LIQUIDITY MANAGEMENT AND PERFORMANCE IN SME'S; A CASE OF MBALE MUNICIPALITY

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELORS DEGREE OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

AUGUST, 2019

DECLARATION

I, **Olowo Lawrecnce** declare that this research is my original work and it has never been submitted in any institution for the academic purposes.

Signature: ……………………………..

OLOWO LAWRECNCE

Date: ..18...../..08......./..19.....

APPROVAL

This is to certify that this research was carried out under my supervision and it is now ready for submission to Kampala International University.

Signature: ……………………………………..

Mr. Timbirimu Micheal

Date: 19/08/19

DEDICATION

This piece of work is dedicated with much love to my beloved parents, my brothers, sisters and friends Mr. for all the moral, spiritual and financial support without them my studies would not have been a success.

May the Almighty God reward them endlessly.

ACKNOWLEDGEMENT

I would like to thank my beloved parents, brothers and sisters plus the relatives for their financial support and moral guidance.

I extend my sincere gratitude to my supervisor Mr. Timbirimu Micheal for his expertise and skilled inputs he made to ensure a successful report. He tirelessly guided me through this work to enable me come up with the report.

Special acknowledgement and thanks goes to all students and everybody who contributed generously their time, knowledge and energy to this study.

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May the good Lord bless you all.

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ABSTRACT

The purpose of the study was intended to establish the relationship between cash Management and performance of small-scale businesses in Mbale Municipality. The objectives of the study were to examine the effect of cash management on sales volume of small-scale businesses in Mbale Municipality, to establish the effect of cash management on profitability of small-scale businesses and to examine the effect of cash management on the liquidity of small-scale businesses in Mbale Municipality. The study also reviewed some related literature in line with the study objectives.

A case study design was adopted because it provided an in-depth study of the problem within limited time scale. The study adopted random sampling with the aim of giving all business owners an equal chance of being chosen to participate in the study. Data collected from the field was edited, coded and categorized into themes. Thereafter, it was entered into the computer programme known as Statistical Package for Social Scientists (SPSS).

The study found out that majority of the respondents (52.3%) agreed that they were not banking their daily cash from sales, an indicator of poor cash management. however on cash planning 29.6% of the respondents agreed that their cash inflows and outflows were always predetermined indicator of good cash management practice. on sales volume, majority of the respondents disagreed that they always made high volumes of sales, on the customer base, most of them disagreed that the customer was not big as such. on profitability, majority of the respondents disagreed that their profit margin was not always high.

On liquidity, 65.9% of the respondents never paid their bills on time, an indicator of liquidity problems. On establishing the relation ship between cash management and performance of small scale businesses, Pearson product correlation was used, it was revealed that $R=0.853$, $P=0.005$, adjusted $R2=0.728$. This implies that there is a strong relationship between cash management and business performance other factors as well do affect it.

In conclusion, the study indicates that poor cash management that is through mishandling of cash from sales, easy access to cash by everybody affects both liquidity and profitability levels. However, proper cash management practices through cash planning, safeguarding will reduce on costs and idle cash hence improving performance of small scale businesses.

there fore the recommendation of the researcher on cash management and sales is that much emphasis should be on safeguarding of cash from sales through daily banking of cash from sales, proper record of sales to debtors, which reduces on bad debts.

SSB and any other business should exercise proper cash management practices, through cash planning, safeguarding, in order to reduce operational costs and getting rid of excessive cash in business, if they are to achieve the time objective of profitability and liquidity.

CHAPTER ONE: GENERAL INTRODUCTION

1.0 Introduction

This study was designed with the aim of establishing the impact of cash management on the performance of small scale businesses. The major components of this chapter are introduction, background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, ethical considerations, definition of key terms and conceptual framework.

1.1 Background of the study

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. A business is approved to be called small scale enterprise in Uganda: if it employs a number of people ranging from 5-50.This number differs from country to country (Hamm; Harvard, 2002).

Recently there is no proper agreement as to the capital employed though a figure ranging from USD5000-50000 is a reasonable estimate. The Ugandan Investment Authority (UIA) has put this figure to now Shs 50m (about USD300).

The annual sales turn over in Ugandan conditions for small scale enterprises to participate in Value Added Tax (VAT) is now a figure of shs20m (USD200) which was agreed on as threshold. Monthly sales turnover of about 1.5m (usd1500) and daily turnover of about Shs7500 (USD75) is also estimated. Therefore shs50m (USD50000) would be an ideal average turnover for identification of small scale enterprise (Balunywa, 2003).

Cash as an important asset contributes a smaller percentage of the current assets and its management affects on liquidity and profitability as well as the overall growth and development of the business (Kakuru, 2001). Good cash management has a double benefit: it can help you to avoid the debilitating downside of cash crises; and it can grant you a commercial edge in all your transactions. For example, companies able to aggressively manage their inventory may require less working capital and be able to extend more competitive credit terms than their rivals (Adam & Harrison, 2001).

According to Bort (2001), cash flow is the life blood of all businesses and is the primary indicator of business health. It is generally acknowledged as the single most pressing concern of most Small and Medium-Sized Enterprises (SMEs), although even finance directors of the largest organizations emphasize the importance of cash, and cash flow modeling is a fundamental part of any private equity buy-out. In a credit crunch environment, where access to liquidity is restricted, cash management becomes critical to survival.

In its simplest form, cash flow is the movement of money in and out of your business. It is not profit and loss, although trading clearly has an effect on cash flow. The effect of cash flow is real, immediate and, if mismanaged, totally unforgiving. Cash needs to be monitored, protected, controlled and put to work. There are four principles regarding cash management (Bort, 2001).

Effective cash management ensures the timely provision of cash resources necessary to support the company's operations. With the use of basic cash management tools and techniques, cash becomes a corporate asset that contributes directly to the bottom line. Whether a company is flush with cash or experiencing a shortfall of funds, good cash management is critical to the success of every company.

Cash management is a financial discipline that uses the same principles, regardless of the type of business, size or age of an enterprise. Cash management is not an accounting function. The accountant records and reports transactions historically; the cash manager plans and executes these financial transactions. Cash managers use techniques, products and services to efficiently manage cash resources and satisfactorily resolve cash shortages or surpluses (Adam & Harrison, 2001).

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).

Numerous studies have tried to assess the factors that lead to better performance of small businesses. These studies generally reflect the connection between one or two explanatory variables and firm performance for example sales volume, profitability and liquidity management (Yusuf and Saffu, 2005); market orientation and performance (Kara *et al.*, 2005).

1.2 Problem Statement

Small-scale enterprises are a viable part of Uganda's economy as they contribute 20% of Uganda's Gross Domestic Product (GDP). However, despite the government's effort to support their growth, their performance is still low. It is suspected that the reason is due to poor cash management policies which were characterized by poor book keeping, most of these businesses do not maintain books of accounts for their businesses which affects their ability to increase sales and make profits.

Annual accounts of Small-scale enterprises that are submitted to the internal revenue department (of the Uganda Revenue Authority) are in most cases rejected due to inconsistencies in such areas like stock of goods, debtors, bank and cash balances which are components in the accounting system.

This undermines profitability, turn over, and survival of small businesses. This has led to closure and it also defeats the logic behind the government in its bid to foster economic development through small business sector.

It was upon this background that the researcher is prompted to explore the effects of cash management on the performance of Small-scale enterprises in Uganda.

1.3 Purpose of the study

The purpose of the study was intended to establish the relationship between cash Management and performance of small-scale businesses in Mbale Municipality.

1.4 Objectives of the study

1. To examine the effect of cash management on sales volume of small-scale businesses in Mbale Municipality.
2. To establish the effect of cash management on profitability of small-scale businesses in Mbale Municipality.
3. To examine the effect of cash management on the liquidity of small-scale businesses in Mbale Municipality.

1.5 Research questions

1. What is the effect of cash management on sales volume of small-scale businesses in Mbale Municipality?
2. What is the effect of cash management on profitability of small-scale businesses in Mbale Municipality?
3. What is the effect of cash management on the liquidity of small-scale businesses in Mbale Municipality?

