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DEPARTMENT OF ACCOUNTANCY

AN ASSESSMENT OF THE WORKING CAPITAL MANAGEMENT STRATEGIES OF MOTOR SPARE RETAIL BUSINESSES IN A HYPERINFLATIONARY ENVIRONMENT. THE CASE OF SMEs IN HARARE CBD.

A DISSERTATION BY

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I certify that the dissertation complies with the preparation guidelines as presented in the faculty guidelines and instructions for dissertation.

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DEDICATIONS

I would like to dedicate my dissertation to my family, who have consistently supported and prayed for me. I have achieved because of their teachings to always aim for greatness.

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I would like to thank the Lord Almighty for who I am today. I am grateful for all that I have accomplished in life, as well as his wavering guidance and protection.

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ABSTRACT

The purpose of this study was to assess the impact of working capital management strategies of motor spare retail businesses in a hyperinflationary environment using SMEs in Harare CBD as a case study. The study's research objectives were to determine the impact of inventory management on the performance of motor spare retail businesses in a hyperinflationary environment, to investigate the effects of credit risk and accounts receivables management on the profitability of motor spare retail businesses and to determine effects of cash management and banking policies on the success of motor spare retail businesses in a hyperinflationary environment. The research used both qualitative and quantitative research approaches. The target population was 110 SMEs operating in retail industry. As a research tool, 80 questionnaires and 30 interviews were used to collect primary data. 65 out of 80 respondents answered the questionnaires showing a response rate of 81%. 25 out of 30 business owners were able to be interviewed also showing an 83% response rate. The purposive and stratified samplings methods were used in generating data. The data was analysed through descriptive and inferential statistics using SPSS and Excel sheets. Physical counting of inventory and pre-setting an inventory level to reach before making orders were found to be the most applied inventory management strategies. The research findings indicated that debtors and cash receivables management strategies that were mostly applied included follow ups on payments, limited access to cash drawers and thorough cash counts. The study concluded that working management strategies overally had effects on the performance, profitability, survival as well as success of SMEs. The study made recommendations that SMEs should maintain proper records of their inventory and accounts receivables which will assist in increasing business productivity. They should also formulate credit policies for their customers to reduce the chances of default payments. Preparation of budgets should also be utilised to prevent mismanagement of funds.

Key words: working capital management strategies, SMEs, hyperinflationary environment

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ABBREVIATIONS

WCM…………………………Working Capital Management

GDP…………………………...Gross Domestic Product

USA…………………………... United States of America

IMF……………………………International Monetary Fund

BOP…………………………...Balance of Payment

SME…………………………...Small and Medium Enterprises

AR……………………………. Accounts Receivable

QA……………………………. Qualitative Approach

EOQ…………………………...Economic Order Quantity

OC……………………………...Operating Cycle

RBT……………………………Resource Based Theory

JIT……………………………...Just in Time

MRP…………………………. Materials Requirement Planning

ROCE…………………………Return on Capital Employed

KPI...…………………………...Key Performance Indicators

CHAPTER ONE

INTRODUCTION

1.0 Introduction

A business's core activities consist of a sequence of primary and essential functions performed in a consistent manner, and thus constitutes the business's general operations. A hyperinflation environment can significantly impact the management of working capital for businesses that sell motor spare parts and this disrupts the business's operations. Businesses regularly encounter uncertainties, forcing them to make quick decisions and making it difficult to execute normal business operations (Soukhakian, Khodakarami, 2018). Working capital management (WCM) focuses on the enhancement of the business operations that is management of their stock and cash as well as the collection of debts from their customers. For a business to survive in its industry, working capital management is essential. It is also a vital element for policy making in a business and it effects a business's profitability and liquidity therefore it is considered to have a notable effect on the overall performance.

1.1 Background of the Study

Zimbabwe's economic performance has recently declined from the year 2017, with its gross domestic (GDP) reaching negative values. This has affected most small and medium enterprises (SMEs) especially businesses that deal with motor spare due to the fact that most of these companies import their products. The underperforming economy also affected their performance and working capital management. A well-organized and efficient working capital management contributes significantly to a company's performance and short term solvency (Singh et al 2017). Cash and other components of a business' overall cash flow, such as inventory, bank balances and account receivables have an impact on the business's performance and its success. Businesses that consider reducing their cash levels by purchasing an excessive number of inventories or giving excessive credit jeopardise their liquidity position. If the company's liquidity levels continue to decline without being remedied, and its liabilities outweigh its assets, it may eventually become insolvent and file for bankruptcy.

When it comes to efficiency, a company with the lowest working capital per dollar of revenue is thought to be effectively managing its working capital (Tully, 2020). Working capital management aims to guarantee that investments in the working capital components are both adequate and not excessive in order to satisfy the efficiency criteria. One of the most apparent economic issues was the COVID-19 pandemic which disrupted product supply globally to erratic demand swings. Most motor spare retail businesses had already invested in their inventories which resulted in overstocking. Excessive working capital investment raises financing costs and lowers the value of a business (Banos-Caballero et al 2014; Chang, 2018; Zeidan and Shapir, 2017). Investments in working capital are known to provide a business more negotiating leverage with suppliers, enabling it to secure greater discounts for larger orders and down payments, therefore raising the overall worth of the business (Seth et al, 2021) Efficient working capital management allows cash to be allocated to more strategic aims which can increase overall firm performance (Brigham and Houston, 2015). Working capital management is important in increasing the profitability of the company and lowering risks such as business failure. Optimal working capital management occurs when working capital follows the required and appropriate amount without overinvestment or underinvestment (Hanafi, 2014).

In working capital management, efficient cash management is equally vital. The firm can employ cash, which is the most liquid asset, to meet its short-term operational demands. Optimal cash must always be maintained by the company. Cash in a retail business can be retained for a number of uses such as paying suppliers, employees, business expansion etc. Not having enough cash can also lead motor spare retail firms under stocking and failing to meet the customer demands.

Over the period 2017 to current Zimbabwe's economy has underperformed with gross domestic product (GDP) gradually slipping into negative territory. This resulted from the unavailability of finance sources and credit assistance that was needed for investment purposes. Beginning in the early 1990s, the government launched a land reform programme that primarily benefited Black people. This programme was ultimately responsible for the shortage of finance sources. Following accusations that the government was violating human rights, the United States of America (USA) approved a certain legislation in 2001 prohibiting the extension of credit and elimination of debts to Zimbabwe by the USA until all human rights were respected. The International Monetary Fund (IMF) also ssuspended its financial aid to the country which resulted in the nation dealing with droughts, negative press, politically violent environment, a decline in business confidence as well as shortage of foreign currency. The international society had isolated Zimbabwe.

As a result, Britain and her allies placed sanctions on Zimbabwe. These developments resulted in massive fiscal deficits, deterioration of the balance of payment (BOP), worsening of currency rates and ineffective monetary policies which led to hyperinflation. Because there was limited availability of foreign currency, the government had to increase the money supply by printing more money to close the budget deficit. However, printing more money had no positive results because inflation had risen above 50%. The implementation of the Indigenization and Economic Empowerment Act in 2008 empowered black people in the country but resulted in a tremendous change in the economy. Some of the foreign owned SMEs were forced to give up a minimum of 51% of their shares to the local population and this had a negative effect on the economy and local entities. International investors were forced to postpone their investments in local businesses and due to their fear of the repercussions of indigenization. The 2008 inflation then stabilized around 2009 but later on rose around 2019 due to the Covid pandemic. Domestically, the pandemic increased the cost of business operations especially for small businesses, making it difficult for them to manage their working capital. Since then, the inflation rate has been continually rising.

This study attempts to assess the working capital management strategies of motor spare retail businesses in Harare such as Zim Auto Spares, Kopje Spares etc. as well as the performance and potential success of these businesses in a hyperinflationary environment. The research looks at the events that occurred pertaining to performance; the patterns of their sales volume, their profits over time, cash flows, ability to grow as well as the management of working capital components such as inventory, accounts receivables and cash. This sheds light on the market behaviour over time and strategies used by SMEs in order to sustain their operations during the hyperinflationary era.

1.2 Problem Statement

Before it began to progressively lose its success it had been enjoying since 1980, Zimbabwe's retail industry was considered to be performing very well. The slowdown in the GDP growth rate served as evidence of this. Most investors held on to their funds due to the increase in the inflation rate in 2017 to see the outcome, monitor and predict the political climate. Zimbabwe lost millions of dollars' worth of investment during the hyperinflationary period. More than 400 companies had to close their doors as a result, and nearly 90% of those who had previously been in the workforce were made redundant. Some of the motor spare retail businesses were forced to shut down. Many of the SMEs that were still in business were finding it difficult to survive the present economic climate. Due to the problems that were encountered nationwide, the country faced employment losses, experienced budget shortfalls and an unfavorable BOP across the board. Scholars have studied the management of working capital and its effect on performance from a variety of angles. Hyperinflation significantly impacts the survival of retail businesses and their working capital management. Hence it is crucial to analyse the strategies used to successfully manage working capital in a hyperinflationary economy.

1.3 Research Objectives

i. To determine the impact of inventory management on the financial performance of motor spare retail businesses in a hyperinflationary environment.

ii. To investigate the effect of accounts receivables management and credit risk on the profitability of motor spare retail businesses.

iii. To determine the effect of cash management and banking policies on the success of motor spare retail business in a hyperinflationary environment.

1.4 Research Questions

i. What is the impact of inventory management on the financial performance of motor spare retail businesses in a hyperinflationary environment?

ii. What are the effects of credit risk and accounts receivables management on the profitability of motor spare retail businesses?

iii. What are the effects of cash management and banking policies on the success of motor spare retail businesses in a hyperinflationary environment?

1.5 Significance of the study

This research will provide a benchmark to other scholars researching in the same area. If the findings of the research are considered then the University, motor spares retail businesses and the student will benefit as follows

To the University

The significance of this research is very important as it can contribute to the knowledge in the field as well as the university's reputation and profile.

To Motor Spare Retail Businesses

The SMEs being studied can also benefit from the research. In the case of motor spare retail businesses, they may be interested in knowing how they can efficiently manage their cash, inventory, accounts receivables as well as banking policies they can adopt in a hyper inflationary environment.

To the student

The completion of this research study will help the researcher in fulfilling the partial requirements for the Accounting degree. The researcher may also gain a better understanding of the topic and gain new skills and knowledge through the research process.

1.6 Assumptions

It is assumed that hyperinflation significantly affects working capital components such as inventory, bank balance, cash and accounts receivables as well as the business performance and overall success.

1.7 Delimitations of the study

Geographical Delimitation

The study will only consider motor spare retail businesses in Harare, Zimbabwe. This delimitation is based on the specific context of Zimbabwe and the availability of data in the retail businesses.

