International Journal of Management and Commerce
www.managementjournal.in
Online ISSN: 2664-6854; Print ISSN: 2664-6846
Received: 03-02-2019; Accepted: 05-03-2019; Published: 12-03-2019
Volume 1; Issue 2; 2019; Page No. 14-20

Impact of effective cash management on small scale business survival

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Abstract
This study was carried out on the effects of cash management in small scale businesses. Literature has existed about cash management as a pre-requisite for better growth of small scale businesses. The study was based on the objectives which includes, examining the factors that led to cash minimization, to explain how firm can obtain maximum cash availability, to highlight the importance of a strong system of internal control in the effective cash management and to minimize the idle cash held by the firm. The study employed descriptive cross-sectional survey adopting stratified sampling technique to select representative samples of 150. Questionnaire was administered to generate primary data that was used for this study. The data obtained were presented in tables while the person correlation test was used to test the relationship between the stated variables with 10% level of significance. The analysis was carried out using statistical package for social sciences (SPSS) version 21. The paper demonstrates that cash management practices have positive and significant effect on Small scale performance. Poor cash management practices constrain business operations. Consequently, the paper recommends that Small scale business should put emphasis on proper cash management practices.

Keywords: Cash management practices, Small scale business, liquidity financial performance

Introduction

Cash management is a central point in which any organizations operation revolves and it is an integral part of financial management. According to Pandey (2004) [21], cash is the most vital current asset for the operation of business firm and it is therefore seen as the basic input needed to keep a business running on day to day basis. Hence, cash becomes the life blood of any business enterprise. Cash management involves the money of a firm in order to attain maximum cash, availability and maximum income on an idle fund.

Cash management is seen as one of the key aspects of efficient working capital management. Cash management involves planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2004) [21]. According to Wetson and Copeland (2008), cash management is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds.

Small scale business are the most predominant and prevalent form of business in Nigeria. They are characterized by their frequent and easy formation, and equivalent, or nearly equivalent of demise, because of meager capital involved and susceptibility to economic, which are rampant in Nigeria. Small scale business organization may be determined according to the size of capital, or according to the labour force or employment, of a business, for instance, the Central Bank Nigeria (CBN), defined a small scale business whose turnover, ranges between #250,000 to #500,000 "using annual turnover yardstick. This definition, therefore, classifies any business whose turnover falls within this range as being a small-scale business (According to Idowu and Elekwa, small scale sector 2008).

Small scale businesses are characterized by single ownership controlled by one person with a limited liability and has no separate legal entity. In other words, they cannot sue or be sued and have no government control (Balunywa, 2003). The effective and efficient cash management will therefore, in no doubt have favorable impact on both the short-run and long run organizational goals and objectives.

Cash management requires an appropriate level of cash balance to be held by a firm by balancing the cost and benefit of holding cash. But, there are no simple rules that govern decision concerning the amount of cash a firm should hold in hand on short call at bank. However, there is need for a firm to determine the optimum cash balance to be held at any point in time to avoid inadequacies of meeting its obligation and liquidity problem.

The concept of promotion of small and medium scale enterprise should be an object of concern within and outside the business organization which encounter some problem in the process of managing their cash (William and Ned 2005) [16]. As there are no simple rules governing decisions concerning the amount of cash a firm should hold at a particular point in time, cash management becomes difficult as a result of lack of cash planning, mismanagement of cash flow, non-investment of idle cash, inadequate qualified personnel with managerial skills and inadequate and ineffective internal control system (Oye, 2003: Festus, 2011).

This project is therefore intended to examine the nature, reasons, merits, demerits and limitations of an effective cash management in the operation of small scale business. Due to the fact that the need for effective cash management cannot be over emphasized, it becomes necessary as of the objectives of this project to look into impact of effective or ineffective management of cash and also the various motives for holding cash.

Statement of the Problem

It has been noticed that most small scale business lack the specialized method of cash management i.e balance sheet analysis, bank relationship and the absence of methods of receiving cash which eventually lead to some un favourable situation like reduction in productivity, likelihood of embezzlement, fraud and sudden collapse of the operation of business with potentials. Lack of planning, financing and poor management, lack of credit and the level of education of entrepreneurs have been listed as the major challenges facing small scale business.

Many owners of the business enterprises do not plan for their cash requirements. They have slow cash inflow generation procedures with high rate of cash outflow, limited skills of handling cash balances and do not strategically invest surplus cash (Joseph; Hannington, 2011).