1.6 Scope of the study

1.6.1 Geographical scope.

The study was carried out in small scale businesses in Mbale municipality located in eastern Uganda. Mbale municipality was chosen because it's one of the areas with most small scale businesses inform of retail shops, road venders, secretarial, pharmacies, super markets, motor cycle repairs, hair salons, hotels and clinics.

1.6.2 Content scope.

The study covered both the independent variable cash management (cash management policies and standards, cash planning methods, cash segregation and safeguarding or custody, the dependent variable performance of small scale businesses(sales volume, profitability and liquidity).

1.6.3 Time scope.

The study took a period of three months to review cash management policies and standards, cash planning, custody and establish performance of small scale businesses in terms of sales volume, profitability and liquidity.

1.7 Significance of the Study

- It is apparent that there is inadequate understanding regarding the effect of cash management and performance of small scale businesses in Mbale municipality. Therefore the study will;
- Establish how cash management affects performance of small scale businesses in Mbale municipality.

- Assess whether cash management of small scale businesses has a high level of performance and what can be done to carry out proper cash management.
- Contribute to a new paradigm for analyzing and approaching cash management in small scale businesses through promoting cash management policies and standards to improve performance of small scale businesses.

1.8 Definition of Key Terms

Cash management:

Cash management is a financial discipline that uses the same principles, regardless of the type of business, size or age of an enterprise. Cash management is concerned with the technique of managing cash flows that is cash inflow and outflows.

Business performance: For research purpose, business performance was defined in terms of profitability and liquidity.

Profitability:

Profitability is the ability to generate cash to be able to pay interest and repay principle and the relationship within various sources of funds.

Liquidity:

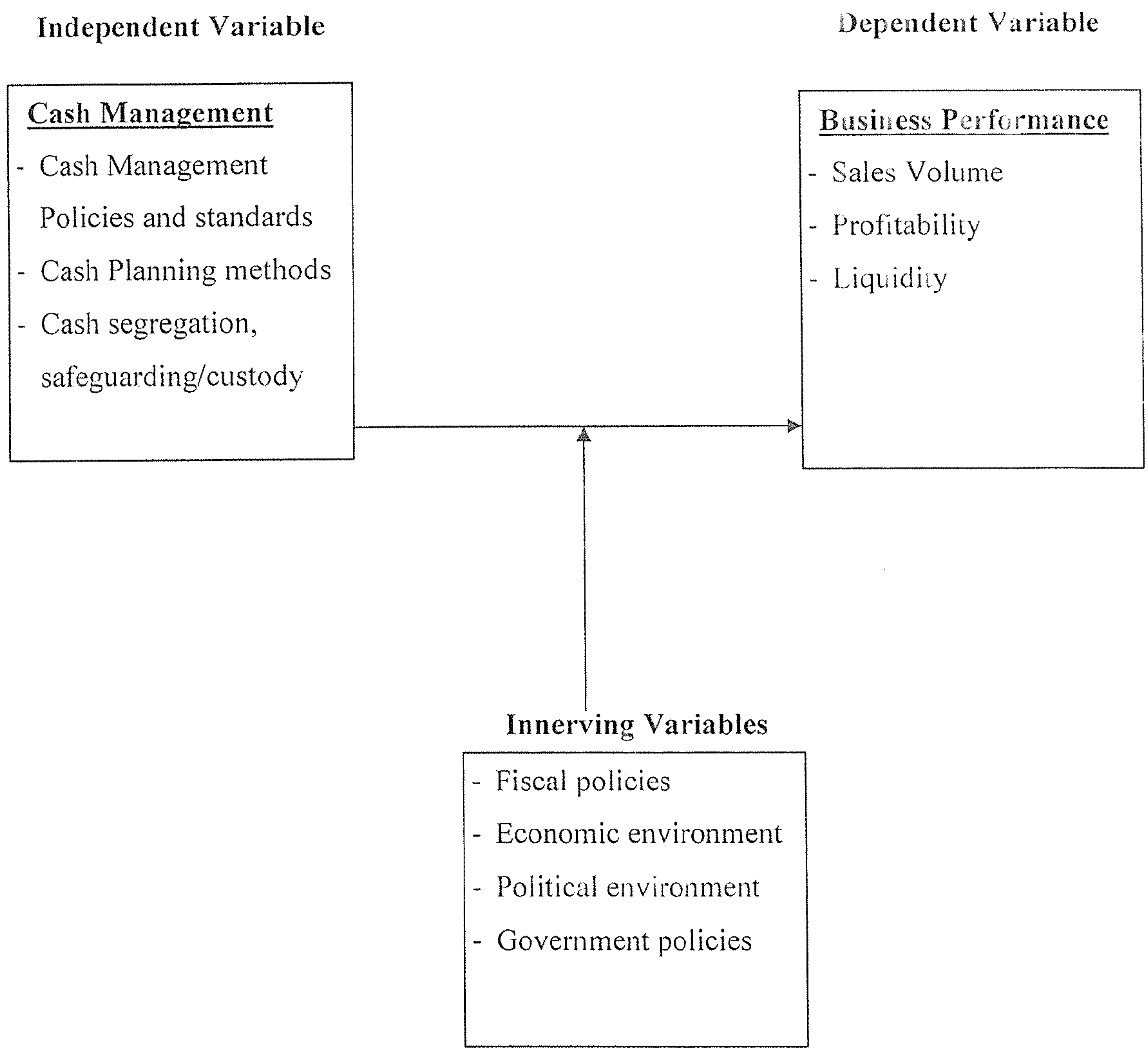
Liquidity is the ability of a firm to pay it short term debt obligations, in other words, if a firm has adequate liquidity, it can pay it current liabilities such as accounts payable.

Small scale businesses:

a small scale business is a business enterprise or firm employing less than 5 but within a maximum of 50 employees with the value of assets excluding land and working capital of less that 50 million and annual turnover of between Uganda shillings 10-50 million

Cash planning: Refer to the technique to plan and control cash

1.8 Conceptual Framework



Source: Researcher

Figure 1.1: Conceptual Framework

From the conceptual framework, the independent variable is cash management which affects small business performance which is the dependent variable. In case there are good cash management policies and standards, cash planning methods and cash safeguards, the sales volume will increases, profitability and liquidity levels will increase.

In order to achieve the dependent variables, they should be assisted by the intervening variables whereby in case there are favourable fiscal policies like tax subsidies and tax holidays, business performance will improve. In the same way, good economic environment, political environment like security and good government policies which favour development of small scale businesses will also improve business performance.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This section provides a crucial review of related literature on the study variables. It provides literature on the objectives of the study that is the effect of cash management on sales volume, effect of cash management on profitability and the effect of cash management on the liquidity of small-scale businesses.

2.1 Effect of Cash Management and Sales Volume of Small Scale Businesses

Most businesses believe that the customer is the reason for their existence based on the logic that the larger the customer base, the more the cash flow. The important thing here is that some customers are better than others, in the sense that they are the ones that help generate cash through their genuine need for the company's products, resulting in the expected return on investment. Therefore, steps must be taken to retain the loyalty of these good customers. The first thing is to identify these customers, then retain them, and next, develop new good customers, reduce inventory to become more cost effective while striving to achieve quality both in operations and products (Anthony & Breitner, 2003).

According to Pendlebury and Grover, (2003), sales growth influences cash flow in two ways, namely, via the growth effect and its effect on the management decision to handle it. Sales growth has an impact that is relative to all other revenue generating activities that figure on the balance sheet or income statement within the organization. How the management optimizes and facilitates rising sales figures perhaps through better credit terms or other changes within the marketing and promotion function will further have a great influence on cash flow. As a result, management has the challenge of tackling any operational issues that may arise in the process of rapid growth.

It is well known that any change in the balance sheet is a result of sales income. In the income statement, changes filter down from revenue as a first step. The cash flow statement reflects the amalgamation of the balance sheet and income statement. It therefore makes sense to get to know how costs are structured within the company, in relation to the industry to which the business belongs. This helps to make the necessary changes that are required to make things better. For instance, someone from the marketing function would benefit from an awareness of the importance of cash flow and cash drivers that determine the company's success. By broadening one's focus, a better understanding can be achieved of the bigger picture, which is the organization as a whole, rather than the department within which one operates.

