investment for revenue generation. If a firm has a deficit should strategies its operations to improve inflows and be able to pay its debts and also the firm may reduce trade receivables collection period and increase cash flows and such cash must be invested to generate more income.

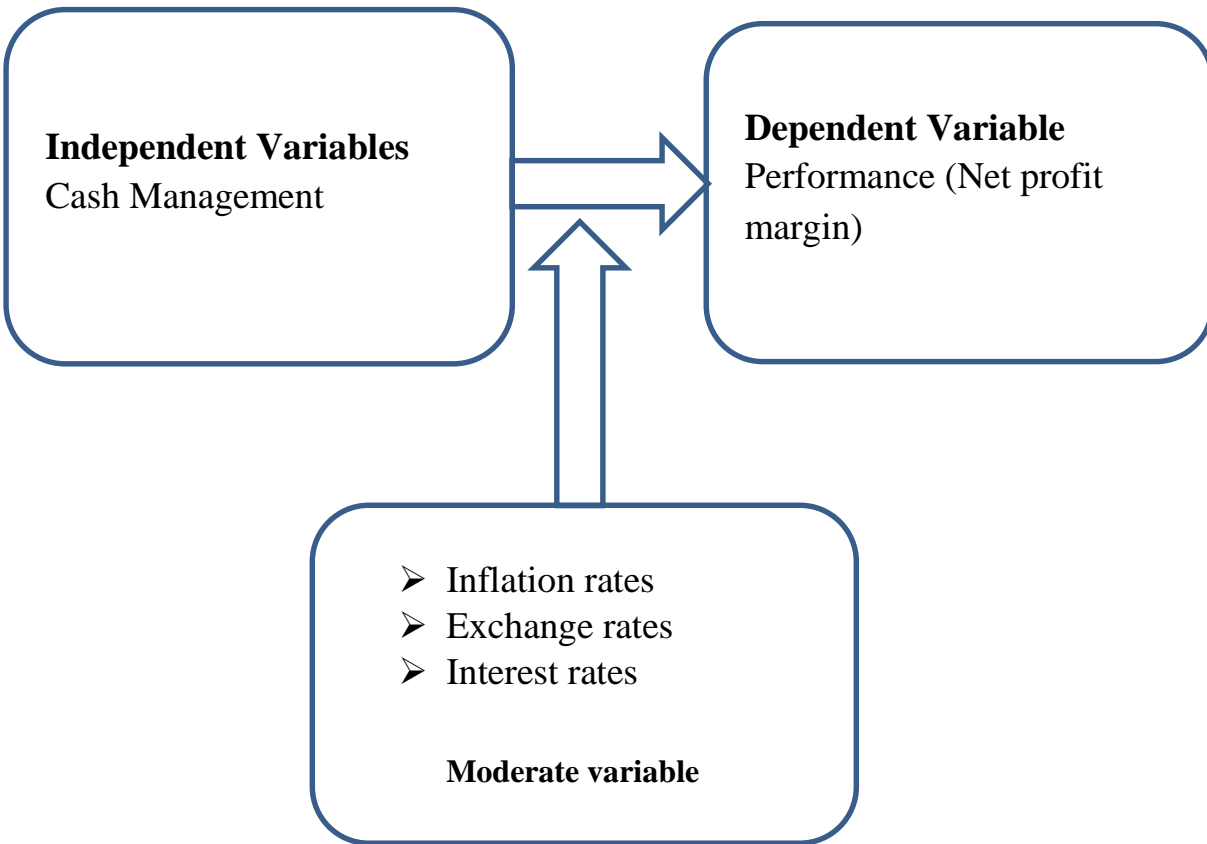
### **2.7.1 Relationship between Cash Management and Capital Structure**

According to Motazed (2012) highlighted that there is a fundamental relationship between cash management and capital structure and also said there is opposite relationship between the level of debt and cash flows. In addition to this he made a contribution that there is a direct impact between increases in capital as a result of increase in equity by making use of Regression analysis. According to Hurdon (2001) discovered that cash management consist of effective ways of handling cash flows. A company can purchase raw materials at a lower price when there is an opportunity to do so. He then goes a step further by creating a direct effect between Management of cash flows and techniques of business finance. Nonetheless, Hwee (2012) which indicates an inverse revealed an adverse effect between cash management and capital structure however, were matching with the contribution made by Motazed (2012).

### **2.7.2 Relationship between Cash Management and Liquidity**

Mathuva (2009) used a sample of companies which were on the Nairobi stock this exchange. For the first time there was an inverse relationship on the time when the cash was received from clients and the company's productivity. This simply shows that; companies can be more profitable if it has less time to collect cash from clients in contrast to those which are less profitable. Also, there is a direct effect between inventory when it is purchased and to that time in which they can be sold and the entity's profitability. Companies that require more time keep inventory it lowers the costs of disruption as a result the firm can suffer from losses as the goods are inadequate. This will have the effect of lowering the operating costs.