Organisational Delimitation

The study will only consider companies in the retail industry. The delimitation is based on the assumption that hyperinflation mainly affects small and medium enterprises such as motor spare retail businesses.

Theoretical Delimitation

This research mainly considers theories and literature published in the last 10 years. The delimitation is based on the belief that up to date theories are most effective in understanding the topic.

1.8 Limitations

In executing this research, there were a number of constraints that limited the researcher's ability to carry out the investigation effectively and successfully. It may be possible that data collected may be biased or lacking in certain areas.

1.9 Definition of Key Terms

Working capital management strategies- these are the methods and practices that are employed by companies to efficiently manage their working capital (current assets and liabilities) in order to ensure smooth business operations.

Small- medium enterprises- small and medium enterprises are businesses/ companies with a relatively small workforce and usually has low annual turnover and assets. Most SMEs have 30 employees or below, depending on the business type.

Hyperinflationary environment- this refers to an environment which is experiencing a swift, high and uncontrollable increase in the general prices of goods and services. It can be referred to as a higher rate of inflation.

1.10 Summary

Chapter one creates a starting point for the research in assessing the working capital management strategies of SMEs operating in a hyperinflationary environment. The chapter includes the background of the study, problem statement as well as research objectives, paving a way for the full detail of the framework to be discussed in the following chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The working capital management of businesses in different industries, mainly retail have been extensively studied in various literatures, but there is little research which has been written in relation to SMEs like motor spare retail businesses. This chapter seeks to make use of theories and previously published studies to further explain this research.

2.1 Concept of working Capital

Working capital can be defined as the excess of current assets over current liabilities. Its components are cash, account receivables, inventories, accounts payables and current debt (Mun and Jang 2015). One way to think of a company's working capital is as its investment in short term assets' that is cash and cash equivalents. Additional metrics for evaluating working capital include the cash conversion cycle and the amount required to turn the net investments in inventory and receivables into cash. Working capital can also be broadly defined as the amount of money accessible to a company to fund its day to day operations.

Managing enough working capital is very essential for a business because it provides enormous financial opportunities that can lead to long term sustainability of the business, boost profitability as well as ensuring the overall success of the firm. Working capital management faces a number of challenges, including inefficient inventory management, inefficient management of receivables such as slow paying customers, excess debt, inadequate cash management, cash flow issues and external variables such as market volatility. The WCM challenges can be solved by assessing the credit risk of each customer, efficient inventory management, proper handling of cash and use of floating rate loans in order to lessen the effects of fluctuations in interest rates.

2.2 Concept of Working Capital Management (WCM)

Working capital management can be described as a business process that monitors and optimizes use of the working capital components. It can allude to the management of current assets as well as current liabilities. It is suggested that firms can increase their current assets, decrease their current obligations, so that the current assets exceed the current liabilities. Businesses that effectively handle their cash, receivables and inventory will eventually boost their profitability and performance in a hyperinflationary environment. Working capital management's primary objective is to ensure that there is accessibility of sufficient cash to meet immediate obligation. It also aims to maximise the utilisation of a company's assets and obligations. This entails controlling the quantity of inventory held and the timing of the payments from customers. WCM is critical to a company's financial stability, particularly motor spare retail businesses because there is need for significant investments in inventory, marketing and advertising as well employee training in terms of customer service.

2.3 Hyperinflation impact on Working Capital Management

A shift in prices is referred to as hyperinflation, which is defined as an increase of 50% or more per month or an increase of 100% or more annually (Frankel 2014). The term 'hyperinflation' generally describes a significant rise in the average cost of goods and services. Hyperinflation is a severe type of inflation marked by a persistent increase in prices, which frequently results in a decline in trust in a country's currency. Similar to other businesses, SMEs have many obstacles due to hyperinflation, including difficulties in managing their inventory, supply chain and potential changes in consumer behaviour. These factors may hinder their performance.

A typical concern is that the inflation of one year will raise the inflation of the next, and so on. This unpredictable increase in prices can disrupt business operations, making it a challenge to effectively manage working capital. The potential problems of hyperinflation on the working capital of a motor spare retail business include;

Supply chain challenges and increase in costs.

Hyperinflation leads to supply chain delays. This is due to the fact that most retail businesses import their products. Hyperinflation can increase the costs of transporting the products, making the product expensive and also making it difficult for SMEs to source their products. The significant increase in the business costs will put pressure on the profitability of SMEs hence they end up adjusting their prices in order to maintain high levels of profit.

Challenges in inventory management

In a hyperinflationary environment it can be a challenge to effectively manage inventory. The increase in prices by retailers may lead to obsolescence and inventory losses since the demand by customers may be low. Holding less stock that what is needed may result in missed sales opportunities. On the other hand, holding too much stock may lead to increased storage costs which reduces profits. Motor spare retail businesses may need to adjust their inventory management strategies in order to meet the prevailing situation.

Impact on Accounts receivables and payables

Hyperinflation transfers money from nominal savers to borrowers (Auclert 2019). It enriches the debtors in the sense that if they repay their debts at a later date the debt would have lost value and they would pay less than what their debt was worth. However, as the currency depreciates customers may delay payments or worse off struggle to meet their obligations. This can result in increased bad debts and strain on the working capital of a business. Hyperinflation increases credit risk in a business due to rising living expenses, debtors may find it difficult to repay their debt.

Cash flow disruptions.

Hyperinflation can affect cash flow movements making it difficult for SMEs to effectively manage their working capital. This can limit the availability of cash available to fund daily operations.

Financing Constraints

Hyperinflation may limit SMEs from getting external sources of finance. Banks and other lenders may be hesitant to provide finance due to the uncertainty and increased business risk. Working capital requirements will be considerably impacted by the lack of external sources of funding.

2.4 Theoretical Framework

The findings that form the theoretical framework are those that other researchers have used to direct, understand and assess their own research projects.

Resource Based Theory

The Resource Based Theory offers a different perspective on business success by emphasizing how businesses can enhance their performance through their resources and capabilities. Several academics, including Jay B. Barney, proposed the theory in the late 198s and early 1990s. The Resource Based Theory (RBT) focuses on the importance of resources in shaping a company's competitive advantage. It highlights that organizations can achieve a competitive advantage by strategically utilizing their resources.

In the realm of inventory management, the Resource Based Theory suggests that organizations should consider inventory as a valuable asset that can enhance their competitive edge. Competitive advantage in a hyperinflationary environment is gained through efficient inventory management. Efficient inventory management enhances cost reduction, increased productivity and improved customer service leading to a competitive advantage of other businesses in the same industry. SMEs can apply inventory management strategies which include Economic Order Quantity (EOQ), Just in Time (JIT) and safety stock. These strategies can minimise inventory associated costs, and this can lead to increased efficiency and improves overall business performance.

Game Theory

The Game theory focuses on the implementation of decision-making strategies in accounts receivables management. It aims to optimize the collection of outstanding debts and improved cash flow in the business. John von Neuman and other notable academics from the 1950s developed the theory. This approach enables businesses to develop policies and strategies to address its accounts receivables management challenges, potentially leading to improved cash collection thereby contributing to profitability.

The application of game theory in receivables management includes factors such as payment terms, customer value, credit risk and collection costs. SMEs can apply different strategies such as credit scoring which enables them to determine the credit risk associated with offering their products on credit to different customers. They can also apply customized collection tactics tailored to each customer based on the characteristics such as giving discounts to high value customers and motivational tactics such as rewards to customers who pay on time. These strategies reduce the chances of bad debts and results in a more efficient collection process and efficient management of accounts receivables which increase the profitability of the business. The Game Theory is the most used theory in this research since it is applicable in the current day to day business.

Liquidity Preference Theory

John Maynard Keynes' proposal of the liquidity preference theory in 1936 is one of the theories that support the study of cash management. The theory suggests that businesses prefer to hold their assets in liquid form such as cash rather than as bonds or stock. This is motivated by the requirement to keep resources on hand to quickly satisfy changes in demand. This theory proposes that transactionary, precautionary and speculative factors drive the demand for money. SMEs can determine the optimal level of cash to hold based on their liquidity needs and preferences.

SMEs can also determine their cash balance using the liquidity preference theory by balancing the costs associated with holding excessive cash (lost investment opportunities) against the benefits of having sufficient cash to meet their obligations. SMEs can also implement cash management strategies that align with the liquidity preference theory such as establishing a liquidity reserve or emergency bank account in order to mitigate risks associated with unexpected changes specifically in a hyperinflationary environment. This enables sound cash management and offers opportunities for business growth and overall success.

Trade-Off Theory

The trade-off model mainly demonstrates how businesses weigh the costs and benefits of several options of financing to determine how much debt and equity finance they will utilise. Businesses can also decide on the amount of cash to hold by comparing the expenses and advantages of holding cash. In the 1950s, two economists named Franco Modigliani and Merton Miller proposed the trade-off theory. This theory affects working capital management indirectly in the case that if a company decides to get funded from debt financing in order to take advantage of tax benefits, the majority of its funds will be used towards debt repayment which may restrict the amount of cash that the business has available. In order to ensure optimal financial performance and efficient working capital management- which boosts a firm's profitability, firms should maintain a balance between debt financing and equity financing. If a firm is balancing the two it might be able to manage its working capital well.

Efficient working capital management improves the profitability of a firm as well as increase its financial performance. Numerous investigations have looked into the relationship between working capital management and financial performance of a firm (Deloof, 2003; Raheman and Nasr, 2007).

2.5 Working Capital Management Strategies Applicable to SMEs.

Economic Order Quantity

It is imperative for any business that purchases and maintain inventory to place orders in the quantities that best meet their requirements. This is when Economic order quantity (EOQ) comes into picture. Businesses can spend too much on inventory and storage costs if their orders are too big. However, they also cannot satisfy customer demand if they place small orders. Economic order quantity assists in identifying the optimal order size and profitability point for a business. EOQ describes the number of units that a business should store with every order in an effort to minimise the overall costs associated with inventory, such as ordering and holding costs. In a continuous review inventory system, the EOQ is a component that orders a specific quantity each time the inventory reaches a predefined reorder point. EOQ helps avoid over ordering, spending and storage expenditures hence it leads to improved business performance. The EOQ is actually the point at which holding costs and ordering costs are at their lowest or equal.