Many of small scale business owners do not understand the significance of proper management of business resources and therefore faces liquidity problems and eventually fail due to the lack of cash management knowledge and implementation. Most of those concepts being used are also applicable to management of cash in other small and medium scale firms all over Nigeria. Within the overall view of the analysis, it has been found that most small scale businesses do not have account departments that carryout the responsibility of cash management. Therefore, the management of cash in the firms covered by this study does not appear to be effective and efficient. However, most of the firms have no idea about any cash management strategy to employ in their operations, stating that most of the small and medium scale enterprises do not make use of qualified accounting personnel.

Objectives of the Study

The purpose of this study is to examine impacts of effective cash management in business. Specifically, the following are the objectives of the study:

- To examine the impact of cash management in small business effectiveness
- To investigate the impact of cash management in small business productivity.

Significance of the Study

Firstly, small scale business owners will benefit from this study as it explains the various challenges and proffers solution to the effect of cash management.

The significance of studying the effective cash management to small scale business is to appreciate the value of cash flow into and out of the firm and cash balance held by the firm at a point of time funding deficit. The project aims at coming to term with the fact that, cash is used in discharging business obligations.

This study critically examines how small scale business manages its cash inflow and outflow and utilizes its idle fund in order to enhance smooth running of the business, make contingencies for unanticipated need of funds and assist management in creating and implementing effective and efficient policies and control measures so as to aid the growth and profitability of the business. Finally, the study helped the researcher to identify current challenges affecting small scale businesses. However, future researchers would benefits from this study as it gives guidelines, serves as secondary data and gap for future research work.

Conceptual Review

Concept of Small Scale Business

The effort to give a precise definition of a small scale business which can lend itself a worldwide acceptability had been rather futile. The reason for this can be attributed to the difference in the pattern of overall industrial or economic growths of many nations of the world.

There is no universal definition of small scale businesses. However, different scholars, writers, researchers and policy makers have used different definitions for small scale businesses basing on the number of people employed, capital employed among other relevant factors.

Small Enterprises have been defined in various ways according to the capital of the enterprise, size, the number of people employed by the enterprises, the ownership and management of the enterprises and sales volume, all the definitions agree on the common views that small businesses employ few people and are characterized by a relatively small amount of capital and turnover.

All over the world small and medium enterprises (SMEs) are considered as backbone of a country's economy. They play a key role in economic development and make an important contribution to employment and GDP, and are important contributors to total employment and job creation. In Jordan SMEs comprise 98.5% from the total amount of registered companies, and 60% of formal jobs, in addition to 50% of the GDP in 2013 (1) and they are the engine of solving the unemployment.

The survival of small scale enterprise in the present economic depression in Nigeria must be ensured. In other word, the prudent financial management of a firm’s resources of cash in primus inter pairs must be looked into. The management of cash is absolutely central to the control of business. The survival of a business may be put in jeopardy by failing to manage the cash flow in a tight situation. Many small and medium scale enterprises in recent times have gone into serious cash difficulties because of poor cash management.

The role of Small and Medium Scale Enterprises (SMEs) in the world economy have been highly emphasized as the means through which rapid industrialization and other development goals of a nation can be realized. Despite their significance and the increased efforts by governments and other stakeholders to ensure the success of small scale enterprises, they continue to exhibit high birthrates and high death rates. The significance of finance in promoting the growth of small businesses has been well recognised in prior studies on small business growth and development (Abor and Biekpe, 2006) [1]. Other studies have identified finance as the most important constraint to growth in the small business sector (Aryeetey, Baah-Nuakoh, Duggleby, Hettige, & Steel 1994; and Steel and Webster, 1992 and Sowa, Baah-Nuakoh, Tutu, and Osei, 1992) [8].

Concept of Cash Management

Cash management refers to the management of an entity’s cash to ensure sufficient cash to sustain the entity’s daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings

(Akinyomi:23).
Kolajo (2010) [18] views management of cash resources as a central position in the area of short-term financing decisions. Cash and bank balances should be kept to a minimum as it earns nothing for the business (when kept idle) but care must be taken to ensure that the company's activities are not restricted through a shortage of cash to pay employees and creditors. Cash budget also provide effective control of cash on the company resources. It enables the company's treasurer to envisage surpluses and consider alternative investment opportunities.
According to Hill, Ned and Williams (1992) [16], cash management is concerned with the sole aim of maintaining adequate cash position in order to keep the organization liquid and to use the excess cash in some profitable ways. Adequate cash management are of increasing demand for growth, new products and expansion coupled with increasing interest rate, to accomplish these cash management. It is important to harmonize all available methods and techniques to achieve the best result.
Cash planning is the technique to plan and control cash. It protects the financial condition of the business by developing a projected cash statement from a forecast of expected inflows and out flows from a given period (Lorek & Willinger, 2011).
Basically cash management is concerned with managing cash flows that is cash inflows and cash out flows. Major sources of cash inflow include cash from operating activities, sell of business assets among others. Sources of cash out flows include settling of creditors, purchase of inventory among others. Cash needs to be efficiently managed and allocated to meet routine business objectives. The gap between cash expenses and cash collection enhances liquidity position, profitability leading to overall business growth over a period of time (Brinchk, Soeren & Gemuenden, 2011).
The key to successful Cash management therefore lies in tabulation of realistic projections, monitoring collection measures, and adhering to budgetary restrictions.
However, the key elements of cash management are cash forecasting, balances management, administration of cash receipts and disbursements, and internal control (i.e. bank reconciliation) (Gitman, 2009).
Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. It encompasses a business's level of liquidity, its management of cash balance, and its short-term investment strategies (Cardaralla & Toni, 2010). In some ways, managing cash flow is the most important job of business managers. If at any time a business fails to pay an obligation when it is due because of the lack of cash, the business is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such a direct consequence should compel businesses to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed (Davidson & Charles, 2008) [15].
According to Ross, Westerfield and Jordan (1996), the basic objective of cash management is to keep the investment in cash as low as possible while still operating the firm's activities efficiently and effectively. A business must maintain cash balances to meet day-to-day transactions and to take advantage of opportunities that may come it way. This is very crucial for smooth and reliable business operations. They assert that an enterprise can also increase its net cash flow by slowing down disbursements. Ross, Westerfield and Jordan (2004) indicate that cash disbursements (payments) come in four basic categories and these include payment of accounts payable, wages, taxes and other expenses, capital expenditure and also long-term financing expenses. The importance of keeping cash balances by micro and small-scale enterprises cannot be taken for granted.
Moyer, Maguigan and Kretlow (2001) submit the effective cash management is particularly important for small firms for the following reasons:

1. To prepare financial statement plan to support application for bank loans;
2. Because of limited access to capital, a cash shortage problem is both difficult and more costly for small firms to rectify than for larger firm.
3. Many entrepreneurial firms are growing rapidly; they have a tendency to run out of cash. Growing sales require increases in inventories and accounts receivable, there by using up cash resources; and
4. Entrepreneurial firms frequently operate only a minimum of cash resources because of the high cost of, and limited access to capital.

Motives for Holding Cash

There are three (3) main reasons why people or business owners, managers hold cash in the day-to-day business activities or management. The following are the motives of the firms need to hold cash and they are as follows:

1. **Transactionary motive**: This requires the business to hold cash to conduct its activities in the ordinary course. If cash receipts match with cash payments, there would be no need to hold cash (kakuru, 2000). Van Holmes J.C. (1985) describe transactionary motive as the need for cash to meet payment arising in the ordinary course of business for things such as purchases, labour (wages), taxes and dividends. Industries hold cash to bearable carry out its normal business like making payments for the purchase of inputs, wages and salaries, operating expenses, taxes and settlement of creditors.

Also, a business may invest its cash in marketable securities for transaction purposes. Usually the firm will correspond with some anticipated payment such as dividends or taxes. It should however be noted that transaction motive refers to holding of cash to meet anticipated payment whose timing is not perfectly with cash receipts.

2. **Precautionary motive**: This involves holding cash in business to meet unforeseeable future circumstances. If future cash flows can be predicted with accuracy, less cash will be maintained (Lorek; Willinger, 2011). This motive according to Van Holmes (1985) has to do with maintaining a custom on butter to meet unexpected cognizance or emergencies. The more predictable the cash flows of the business the fewer precautionary balance needed. This necessitates the company to keep funds for unforeseen emergency cases or contingencies. This fund may be invested in short term securities which can be turned into cash quickly as possible.
3. **Speculative motive**: This involves holding cash for investment purposes. It involves the need to hold cash for investing in profit making opportunities as at when they

arise. Speculators invest in near cash assets. This may be caused by fluctuations in interest rate and security prices. When the interest rate is expected to fall, the firm may decide to purchase the securities and benefit from the increase in security prices and vice-versa. They invest as interest rate reduces until a point reaches below they will no longer invest.