## 2.8.0 Conceptual Framework



In light of the above pictorial view, a conceptual framework is a visual representation of a researcher's ideas that guides the direction of the research. It consists of a set of concepts, assumptions and expectations that the researchers use as a lens for viewing and interpreting data. According to Creswell (2014) conceptual framework helps to identify gaps in literature and to develop research questions and to establish the scope of the research. According to Miles and Huberman (1994), a conceptual framework is a network or map of the concepts and their associated relationships that provide a design or plan for the research. It helps the researcher to identify key concepts and relationships between them, including their definitions and proposed



interrelationships. In addition to this, it provides a basis for selecting research methods, data analysis techniques and interpreting research findings.

### **2.9.0 Research Gap**

Previous studies where focusing on ways of managing cash efficiently and effectively. This research wishes to explore what will happen to the performance of SMEs if they take into consideration all the techniques and strategies to improve cash management in terms of net profit margin.

### **2.10.0 Summary**

Literature review looks at in-depth contributions made by various authors and identifying where these authors are connecting to each other and disagreeing and then formulate new meaning to the study as has been illustrated above. Next chapter is going to look at research Instruments the researcher uses to gather relevant information to the study

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

The research methodology of cash management involves a systematic process of identifying, collecting, and analysing data to answer research objectives. To achieve this, it is essential to use appropriate research methods that suit the research questions and objectives. These methods may include qualitative, quantitative or mixed methods and they must be selected based on nature of the research problem. This paper aims to discuss the research methodology of cash management by examining the research methods used in previous studies, identifying their strengths and weakness, and proposing a suitable methodology for future research in this area.

#### **3.1 Research design**

This refers to various methods that can be used for gathering data and interpreting the data so that it will provide meaningful solutions to the challenges being encountered by these SMEs. Saunders et al (2016) Research design is the pillar of any research as it provides a road map on how best research can be conducted. The author makes use of a case study in carrying out the research as it gives a foundation for comprehending challenging task. According to Creswell (2014). A case study is a way of gathering data by way of questionnaires. This study is focusing on one accountant at every grocery shops and food outlets, clothing, electrical gadgets and a combination of all that are under study are going to be given research questions to respond too.

##### **3.2.1 Descriptive Research**

According to Creswell (2014) is a method of research that can be used to determine the variables of a population. It gathers data to answer questions of what, when, how and why for certain group or population. Through the use of quantitative technique, a sample can be described in terms of percentages for example frequency and percentages such as of net profit margin. SMEs under study are going to be investigated on the methods they are using to manage cash, challenges they are facing in managing cash and the effect of the cash management on their profits this is going to

be done through questionnaires which are going to be distributed to the targeted SMEs through emails, whatsapp platform and other mobile tools. The researcher wants to assist SMEs in Bindura town as to what they can do manage their cash efficiently and effectively.

According to Saunders et al (2016) the researcher make use of descriptive research to answer his research objectives since it is both qualitative and quantitative. The researcher decides to make use of questionnaires as a research instrument since they are cost-effectiveness, they require less time by employing mobile tools and they are not complicated as instructions are clearly provided for example respondents' can presents their views by ticking in the boxes provided. Also descriptive research can be used to identify patterns, trends and providing insights into possible relationships among variables. In addition to this, Saunders (2016) highlighted that it is often used as a preliminary method of research that can guide future research questions.

### 3.3.0 Target Population

Research population refers to people who have same relationship that are of helpful to the researcher. In this research SMEs in retailing industry in Bindura town were used for gathering data regarding the effect of management of cash on the performance of SMEs. This sample will be representing the entire SMEs in the town. A sample will be withdrawn from the database of the small entities chosen.

**Table 3.1.0 Population and sample size**

<b>Industry –Retail Businesses</b>	<b>Population</b>	<b>Sample</b>
Grocery shops and food outlets	114	30
Clothing	198	30
Electrical gadgets	36	36
A combination of all	390	70
Total	738	166

**Source:** Bindura municipality council January 2023

### **2.9.1 Justification for the sample size**

A sample size of 30 is often considered satisfactory in research since it is large enough to provide representative sample of a population and yield reliable and meaningful results, while also being small enough to be cost effective and manageable by the researcher as confirmed by the American Statistical Association (2016) that a sample size of 30 or more is generally considered adequate as long as the data normally distributed.

### **3.3.0 Data collection procedure**

The researcher is going to draft a closed simple and straight forward questionnaire to be distributed to the participants either physically or through the use of mobile tools such as google forms and whatsapp platform form. The researcher decides to make use of questionnaires due to their simplicity and cost effectiveness as supported by Saunders et al (2016). A pilot study will be conducted to ensure validity and reliability so that necessary adjustments will be made on the questionnaire if it contains some weakness in order to answer the objectives in a manner that they are intended to be answered and to make it in line with the expected findings.

## **Research instruments**

### **3.4.0 Sources of data primary data**

According to Smith et al (2021) primary research is the process of collecting original data directly from the source using research techniques such as questionnaires, interviews just to mention a few. The data is not previously published and is collected specifically for the research project. It provides first-hand information that is relevant for the topic under study. Questionnaires are going to be asked on the cash management practises being implemented by smes, challenges and the impact of management of cash on their net profit margin. The researcher is going to distribute questionnaires to the targeted population through mobile tool and physically visiting to the smes in Bindura town that are under this scope.