Decision Tree Analysis

Accounts receivables are a huge component of a business' working capital therefore it is crucial to ensure on-time customer payments, a reduction in bad debts as well as optimising cash flows. Management of a company's accounts receivables has a direct effect on its profitability. Efficient accounts receivables (AR) management can assist a business in getting paid sooner and in full, optimising revenue in a hyperinflationary environment. It is suggested that in order to sustain profitability, effective management of accounts receivables is essential for all businesses, regardless of size (Mbula et. al 2016). The process of managing accounts receivables involves formulating a decision tree analysis based on three Cs namely capital, character and collateral. If all the 3Cs are strong then the customer can be advanced goods on credit. On the other hand, if character and capital are strong but the collateral (property pledged as a guarantee of repayment) is weak then the amount of credit will be limited. Credit is restricted to collateral value if character is lacking but capital and collateral are good. However, if all of the three are weak, the credit proposal to a customer shall be turned down since it poses a risk. The decision tree is used to evaluate the credit risk associated with providing customers with goods on credit basis.

Miller-Orr's Cash Management

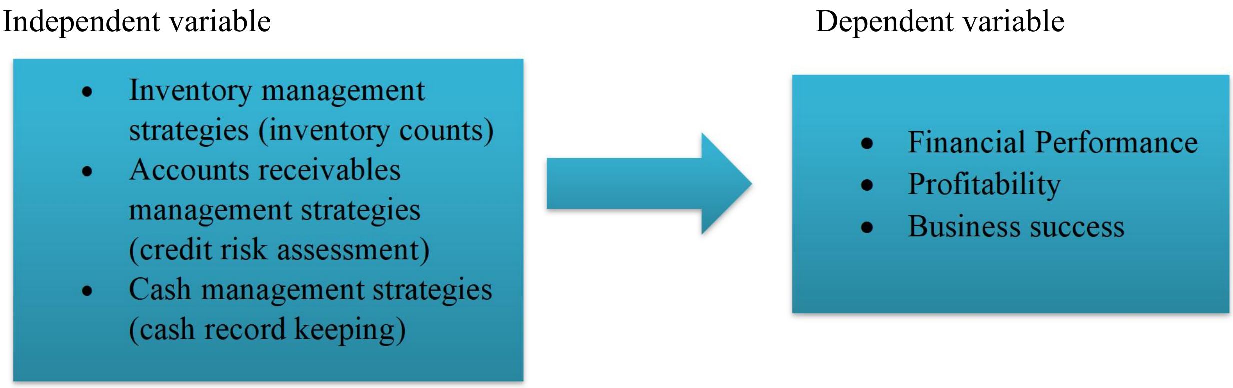
Sustaining an acceptable degree of cash liquidity is one of the fundamental purposes of a well organised business. A strong cash management system is essential for companies to meet debt obligations, boost productivity, and preserve sustainability and plan for the future (Righetto, Morabito and Alem 2016). Holding excess cash in a hyperinflationary environment cannot be advisable in the sense that inflation can reduce the buying power of your money. Stated differently, the longer you hang onto it, the less value it will have in the future. Excess cash can produce a management team that is unduly confident impacting the overall success of the business. Having a low cash balance means a retail business will not be able to purchase new inventory and deliver products on time. Therefore, it is crucial to have reasonable cash on hand balance.

Retail companies with erratic cash inflows and outflows should pay special attention to the Miller-Orr's cash management model. By taking into account the random character of cash flows, transaction costs, and opportunity costs, it offers a framework for managing cash balances. The model establishes lower and upper limits for cash. These can be established by taking into account seasonal variations, daily sales unpredictability and other aspects impacting the cash flows. When the cash balance reaches the maximum level, businesses can invest in new inventory or deposit their cash into an interest savings account in order to navigate the impact of hyperinflation. This should restore the cash balance to its optimum level. Similarly, when the cash balance reaches the minimum level, the business should sell more of its inventories or encourage early or prompt payments through discounts in order to restore the cash balance to its optimum or return point.

2.6 Conceptual Framework

The literature on working capital management strategies highlights that the effectiveness of cash management, receivables and inventory management significantly impacts the performance, profitability and success of the business. Therefore, enhancing the efficiency of these practices can lead to improved overall performance. The interconnectedness of these model variables is depicted in Figure 1.

Figure1: Conceptual Framework



Operationalization of Variables

Table 2.6.1 Operationalization of Variables

Variable	**Measurement**
Independent Variable	
Inventory management strategies	Inventory turnover rate
Accounts receivables management	Credit scoring system
Cash management	Cash conversion cycle
Dependent variables	
Financial Performance	Sales revenue
Profitability	Net profit
Business success	Growth rate

2.7 Empirical Review.

Most scholars agree that if companies effectively oversee their cash, accounts receivables and inventories, it will eventually contribute to enhancing their business performance. Some theories on WCM as discussed by different researchers' highlights that there is a risk and return trade off that occur naturally in various working capital strategies (Gitman and Zutter, 2014).In trying to achieve goals and for business continuity, the business owners are entitled to formulate relevant working capital management policies like credit terms, level of cash on hand etc. These policies ensure that working capital is being managed efficiently and effectively. Consequently, they monitor the status of working capital which is crucial and interconnected with the overall business position (Muhammad et al, 2016).

Impact of inventory management on performance of SMEs

Athumani and James (2019) studied the impact of inventory management on organization performance in Tanzania. The study identified strategies such as EOQ and Reorder Level. In an effort to enhance inventory management, businesses can make use of these techniques which are very crucial in preventing stock outs in inventory supplies. However, these inventory management strategies do not immediately increase a company's efficiency or performance, the study suggests that management should forward inventory planning and centralise the role of purchasing and storing goods, perform routine inventory counts, create a framework for adoption of practices like Materials Requirements Planning (MRP) and use skilled labour to keep inventory costs low. By implementing these strategies, a business can improve performance whilst cutting inventory associated costs.

A study was carried out to analyse the effect of inventory management on the organizational performance of the selected manufacturing firms in Nigeria (Agu etal 2016). The study highlighted that in most businesses, whether big, medium size and small inventory management is a crucial aspect of their operations. One of the important components of supply chain's network is efficient inventory flow management. The study identified strategies such as JIT and the impact it has on a company's growth. A descriptive survey research was used and it indicated that just in time significantly influences the expansion and performance of businesses. The report suggested that businesses should educate their employees with expertise in inventory control management enabling them to oversee the efficient operation of the inventory management programme or activities. The findings concluded that inventory control significantly affects productivity and performance of selected manufacturing firms.

An investigation into the impact of inventory management on an organization's performance was carried out in 2014 by Koin, Cheruiyot and Mwangani. The study guaranteed that the sampled population was sufficiently large to provide the researcher with sufficient information to support the research aims. Based on the findings, supply chain efficiency and performance is positively impacted by inventory management and supplier relations. Order management and warehouse management only have a small effect. This study will provide decision makers with practical ways to align procurement performance and inventory management.

Effect of accounts receivables management and credit risk on profitability of SMEs

A study by V. N Shah 2018 examines the impact of receivables on the profitability of selected companies in India. The study shows how the credit policy and collection method have a significant impact on accounts receivables management. Due to the faulty in accounts receivables administration, illiquidity issues in corporations have become more common in the recent decades. Data used in this study was gathered from annual reports of companies for a period of 10 years. Accounting ratios such as current ratio, quick ratio and debtor's ratio were calculated. The companies studied had ineffective receivables management practices and this demonstrated a notable influence on profitability. The study concluded that handling of accounts receivables has a substantial influence on WCM and profitability. Management will need to come up with innovative plans for effective receivables management by putting appropriate receivables management measures into place such as new efficient credit policies to improve liquidity and profitability.

Jindal, Jain and Vartika studied the effect of receivables management on profitability of Indian companies. The study evaluates the impact of efficient receivables management as defined by the debtor's turnover ratio, on commercial performance. The company will be more profitable if the turnover of debtors rises. Profitability was assessed using Return on Capital Employed (ROCE). The research was carried out between 2009 and 2016. A strong positive correlation was found between the debtor's turnover ratio and firm profitability. It was suggested that businesses can concentrate on improving their credit policies and collection activities in order to manage accounts receivables effectively. Effective receivables management was noted to be crucial for increasing profitability.

Ahmad, Tahir and Aziz 2014 assessed the impact of credit risk on profitability. These were considered as internal issues in Kenyan banks. Credit risk was noted to be the primary cause of variations in profitability. Investigations found that credit risk has a negative and considerable influence on profitability. The study recommended an improvement in credit practices by considering the 5Cs of credit worthiness which are capacity, collateral, capital, conditions and character- when determining a borrower's credit status before extending credit to them.

Muhammad (2016) analysed the effects of working capital management (management of accounts receivables) on a firm's profitability: a relative study on European countries. A regression analysis was used and it revealed that the debtor's collection period had a negative and significant impact on profitability. A longer collection period reduces the profitability of the business. The delay in collecting customer payments can strain the business' cash balances affecting its ability to grow and succeed.

Effect of cash management on the success of SMEs

Eton, Godfrey, Nyangoma, Mwosi and Ogwel (2018) studied the relationship between cash management, financial literacy and business success. A descriptive research design was used. The study investigated that a modest degree of cash management among companies under investigation led to a comparatively high rate of company growth. According to observations, the majority of enterprises eventually run out of cash management techniques and timely debt payments to debtors. Most companies that use borrowed money eventually file for bankruptcy. Business owners in particular need to be made aware of the dangers of borrowing money. They should also refrain from applying for credit. Business owners should also match their borrowing needs with their goals to avoid using funds meant for company expansion. The findings show that sound cash management results in smooth flow of business operations leading to overall success of small businesses.

The cash management methods of small and micro firms in Ghana were examined in a research conducted by Attom (2014) the research showed that the majority of SMEs, particularly those in the retail sector failed to maintain documents pertaining to their transactions. A range of 80% of retail businesses did not keep track of their cash inflows and outflows. It was challenging to divide money among accounts for personal and corporate use due to lack of transaction records. Consequently, being able to keep track of all financial activities has a big impact on effective cash management.

The degree to which SMEs are impacted by hyperinflation

Muchapireyi and Mahiya examined the impact of hyperinflation on the operations of the retail sector in Zimbabwe. The main issues facing Zimbabwe's retail sector are closely related to hyperinflation. The hyperinflation also plays a significant role in the poor performance of the retail industry and other economic sectors. The study makes the case that retailers adopted survival strategies during Zimbabwe's hyperinflationary period. The study suggested that retail businesses can educate and trains school leavers and graduates with the sought-after knowledge, skills and attitudes necessary for managing retail businesses. The government and business community have also adopted a number of measures that significantly lessen the effects of hyperinflation in the country.