However, companies do not generally engage in speculative, they hold cash and marketable securities mainly for transaction and precautionary motives. The need to hold cash would not arise if there were perfect synchronization between cash receipts and cash payment i.e. enough cash is received when the payment has to be made but cash receipt and payments are not perfectly synchronized.

Cash Budgeting, Forecasting and Planning

A cash budget is an estimation of the cash inflows and outflows for a business or individual for a specific period of time.

Cash budget is a budget that shows the projected cash receipt and cash payments. It shows the cash position of the business during the budget period (Marfo-Yiadom, 2002). According to Weston and Copeland (2008), a cash budget shows the expected cash inflows and outflows over a budget period and highlight anticipated cash surpluses and deficits. Their preparation assists managers in the planning of borrowing and investment and facilitates the control of expenditure.

According to Drury (1994), the objective of the cash budget is to ensure that sufficient cash is available at all times to meet the levels of operations that are outlined in the various budgets. He further asserts that because cash budgeting is subject to uncertainty, it is necessary to provide for more than the minimum amount of cash required, to allow for some margin of error in planning.

Cash forecasting on its own implies the process of evaluating all the yardstick that are instrumental to the preparation of a cash budget forecast over a period of one year are considered as long term. Due to the fact that most small scale business would only concentrate on short plans in relation to cash, it helps in selecting security with appropriate maturities and reasonable risk avoiding over and under investing and maximizing profit by investing idle money.

The forecast may be based on the present operation or anticipated future operating plans of the firms (Pandey 1995) [21] since the business outfit requires cash for reasonable selective invest in inventories, receivable and fixed asset as it need cash to pay operation expenses to maintained a steady growth in its turnover, and needs of the firm, as well as reducing the possibility of idle cash balance and cash deficits both of which are casual factors of low portability and total failure of the firm respectively.

Pandey (2005) [21] defines Cash planning as a technique to plan for and control cash. It protects the financial conditions of the firms by developing projected cash, statement from a forecast of expected cash inflow for a given period. Cash planning helps the business to prepare projected cash statement for the firm's growth and continued success. The planning of cash however, could be done daily, weekly or monthly depending on the size of the firm and its management.

Cash budget and forecast attempt to minimize a lot of risk that may be of fall of any business as a result of inadequate cash management practices such as loss of saving on purchase, surplus cash etc.

1. It helps to determine operating cash equipment.
2. It helps to anticipates short term financing.

Managing the Cash Flows

A firm balance as reported in its financial statement i.e. books and ledger balance is not the same as the balance showing in its bank account, the difference between the available balance and the bank balance is called "floats" and its represent the net effect of change in the process of clearing. The main objective of cash flow management is to make cash collection as much as possible and decoration cost disbursement as much as possible.

However, cash flows should be managed properly. This can be done in the following ways:

1. **Giving a short credit period**: Business that offer credit facilities should give customers few days to pay for the goods once bought to ensure high liquidity.
2. **Seeking credit purchases from suppliers**: Business owners should maintain liquid cash that help in other business operation. This ensures business survival and growth.
3. **Ensuring a proper debt collection procedure**: This can be done by sending an invoice to remind a customer when and how much he/she is owed.
4. **Investing surplus cash**: The surplus cash balance should be properly invested to generate more cash inflows hence business growth. (Ohlson; Jagadison, 2009).

Accelerating Cash Collections

Van Holmes (1995) that argues that the various collection and disbursement method by which a firm can improve its cash management efficiency constitutes two sides of a coin. They exercise an overall efficiency of cash management.

Therefore, acceleration of collection simply means reducing the delay between the time customer pay bills and the time when the cheque are collected and became unstable funds for the firm. A number of methods that speed up the collection process and minimize available cash are designed to do all the following i.e. speed up the making time of payment from customers to the firm reducing which payment received by the firm remain in collection of funds and spending up machine processing and collection time.

Cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float, and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destination instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally, when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three floats are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash to pay their bills. This impedes business performance (Day G.S, 2002). Cash management attempts, among other things, to decrease the length and impact of these float periods. A collection receipt point closer to the customer perhaps with an outside third-party vendor to receive, process, and deposit the payment (check) is one way to speed up the collection (Cardaralla: Toni, 2010). The effectiveness of this method depends on the location of the customer; the size and schedule of their payments; the firm's method of collecting payment; the costs of processing payments; the time delays involved for mail, processing, and banking; and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however, is establishing strong billing and collection practices. Another aspect of cash management is knowing the businesses' optimal cash balance. There are a number of methods that try to determine this mysterious cash balance, which is the precise amount needed to minimize costs yet provide adequate liquidity to ensure bills are paid on time hopefully with something left over for emergency purposes (Davison: Charles, 2008) [15].