### **3.4.1 Questionnaires**

According to Saunders et al (2016) the researcher make use of questionnaires to answer his research objectives such as in this scenario the impact of cash management on profitability on SMEs. It can be said that questionnaires and surveys they refer to one thing they are the same. A questionnaire is a set of questions designed to collect data; that data cannot be utilized for a survey. Questionnaires are going to be given to one accountant at every business that are expected to

respond to the questions. Questionnaires are going to be emailed or send via whatsapp platform to the selected SMEs under study that is one accountant per SME.

The researcher decides to make use of questionnaires as a research instrument since they are cost-effectiveness, they require less time by employing mobile tools and they are not complicated as instructions are clearly provided for example respondents' can presents their views by ticking in the boxes provided as supported by Saunders etal (2016). Questionnaires can be used to measure a wide range of variables, including demographic, attitudes and opinions. Questionnaires can yield high quality data if designed well and provided that the response rate is high.

### **3.5.0 Sampling Design and Sampling Procedures**

Kothari (2005) is a way of choosing an appropriate number of units from a target population. The researcher is going to make use of non-probability and probability sampling techniques in order to find more on SMEs cash management is going according to their plan for example determining whether the collection and disbursement are going as per payment schedule

#### **Probability Sampling.**

##### **3.5.1 Sample size**

Kothari (2005) the researcher make use of that sampling technique where every part of the population has an equivalent chance to be chosen known as random selection to choose SMEs from the Bindura town in order to get the sample SMEs from the chosen industry are used to represent the entire population.

##### **3.5.2 Non-Probability Sampling**

Kothari (2005) it is a sampling strategy in which the researcher selects samples based on criteria other than chance. This strategy is heavily reliant on the researcher's knowledge. It is accomplished through observations, and it is more of a qualitative investigation. In this scenario, not every member of the population has an equal chance of participating in the data collecting. The sampling method has been used. The samples were chosen based on the researcher's knowledge.

##### **3.5.3 Justification for using sampling**

Non-Probability strategies are more appropriate ways of deploying surveys.

It's faster in terms of getting instant feedback and more cost effective since the sample is known to the researcher.

### 3.8 Data Validity and Reliability

The accurateness of the data used in research and it must be precise and correct. According to Bhattacharjee (2012) Reliability and Validity are the yardstick against adequate or accurateness of the measurement techniques which are analysed. The thrust is to make sure that the questionnaires are responded too in a manner that they should have been answered so that the research will be free from errors and bias. To ensure validity and reliability of the findings a pilot study was conducted on the few accountants of the targeted SMEs in Bindura town. Also the SPSS version 20 was used to test the validity and reliability of the data, the table below shows the outcome that comes from the software. The reliability statistics was 0,879 which is within the range of (0, 7 to 1, 0) therefore its good and recommended

Table 3.2 Reliability statistics

Cronbach's Alpha	Number of variables
.879	24

#### SPSS outcome

### 3.9 Pilot Study

According to Saunders (2016) the researcher conducted a pilot survey with the aim of guaranteeing the Validity and Reliability of the research questions. It can be defined as a small preliminary Study carried out before the main research to improve the results. A pre-test was done in the form of questionnaires to test the quality and Validity of the research questions. A pilot study was done with few accountants from the targeted SMEs in Bindura town the results allow the author to make some adjustments to the questionnaire to be in line with the research problem. After the necessary corrections have been made the researcher obtained the expected results from the participants.

### 3.10 Data Presentation and Analysis

The technique of coming up with solutions and providing meaning and examining data collected. Steps involved in the analytical process includes determining factors that affect the availability of

suitable data, by choosing ways for giving solutions to the research questions, providing the ways and analysing, summarizing and communicating the results

### **3.12 Ethics in research**

According to Creswell (2014) researchers are expected to behave and conduct themselves in a manner that is recommended and acceptable which do not violate ethics of research. At various stages of the study process, researchers must address a variety of other issues. The rights of one are the obligations of the other. Researchers must protect the rights of participants and conduct their research from the participants' point of view therefore all the necessary norms and considerations have been applied in this research respecting the values of the society and the confidentiality.

### **3.13 Summary**

This part of research listed down research Instruments used to collect data for the research starting from the beginning to its end which involves, population under study data collection Instruments. The research was heavily relying or depending primary data and data already available known as secondary research. The upcoming section is looking at data presentation, Interpretation and Analysis

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

This part of research summarizes, analyzes and provide meaning to the data collected using research questionnaires to gather relevant data for the study from SMEs accountants. The research questionnaire addressed the research objectives which includes: to establish cash management techniques they use to hold optimum cash, to determine the effect of cash management on profitability and to identify cash management challenges in SMEs as well as the demographic data. The outcome from the respondents is going to be presented through tables and bar graphs.