As a matter of fact, sales growth does not occur magically. Revenue growth is a planned process that takes place as a result of analysis and decision making by the management These decisions are thereafter implemented to result in sales growth. The decisions could do with the introduction of new products, expanding to new markets, new staff and training programs, additional promotional campaigns, better customer service, better pricing, logistics etc. All of these, which combine to form the marketing mix involve a lot of planning at the top level in the company in addition to a lot of expense. This expense is because of the extra resources required in the form of assets and other direct expenses. Apart from the initial investment, the business will also need to keep investing cash for more inventory and accounts receivable since there will be sales growth (Wiklund & Shepherd, 2005).

Obviously, to enjoy growth, cash is mandatory. Therefore, a company must plan its growth because unplanned growth can result in major cash deficits and risks. Often, the top management team in the company assumes that for sales growth, since the company needs cash, sales must be increased and customers will pay, after which the cash problem will disappear. This line of thinking might work in temporary situations where you might sell more from your inventory without immediately replenishing it, offer your best customers better payment terms, get better deals from suppliers etc. for specific projects. But none of these things is a permanent solution since they would result in harming the business's cash flow.

Yusuf & Saffu, (2005) indicated ideally, with planned sales growth, existing operations must proceed smoothly so that the expansion is seamless. Naturally this could mean more pressure on the staff and structure, and of course, cash flow. Things could also go awry due to the increased pressure. In fact, financial problems are not surprising when sales growth exceeds the ability of the business to sustain itself, unless the business has extra assets in the form of excess inventory, since this would be used up without the necessity to create extra inventory. If the business owns an asset that it does not need right away, it can always convert it to cash by selling it and using the finance towards growth, over and above its cash profits and related expenses.

2.2 Effect of cash management and Profitability of Small Scale Businesses

According to Cardarella, (2010), Sales growth influences cash flow in two ways, namely, via the growth effect and its effect on the management decision to handle it. Sales growth has an impact that is relative to all other revenue generating activities that figure on the balance sheet or income statement within the organization. How the management optimizes and facilitates rising sales figures perhaps through better credit terms or other changes within the marketing and promotion function will further have a great influence on cash flow. As a result, management has the challenge of tackling any operational issues that may arise in the process of rapid growth.

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As a matter of fact, sales growth does not occur magically. Revenue growth is a planned process that takes place as a result of analysis and decision making by the management. These decisions are thereafter implemented to result in sales growth. The decisions could do with the introduction of new products, expanding to new markets, new staff and training programs, additional promotional campaigns, better customer service, better pricing, logistics etc. All of these, which combine to form the marketing mix, involve a lot of planning at the top level in the company in addition to a lot of expense. This expense is because of the extra resources required in the form of assets and other direct expenses. Apart from the initial investment, the business will also need to keep investing cash for more inventory and accounts receivable since there will be sales growth (Arinaitwe, 2010).

2.3 Effect of Cash Management and Liquidity of Small Scale Businesses

Although small businesses have continued to grow, most of them closed their doors within the first 4 years of operation. There are many factors that contribute to this failure; the most common reason to be a lack of proper cash management (Meckler, 1995). The SBA postulated that financial foresight, planning for cash flow and capital needs, is a requirement of entrepreneurial management. It has become one of the greatest threats to the survival of new businesses, because the appearance of short- term success reduces financial insight and vigilance. Brown (2007) asserted: Every business owner should have an understanding of the process of raising capital, managing cash flow, and reading basic financial statements such as a balance sheet and an income statement. If one doesn't understand these concepts, it is impossible to measure the success of a new business or even to recognize when it is beginning to fail. When a small company is unable to meet its obligations, the causes for failure are always the same: lack of cash, inability to raise capital, and loss of control due to escalating expenses (Meckler, 1995).

Longevity of a business requires ongoing monitoring of financial resources to ensure that enough cash is available, controls are in place to alert managers of cash needs, and that the vehicle to provide additional cash inflows is in place to help reduce financial burden when the need arises. As small businesses grow, an increase in sales of 40 to 50% requires a new capital structure and ongoing implementation for the company to become successful. Private sources of financing, such as from family members, become inadequate and should be replaced with public sources such as equity financing. Parkinson *et al.* (2000) argued that public sources of financing involve significant costs and economies of scale favor private sources of financing. While this may be correct, financial resources are likely to be scarce in family businesses, and external sources of funds should be secured. This is because new businesses or competitors may enter the market, and plans must be in place to facilitate growth.

Internal factors, such as increases in sales volume, employees, and organizational complexity, also may cause the small businesses to grow, and may require owners to acquire new skills (SBA, 2008). This includes a good management system to build team efforts rather than having one or two persons doing everything; otherwise, a management crisis may occur. There could be limited success if the operations become so routine that people of limited competence can do a good job with limited supervision. This is because good management requires employees to acquire adequate skills to help the business grow

Without this expertise, growth will be limited, which can have an adverse effect on the business (Parkinson *et. al.,* 2000).

Small business failure can and should be prevented because if owners look more closely at the financial data, they should see signs of cash flow problems that require preventative actions to avoid a financial collapse (Seidner, 2009). For this reason, cash flows, capital, and financial controls should be in place and should take precedence over short-term profit. Owners of new ventures typically make profit a priority, rather than focusing on cash flow; even though the company needs added resources. Such focus requires management to prepare a financial forecast to plan ahead for anticipated cash needs. Raising cash in a hurry is costly and uses managerial resources in going from one financial institution to another, which could be productively utilized in other areas of the operations. Seidner, (2009) argued that new ventures are under cash pressure when the opportunities are greatest. Excellent products, market share, and growth prospect might be present, but without a good financial structure, control could be lost, and the business might have difficulty regaining its market position (St. John, 1999).

If proper financial planning is not in place, a business might not be able to acquire the inventory, innovation, and intellectual skills it needs to grow. This reduces its ability to compete, and its wherewithal to obtain cash, which is conducive to proper cash management. Background of the Study Prior to the Great Depression of the 1920s and 1930s, companies placed very little emphasis on cash management. The trend was centered on profit, and the main concern of financial management was to prevent companies from going into bankruptcy. During the depression, revenues slowed dramatically, and many businesses were forced to close their doors, not because of a lack of profit but because of a lack of cash. This suggested that cash management was not emphasized, and profit was considered the epitome of the business operations. The structure of a company and the means of capital acquisition played a part in assessing this success or failure (Rice, 2002).

Businesses that issued stocks as investment opportunities were able to weather the storm while those that borrowed funds from financial institutions bore the burden of paying the obligation as the loan became due (Anthony & Breitner, 2003). Unable to meet this ongoing requirement, the once profitable companies became victims of the Depression. Those that survived were able to do so because of the agility factor associated with paying dividends to its stockholders and investors. The cash was used in operations and payments to stockholders as a return on capital investments became secondary (Rice, 2002). Financial institutions also were forced to reduce line of credits and negated to renew loans in order to stay afloat) since the businesses that were financed through debts secured by the financial institutions were not in any position to meet their monthly obligations. Many company executives thought that sales would continue to drive businesses, and there would never be a need to worry about cash flows as long as customers were spending their money to acquire goods and services (Anthony & Breitner, 2003).

Proper cash management can make or break a small business. Not only will poor cash management cause liquidity problems, it could lead companies to become victims (Churchill & Mullins, 2001), and adversely affect the economy and its citizens.

2.4 Summary of Literature

Cash management plays a key role in any organization and without it the resources of production remains retarded and hence no business growth. This is in line with scholars like Drunker (1989) who indicates that there is need for efficiency and effectiveness in the managerial side of any organization. As resources and production is put together there is need for proper cash management style to be adopted so that those managed can work well and increase production. The manager must handle those coming in an organization carefully and with due regard so as to attract them to work i.e. the organization in their various sections well and hence achieve the goals and objectives of the organization. This is because the concerns of the workers and their welfare goes best and hence growth of small business if human resource welfare is ignored or not managed well would result into attrition and hence collapse of small business

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This chapter explains the approaches that the researcher used to obtain the necessary data on the research problem and includes the research design, study population, sample size, sampling techniques, data collection methods and instruments, reliability and viability of instruments, data processing and analysis.