2.8 Research Gap

Other scholarly researches regarding the working capital management strategies of SMESs in the retail industry have not been given the same focus as compared to businesses in other sectors. For emerging nations like Zimbabwe, the circumstances are direr. Starting in 2020 or thereabouts, businesses in Zimbabwe have been working in a hyperinflationary environment. This has made it difficult for most SMEs to efficiently manage working capital. Because of this, businesses in Zimbabwe struggle face challenges like as obtaining funding from financial institutions, compared to developed countries. The purpose of this study is to address the gaps by supplying the vital information about whether the strategies used by motor spare retail businesses to efficiently manage their working capital are applicable in a hyperinflationary environment.

2.9 Summary

The chapter focused on theories relating to working capital management in Zimbabwe and other countries as well as articles, journals and publications written by other academics. To gain more understanding of the working capital management strategies of SMEs in hyperinflationary environment, an extensive evaluation of literature was undertaken. The researcher managed to identify strategies in managing inventory, accounts receivables and cash such as inventory counts, credit scoring and cash counts being utilised by SMEs. The next chapter will cover the research methodology of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction.

In the preceding chapter, the effect of hyperinflation on working capital management and components of working capital was presented and discussed. In trying to find a comprehensive assessment of working capital management strategies, a range of techniques were used to investigate the working capital management practices of retail businesses, with a particular focus on SMEs in Harare CBD. This chapter describes the several approaches used which include the research methodology that was used, research design, data collection as well as data analysis methods used.

3.2 Research Design.

It is said that facts are not laying objects; they should be picked up, carved and related to the on-going reality. Research design usually outlines methods and techniques that will be used to collect and analyse data in a logic manner. In order to gain a comprehensive analysis of the working capital management strategies of motor spare retailers in a hyperinflationary environment, information with regards to SMEs was gathered. The researcher carried out a survey as it identifies and exposes the relationship between inflation and the working capital management strategies of motor spare retailers. By carrying out a survey the researcher, managed to obtain an understanding on the operations of the SMEs their experiences in a hyperinflationary environment. The researcher utilised both the qualitative approach (QA) and quantitative research. The goal of qualitative research is to describe and examine social behaviors, events, occurrences, and the attitude, beliefs, perceptions, and thoughts of people acting alone or in groups (Sukmadinata, 2017). Quantitative research aims at gathering information that can be measured and analyzed statistically. These approaches include interviews and questionnaires.

3.3 Study Population

The population caught the researcher's attention. The population consists of all the individuals from whom the researcher wants to acquire information from. The study's target audience was the participants at motor spare retail businesses, mainly SMEs located in Harare. The primary target population include the business owners who are often the managers and employees of these SMEs. The main focus was the finance department of the business since they are in charge of overseeing the company's financial affairs and the stores department which manages the day to day operations. Because of the target population that was utilised, more accurate results were anticipated from the analysis. The study population provided guidance to the researcher in selecting the study sample. The majority of the participants in the study were motor spare retail businesses in Harare.

3.4 Sample Size

A good sample should accurately represent the entire population (Pope, 2020). In order to obtain specific data regarding the working capital management strategies used by retail businesses, the researcher took a representative sample from the entire population of 500 motor spare retail businesses which consisted of 120 SMEs. Most representatives were not selected using certain categories such as departments etc. Departments may not be present in SMEs with ten or less people, contingent upon their unique structure and requirements.

Table 3.1 Target Population

Respondent Type	Method of Sampling	Method of Collection	Sample Quantity
SME employees, owners	Stratified sampling	Questionnaires	80
SME owners	Purposive sampling	Interviews	30
Total			**110**

3.5 Sampling Methods

Sampling makes it possible for one to examine a subgroup instead of the entire population (Saunders et al, 2009). By concentrating on a sample rather than the complete population, choosing a sample is primarily a method of cutting down on research time. The sampling methods used by the researcher mostly were the stratified and purposive sampling method.

By using the stratified sampling method technique, the population is divided into groups which are relatively homogenous in this case the groups are the departments. By doing so each department is represented in the sample. Stratified sampling ensures that every group is fairly represented. It enables comparison of different groups which results in more accurate information. Purposive sampling was also used when the researcher selected individuals based on the knowledge, they have concerning the study. This enables the researcher to compare the impact of hyperinflation on the working capital management strategies of the businesses.

3.6 Validity and reliability of findings

Validity and reliability in qualitative research encourage transparency and lessen the chance of introducing researcher bias (Singh, 2014). An evaluation of the techniques used to collect data is necessary for a thorough assessment of the validity and reliability of any secondary data (Saunders et al, 2009). Research tools that are reliable always yield the same results. It is believed that the research tools used are considered to be accurate and consistent. To ensure the validity of data the questionnaire will be prepared pertaining to the subject and relevance and applicability of the questions to the real-world settings.

3.7 Research Instruments

A research instrument is a measurement tool for observable natural and social phenomena (Sugiyono, 2018). The validity and reliability of the findings was taken into consideration when choosing the study tools to be employed.

The research instruments used are summarised below:

3.7.2 Questionnaires

A questionnaire is defined as a set of questions distributed to people with the intention of receiving their responses (Arikunto, 2019). Questionnaires are an important source of information because they can be administered to a substantial portion of the population study at the same time. It is a quick method of obtaining data. It is also cheap to use. It is also flexible in the sense that it includes a variety of questions which are either open-ended or close-ended. Some respondents may find it difficult to answer to a specific type of questions, thus the range of questions in a questionnaire makes it easier to respond**.** Open-ended questions are those questions that do not have a specific approach of answering. These questions include why, how and what analysis. They allow respondents to provide more detailed information rather than close-ended questions. Close–ended questions are those questions that require a simple answer, it may either be a yes or no answer required. This allows respondents to express their opinions freely. The questionnaires were distributed to the employees of the SMEs.

3.7.3 Email Surveys

This is where the questionnaires are distributed as soft copies via email. It is a quick and low-cost method of distributing questionnaires. The respondents receive a soft copy of the questionnaire along with a cover letter outlining its purpose and expected duration of their response (Saunders et al, 2009). The use of emails ensures confidentiality. The respondent will fill out the questionnaire and mails it back to the researcher upon completing to questions. Email surveys work best when targeting large populations and for addressing respondents in different geographical locations.

3.7.4 Interviews

Interviews are regarded as the fastest way of collecting information. The interviews were carried out so that some of the questions and responses could be classified further. The interviews were carried on the time which was appropriate to the respondents so that they may be able to answer freely. The business owners of most SMEs participated in the interviews and the researcher took down notes for data analysis. Most respondents were not able to be interviewed hence they received the questionnaires on email.

3.8 Data Collection Procedures

3.8.1Primary Data

Primary data is data gathered for the first time. It is usually collected for a specific research. In this research, questionnaires and interviews were used as a method of collecting primary data. Primary data collection is essential as it focuses on the areas of interest to the research study**.** The researcher checked all the questionnaires upon receiving them to confirm if all the questions were answered.

3.9 Data Analysis and Presentation

There were several blank spaces in the data**,** particularly when it came to open-ended questions. This might be due to lack of interest in responding to the question or lack of understanding. Because the population study was limited, the accuracy of the completed questionnaires was verified and analysed using Excel sheets and SPSS. The questionnaires were stored on hard drives as backup copies.

Data processing and presentation includes statistical principles such as descriptive and inferential statistics. Tables and charts were used to present the research findings. In situations where there was little information known about the fact such as working capital management strategies in other motor spare retail businesses, literature review was employed. Sample respondents were used for analysing the effects of hyperinflation, functions of working capital, cash management, accounts receivables, and inventory management thus the entire management of working capital.

3.10 Ethical Considerations.

When doing a research study, there are various ethical issues to be considered. The researcher considered the following ethical issues to ensure the research was conducted in a responsible manner. The researcher received obtained permission from the university before undertaking the research study. This was to ensure the research met the requirements of the university and the fulfillments of the degree program. Similar to that the researcher also got approval from the businesses and respondents to obtain consent from participants so that they understand the procedures, risks and benefits prior participating. The researcher also ensures confidentiality of the gathered information by making sure personal information of participants is anonymous. The researcher also took precautions to guarantee no emotional or psychological harm was brought to the participants. The researcher also strived to ensure the study was undertaken in an unbiased and accurate manner. Following the Research supervisor's instructions for data collection procedures, trustworthiness of this study was preserved. The researcher made sure that appropriate approval from each and every party was gained before undertaking the research. The researcher also assured respondents that their responses would not be used to tarnish their image or the organization they represented.

3.11 Chapter Summary

The main goal of this chapter was to discuss the research methods used in the study and reasons why such methods were used. There was an overview of the research design, study population, data collection instruments and data analysis and presentation. A review of many ethics that the researcher considered in order to finish the study brought the chapter to an end. An analysis of various data will be presented in the next chapter.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

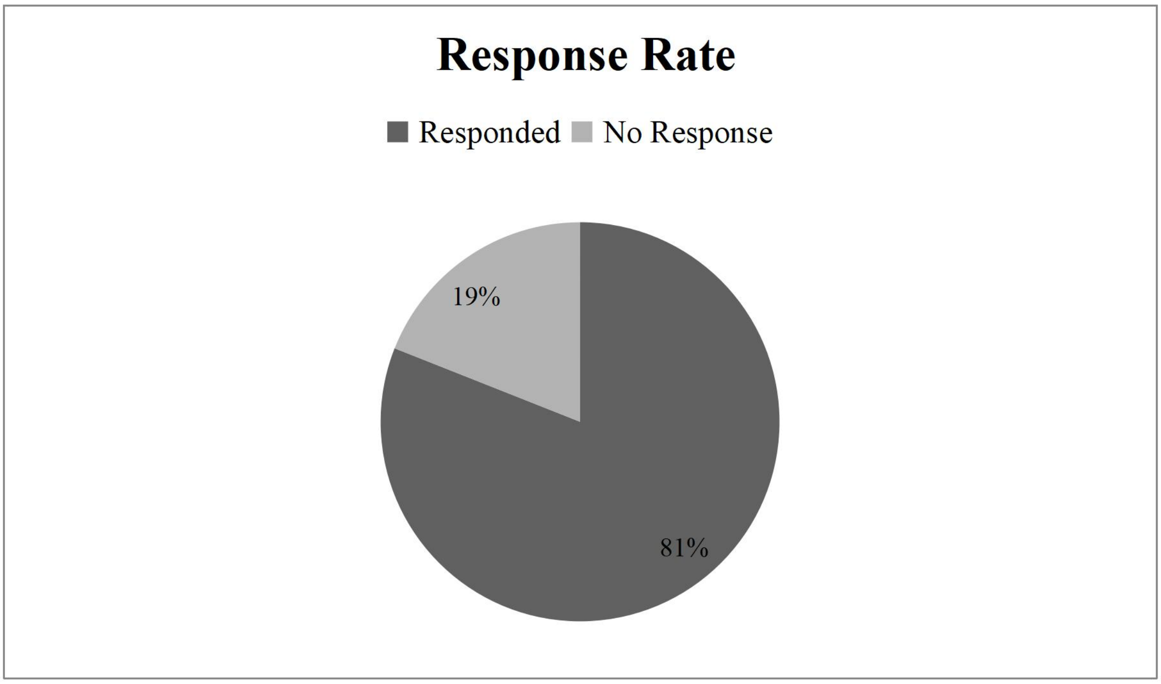
4.1 Introduction

This chapter presents and analyses the study's findings. The results support the collected data on the working capital management strategies of motor spare retail businesses. Data has been provided, examined and evaluated in light of the study's goals. It is displayed as tables based on the answers provided by the study participants who were targeted during the data gathering procedure. The findings discussion has been organized in accordance with the study's objectives which were outlined in chapter one of the research. The data was interpreted in a way that enabled the researcher to draw relevant conclusions and offer suggestions for improving mastery of the research subject.