#### 4.1.0 Responses rate

<b>Industry –Retail Businesses</b>	<b>Expected response rare</b>	<b>Actual response rate</b>	<b>Response rate percentage</b>
Grocery shops and food outlets	30	22	73%
Clothing	30	19	63%
Electrical gadgets	36	33	92%
A combination of all	70	53	76%
<b>Total</b>	166	127	76%

The percentage of 76% responses obtained by the researcher was sufficient enough to allow the researcher to proceed with the research since this in line with Saunders (2007) as he indicated that a percentage response of fifty (50%) and above is enough and appropriate for the study. In addition to this, the data collected was tested for validity and reliability using the SPSS version 20 and also



a pilot study was done on few smes in order to ensure that the questionnaire is in line with the research objectives and free from errors so that the data will be relevant for the study.

#### 4.1.1 Educational level

Highest level of education	Frequency	Percent
Ordinary level	20	15.7
Advanced level	23	18.1
Diploma	18	14.2
Under graduate	40	31.5
Post graduate	26	20.5
Total	127	100.0

**Primary source 2023**

**SPSS output**

Previous studies reviewed that the level of education has a significant impact on the performance of entities as confirmed by Blackburn et al (2013). As indicated on the table above most of the workers attained a degree followed by post graduate as reflected on the table above this is in line with the study done by Chen et al (2016) he conducted a study in China and found that higher education levels were positively associated with work experience, which in turn was positively related to performance of SMEs. Also ordinary level and advanced level contains the average percentage of 16, 9% this may be due the fact that most of these people they prefer to advance with their career going to universities and polytechnics therefore they are few at work places. The least percentage was obtained from those who have diplomas as shown by a least percentage on the table. This means that workers in Bindura SMEs they are literate therefore they can be able to respond to the research questionnaires without having any challenge thereby enhancing the validity and reliability of the study.

**Figure 4.2 work experience of the worker**



**Primary source 2023**

The bar graph depicts the working experience of workers in SMEs of Bindura town. Most of the workers are highly experienced as they are above 10 years therefore they are familiar with the cash management practices. According to the findings it was found that the workers are over 10 years' experience since most of them are owners of these businesses therefore this is matching with the level of education as the more you advance with the education the more you become more experienced as indicated on the bar graph above this is in line Groot et al (2000) the study found that individuals with higher levels of education tend to have more work experience than those with lower levels of education.

### 4.3 Industry they operate under

Industry they operate	Frequency	Percent
Grocery shops and food outlets	37	29.1
Clothing	27	21.3
Electrical gadgets	22	17.3
A combination of all	41	32.3
Total	127	100.0

#### Primary source 2023

#### SPSS output

As highlighted on the table above the majority of the SMEs in Bindura falls under a combination of all categories which have obtained a higher percentage of response rate this may be due to the fact that they want to diversify risk that is if one department made a loss it may be compensated by profits generated from other departments this is in line with the contribution made by Buffet (1990) that, by owning a diversified portfolio of businesses, the overall risk is reduced and the potential for higher returns is increased this followed by grocery shops and food outlets which has the second bigger percentage as shown on the table above. The clothing category is on third position in terms of the percentages obtained as reflected above the least percentage was from electrical gadgets this may be due to the fact that these products they are not demanded regularly.

**Table 4.5 level of net profit margin**

Year	Net profit margin	Frequency	Percent
2020	Loss (negative)	27	21.3
2020	Low	21	16.5
2021	Moderate	36	28.3
2022	High	43	33.9
	Total	127	100.0

#### Primary Source 2023

#### SPSS output

The level of net profit margin is one of the performance indicators that is considered to be the best in measuring financial performance of entities as supported by Blackburn et al (2013). The above table is showing the average net profit margin for the years 2020, 2021 and 2022. In 2020 the level of net profit margin of the SMEs in Bindura town was negative that is loss as well as low profits according to the reasons stated by the respondents they highlighted that this was due to covid 19 since people were at lock down and most of the SMEs were not operating at full capacity hence they suffered losses and low profits. In 2021 the net profit margin of the SMEs moved from low to moderate this was due to the loosening of the lockdown measures thereby increasing the revenues of SMEs. In 2022 net profit margins were very high as there was no more lockdowns and SMEs were now operating at full capacity this is confirmed by Chander and Jaggi (2016) explained that a low net profit margin may suggest issues with cost management or pricing strategies, while a high net profit margin may indicate pricing power or operational efficiency.

#### 4.6.0 Level of extent on cash management

#### Percentages

<b>Cash management techniques</b>	<b>Very small extent</b>	<b>Small extent</b>	<b>Moderate extent</b>	<b>large extent</b>	<b>Very large extent</b>
Forecasting of cash inflows and outflows	11,0	20,5	37,0	15,0	16,5
Accelerating collection of trade receivables	30,7	18,9	18,1	14,2	18,1
Delaying disbursement of trade payables	16,5	21,3	36,2	14,2	11,8
Holding low levels of inventory	18,1	22,8	29,9	16,5	12,6
Investing idle cash	12,6	26,8	34,6	17,3	8,7
Selling in local currency and converting to foreign currency	9,4	17,3	13,4	22,8	37,0
Preference for cash over electronic payments	12,6	12,6	7,1	31,5	36,2
Banking cash	29,9	33,1	10,2	13,4	13,4

Primary Source 2023

SPSS output

The table above is showing the extent to which SMEs in Bindura town are using the listed cash management techniques as shown by the degree of the level of extent in percentages. The table below is going to explain what they are doing least and most and interpretation of the above findings.