3.1 Research design

This study used a case study design using both quantitative and qualitative approaches. A case study design was adopted because it provided an in-depth study of the problem within limited time scale. This study was cross sectional. This enabled the study to be carried out at a particular time across categories of respondents.

The quantitative approach was used because it helped the researcher to quantify data gathered from a large group of respondents in shorter time. Quantitative approach therefore. involved the data being analyzed in terms of numbers. In other words, this approach was concerned with the collection and analysis of data in numeric form.

The qualitative approach on other hand was used because it helped the researcher to get in-depth textual information using interviews, group discussion and documentary analysis (Amin, 2005). In other words, this approach was concerned with collecting and analyzing on-numeric information. The focus was on exploring in as much detail as possible, smaller numbers of instances or examples which were seen as being interesting or illuminating.

3.2 Study Population

The study included owners of small scale business in Mbale municipality and a few of their employees.

The study population consisted of 50 people from small scale business in Mbale municipality.

3.3 Sample Procedure

The study adopted random sampling with the aim of giving all business owners an equal chance of being chosen to participate in the study.

Purposive sampling was employed in case of key information because these were knowledgeable about cash management and performance issues.

3.3.1 Sample size

The researcher used solvins formula to calculate the sample size of the population as follows

n=N/1+N (e) 2

n=sample size, e=the population of the sample error & N= population (slovin, 2012)

The researcher will look at a figure 30 total number of small scale business owners, the solvin formula is then used to ascertain the sample size as follows.

n= 50/1+50 (0.05)2

=50/1+50(0.0025)

=50/1+0.0125 =44

The sample targeted 44 owners of small scale businesses. This sample size was assumed by the researcher to be the representative of the entire population.

3.4 Sources of data

This comprised of primary sources of data.

3.4.1 Primary Data

This necessitated the researcher to go to the field and gather data from respondents. This used complete semi-structured questionnaires supplemented by some informal interviews.

3.5 Data collection instruments

Questionnaire

Self-Administered Questionnaires (SAQs) were used to collect quantitative data from respondents. SAQs were used for this category of respondents to save time because their number were big to interview and the researcher had limited time to undertake the study.

A close-ended questionnaire and open ended covering all the aspects of the study variables were used to collect data from the respondents. The questionnaire approach was selected because it was used to enable the collection of data from a large sample in a short time.

3.6 Data Analysis and Management

Data collected from the field was edited, coded and categorized into themes. Thereafter, it was entered into the computer programme known as Statistical Package for Social Scientists (SPSS).

Two types of analyses were conducted and these included quantitative and qualitative analyses by use of statistical package for social scientists.

Quantitative data was collected, edited and coded using SPSS. Descriptive statistics was used where frequencies and percentages were produced. The frequencies and percentages were used to determine the respondents' views on each of the study variables.

In qualitative analysis, content analysis was used to edit the data and reorganize it into meaningful shorter sentences. This was then presented as quotations to supplement the quantitative data in order to have a clear interpretation of the results.

3.7 Quality Control Method

Here, the researcher established reliability & validity of the instruments which were used.

Reliability

To ensure that the researcher gets reliable data, the questionnaires were properly explained to the respondents how and where they were supposed to tick.

The researcher ensured that the questionnaires were approved by the supervisor before giving them out and the researcher personally delivered the questionnaires to the respondents.

Validity

Validity refers to the ability of the instruments to procedure findings that are in agreement with theoretical or conceptual values; in other words, they produce accurate results and measured what was supposed to be measured.

The researcher pre-tested the questionnaires and made corrections to the ambiguous questions before administering them to the respondents.

To ensure that instruments produce valid information, the researcher used content validity that is to say describing the extent to which items represent the content of the attribute being measured.

The researcher applied content validity in evaluating the content of the questionnaires that the information to be got is relevant for measuring the relationship between cash management and performance of small scale businesses.

3.8 Ethical Consideration

The ethical issues as highlighted by various authors (Bailey, 1994, Babbier and Mouton 2001) include clearance, informed consent, voluntary participation of respondents and no harm to participants' confidentiality, objectivity during the proposed study.

- Before conducting the study, the researcher was cleared by the responsible authorities that is the university supervisor.
- In particular, the respondents were openly told about the purpose of the study before their participation.
- The respondents were made to understand that the research was purposely for academic reasons and that the results were to improve cash management and performance of small scale businesses.
- The researcher had to assure the respondents of the need to keep all the information given to him confidential and not divulge them to third parties.

- Objectivity was maintained during the data analysis and reporting. The data collected was not falsified or changed in any way beyond the necessary editing.
- Limitations of the study occurring from the sample or the design were indicated in order to define the extent of validity of findings.

3.9 Limitations

- The respondents were not free to express themselves openly about the subject matter. The researcher had to ensure that names were not written on the questionnaires and the researcher collected the questionnaires himself from the respondents.
- The respondents were so busy to be easily reached by the researcher however the researcher met the respondent only during lunch, break and after working hours.

CHAPTER FOUR: PRESENTATION AND DISCUSSIONS OF FINDINGS

4.0 Introduction

This chapter presents the interpretation of research findings which have been arranged in accordance with the study questions and objectives. These findings were got from both primary and secondary sources and the questionnaires were used to reinforce the existing knowledge in literature.

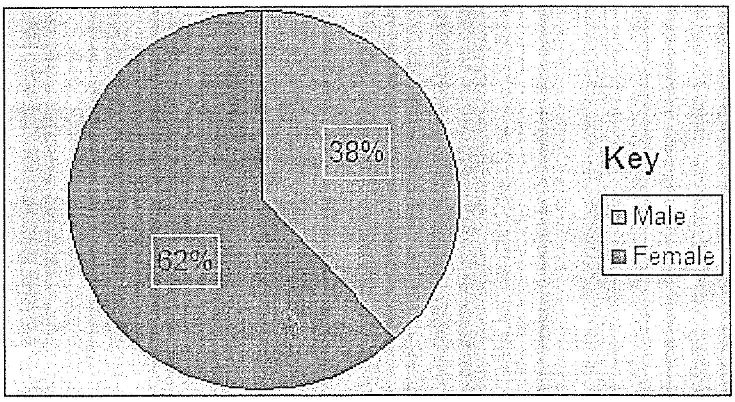
In the presentation of findings, tables, figures, frequencies and percentages were used to analyze and interpret findings.

4.1 Bio Data of the Respondents

This section investigated the demographic characteristics of the respondents where it investigated about the gender of the respondents, age bracket, level of education, and the number of year respondents had been in business and the findings have been discussed as follows;

4.1.1 Gender of the respondents

Figure 1: Showing the gender of the respondents

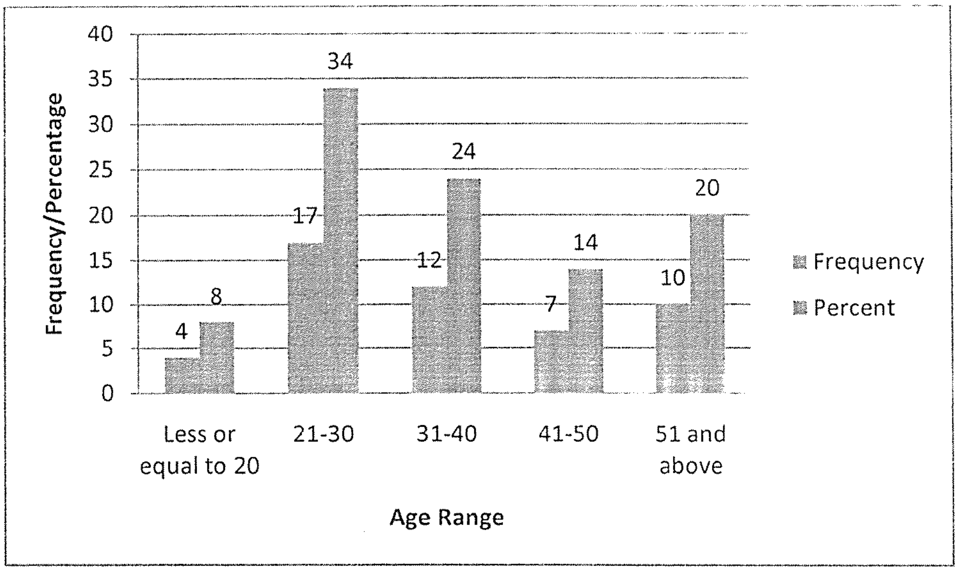


Source: Primary data

The majority of the respondents were female by a range of 62% and only 38% of them were male. This implied that many of the women were engaging in small scale businesses in Mbale municipality than male. The female had large influence on small scale businesses as the study targeted different businesses as shown by the number of respondents and therefore more female started up more small scale businesses as compared to male.