One of the first steps in managing the cash balance is measuring liquidity, or the amount of money on hand to meet current obligations. There are numerous ways to measure this, including: the Cash to Total Assets ratio, the Current ratio (current assets divided by current liabilities), the Quick ratio (current assets less inventory, divided by current liabilities), and the Net Liquid Balance (cash plus marketable securities less short-term notes payable, divided by total assets). The higher the number generated by the liquidity measure, the greater the liquidity. However, there is a tradeoff between liquidity and profitability which discourages firms from having excessive liquidity.

Liquidity refers to a situation whereby a firm has adequate cash to meet its expenses and up-coming liabilities as and when they fall due (Wild, Larson, & Chiappetta, 2005). The liquidity level of an enterprise is very crucial to the survival and growth potential of these micro and small-scale enterprises. The soundness of cash management practices put in place by these firms will guarantee a strong liquidity level that ensures for business survival and continuity. This presupposes that cash management and liquidity do have a direct correlation. Hence, the efficiency of the cash management will determine the dependability of the liquidity level of the firm. According to Suwastika and Anand (2012) micro, small and medium enterprises (MSME) owners/managers need to realize that the real success of a business is based on their ability to keep close control over cash flows, avoiding holding excessive stocks and collecting debts on time.

Preparation of cash budget is one of the sure ways of measuring a firm's liquidity over a period of time. According to Brigham and Houston (1999) cash budget refers to a table showing cash flows (receipts, disbursements, and cash balances) for a firm over a specified period of time. Cash budget therefore, identifies all the cash receipts components and a schedule that tracks cash payments to suppliers with respect to purchases. Cash budget, according to Marfo-Yiadom (2009), is the most significant device to plan for and control the cash receipts and payments. The total cash payments in the subtracted from the total cash receipts for period which may result into cash deficit or surplus for the period. Where the cash receipts exceed the cash payments the resultant is cash surplus. On the other hand where the cash receipts fall short of the cash payment then it gives rise to cash deficit and must be addressed accordingly. The cash budget is a measure that establishes the cash position (deficit or surplus) of a firm given the cash inflows and outflows over the period under consideration.

Therefore, working capital management, particularly cash management, is very important as it impacts both profitability and risk of the firm (Garcia-Teruel & Martinez-Solano, 2007).

Control of Disbursement

Controlled disbursement is a type of cash management service that is only provided to corporations. It enables corporate clients of a bank to view their expenditure (disbursement) on a daily basis (controlled period of time). The main reason that corporation favor controlled disbursement is due to its advantages in regards to interest earned. Companies tend to place their assets into high interest earning accounts until they are needed for disbursement of payments. As a result of this, corporations are able to earn a high amount of interest in their accounts due to the assets kept in them.

Another method of earning interest from controlled disbursement is through taking advantage of the float time of a financial payment transaction. Float time is the period of time that exists between a payment being made and then being cleared. A firm's cash balance as shown on the bank's books generally differs from that shown on the firm's own books. This difference is known as float and represents the net effect of the delays in the payment of checks a firm writes and the collection of checks a firm receives

Cash collection and disbursement policies are designed to reduce a firm's liquid asset balances (cash and marketable securities) by exploiting imperfections in the collection and payment process. The objective is to speed up collections and slow down disbursements.

Overtrading

Overtrading happens when a business expands too quickly without having the financial resources to support such a quick expansion. If suitable sources of finance are not obtained, overtrading can lead to business failure. Importantly, overtrading can occur even a business is profitable. It is an issue of working capital and cash flow. Overtrading is, therefore, essentially a problem of growth. It is particularly associated with retail businesses who attempt to grow too fast.

Overtrading is most likely to occur if:

1. Growth is achieved by making significant capital investment in production or operations capacity before revenues are generated.
2. Sales are made on credit and customers take too long to settle amounts owed.
3. A long-term contract requires a business to incur substantial costs before payments are made by customers under the contract.