#### 4.6.1 statistics of cash management

<b>Cash Management techniques</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>
Forecasting of cash inflows and outflows.	3.06	3	3
Accelerating collection of receivables.	2.70	3	1
Delaying disbursement of creditors.	2.83	3	3
Holding low levels of inventory.	2.83	3	3
Investing idle cash.	2.83	3	3
Adoption of selling in local currency and converting to foreign currency.	3.61	4	5
Preference for cash over electronic payments	3.66	4	5
Banking cash	2.47	2	2

**Primary source 2023**

**SPSS output**

As indicated on the table above the largest number of SMEs in Bindura town are selling in local currency and converting to foreign currency and also they are preferring cash over electronic payments as depicted on the table by a higher mode, median and mean this in in line with Smirat (2016) advocates for SME managers to use effective cash management procedures and techniques so as to boost their performances. In addition to this, on other cash management techniques they are on average which includes holding low levels of inventory, investing idle cash, delaying disbursement of trade payables as shown by an average mode, median and a mean this is supported by Ojeka (2018) his study revealed that most smes in Malaysia use several cash management practices such as monitoring cash inflows and outflows, setting cash budgets, and negotiating better payment terms with suppliers. The least activities that the SMEs in Bindura are doing are banking cash and accelerating of trade receivables as indicated by a least mode, median and mean, this is in line with Bosra (2013) that management of cash had no great impact on the relationship

with the financial performance. Also due to the uncertainty of the economic environment and high levels of inflation SMEs are not banking their revenues.

SMEs in Bindura town they are taking too long to collect their debts this is in contradiction with the contribution made by Gitman (2008) suggested that use of debt collectors and stop orders can be used to manage trade receivables and accelerating the collection process therefore SMEs in Bindura town can make use of these strategies of managing their trade receivables since if they decide to continue with the current practices they may suffer from irrecoverable debts thereby negatively affecting the net profit margin of their businesses. They are not forecasting their inflows and outflows of cash so well this is not in line with Nibbering et al (2018) forecasting help the management to get rid of unexpected conditions such as insufficient cash balances that is cash deficit therefore SMEs in Bindura they need to improve their forecasting since they are not doing it sufficiently based on the results obtained from the research. SMEs in Bindura town they are not delaying disbursement of trade payables to manage cash. The goal of these cash payments is to reduce business expenses with regard to make these payments as supported by Van Horne (2001) and Ross AS (2000)'s view that the goal of cash disbursement is to postpone payment for a certain period of time legally and physically possible. In achieving this goal, the company should avoid jeopardizing its ties with suppliers, since this may result in the loss of trade credit. They are not managing idle cash balances so well; they need to invest such cash since there is an opportunity cost of holding cash as supported by Keynes (2005). Barrera (2013) discovered that revenue of companies will boost when companies hold low levels of inventory therefore long lasting inventory must not exceed five percent of total inventory in stock. SMEs in Bindura town they need to take into account all the suggested cash management techniques available to them since they are implementing some and others they are not implementing them so well.

#### 4.7.0 Segregation of duties

#### Percentages

Segregation of the following duties to manage cash	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Raising orders and requisition	22,8	20,5	19,7	15,7	21,3
Cash receipting, recording and banking	29,1	12,6	13,4	19,7	25,2
Reconciliation and disbursement	19,7	13,4	19,7	17,3	29,9

Primary Source 2023

SPSS output

Table 4.7.0 above is showing the degree of extent in which the SMEs in Bindura town are segregating the given duties in order to ensure proper management of cash. The table below is going to be used to illustrate what there are doing most and least.

#### 4.7.1 Statistics for segregation of duties

Segregation of duties	Mean	Median	Mode
Raising orders, requisitions and payments.	2.92	3	1
Cash receipting, recording and banking	2.99	3	1
Reconciliations and disbursements	3.24	3	5

Primary source 2023

SPSS output

As depicted by the table above we can see that SMEs in Bindura town what they are segregating most is reconciliation and disbursements as reflected by a higher mode, median and mean. The other two which are raising orders, requisitions and payments and also cash receipting, recording and banking are the ones that are being segregated least as they have the same least mode, median and a slight difference on the mean as highlighted on the table above therefore there is a need to improve segregation of duties in these areas to enhance efficient cash management. This is in line with the Cash Management Policies and Procedures handbook (2011) implementing internal controls in the domain of cash management is critical due to the diversity of procedures involved, including billing, collections, deposits, and disbursement processes, as well as the distributed

supervisory roles often associated with these operations. Also the Cash Management Policies and Procedures handbook (2011) highlighted that cash-related transactions must have the permission of a person having delegated approval power before proceeding, cash-related transactions must be completely documented in order to create an audit trail and also to improve reconciliation and accountability, cash-related transactions must be documented on forms with sequential numbers.