4.1.2 Age bracket in years

Figure 2: Showing the age of respondents



Source: Primary data

From the study, 8% of the respondents were less than 20 years of age, 34% who were the majority were between 21-30 years of age, 24% were 31-40 years, 14% were between 41-50 and 20% were51 years and above.

The age bracket of 21-30 reflects a highest percentage where the population was of young and energetic people. This means that this age bracket can control, plan and implement policies in the organization as regards cash management and performance of small scale businesses. This age bracket is composed of both skilled and unskilled respondents.

4.1.3 Highest level of education

Table 1: Showing the educational level of respondents

Education Level	**Frequency**	**Percentage**
Primary	2	4.5
Secondary	10	22.7
Certificate	8	18.2
Diploma	15	34.1
Degree	9	20.4
Total	**44**	**100**

Source: Primary data

Of the respondents, 20.4% were university graduates, 34.1% were diploma, 18.2% had certificates, and 22.7% secondary, and 4.5% had ended at primary level of education.

Today, small scale business have rescued most educated individuals to earn a living reflected by an average percentage of 72.7% from university, diploma and certificate level of education. This means all categories of individuals participate in operation of small scale business which in turn contributes more towards growth domestic product (GDP) of the economy. Since the majority of the respondents were educated, this implies that they could effectively manage their cash well which would improve on their business performance.

4.1.4 Number of years in business

Table 2: Showing the Number of years respondents had been in business

Education Level	**Frequency**	**Percentage**
Less than one year	2	4.5
1-2 years	10	22.7
3-5 years	11	25
5 years and above	21	47.7
Total	**44**	100

Source: Primary data

The respondents experience showed that only 4.5% have been in business for less than one year, 22.7% between 1-2 years, 25% between 3-5 years and 47.7% more than 10 years.

Most of the respondents had experience of more than five years meaning they have spent more time while running business activities. These are well conversant with the business challenges and can as well circumvent them by aligning or matching cash flows and other attributes of the business to ensure its growth. Respondent less than one year have a lot to consider because their businesses are still in introduction stage and should ensure all business strategies are put in place in order to become successful and hence growth.

4.2 Cash Management Safeguarding

Respondents were required to tick according to how they felt about the issues on cash management, performance of small scale businesses and the relation between cash management and performance of small scale businesses.

4.2.1 Banking of Cash Sales

Table 3: Showing whether cash is banked daily

Response	Frequency	Percentage
Strongly Agree	4	9.1
Agree	11	25
Not sure	6	13.6
Disagree	18	40.9
Strongly Disagree	5	11.4
Total	**44**	**100**

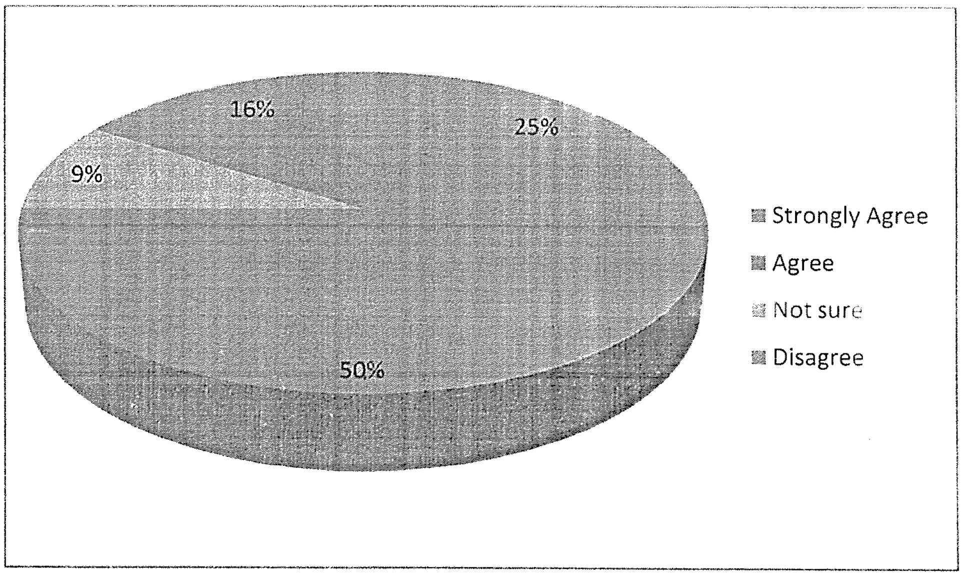
Source: Primary data

According to table 3 above, 9.1% strongly agreed that they banked their cash daily, 25% agreed, 13.6% were not sure, 40.9% disagreed, 11.4% strongly disagreed.

From the findings, the majority (52.3%) showed that they were not banking their daily cash sales which was again putting their cash at risk

4.2.2 Cash at hand is kept in a safe

Figure 3: Showing whether the remaining cash at hand was kept in the safe



Source: Primary data

From the study findings, the majority of the respondents (50%) agreed that the remaining cash at hand is kept in the safe, 25% strongly agreed, 9% were not sure and only 16% disagreed.

The findings imply that most of the businesses took good care of its cash received.

4.2.3 Safety of Daily Cash Sales

Table 4: Showing whether cash from every day sales is kept far away from access

Response	**Frequency**	**Percentage**
Strongly Agree	8	18.2
Agree	18	40.9
Not sure	5	11.4
Disagree	5	11.4
Strongly Disagree	8	18.2
Total	**44**	**100**

Source: Primary data

From the findings, 18.2% of the respondents strongly agreed that Cash from every day sales is kept far away from access by anybody, 40.9% who constituted the majority agreed, 11.4% were not sure, the same percentage (11.4%) disagreed and 18.2% of the respondent strongly disagreed.

59.1% of the respondents agreed that Cash from every day sales is kept far away from access by anybody implying they manage business with the intention of getting a return at the end of the period. This was in line with Cardaralla (2010) who emphasized that cash inflows against cash out flows should match and critically observe all avenues where a big return could be achieved. Strictness on cash management should be emphasized for better performance.

4.2.4 Use of Security Guards while Making Bulky Deposits and Withdrawals

Table 5: Showing whether businesses Use Security Guards while Making Bulky Deposits and Withdrawals

Response	**Frequency**	**Percentage**
Strongly Agree	3	6.8
Agree	6	13.6
Not sure	2	4.5
Disagree	19	43.2
Strongly Disagree	14	31.8
Total	**44**	**100**

Source: Primary data

Furthermore, respondents were asked whether they are always accompanied by security guard whenever they are making bulky deposits and withdrawals and only 6.8% strongly agreed, 13.6% agreed, 4.5% were not sure, 43.2% who were the majority disagreed and 31.8% strongly disagreed.

The findings imply that most of the small businesses in Mbale Municipality were exposing their cash to risk of theft since the majority revealed that they were not always accompanied by security guard whenever they are making bulky deposits and withdrawals.

4.2.5 Counting of Cash from Daily Sales

Table 6: Showing whether cash from daily sales is counted

Response	Frequency	Percentage
Strongly Agree	15	34.1
Agree	22	50
Not sure	0	0
Disagree	4	9.1
Strongly Disagree	3	6.8
Total	**44**	**100**

Source: Primary data

From table 6 above, 34.1% of the respondents strongly agreed that they counted their cash daily before it was kept in a safe, 50% also agreed, 9.1% disagreed, 6.8% strongly disagreed.