However, some classical symptoms of overtrading to small scale business include the following:

- High revenue growth but low gross and operating profit margins.
- Persistent use of a bank overdraft facility.
- Significant increases in the payables days and receivables day's ratios.
- Significant increase in the current ratio.
- Very low inventory turnover ratio.
- Low levels of capacity utilization.

The most effective steps to avoid overtrading are essentially those that would be taken as part of a sensible cash flow and working capital management. Such as:

- Reducing inventory levels.

- Scaling back the pace of revenue growth until profit margins and cash reserves have improved.
- Leasing rather than buying capital equipment.
- Obtaining better payment terms from suppliers.
- Enforcing better payment terms with customers (e.g. through prompt-payment discounts).

Emperical Review

A study by Kwame (2007) [6] established that the setting up of a cash balance policy ensures prudent cash budgeting and investment of surplus cash. This finding agreed with the finding by Kotut (2003) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms. The assertion by Ross *et al*. (2011) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance.

Dong and Tay Su (2010) also attempted to investigate the relationship existing between profitability, the cash conversion cycle and its components for listed firms in the stock market. Using a descriptive cross sectional design, their findings showed a strong negative relationship between profitability, measured through gross operating profit, and the cash conversion cycle and all of its components. This means that as the cash conversion cycle increases, it will lead to declining of profitability of a firm. Therefore, the managers can create a positive value for the shareholders by handling the adequate cash conversion cycle and keeping each different component to an optimum level.

Research Design

The study used descriptive survey method with limited number of small business owners; this was due to the fact that the whole population cannot be effectively studied. Therefore, samples are selected to represent the whole population

Data Sources and Method of Collection

The study used descriptive survey method with limited number of small business owners; this was due to the fact that the whole population cannot be effectively studied. Therefore, samples are selected to represent the whole population

The method used in the presentation of data is simple percentage method of tabular presentation. The correlation test analysis was employed to test the stated hypothesis and to test the significant relationship between the actual and observed variables. The computer statistical package for social science (SPSS) software was used for this purpose.

Test of Hypotheses

Hypothesis One

H_0: there is no impact of cash management in small business effectiveness.

H_1: There is an impact of cash management in small business effectiveness

Table 1: *Correlations*

		Cash management	Small Business Effectiveness
Cash management	Pearson Correlation	1	.705**
	Sig. (2-tailed)		.00
	N	150	150
Small Business Effectiveness	Pearson Correlation	.705**	1
	Sig. (2-tailed)	.00	
	N	150	150
**. Correlation is significant at the 0.1 level (2-tailed).			

***Source*:** Researcher's field work (2018)

From the table 1 above, the Pearson correlation (r) analysis between cash management and small business effectiveness is 0.705, indicating a strong positive correlation between cash management and small business effectiveness variables. Thus, the null hypothesis is rejected and it is concluded that there is a significant impact of effective cash management on small business effectiveness.

Hypothesis Two

H_0: There is no significant impact of effective cash management on small business profitability.

H_1: There is a significant impact of effective cash management on small business profitability.

Table 2: *Correlations*

		Cash management	small business profitability
Effective cash management	Pearson Correlation	1	.449**
	Sig. (2-tailed)		.00
	N	150	150
small business profitability	Pearson Correlation	.449**	1
	Sig. (2-tailed)	.00	
	N	150	150
**. Correlation is significant at the 0.1 level (2-tailed).			

***Source*:** Researcher's field work (2018)

From the table 2 above, the Pearson correlation (r) analysis between effective cash management and small business profitability variables is 0.449, indicating a moderate positive correlation between effective cash management and small business profitability variables. Thus, the null hypothesis is rejected and it is concluded that there is a significant impact of effective cash management on small business profitability.

Grand Conclusion

From the analyses, it can be concluded that effective cash management significantly affects small business effectiveness, efficiency and profitability.

Recommendation

To strengthen cash management system, the researcher laid the following suggestions;

1. Business operators should always reconcile cash at hand with cash banked.
2. There should maintenance of clear debt collection procedures.
3. Business managers should endeavor to study and apply scientific cash management models.

Business operators should scan the environment and understand all the possible factors that severely affect growth of their businesses and try to circumvent them for better performance. This paper thus concludes that cash management practices such as using proper and petty cash book have a positive impact on small scale business performance. Proper cash management is therefore vital to the success of small scale business. Consequently, this study recommends that small scale businesses should put emphasis on proper cash management practices. This would ensure that proper financial recording and high performance is realized.

This study therefore suggests that the small enterprise or businesses needs effective and dynamic management skills in order to remain successful.

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