#### 4.8.0 Level of extent for the motives of holding cash

#### Percentages

Motives of holding cash	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Precautionary	18,1	28,3	32,3	3,9	17,3
Transaction	19,7	15,0	15,7	18,9	30,7
Speculative	22,0	24,4	21,3	12,6	19,7

Source Primary data

SPSS output

Table 4.8.0 is showing the degree of extent in which SMEs in Bindura town are holding cash for precautionary, transaction and speculative. The table below is going to be used to illustrate what they are doing most and least and indicating areas for improvement.

#### 4.8.1 Statistics for motives of holding cash

Motives of holding cash	Mean	Median	Mode
Precautionary motive	2.74	3	3
Transaction motive	3.26	3	5
Speculative motive	2.83	3	2

Primary source 2023

SPSS output

As reflected on the table above that the majority SMEs in Bindura are holding for the transactionary motive which have got a higher mode, median and mean followed by the precautionary motive which have an average mode, median and mean. The motive that they are holding less cash for is the speculative motive which have a least mode, median and mean. SMEs



in Bindura they are not taking advantage of the speculative motive as indicated on the table above that is the least activity that they are doing therefore this contradicts with Keynes (2005) that there is opportunity cost of holding large sums of cash therefore idle cash should be put under investment. On the transaction motive they are utilising this mostly since it's the money that they use in their daily operations as well as the precautionary motive this is in line with Keynes (2005)

#### 4.9.0 Extent for cash management challenges Percentages

Challenges encountered by SMEs in managing cash	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Exchange rates	15,0	8,7	20,5	22,8	33,0
Interest rates	7,9	17,3	18,9	26,0	29,9
Inflation rates	15,0	11,0	16,5	33,9	23,6
Multicurrency	14,2	23,6	31,5	22,8	7,9
Regulatory modifications	15,0	4,7	30,7	17,3	32,3
Lack of forecasting speed and accuracy	23,6	14,2	32,3	12,6	17,3

Primary source 2023

SPSS output

Table 4.9.0 is showing challenges that are facing SMEs in Bindura town in managing cash and the degree of extent in which they are affecting cash management. The table below is going to be used to indicate which ones are having a greater impact and those with less

#### 4.9.1 Statistics for cash challenges

<b>Cash challenges</b>	<b>Mean</b>	<b>Median</b>	<b>Mode</b>
Exchange rates	3.50	4	5
Interest rates	3.53	4	5
Inflation rates	3.40	4	4
Multi-currency	2.87	3	3
Regulatory modifications	3.47	3	5
Lack of forecasting speed and accuracy of your cash flows.	2.86	3	3

**Primary source 2023**

**SPSS output**

As shown on table 4.9.1 exchange rates, interest rates and regulatory modifications are the ones that are having a greater impact on SMEs in Bindura town cash management this is in line with the previous studies done by Adesina (2017) his findings revealed that inflation, foreign exchange rate, and regulatory requirements significantly impact the cash management practices of smes in Nigeria. This could be the reason why they have a higher mode, and mean this was supported by Hambur etal (2018) high interest rates affects smes negatively. Interest rates can have an impact on a company's expansion goals. They have an impact not only on repayments of loans but also on capacity of smes to get funds also Omotosho (2015), highlighted that the exchange rate is a key notion in economics that refers to the price of the country's currency against another country's currency. It is significant because it connects the overall price level inside the economy to prices in the rest of the globe while also influencing other prices therefore SMEs can be adversely affected followed by inflation rates which is second from having a higher mode, median and mean this is in consistent with Bortis (2004) Inflation have negative consequences on performance of SMEs Inflationary effects include it raises the costs of keeping money balances and also investments and saving will be affected negatively. Multicurrency and lack of forecasting speed and accuracy are the ones that have less impact on cash management as reflected by the least mode, median and mean. On lack of forecasting speed and accuracy SMEs have control over it rather than the above factors which are beyond their control such as inflation since lack of forecasting speed might be

due to lack of professionals who possess skills and competence in cash management since they may not have enough resources to hire professionals' as supported by Franco and Haase (2009).

#### 4.10.0 Correlation analysis

##### 4.10.0 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.975 <sup>a</sup>	.951	.948	.244

##### SPSS output

There is a positive relationship between the independent variables that is cash management techniques and the dependent variable net profit margin as indicated by R positive. R square indicates that there is 95.1% variance of dependent influenced by the independent variables and the remainder it means that it is coming from other factors.

#### 4.10.1 ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	137.211	8	17.151	288.745	.000 <sup>b</sup>
	Residual	7.009	118	.059		
	Total	144.220	126			

a. Dependent Variable: level of net profit margin

##### SPSS output

The F value of 288,745, p value of 000 illustrates the statistical significance and fitness of the relationships on the variables that is the independent and dependent variables.