4.3 Cash Management Policies

The study investigated the cash management policies used by small businesses in Mbale Municipality and the following was revealed;

4.3.1 Excess cash is always invested

Table 7: Showing whether excess cash is always invested

Response	**Frequency**	**Percentage**
Strongly Agree	22	50
Agree	15	34.1
Not sure	2	4.5
Disagree	4	9.1
Strongly Disagree	1	2.3
Total	**44**	**100**

Source: Primary data

According to the study findings, the majority of the respondents (50%) strongly agreed that excess cash was always invested, 34.1% agreed, 4.5% were not sure, 9.1% disagreed and 2.3% strongly disagreed.

The majority of the respondents (50%) strongly agree that cash planning is aimed at having optimal cash balance meaning they apportioned appropriately cash that makes the business to retain enough cash which can be invested in other profitable activities that will enable the business grow in all corners and improve performance.

4.3.2 Predetermining of Cash Inflows and Outflows

Table 8: Showing whether cash inflows and outflows are always predetermined

Response	**Frequency**	**Percentage**
Strongly Agree	5	11.4
Agree	8	18.2
Not sure	12	27.3
Disagree	11	25
Strongly Disagree	8	18.2
Total	**44**	**100**

Source: Primary data

From the findings, 11.4% of the respondents strongly agreed that their business cash inflows and outflows are always predetermined, 18.2% agreed, 27.3% were not sure, 25% disagreed and 18.2% strongly disagreed.

The findings imply that some businesses are not strict on cash management with the intention of good business performance and maintenance of business at the end of the period since only 29.6% of the respondents agreed that their cash inflows and outflows were always predetermined. Although there were some businesses which matched cash inflows against cash outflows and critically observe all avenues where a big return could be achieved.

In any business, predetermining of cash inflow and outflow has a positive impact on cash management should be emphasized for better business performance.

4.3.3 Regular collection of debts from customers

Table 9: Showing whether respondents regularly collect debts from customers

Response	**Frequency**	**Percentage**
Strongly Agree	19	43.2
Agree	12	27.2
Not sure	7	15.9
Disagree	4	9.1
Strongly Disagree	2	4.5
Total	**44**	**100**

Source: Primary data

Table 9 above shows 43.2% of the respondents who strongly agreed that they regularly collect debts from customers, 27.2% agreed, 15.9% were not sure, 9.1% disagreed and 4.5% strongly disagreed.

Through interviews with most of the respondents, it was realized that most businesses do not keep records of their business debtors. Small businesses should keep records concerning debits since it will help them to make a follow-up. The business at times fails to access information concerning debtors. This greatly retards growth of small scale business. All business operators should keep records concerning debtors to easily know the amount due and how it can be recovered.

4.3.4 Delay of Payments to Suppliers to Increase Availability of Cash in Business

Table 10: Showing whether businesses delayed payments to suppliers to increase availability of cash in business

Response	Frequency	Percentage
Strongly Agree	5	11.4
Agree	7	15.9
Not sure	10	22.7
Disagree	14	31.8
Strongly Disagree	8	18.2
Total	**44**	**100**

Source: Primary data

Respondents were asked whether they delayed payments to their suppliers to increase availability of cash in their businesses and 11.4% strongly agreed, 15.9% agreed, 22.7% were not sure, 31.8% disagreed and 18.2% strongly disagreed.

4.3.5 Credit Period Offered to Customers

Table 11: Showing whether a short credit period was offered to customers

Response	Frequency	Percentage
Strongly Agree	7	15.9
Agree	22	50
Not sure	2	4.5
Disagree	7	15.9
Strongly Disagree	6	13.6
Total	**44**	**100**

Source: Primary data

Study findings showed that a shorter credit period was offered to customers as agreed by 50% of the respondents who constituted the majority, 15.9% equally strongly agreed, 4.5% were not sure although 15.9% disagreed and 13.6% also strongly disagreed.

The findings imply that a shorter credit period was offered to customers. Long credit period offered to customers leads to accumulation of debts that reduces on the profits in the ordinary course of the business hence affect performance. Documents concerning debtors are very important for easy retrieval of the amount due. A shorter credit period given to a client enhances business growth due to improved performance since the business will have enough cash for reinvestment.

4.3.6 Recording of all Expenses

Table 12: Showing whether all expenses paid in cash are recorded in the cash book

Response	**Frequency**	**Percentage**
Strongly Agree	5	11.4
Agree	14	31.8
Not sure	4	9.1
Disagree	12	27.3
Strongly Disagree	9	20.4
Total	**44**	**100**

Source: Primary data

Findings showed 16% of the respondents who strongly agreed that all expenses paid in cash are recorded in the cash book, 23.7% agreed, 28.9% not sure. 21.1% disagree and 15.8% strongly disagreed.

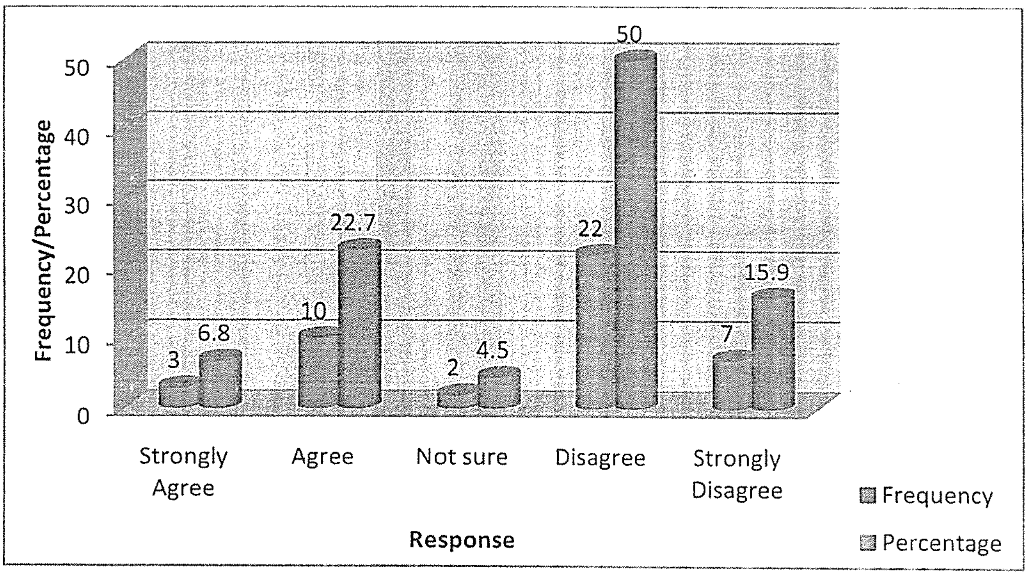
Only 34.2% of the respondents control cash outflows. This indicates business men meet business expenses but they do not keep records for future reference (Bhulman; Bell, 2005). They issue out cash out cash in different activities and don't justify their expenditure. 65.8% of the respondents do not issue receipts to customers, invoices; do not follow debtors among others. This implies the business lacks records for future reference and limits measurement of performance. There is a need to maintain books of account and other relevant documents towards cash control.

4.4 Cash Management and Sales Volume of Small-Scale Businesses

The study examined the effect of cash management on sales volume of small-scale businesses in Mbale Municipality and the findings of the study included the following;

4.4.1 Making of High Volumes of Sales

Figure 4: Showing whether businesses always make high volumes of sales



Source: Primary data

From figure 4 above, 6.8% of the respondents strongly agreed that their businesses always make high volumes of sales, 22.7% agreed, 4.5% were not sure, 50% disagreed and 15.9% disagreed that they were making high volumes of sales.

The findings reveal that most businesses were not always making high volumes of sales moreover sales are the lifeblood of any successful business. An increase in sales, all other things equal, usually translates into higher profitability.

Hence, these businesses should think of promotional events to giveaways, to increase the quantity of items sold. They can also increase the quantity by offering discounts. However, this might also decrease your average price point and lower total revenue. In order to increase sales volume through revenues, you can create higher price points by offering additional packaged services that promise higher quality or a higher level of service.