4.2 Response Rate

The researcher distributed 80 questionnaires to respondents, and 65 were completed and returned. This resulted in an 81% return rate. Figure 2 presents the same information

Figure 2 Response Rate



Source: Primary data (2024)

4.3 Demographic Information

4.3.1 Academic Qualification

Academic qualification	Frequency	Percentage	Cum. Percentage
A level	14	22%	22%
Honours Degree	22	34%	56%
Masters	23	35%	91%
Other	6	9%	100%
Total	65	100%	

Source: Primary data (2024)

As shown in table 4.3.1 the majority of respondents are Masters degree holders, while the least were other qualifications which included diplomas, certificates and other professional qualifications. This indicates that most SME business owners and employees are educated and can be in a better position to understand the concept of working capital management strategies in businesses.

4.3.2 Job Title

Job Title	Frequency	Percentage	Cum. Percentage
Manager	21	32%	32%
Business owner	12	19%	51%
Employees	32	49%	100%
Total	65	100%	

Source: Primary data (2024)

The above table shows that majority of the respondents were employees, whilst few respondents were business owners. The high response rate in employees could be due to their availability at workplaces compared to business owners who have tighter schedules. The employees might have more knowledge on the working capital management strategies being applied due to their involvement in many of the business activities.

4.3.3 Number of workers employed

Number of workers	Frequency	Percentage	Cum. Percentage
Less than 10	40	62%	62%
10 to 15 people	23	35%	97%
15 to 20 people	2	3%	100%
20 and above	0	0%	
Total	65	100%	

Source: Primary data (2024)

The table shows that most of the SMEs have less than 10 employees and no business has more than 20 people employed. This implies that SMEs have limited funds to hire a larger workforce and pay these employees.

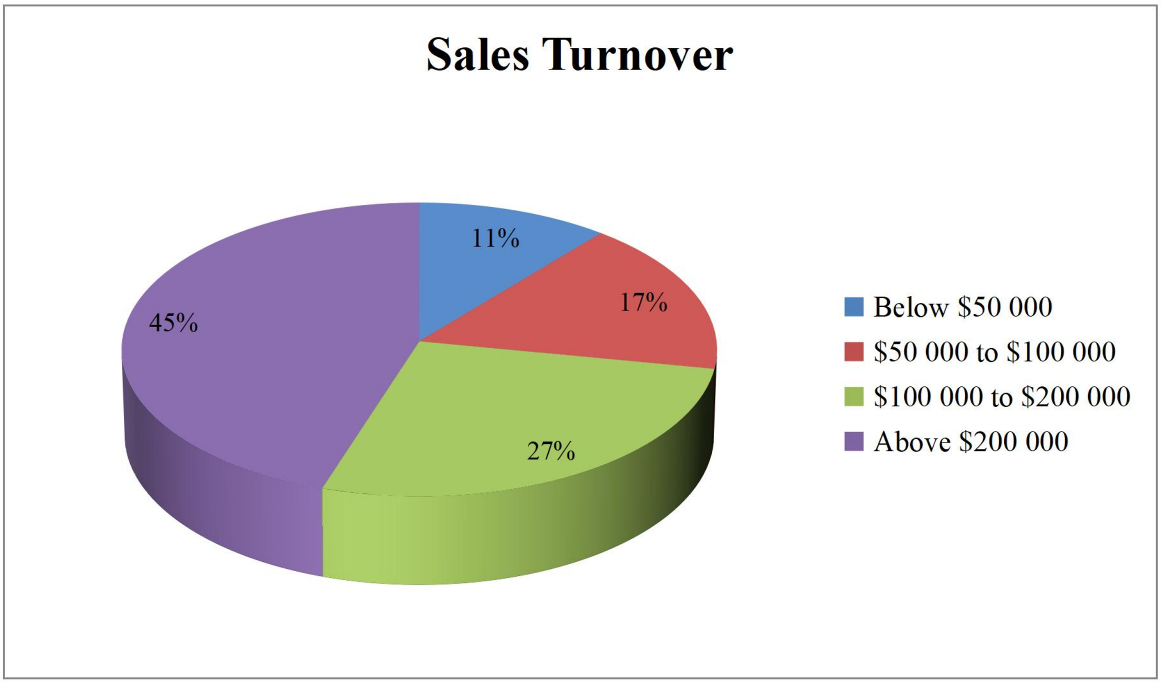
4.3.4 Years of Operating

Number of Years	Frequency	Percentage	Cum. Percentage
Less than 5 years	33	51%	51%
5 to 10 years	27	42%	93%
10 to 15 years	5	7%	100%
Above than 15 years	0	0%	
Total	65	100%	

Source: Primary data (2024)

The table above shows that most SMEs have less than five years in the retail industry. This may imply that most SMEs are still in the early stages of development. The table also indicates that there are no businesses which have been operating for more than 15years; this may be due to economic slumps caused by hyperinflation which can negatively affect small business leading to their failure.

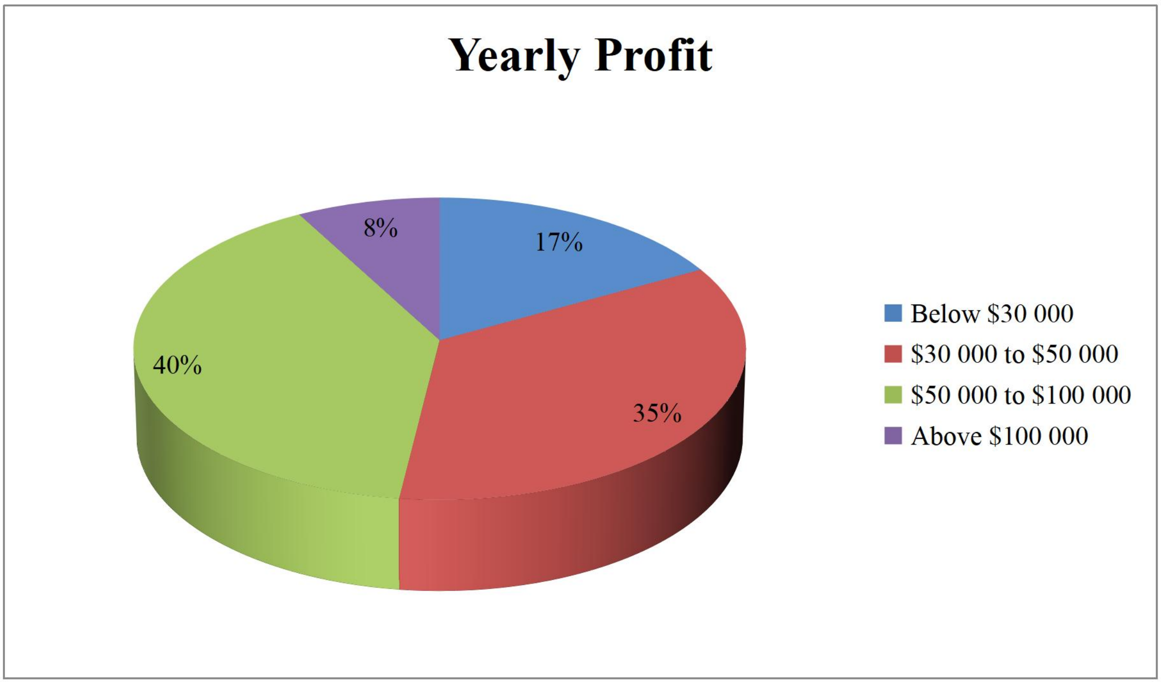
Figure 3: Annual Sales Turnover



Source: Primary data (2024)

The pie chart above indicates that the majority of SMEs have a higher annual sales turnover despite the fact that most of them have fewer years in the industry. This implies that most SMEs sell a significant number of their products during their sales cycle, which could indicate business expansion**.**

Figure 4: Yearly profit



Source: Primary data (2024)

The findings in the pie chart show that the majority of SMEs have lower yearly profits, showing a lesser percentage of profit being made from the total sales made. This implies that despite the majority of SMEs having a high sales turnover, they do not have a likely high profit. This may due to high costs incurred during business operations such as rental costs, transportation costs etc.

4.4 Reliability Test Results

In order to ensure that the research instruments are dependable and unbiased, reliability tests were used. The Cronbach's alpha was used to measure the research variables. The ideal value for Cronbach's alpha is typically recommended to be 0.90. Nonetheless, values of 0.7 or above are generally deemed acceptable. Reliability results are presented in the table below:

Table 4.4.1 Reliability Test Results

Variable	N of items	Cronbach's Alpha
Inventory management	10	.987
Accounts receivables management	11	.987
Cash management	10	.980

Descriptive statistics on the extent to which working capital management strategies are applicable in businesses were computed. These statistics are frequencies, percentages, mean and standard deviation

Table 4.4.2 Extent to which inventory management strategies were applied (Responses were drawn using a scale of 1-5 1=no extent, 2=small extent, 3= moderate extent, 4=large extent, 5=very large extent.)