#### 4.10.2 Regression results coefficients

Model	Unstandardized Coefficients			T	Sig	Collinearity Statistics	
	B	Std Error	Beta			Tolerance	VIF
(Constant)	242	100		2.406	.018		
Forecasting of cash inflows and outflows.	.046	.025	.055	1.837	.069	.465	2.149
Accelerating collection of receivables.	-.024	.022	-.026	-1.067	.288	.701	1.426
Delaying disbursement of creditors.	.281	.047	.274	6.013	.000	.198	5.051
Holding low levels of inventory.	-.016	.017	-.019	-.922	.358	.923	1.083
Investing idle cash.	.187	.039	.240	4.750	.000	.162	6.179
Adoption of selling in local currency and converting to foreign currency.	.387	.039	.483	9.868	.000	.172	5.825
Preference for cash over electronic payments	-.008	.016	-.011	-.485	.629	.872	1.147
Banking cash	.000	.016	.000	.008	.994	.987	1.013

a. Dependent Variable: level of net profit margin

#### Source Primary data

#### SPSS output

Delaying disbursement of creditors (B= 0.274; P= 0.000). This shows that there is a positive relationship between delaying disbursement of trade payables and net profit margin this is confirmed by Oluoch (2016) following the outcome of his study which shows that management of cash techniques had a positive and significant effect on the performance of SMEs. Delaying in making payments is usually done to minimise disbursements, according McLaney E (2006). This can be accomplished by taking more time. However, if the credit length is already generous, creditors may be hesitant to extend credit. Investing idle cash has (B= 0.240; P= 0.000) this is in line with Knott (2004) that there is a positive relationship between investing idle cash and the level

of net profit margin. Marketable securities are financial instruments that can be bought and sold in the market. These financial instruments often have maturities of less than a year. These investments are ideal for organizations that require immediate cash because of their high liquidity. Selling in local currency and converting to foreign currency (B= 0.483; P= 0.000) these are considered to be significant since their P values are lower than the 0.05 hence only 3 hypothesis are acceptable and the remaining variables that is (forecasting of cash inflows and outflows, accelerating collection of receivables, holding low levels of inventory, preference for cash over electronic payments and banking) are considered to be statistically insignificant their hypothesis can be rejected since their ( P values are greater than 0.05) and they have a negative and weak relationship with the level of net profit margin as indicated by their p values which are greater than the 0.05 this is confirmed by Andy etal (2010) that management of cash had a less impact on the financial performance of companies of U.S.A following the outcome of the regression analysis. Multicollinearity is considered to be good since tolerance values are greater than 0.1 and 1 is greater than VIF (Value Inflation Factor) and it's less than 10. The regression equation will be

Net profit Margin= 0.242 + 0.274 delaying disbursement of creditors + 0.242 investing idle cash + 0.483 selling in local currency and converting to foreign currency

#### **4.11 Summary**

The chapter looked at presentation, analyses and interpretation of the research findings obtained through questionnaires. The presentation of the data was done using bar chart, tables and formulated by SPSS model. The next chapter is going to look at research conclusion, recommendation and summary.

## CHAPTER V

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This section gives an overview of the research findings starting from the objectives of the study which are: to identify challenges being faced by SMEs in managing cash, to establish cash management techniques they use to hold optimum cash and to determine the effect of cash management on profitability up to the presentation, analysis and interpretation of the findings.

#### 5.1 Summary of the findings

The purpose of the study was to look at the impact of cash management on organizational performance a case of smes in Bindura town.

#### **Objective: to establish cash management techniques they use to hold optimum cash**

The research looked at various cash management techniques which can be used by smes in Bindura town to manage cash efficiently and effectively. These techniques includes: forecasting of cash inflows and outflows, accelerating collection of trade receivables, delaying disbursement of trade payables, holding low levels of inventory, investing idle cash, selling in local currency and converting to foreign currency, preference for cash over electronic money, banking cash, as well as managing securities, treasury bills and bonds just to mention but a few. The percentage of the level of extent in which the SMEs in Bindura town are implementing the suggested techniques indicates what they are good at and where they need to improve. The researcher believed that a strong compliance to these cash management techniques will enhance the performance of SMEs in Bindura town. The performance was measured according to the level of net profit margins obtained from 2020, 2021 and 2022. Following the outcome of the findings, losses and low profits were experienced in 2020 according to the reasons given by the respondents' that this was due to the covid 19 which have been impacted negatively on the net profits margins of smes, in 2021 moderate level of profit margin were obtained due to the loosening of the lockdown measures and lastly high profits were experienced in 2022 as there was no more lock down measures.

### **Objective: to identify challenges being faced by SMEs in managing cash**

In addition to this, the prevailing economic conditions such as inflation rates, interest rates, exchange are identified as the setbacks on SMEs cash management due to the adverse consequences of these macro-economic challenges which they are facing. High levels of inflation rates, exchange rates, interest rates contributed immensely towards managing cash through selling in local currency and converting to the foreign currency and preferring to sell in cash that is the us dollar basis rather than electronic means due the erosion of the local currency therefore as a result of this they are not banking cash and investing idle cash according to the findings obtained from the respondents.

### **Objective: the effect of cash management on profitability**

The relationship between management of cash and the level of net profit margin as an indicator of performance was measured using the regression analysis. The results prove that there is a positive relationship between the cash management techniques and the level of net profit margin although some cash management techniques were insignificant as they have p values which were greater than the recommended of 0.05 such banking cash, forecasting of cash inflows and outflows, acceleration of collection of receivables and preference of cash over electronic payments. Delaying disbursement of trade payable, investing idle cash and selling in local currency and converting to foreign currency are the ones that were significant since their p values were less than the 0.05

## **5.2 Recommendations**

Based on the research findings, the research proposes cash management techniques that should be improved by SMEs to enhance performance that is those techniques found to have p values greater than 0.05, since it was proved that there is a positive relationship between cash management and net profit margin.