4.4.2 Making of High Profit Margin

Table 13: Showing whether businesses make high profit margin

Response	**Frequency**	**Percentage**
Strongly Agree	11	25
Agree	9	20.4
Not sure	1	2.3
Disagree	18	40.9
Strongly Disagree	5	11.4
Total	44	100

Source: Primary data

The above table shows 25% of the respondents who strongly agreed that they made a high profit margin, 20.4% agreed, 2.3% were not sure, 40.9% who were the majority disagreed they were making profits and 11.4% strongly disagreed.

The findings imply that the majority of the businesses in Mbale were not making high profit margins as indicated by the majority of the respondents. For this reason, cash flows, capital, and financial controls should be in place and should take precedence over short-term profit. Owners of new ventures typically make profit a priority, rather than focusing on cash flow; even though the company needs added resources. Such focus requires management to prepare a financial forecast to plan ahead for anticipated cash needs (Seidner, 2009).

4.4.3 Opening and Closing Stock of Business

Table 14: Showing whether closing stock is always less than opening stock in a given accounting period

Response	**Frequency**	**Percentage**
Strongly Agree	10	22.7
Agree	14	31.8
Not sure	3	6.8
Disagree	11	25
Strongly Disagree	6	13.6
Total	**44**	**100**

Source: Primary data

From the study, respondents were asked whether their closing stock was always less than opening stock in a given accounting period and 22.7% of the respondents strongly agreed, 31.8% agreed, 6.8% were not sure, 25% disagreed and 13.6% strongly disagreed.

From the findings, some respondents (38.6%) disagreed that their closing stock was always less than opening stock in a given accounting period which greatly affected their profitability.

However, the valuation of opening and closing stock depends upon the valuation method applied by the concern. In the case of first-in-first-out (FIFO) method, the beginning stock is valued on the basis of manufacturing cost of the previous period. However, the closing stock should be valued on the basis of production cost of the current period.

4.4.4 Customer Base

Table 15: Showing whether businesses have a large customer base

Response	**Frequency**	**Percentage**
Strongly Agree	8	18.2
Agree	12	27.3
Not sure	0	0
Disagree	15	34.1
Strongly Disagree	9	20.4
Total	**44**	**100**

Source: Primary data

18.2% of the respondents strongly agreed that they had a large customer base, 27.3% also agreed; however, 34.1% revealed that they did not have a large customer base and 20.4% strongly disagreed.

Since the majority of the respondents showed that they did not have a large customer base, this equally affected their income and the profitability of the businesses.

4.4.5 Existence of a Variety of Products for Sale

Table 16: Showing whether businesses have a variety of new latest product that customers can buy

Response	Frequency	Percentage
Strongly Agree	18	40.9
Agree	11	25
Not sure	2	4.5
Disagree	5	11.4
Strongly Disagree	8	18.2
Total	**44**	**100**

Source: Primary data

According to the above table, the majority of the respondents (40.9%) strongly agreed that they had a variety of new latest product that customers can buy, 25% also agreed, although 11.4% disagreed and 18.2% strongly disagreed.

The findings imply that the majority of the businesses in Mbale Municipality had a variety of new latest product that customers could buy. A product mix is an important consideration

Table 17: Showing whether there are Administrative Costs Incurred in running business

Response	**Frequency**	**Percentage**
Strongly Agree	12	27.3
Agree	15	34.1
Not sure	2	4.5
Disagree	7	15.9
Strongly Disagree	8	18.2
Total	**44**	**100**

Source: Primary data

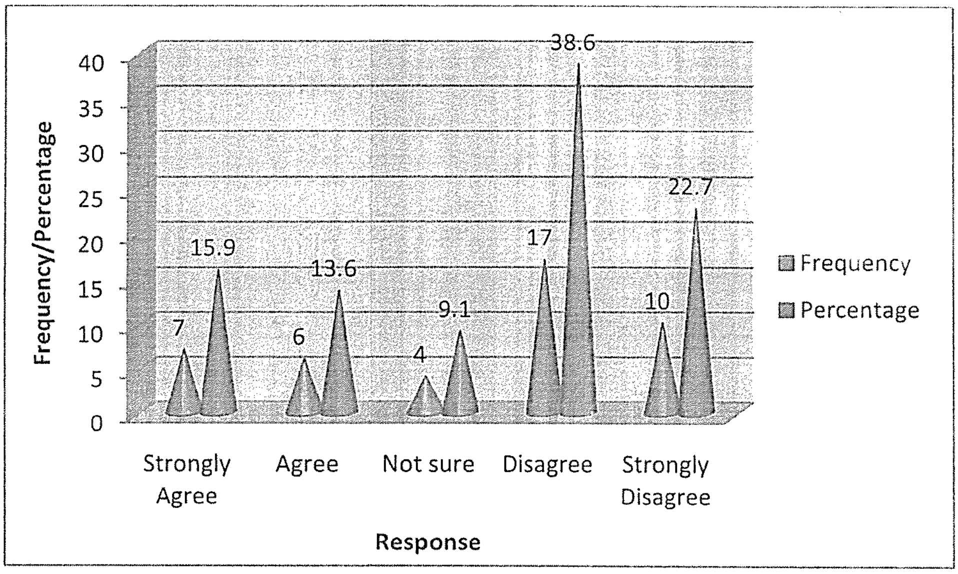
The findings revealed that businesses always incur less administrative costs as strongly agreed by 27.3% of the respondents, 34.1% also agreed, 4.5% were not sure, 15.9% disagreed and 18.2% strongly disagreed.

The findings imply that businesses always incur less administrative costs because they always had few administrative staff since they were small in nature.

The findings are in agreement with Yusuf & Saffu (2005) who indicated that rrunning a small business requires the same output and input of a larger company but on a much smaller scale. This includes the necessary administrative and operating expenses to make the business run efficiently and profitably. Operating expenses are necessary costs to build a product or create services that a small business sells to a customer. In contrast, administrative expenses are costs spent to keep the small business running efficiently.

4.5.2 Realizing of a High Net Profit Figure

Figure 5: Showing whether the businesses realized a high net profit figure



Source: Primary data

Net profit is a measure of the profitability of a venture after accounting for all costs. Hence the study investigated whether the businesses realized a high net profit figure and the majority of the respondents 38.6% disagreed, 22.7% also strongly disagreed, whereas only 15.9% strongly agreed and 13.6% agreed that they realized some profit margin.

The findings revealed that most of the businesses were not realizing high profit margins moreover profits helps small businesses to decide whether they are successful or not. Given that small businesses collections are small, their performance can be judged on how successful they are at adding to the corporate net profit.

Through interviews, some respondents revealed that they financed their business through various ways like seeking credit facilities from lending institutions, sale of business property, investing surplus cash in profitable activities among others. This enables the business to perform well both in long run and short run hence realizing a high net profit figure.

4.5.3 Costs Incurred in Collecting Cash from debtors

Table 18: Showing whether less costs are incurred in collecting debts

Response	**Frequency**	**Percentage**
Strongly Agree	9	20.4
Agree	18	40.9
Not sure	2	4.5
Disagree	6	13.6
Strongly Disagree	9	20.4
Total	**44**	**100**

Source: Primary data

Respondents were asked whether they incurred less cost in collecting debts and 20.4% strongly agreed, 40.9% agreed, 4.5% were not sure, 13.6% disagreed and 20.4% strongly disagreed.

The findings imply that businesses incurred less costs in collecting cash from debtors. The findings are in line with Richard & Patricia (2009) who indicated that it is only natural that major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. In addition, employee salaries and other expenses drain considerable funds from most businesses. These factors make effective cash management an essential part of any business's financial planning. Without cash for inventory, payroll, and other expenses, an emergency is imminent (Shulman: Cox, 2000).

4.5.4 Whether Cash Inflows are more than Cash Outflows

Table 19: Showing whether cash inflows are more than cash outflows

Response	Frequency	Percentage
Strongly Agree	16	36.4
Agree	13	29.5
Not sure	4	9.1
Disagree	8	18.2
Strongly Disagree	3	6.8
Total	**44**	**100**

Source: Primary data

When respondents were asked whether cash inflows are more than cash outflows, 36.4% strongly agreed, 29.5% agreed, 9.1% not sure 18.2% disagreed and 6.8% strongly disagreed.