(n=65)

Inventory management strategies	5	4	3	2	1	Mean	Std. Deviation
Receiving, issuing, accounting and storing responsibilities are	4 (8%)	8 (20%)	35 (54%)	13 (12%)	5 (6%)	2.89	.937

properly segregated							
Adequate provision is made for obsolete or slow-moving inventory	6 (9%)	8 (12%)	14 (22%)	21 (32%))	16 (25%)	2.49	1.252
Inventory is physically counted	18 (28%)	6 (9%)	10 (15%)	28 (43%)	3 (5%)	3.12	1.352
Inventory is ordered when it is needed	3 (5%)	3 (5%)	14 (21%)	36 (55%)	9 (14%)	2.31	.934
Orders are placed on a timely basis	10 (15%)	8 (12%)	21 (32%)	14 (22%)	12 (19%)	2.85	1.302
The business maintains a level of inventory that minimizes total storage costs	5 (8%)	6 (9%)	23 (35%)	16 (25%)	15 (23%)	2.54	1.174
The business has safety stock to prevent stock outs	9 (14%)	3 (5%)	19 (29%)	21 (32%)	13 (20%)	2.60	1.260
The business orders more products when inventory has reached a certain level	12 (19%)	11 (17%)	22 (34%)	10 (15%)	10 (15%)	3.08	1.303
The delivery process improves customer satisfaction	9 (14%)	17 (26%)	15 (23%)	11 (17%)	13 (20%)	2.97	1.346
Inventory level held leads to an increase in the sales growth	5 (8%)	18 (28%)	8 (12%)	26 (40%)	8 (12%)	2.78	1.205

Source: Primary data (2024)

Results presented in 4.4.1 suggest that respondents rated moderately the inventory management strategies applied in SMEs. The overall mean response score was close to 3 which are coded as moderate extent to which these inventory management strategies are applied. The most highly rated strategy was physical counting of inventory (Mean=3.12, Standard Deviation=1.352.) The overall mean response also indicates that the above inventory management strategies averagely lead to increase in financial performance of SMEs.

The findings agree with the study by Athumani and James (2019) on the impact of inventory management on organization performance. The study identified strategies such as ordering inventory when it reaches a predetermined level. However, the study did not agree on these inventory management strategies immediately increasing a company's financial performance. The study suggests that management should performing routine inventory counts, centralising the role of purchasing and storing goods and use of practices like Materials Requirement Planning (MRP).

Table 4.4.3 Extent to which accounts receivables management strategies were applied (Responses were drawn using a scale of 1-5 1=no extent, 2=small extent, 3= moderate extent, 4=large extent, 5=very large extent.)

(n=65)

Accounts receivables management strategies	**5**	**4**	**3**	**2**	**1**	**Mean**	**Std. Deviation**
The business offers discounts or other incentives to encourage customers to pay on time or early	16 (25%)	5 (8%)	6 (9%)	28 (43%)	10 (15%)	2.83	1.453
Payments are remitted using a limited number of payment methods that are cost effective	20 (35%)	7 (11%)	8 (12%)	24 (37%)	6 (9%)	3.17	1.442
Customers are given convenient access to their account statements	15 (23%)	21 (32%)	11 (17%)	9 (14%)	9 (14%)	3.37	1.353
Billing is controlled and properly accounted for	2 (3%)	4 (6%)	25 (38%)	20 (31%)	14 (22%)	2.38	.995
The business offers both cash and credit sales	12 (18%)	6 (9%)	24 (37%)	12 (19%)	11 (17%)	2.94	1.310
The cash collection process reduces bad debts and leads to increased profits	2 (3%)	10 (15%)	10 (15%)	33 (51%)	10 (15%)	2.40	1.028
The business has credit limits for accounts receivables	4 (6%)	6 (9%)	19 (29%)	12 (19%)	24 (37%)	2.29	1.234
Credit terms are discussed with	2 (3%)	5 (8%)	17 (26%)	19 (29%)	22 (34%)	2.17	1.084

customers at the beginning of the business relationship							
Business uses credit scoring to assess credit risk	4 (6%)	6 (9%)	7 (11)	13 (20%)	35 (54%)	1.95	1.268
Collateral is used to minimize risk	5 (8%)	6 (9%)	4 (6%)	15 (26%)	35 (54%)	1.91	1.271
Credit worthiness is assessed through financial history, repayment behaviour, and credit risk models	10 (15%)	8 (12%)	10 (15%)	17 (26%)	20 (32%)	2.55	1.436

Source: Primary data (2024)

The results presented in table 4.4.2 indicate that the overall mean responses were 2.5, that is close to 3 which was the moderate extent to which the above accounts receivables management strategies were applied in SMEs. The most highly rated strategy was the provision of convenient access to account statements (Mean=3.37, Standard Deviation= 1.442). The low response rate in use of credit limits in assessing credit risk means that most SMEs may face consequences of credit risk and this shows that credit risk has a negative effect on business profitability (a higher credit risk may negatively impact profitability). Additionally, the average response suggests that the mentioned strategies of accounts receivables boost profitability.

The findings agree with the study conducted by Shah (2018) on the impact of accounts receivables on the profitability of companies. The credit policy and collection methods of a business had a significant impact on its profitability. The companies had ineffective methods of managing their receivables and this resulted in a negative effect on profitability. Another study by Jindal etal (2017) on the effects of receivables management on the profitability of businesses also align with these findings. The findings indicate that effective accounts receivables management plays a crucial role in increasing profitability.

Table 4.4.4 Extent to which cash management strategies were applied (Responses were drawn using a scale of 1-5 1=no extent, 2=small extent, 3= moderate extent, 4=large extent, 5=very large extent.)

(n=65)

Cash management strategies	5	4	3	2	1	Mean	Std. Deviation
Cash is counted and verified when customers pay	23 (35%)	15 (23%)	11 (17%)	10 (15%)	6 (9%)	3.60	1.356
Bank accounts and cash drawers are accessible to less than 3 people and not shared across all the employees	15 (23%)	21 (32%)	21 (32%)	5 (8%)	3 (5%)	3.62	1.071
The business holds cash to take advantage of investment opportunities	9 (14%)	11 (17%)	35 (54%)	7 (11%)	3 (5%)	3.25	.985
The business holds surplus cash	2 (3%)	7 (11%)	34 (52%)	16 (25%)	6 (9%)	2.74	.889
Optimal cash balance is kept to reduce transaction and opportunity costs	4 (6%)	5 (8%)	24 (37%)	23 (35%)	9 (14%)	2.57	1.030
Cash budgets are prepared	2 (3%)	7 (11%)	22 (34%)	29 (45%)	5 (8%)	2.57	.901
Internal controls are put in place for cash handling	15 (23%)	15 (23%)	6 (9%)	19 (29%)	10 (15%)	3.09	1.444
Deposit receipts are regularly reviewed by management	2 (3%)	2 (3%)	24 (37%)	32 (48%)	6 (9%)	2.43	.829
Cash is deposited on a timely basis	2 (3%)	4 (6%)	29 (45%)	24 (37%	6 (9%)	2.57	.865
The business has a savings bank account used for expansion and to act as a financial buffer	2 (3%)	1 (2%)	16 (25%)	31 (48%)	15 (23%)	2.14	.899

Source: Primary data (2024)

The findings in the table 4.4.3 indicate that the average mean response was 2.9, almost 3 which is the moderate extent to which the mentioned cash management techniques are applied in SMEs. The most highly rated strategy was the accessibility of bank accounts and cash drawers to less than 3 people in the business (Mean= 3.62, Standard Deviation= 1.071). There was likely a small to moderate extent to which banking policies such as timely bank deposits were applied. Additionally, the average response suggests that the mentioned cash management strategies impact a business' capacity for growth.

The findings agree with a study by Eton etal (2018) on the relationship between cash management and business success. The study indicated that proper cash management results in high company growth and overall business success. Timely debt payment to creditors was one of the strategies identified in cash management. Another research on the cash management methods was conducted by Atom (2014). The study indicated that the majority of businesses failed to keep records of their cash inflows and outflows. This agrees with the findings in the table which shows that SMEs prepare cash budgets to a smaller extent. Effective cash management strategies resulted in overall business success.

Table 4.4.5 Pearson Correlation analysis between the inventory management strategies and financial performance. (n=65)

Correlation analysis was used to analyze the impact of inventory management on financial performance. The correlation analysis evaluates how strongly two variables are linearly related, offering insights into the extent to which changes in one variable coincide with changes in another. In this case it is evaluating how the inventory management strategies have an impact on financial performance.

IM1- Receiving, issuing, accounting and storing responsibilities are properly segregated
IM2- Adequate provision is made for obsolete or slow-moving inventory
IM3- Inventory is physically counted
IM4- Inventory is ordered when it is needed
IM5- Orders are placed on a timely basis
IM6- The business maintains a level of inventory that minimizes total storage costs
IM7- The business has safety stock to prevent stock outs
IM8- The business orders more products when inventory has reached a certain level
IM9- The delivery process improves customer satisfaction
IM10- Inventory level held leads to an increase in the sales growth

Correlations

Inventory management strategies		IM1	IM2	IM3	IM4	IM5	IM6	IM7	IM8	IM9	IM10
IM1	Pearson Correlation	1									
IM2	Pearson Correlation	.885**	1								
IM3	Pearson Correlation	.763**	.896**	1							
IM4	Pearson Correlation	.859**	.884**	.811**	1						
IM5	Pearson Correlation	.882**	.930**	.899**	.862**	1					
IM6	Pearson Correlation	.906**	.944**	.863**	.858**	.935**	1				
IM7	Pearson Correlation	.889**	.949**	.873**	.863**	.943**	.951**	1			
IM8	Pearson Correlation	.902**	.925**	.890**	.853**	.947**	.913**	.923**	1		
IM9	Pearson Correlation	.864**	.927**	.886**	.815**	.951**	.931**	.932**	.946**	1	
IM10	Pearson Correlation	.823**	.921**	.937**	.879**	.895**	.901**	.909**	.916**	.911**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2024)

The results of the above table indicate that the inventory management strategies e.g. inventory counts are positively correlated with each other. The values of 1 and those close to 1 indicate a positive linear relationship between the variables ($p<0.01$, 2 tailed). IM1 and 1M2 ($r=0.885$). This shows a very strong positive correlation. 1M1 and 1M3 ($r=0.763$) which also indicates strong positive correlation between the two variables. The strong positive correlations suggest that IM1, 1M2 AND IM3 are measuring variables of the same aspect, as one variable increase the other variable will increase. The same pattern goes on for the other inventory management strategies that are IM4 up to IM8. The inventory management strategies are correlating hence leading to an increase in financial performance.

The findings align with the study conducted by Agu (2016) which concluded that there is a positive relationship between inventory management strategies and financial performance. The study suggested that businesses should employ and inter-link different techniques in managing their inventory. This aligns with the correlation of the strategies as shown in the table above. The results obtained also agree with the study by Koin etal (2014) who found a positive relationship between inventory management and financial performance of a business.

Table 4.4.6 Pearson Correlation analysis between accounts receivables management, credit risk and profitability. (n=65)

Correlation analysis was used to analyze the effect of accounts receivables management and credit risk on financial performance.