The research recommends that; SMEs should try to implement the suggested cash management techniques to boost their performance as they have a direct impact on their net profit margins

SMEs should assess the credit worthiness' of those who would want to buy on credit bases and accelerate their collection period as well to avoid bad debts, irrecoverable debt in addition to this, they can implement ways to manage debts such as personal visits known as debt collectors. Also

they need to adopt inventory management techniques of holding low levels of inventory to reduce costs such as holding, carrying and ordering. They need to accept both modes of payment available to them, they can sell in local currency and convert to foreign currency since local currency might be eroded by inflation rates, interest rates and exchange rates. Idle money balances must be invested since there is the opportunity cost of holding cash. SMEs should attend workshops and organise road shows so as to safe guard their internal controls such the segregation of duties on certain tasks therefore they need to be updated each and every time and also to identify areas for improvement.

### **5.3 Conclusion**

The aim of the research was to look at the impact of cash management on performance of smes in Bindura town. Following the findings of the research, it has been identified that there is a direct relationship between the management of cash and performances therefore in light of the of this, best practices of handling cash must be implemented since they enhance better performance items of net profit margin and so many other performance indicators.

### **5.4 Future research**

The research made use of primary data only, a future research should be done using both primary and secondary data since secondary data can bring in new ideas which cannot be addressed using primary data.

Also this research is only looking at smes in Bindura town therefore another research should be done considering smes in the whole country of Zimbabwe



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## Appendix 1 Questionnaire

Simon Masarirambi is conducting a research on the impact of cash management on organizational performance. A case of SMEs in Bindura town. This research is part and parcel for the granting of a degree at Bindura University of Science Education. Kindly assist by providing your responses to the questions below to make this research very successful. All your responses will be kept confidential and you will not be asked to provide your name. Your cooperation in this regard is greatly appreciated. You simply indicate your views by ticking in the appropriate box as provided.

### Kindly tick where appropriate

1) Indicate your highest level of educational attainment?

- |                |                          |
|----------------|--------------------------|
| Ordinary level | <input type="checkbox"/> |
| Advanced level | <input type="checkbox"/> |
| Diploma        | <input type="checkbox"/> |
| Degree holder  | <input type="checkbox"/> |
| Post Graduate  | <input type="checkbox"/> |

2) Indicate your working experience

- |                |                          |
|----------------|--------------------------|
| 0-2 years      | <input type="checkbox"/> |
| 3-5years       | <input type="checkbox"/> |
| 6-10 years     | <input type="checkbox"/> |
| Above 10 years | <input type="checkbox"/> |

3) Indicate the category under which you operate

- |                                |                          |
|--------------------------------|--------------------------|
| Grocery shops and food outlets | <input type="checkbox"/> |
| Clothing                       | <input type="checkbox"/> |
| Electrical gadgets             | <input type="checkbox"/> |
| A combination of both          | <input type="checkbox"/> |

**Objective: To determine the effect of cash management on. Profitability.**

4.) Indicate the actual level of net profit margin for your enterprise in each of the following years under the appropriate category. See guidance for calculating the profit margin and the key for the level of profit below.

Calculation of profit margin = **Net profit/Sales by 100%**

**Kindly use the scale below to indicate your net profit margin**

**Scale**

Loss- refers to net profit margin below 0% (negative)

Low- refers to net profit margin between 0% and 5%

Moderate- refers to net profit 6% and 15%

High- refers to net profit margin above 15%

Year	LEVEL OF NET PROFIT MARGIN (%)			
	Loss (Negative)	Low	Moderate	High
2020				
2021				
2022				
AVERAGE PROFIT MARGIN				

**Kindly use the scale provided to answer questions below**

**Key**

- 1- Very small extent**
- 2- Small extent**
- 3- Moderate extent**
- 4- Large extent**
- 5- Very large extent**

<b>Objective: To establish cash management techniques they use to hold optimum cash.</b>							
5.) To what extent does your business implement any of the following cash management techniques?							
<b>Technique</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	
Forecasting of cash inflows and outflows.							
Accelerating collection of receivables.							
Delaying disbursement of creditors.							
Holding low levels of inventory.							
Investing idle cash.							
Adoption of selling in local currency and converting to foreign currency.							
Preference for cash over electronic payments							
Banking cash							
<b>6.) To what extent do you segregate the following duties?</b>							
Raising orders, requisitions and payments.							
Cash receipting, recording and banking							
Reconciliations and disbursements							
<b>7.) To what extent are you using the following motives of holding cash in your business?</b>							
Precautionary motive							
Transaction motive							
Speculative motive							
<b>Objective: To identify cash management challenges in SMEs.</b>							
8.) To what extent have your cash management practices been affected by the following challenges?							
Exchange rates							
Interest rates							
Inflation rates							
Multi-currency							
Regulatory modifications							
Lack of forecasting speed and accuracy of your cash flows.							

**Thank you**