ARM1- The business offers discounts or other incentives to encourage customers to pay on time or early.
ARM2- Payments are remitted using a limited number of payment methods that are cost effective.
ARM3- Customers are given convenient access to their account statements
ARM4- Billing is controlled and properly accounted for
ARM5- The business offers both cash and credit sales
ARM6- The cash collection process reduces bad debts and leads to increased profits
ARM7- The business has credit limits for accounts receivables
ARM8- Credit terms are discussed with customers at the beginning of the business relationship
ARM9- Business uses credit scoring to assess credit risk
ARM10- Collateral is used to minimize risk
ARM11- Credit worthiness is assessed through financial history, repayment behaviour, and credit risk models.

Correlations

Accounts receivables management strategies		ARM 1	ARM 2	ARM 3	ARM 4	ARM 5	ARM 6	ARM 7	ARM 8	ARM 9	ARM 10	ARM 11
ARM1	Pearson Correlation	1										
ARM2	Pearson Correlation	.946**	1									
ARM3	Pearson Correlation	.859**	.888**	1								
ARM4	Pearson	.834**	.857**	.879**	1							

	Correlation											
ARM5	Pearson Correlation	.914**	.882**	.930**	.870**	1						
ARM6	Pearson Correlation	.935**	.860**	.836**	.856**	.924**	1					
ARM7	Pearson Correlation	.873**	.894**	.861**	.912**	.901**	.867**	1				
ARM8	Pearson Correlation	.882**	.881**	.852**	.910**	.899**	.892**	.944**	1			
ARM9	Pearson Correlation	.903**	.859**	.757**	.844**	.864**	.902**	.928**	.893**	1		
ARM10	Pearson Correlation	.863**	.810**	.738**	.831**	.841**	.890**	.914**	.874**	.976**	1	
ARM11	Pearson Correlation	.944**	.927**	.882**	.876**	.940**	.906**	.947**	.933**	.941**	.910**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2024)

The results indicate that the above accounts receivables management strategies such as use of credit terms are correlated to each other ($p<0.01$). A correlation study with $p>0.01$ indicates a highly significant statistical agreement and high certainty of the observed relationship between the variables. ARM1 and ARM2 $r=0.946$, which indicates a strong positive correlation between the two variables. ARM1 and ARM3 $r=0.859$ which also shows a positive correlation between the two variables. The other strategies (ARM4 to ARM11) are also positively correlated with each other. The values in the findings are in the range of the accepted threshold of correlation with figures close to 1 indicating a strong positive correlation. The positive correlation indicate that accounts receivables management has a direct effect of the profitability of SMEs.

The findings agree with the study conducted by Ahmad etal (2014) which indicated that accounts receivables management and credit risk had an effect on business profits. A positive correlation was observed which suggested that this was proven empirically aligning with the results in the table above. This supports the suggestion that accounts receivables management has a significant influence on profitability. The results also agree with the study conducted by Muhammad (2016) who discovered the negative impact of debtor's collection period on profitability using a regression and correlation analysis. However, the study contradicts by indicating that accounts receivables management does not only impacts profitability but it limits the business's capacity to grow and survive in the market.

4.5 Findings from interviews

Twenty five out of thirty (83%) SME business owners were interviewed and this led to a point of completion of the data collection**.** This section presents the results of the data analysis.

General Information

4.5.1 Academic Qualifications of interviewees

Academic Qualification	Frequency
A level	4
Honours Degree	13
Masters Degree	7
Other	1

Source: Primary Data

The biggest number of respondents was honours degree holders. Based on this information, participants have a better understanding of working capital management strategies since they have a better level of education.

Table 4.5.2 Years of Operating

Number of years	Frequency
Less than 5 years	5
5 to 10 years	17
10 to 15 years	2
More than 15 years	1

Source: Primary Data

The majority of business owners have been operating their businesses for a period of 5 to 10years, as seen in the table above. Based on this information, it can be concluded that the participants can have a better understanding of their business operations and are in a better position to provide the information required to address the research goals of this study.

Section B

4.6 Experiences in managing inventory, accounts receivables and cash as a business owner.

4.6.1 Inventory management

The respondents were asked on their experiences in managing working capital as business owners of SMEs. The respondents are described in this construct as discussing how they plan inventories, set inventory limits; maintain records while safeguarding the inventories. The results show that inventory management in small businesses generating starts with creating a purchase order list or file of inventory that is required. This was based on the amount of cash available on hand. This exemplified basic stock control. The following views are proof:

First of all i spend on things that are on my required list. I do not just get up and order inventory. I make a list of what is needed by the customers mostly (Interviewee 2)

So I have been in this business for more than 5years therefore I know how much I usually sell every week since import inventory every week. I compile a list of products that we need to sell in the upcoming week with the help of my employee and then we order from suppliers. This may also help in projecting the amount of sales you anticipate for that particular week (Interviewee 4)

I go and buy the products that have high demand locally to avoid lost sales due to importing. Sometimes the products may not be enough due to insufficient cash in the business. Furthermore, you cannot be certain that you will sell the products that you have ordered and purchased locally (Interviewee 3)

Four of the business owners said they record inventory in a way that they can understand, while the other two indicated that there is no need to keep inventory records as long as they could recall what occurred (what products came in and out). This demonstrates how simple the SMEs' inventory records are kept. This is supported by the following direct quotations:

Yes, I do keep stock records, but normally in a way that makes sense to me. I just make a list of products that are currently in stock and I keep cancelling them after a sale has been made (Interviewee 1)

I do not keep proper and thorough inventory records a far as I can understand. The key is being able to calculate whether you are making profit or not. Your business may eventually *shut down if you running losses and not aware of your profits. Interviewee 8 acknowledged the importance of knowing your position all the time (Interviewee 8)*

When it came to inventory management some business owners established a certain inventory limit below which inventory was not supposed to be reduced to that limit. The following responses indicate that inventory level was continuously tracked everyday by comparing the physical count to the pre-set limit:

When I report for duty in the morning, I count the stock that is available. The during the day I maintain a record of what has been purchased and what has not (Interviewee 6)

I do not wait until my products are completely finished before I order another batch. I place new orders to different suppliers when I notice that they reached a certain minimum level (a pre-set limit), (Interviewee 5)

With my current situation you have no idea whether you will receive stock at all. My best course of action is placing a new order as soon as I see that my inventory level is running low. In 2-3days time, I receive my order if my suppliers have the products in stock. As a result, I continuously review my inventory to see if there is need to place a new order. (Interviewee 10)

The respondents identified that they make a list of inventories needed, most of them do not necessarily maintain proper inventory records and they order stock after it reaches a certain level. These were the most utilised strategies. In response to research question 1, interviewees identified the use of proper inventory records in increasing profitability and avoiding the business from shutting down.

4.6.2 Accounts Receivables management

This section explains the strategies used by respondents to monitor overdue payments, maintain accounts receivables records and assess credit worthiness. This was supported by the quotes:

Since we do not maintain proper records of debtors, I call the customer when the due date approaches to make a follow up on payment. You also need to understand their situation because you might not want to lose them as a customer. With time you remember everyone who owes you and how much they owe you. (Interviewee 7)

I do a proper background check on my customers before I grant credit. We also draft an agreement on payment terms. I call/ approach them when payment is due. A percentage of them will not pay if you do not follow up. I do not give credit to a lot of my customers but rather the ones I know and trust. What I do is update my books of accounts and verify those that have not paid yet. I keep my records just in the way that I understand with little information like date, name, amount and quantity of goods. So, after a payment has been made I write down the balance (Interviewee 9)

The results show that some of the business owners do no maintain proper records of their accounts receivables. The ones that maintain their records have their own way of doing it.

The following responses indicate the effect of credit risk and accounts receivables management on the profitability of their businesses as evidenced by the following responses:

Usually I do grant my customers credit because the last time I did, my business almost shut down. A huge percentage of my customers failed to pay back and I almost failed to recover the losses. I had storage costs and duty costs to pay whilst I had no funds in my account. This hugely impacted by profitability for close to year. I had to reduce the number of my workers (Interviewee 11)

Around 2022 I gave a certain customer a huge credit, and the inflation rated started rising. We had already signed an agreement that he would pay in 6months time and by the time he paid back, the money had already lost value. As a result, I made a huge loss and that affected my profit that year (Interviewee 12)

In response to objective 2, respondents identified that credit risk had a negative effect on profitability. The higher the probability that the customer might fail to pay, the lower the profitability.

4.6.3 Cash management

This section describes how the interviewees applied their cash management strategies such as cash counts or record keeping of cash, reconciliation and preserving funds. Ten of the business owners kept proper cash records such as cash counts forms and payment requisite forms. Some of them kept uncertain written records while others depended on their memory. This was supported by the following responses:

When I or my employees make a sale, they count it and compare it to the quantity of products sold. We have a safe for keeping the money and we bank it twice a week. We rarely prepare budgets so I just sit down and work out how we are going to spend it using a priority list. Sometimes we give our customers receipts and sometimes we do not but we just write down how much cash we have received (Interviewee 13)

After selling we put the money into our cash drawers and we later on match the money and the stock that was sold before closing for the day. I then make a list of products that are almost out of stock and compare it to the money that we have. I make sure to allocate the money I receive from sales to the business bank account. In the case of budgets, these are necessary in big companies not SMEs like us (Interviewee 14)

A closer look revealed that some business owners offered discounts in an effort to hasten the collection of cash, although they were not mentioned by others. Upon being asked if they savings accounts one interviewee responded:

We recognize some extra cash in our accounts which motivate us to work more and sell more in order to increase our cash flows and efficiency which boost our overall growth. If we grow as a small business this means that we have succeeded (Interviewee 15)

I usually opt for keeping cash at the bank rather than in our cash drawers at work. If we cash readily available, we end up spending it unnecessarily. Having discipline in spending cash has led to survival of my business in the past 5years (Interviewee 16).

In response to research objective 3 of the study respondents identified that banking policies and cash management have an effect on the success of small businesses. Proper cash handling will eventually lead to business growth and success.

4.7 Challenges faced by SMEs

The business owners identified several challenges that they are facing in business. This was supported by the following responses:

We import most of our products and sometimes our suppliers fail to deliver on time and we almost run out of stock (Interviewee 20).

You know as a small business you might receive cash in sales and realize that at the end of the day there is no longer cash available especially after you purchase products locally. You might fail to properly manage your cash (Interviewee 18).

We do not have warehouses of our own as a business so we end up paying high prices somewhere to keep our products. These rented storage houses also need to be safe because you might end up paying high prices where your stock is not properly kept (Interviewee 19)

The customers we grant credit can be so disappointing at times. Some may even fail to pay and we end up having bad debts as a business. Some may even pay as installments when we have never agreed on this. It is not easy to then just cut off that customer because he might be a high value customer and you would not want to lose him as a client (Interviewee 22)

We face competition from other big companies and also other small business like us. You might want to closely keep the customers that you already have. (Interviewee 21)

We have limited access to funding so sometimes we almost run out of stock because we would not have the money to import more products (Interviewee 17)

The results show that most SMEs are facing challenges in managing their working capital and this is badly affecting their business operations and potential to grow.

4.8 Are there any government initiatives and support programs being used?

This section shows how the government has been assisting the SMEs with the necessary support that is somehow helping them to survive in the industry. The quotes provided evidence for this:

When I opened up my small business the government offered me a grace period of 5 years before my tax was due. This gave me ample time to start growing before I could start incurring other costs (Interviewee 24).

The government is continuously encouraging us to grow and spread out in different cities through the support that we get from institutions like SEDCO (Small Enterprises Development Corporation) (Interviewee 25)

One time I went to get a loan for my business and was given a low interest rate because I am a small business owner. This made me realize that we have all the necessary support that we need in our businesses (Interviewee 23)

The respondents' results indicate that they are receiving support from the government and this is helping their businesses to survive.

4.9 Chapter Summary

This research is on an assessment of the working capital management strategies of SMEs in Harare. In this chapter was well provided for as well as assessed. While conducting this study, descriptive statistic was used to analyze the data gathered from questionnaires. The results of the findings, together with its conclusions and recommendations will be summarized in the next chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The primary findings about the working capital management strategies of SMEs in a hyperinflationary environment were analyzed and interpreted in the previous chapter. An overview of the previous chapters was also provided. The researcher made recommendations on how SMEs can apply their working capital management strategies properly to enhance their performances. This chapter rounds up with ideas, limitations and recommendations for future study.

5.2 Summary of the findings

The key findings with regards to SMEs inventory management revealed that:

The study revealed that most businesses physically count their stock. Most SMEs use a form of purchase order list to place orders to their suppliers. Most businesses do not usually order inventory when needed, they order in time to avoid supply chain disruptions. The interviewees hardly keep proper inventory records and most of them rely on their memory. The majority of respondents have a preset limit of inventory that they follow in order to place a new order.

The significant findings on accounts receivables management revealed that:

Customers are made aware of their debts through follows up done. Only a small percentage of SMEs used collateral to minimize risk, thus they end up having bad debts. Before granting credit to a customer, the majority of operators conducted a proper credit worthiness assessment. The majority of SMEs do not keep proper records of their accounts receivables, those that do have their own way of doing it. Credit risk highly affects the profitability of most businesses.

In relation to findings on the cash management strategies of SMEs the study revealed that:

Less than 3 people can access the cash drawers and bank accounts. This promotes accountability of business funds. Some businesses typically do not have a savings account rather they use up all of their cash earned from sales. The majority of SMEs exaggerates their expenses as they do not prepare budgets because they do not see the need to do so. Most businesses deposit their cash regularly as a way to safe guard their money rather than keeping it at their business places.

Regarding the challenges encountered by SMEs interviewees the study findings revealed that:

The suppliers failed to deliver on time and this badly affected business operations and normal profits. SMEs are failing to properly manage their cash and they sometimes incur unnecessary expenses. One of the top priority problems faced was customers failing to pay. Not all of the operators had trust in their customers well enough to grant them goods on credit. Most respondents did not have warehouses for keeping their stock, so they incurred obstacles of high renting expenses. There are numerous small businesses in Harare CBD and therefore they face fierce competition. Small businesses sometimes have restricted financial access and this negatively affects their profitability. Government assistance to small businesses

Lastly, the government has been assisting small businesses in different means. The majority of respondents noted in the findings that the government has offered tax abatements to start up business for a period of about 5 years. It is also assisting those using institutions like SEDCO which offer financial and training services that support small businesses in their formation and expansion. Banks have also been encouraged to offer low interest loans to SMEs.

5.3 Conclusion

Evidence derived from the summary of findings suggests that:

SMEs apply most of the inventory management strategies such as physical counting of inventory, use of purchase order list to place orders and ordering inventory when it reaches a predetermined level. Ability to manage inventory properly ensures control over buyer demand which overally increases the number of satisfied customers. Customer satisfaction is a key performance indicator (KPI). However, most businesses did not keep proper inventory records and this could result in poor accountability.

It was discovered that accounts receivables management techniques were being used by small businesses by regular follow ups on payments, thorough credit worthiness assessment and remittance of payments using limited number of payment methods. Most respondents noted that credit risk is negatively affecting their profits. However, most businesses failed maintain accounts receivables records which led to mismanagement of funds potentially straining the revenue and profits of a business.

Regular deposits of cash, strict access of business funds by employees, proper cash count and verification of cash payments were the strategies that were applied by SMEs in cash management. Proper management of cash means that the business will be able to meet its obligations and maintain good supplier relations which overally empowers a business to take advantage of expansion opportunities and survive economic crises.

Most SMEs were dealing with challenges such as supply chain disruptions, failure to manage cash, bad debts, high storage costs, high competition and restricted financial access. These challenges were negatively affecting the profits, performance and survival of these small businesses.

5.4 Recommendations

The recommendations of the research were derived from the summary and conclusions of the study. Based on these findings SMEs were urged to:

- Maintain proper records of their inventory and accounts receivables. Keeping proper records assists businesses in preventing shortfalls and surplus stock which reduces expenses and boosts productivity.
- Prepare budgets before they incur significant costs which results in prudent cash management. This will avoid unnecessary expenses and mismanagement of funds.
- Create a policy for credit or draft credit terms in writing. The policy should include payment terms such as when payment is due and penalties for late payment. The terms should provide clarity between the business and customer. This would help reduce the chances of bad debts in business.
- Identify and participate in investment schemes and opportunities that can assist them in sustaining their businesses in the long run. This would mean taking advantage of the support programs for small businesses.
- Ensure that customers with huge credits should pledge something as collateral as a measure to reduce credit risk.
- Open a bank savings account to assist in emergency situations or unforeseen costs. It may also be useful in seizing growth opportunities.

5. 5 Areas for Further study

To complement the previous researches and this one, more additional research on the working capital management strategies of businesses is needed. Further investigation is necessary to determine whether inventory, accounts receivables and cash management have an impact on financial performance of SMEs in other industries besides the retail industry. More additional research approaches could focus on the working capital management of businesses and their performance using more precise designs such as a fixed period range.

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APENDIX 1

QUESTIONNAIRE

LETTER OF INTRODUCTION AND SEEKING OF PARTICIPANT'S CONSENT

My name is Melissah Wagusiwa I am a final year student at Bindura University of Science Education doing a Bachelor in Accountancy Degree. I'm carrying out a research titled 'AN ASSESSMENT OF THE WORKING CAPITAL MANAGEMENT STRATEGIES OF MOTOR SPARE RETAIL BUSINESSES IN A HYPERINFLATIONARY ENVIRONMENT. THE CASE OF SMEs IN HARARE CBD.

You are kindly requested to contribute to this research by answering the questions below. Please note the following:

- A confidential survey is used in this research.
- The information you provide will be kept private and confidential, and your identity will not be displayed.
- Your participation in this study is of very much importance, however it remains your choice though and there are no repercussions if decide not to join or stop at any point.
- Kindly provide the most truthful responses to the questions. It should not take you more than ten minutes of your time.
- The study's findings might be published in an academic journal and utilised exclusively for educational purposes.
- You can kindly send the questionnaire to my email melissahwagusiwa@gmail.com

  Thank you

INSTRUCTIONS

The questionnaire consists of two main sections, Section A, demographic information, and Section B, which is main survey, the working capital management strategies.

Please respond by ticking the number on the appropriate response or the appropriate box, providing the necessary additional information such as comments or descriptions in the spaces provided.

SECTION A

Demographic Information

1. Academic Qualification

A level ☐ Honours Degree ☐ Masters Degree ☐

Other ☐ Specify……………………...

2. Job Title? ....

3. Number of workers employed

Less than 10 ☐ 10 to 15 ☐ 15 to 20 ☐ 20 and above ☐

4. When did the business start operating …………….

5. How much is your annual sales turnover……………

6. How much is your yearly profit……………………

SECTION B WORKING CAPITAL MANAGEMENT STRATEGIES

To what extent does your business apply the following strategies and the effects they have on the performance and success of the business? (Tick where appropriate)

(Use of scale 1=no extent, 2=small extent, 3= moderate extent, 4=large extent, 5=very large extent.)

Inventory management strategies	**1**	**2**	**3**	**4**	**5**
Receiving, issuing, accounting and storing					

responsibilities are properly segregated					
Adequate provision is made for obsolete or slow -moving inventory					
Inventory is physically counted					
Inventory is ordered when it is needed					
Orders are placed on a timely basis					
The business maintains a level of inventory that minimizes total storage costs					
The business has safety stock to prevent stock outs					
The business orders more products when inventory has reached a certain level					
The delivery process improves customer satisfaction					
Inventory level held leads to an increase in the sales growth					

Other strategies……………………………………………………………………………………
……………………………………………………………………………………………………
…………………………………………………………………………………………………...

Accounts receivables management strategies	**1**	**2**	**3**	**4**	**5**
The business offers discounts or other incentives to encourage customers to pay on time or early					
Payments are remitted using a limited number of payment methods that are cost effective					
Customers are given convenient access to their account statements					
Billing is controlled and properly accounted for					
The business offers both cash and credit sales					
The cash collection process reduces bad debts and leads to increased profits					

The business has credit limits for accounts receivables					
Credit terms are discussed with customers at the beginning of the business relationship					
Business uses credit scoring to assess credit risk					
Collateral is used to minimize risk					
Credit worthiness is assessed through financial history, repayment behaviour, and credit risk models					

Other strategies……………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………........

Cash management strategies	**1**	**2**	**3**	**4**	**5**
Cash is counted and verified when customers pay					
Bank accounts and cash drawers are accessible to less than 3 people and not shared across all the employees					
The business holds cash to take advantage of investment opportunities					
The business holds surplus cash					
Optimal cash balance is kept to reduce transaction and opportunity costs					
Cash budgets are prepared					
Internal controls are put in place for cash handling					
Deposit receipts are regularly reviewed by management					
Cash is deposited on a timely basis					
The business has a savings bank account used for					

expansion and to act as a financial buffer					

Other

strategies………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Thank you for taking your time to participate and sharing your knowledge with us.

APENDIX 2

INTERVIEW GUIDE

Interviewer: Melissah Wagusiwa

Interviewee: Business Owner

Questions

1. Could you describe your experience in managing inventory, accounts receivables and cash as business owner of an SME??

2. What are the challenges being faced by SMEs in a hyperinflationary environment?

3. Have you made use of any government initiatives or support programmes? In such a case, tell us about the experience