Through interviews, some respondents revealed that their businesses had many different avenues where they got their source of findings that contributed towards their income. It was revealed that the businesses had different alternative source of cash inflow that increased on their income base reflecting improved/ increased performance like collecting debts, sell of business property and cash sales. Although there were some businesses which had few sources of cash inflows which contributed negatively towards growth of small scale businesses. In other worlds these businesses grow at slow rate as compared to those with many sources of cash inflows. For business to grow in all dimensions, it has to identify different sources of cash inflows and administer them very well.

4.6 Cash Management and Liquidity of Small-Scale Businesses

Liquidity is the ability of current assets to meet current liabilities when due. The degree of liquidity of an asset is the period of time anticipated to elapse until the asset is realized or is otherwise converted into cash. A liquid company has less risk of being unable to meet debt than an illiquid one. Also, a liquid business generally has more financial flexibility to take on new investment opportunities.

The study equally invested whether Cash Management had an impact on the liquidity of Small-Scale Businesses in Mbale Municipality where the findings have been discussed under the following variables;

4.6.1 Current Assets and Current Liabilities

Table 20: Showing whether the current assets always exceed current liabilities

Response	Frequency	Percentage
Strongly Agree	12	27.7
Agree	7	15.9
Not sure	10	22.7
Disagree	9	20.4
Strongly Disagree	6	13.6
Total	**44**	**100**

Source: Primary data

27.7% of the respondents revealed that their current assets always exceed current liabilities, 15.9% agreed, 22.7% were not sure, 20.4% disagreed and 13.6% strongly disagreed

The findings are in line with Kakuru (2001) who indicated that cash as an important asset contributes a smaller percentage of the current assets and its management affects liquidity and profitability as well as the overall growth and development of the business

4.6.2 Payment of Bills on Time

Table 21: Showing whether businesses always paid bills on time

Response	**Frequency**	**Percentage**
Strongly Agree	5	11.4
Agree	7	15.9
Not sure	3	6.9
Disagree	19	43.2
Strongly Disagree	10	22.7
Total	**44**	**100**

Source: Primary data

From the study, only 11.4% of the respondents strongly agreed that they paid their bills on time, 15.9% agreed, 6.9% were not sure, whereas the majority of the respondents 43.2% disagreed and 22.7% strongly disagreed.

The above findings indicated that the majority of the businesses (65.9%) never paid their bills on time moreover the cost of paying on time is low as compared to almost anything else you can do to maintain a good reputation in your business community. When you pay late, you kick your cash problem down the road a few months at great cost to your credibility, something that is crucial to preserve in tough economic times. To survive, your business will eventually have to pay its debts, so by putting them off a few months you gain nothing but risk losing your good reputation.

4.6.3 Supply on Credit

Table 22: Showing whether more suppliers are willing to supply to you on credit

Response	**Frequency**	**Percentage**
Strongly Agree	2	4.5
Agree	3	6.8
Not sure	6	13.6
Disagree	22	50
Strongly Disagree	11	25
Total	**44**	**100**

Source: Primary data

The above table shows 4.5% of the respondents who strongly agreed that more suppliers were willing to supply to them on credit, 6.8% agreed, 13.6% were not sure, 50% who were the majority disagreed and 25% strongly disagreed that suppliers were willing to supply them on credit.

The findings imply that few suppliers were willing to supply the businesses in Mbale on credit as revealed by the majority of the respondents which affected their liquidity of their businesses.

4.6.4 Payment of Purchases in Cash

Table 23: Showing whether businesses always pay for purchases in cash

Response	**Frequency**	**Percentage**
Strongly Agree	12	27.3
Agree	15	34.1
Not sure	2	4.5
Disagree	8	18.2
Strongly Disagree	7	15.9
Total	**44**	**100**

Source: Primary data

From table 23 above, 27.3% of the respondents strongly agreed that they paid for their purchases in cash, 34.1% also agreed, 4.5% were not sure, 18.2% disagreed and 15.9% strongly disagreed.

The findings imply that the majority of the businesses bought their stock on cash basis. Liquidity and cash management can be used to determine whether you should pay off your immediate and short-term debts or not. If you decide to do so, it will also help you determine whether you need to sell any existing inventory to be able to do so effectively.

4.6.5 Availability of cash at hand to invest in new ventures

Table 24: Showing whether businesses always have cash available at hand to invest in new ventures

Response	**Frequency**	**Percentage**
Strongly Agree	4	9.1
Agree	3	6.8
Not sure	1	2.3
Disagree	23	52.3
Strongly Disagree	13	29.5
Total	**44**	**100**

Source: Primary data

The majority of the respondents (52.3%) disagreed that they always had cash available at hand to invest in new ventures, 29.5% strongly disagreed, whereas 9.1% strongly disagreed and 6.8% agreed.

The findings imply that small businesses in Mbale Municipality did not always have cash available at hand to invest in new ventures as revealed by the majority of the respondents moreover small businesses need a cash cushion at hand to rely on. This gives them security in unstable times. It also gives them an opportunity to take advantage of strategic investments or take advantage of opportunities to reduce costs. Small businesses also have to focus on the concept of free cash flow in order to establish that cash cushion.

4.7 Relationship between Cash Management and Performance of Small Scale Business

Testing of hypothesis

1. Investment of excess cash
2. Businesses make high profit margin and Current assets always exceed current liabilities

The hypothesis testing was aimed at establishing whether strict investment of excess cash increases, the business profit margin and increases current assets against current liabilities and the following was discovered.

The Pearson product moment correlation was used and the results revealed that there is a significant and positive relationship between cash management and performance of small scale businesses ($R=0.853$, $P<0.005$).

The hypothesis was also tested using a multiple regression, the results revealed a strong relationship between cash management and performance of small businesses. The model summary yielded $R = 0.853$, $P<0.005$. This implies as the independent variables increase, so does the dependent variable. Meaning that, as the more excess cash is invested in business, the business profit margin will increase and so does the current assets against current liabilities. The Adjusted R^2 was 0.728, implying that the independent variable contributes 72.8% to the performance of these businesses. The remaining 27.2% is contributed by some other factors beyond the scope of this study.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853[a]	.728	.715	.55953

a. Predictors: (Constant), current assets always exceed current liabilities, businesses make high profit margin

The ANOVA revealed a significant variation of F 54.815, P<0.005). Since F statistic is greater than 0.01, then the independent variables significantly influence the dependent variable as shown in the ANOVA table below.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.323	2	17.161	54.815	.005[a]
	Residual	12.836	41	.313		
	Total	47.159	43			

a. Predictors: (Constant), current assets always exceed current liabilities, businesses make high profit margin

b. Dependent Variable: Investment of excess cash

The results in the table below indicate that strictness on cash management has β=.169, 759. P<0.005, and t = 1.080, 1.023, P<0.005. The positive beta weight indicates that, to increase the performance of small businesses, it is necessary to invest more cash into these businesses.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.276	.281		.983	.331
	businesses make high profit margin	.169	.156	.195	1.080	.286
	current assets always exceed current liabilities	.759	.134	1.023	5.661	.000

a. Dependent Variable: Investment of excess cash

Since the t statistic for the investment of excess cash into business is greater than two, at P<0.05, the null hypothesis was rejected. This implies that in order for business profit margin to increase and current assets to be greater than current liabilities, management should investment of excess cash into their enterprises.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary, conclusion and recommendations of the findings based on the preceding four chapters. It also presents the researchers proposed areas of further research into the subject of cash management and performance of small scale businesses.

5.1 Summary

Bio Data of the Respondents

According to the findings, the results showed that the highest percentage of respondents 62% were female. This implied that more female were involved in the small scale businesses in Mbale Municipality as compared to male and this also showed that female had the biggest influence on the small scale businesses.

The age bracket of 21-30 reflects a highest percentage where the population was of young and energetic people. This means that this age bracket can control, plan and implement policies in the organizations regards cash management and performance of small scale businesses. This age bracket is composed of both skilled and unskilled respondents.

Today, small scale business have rescued most educated individuals to earn a living reflected by an average percentage of 72.7% from university, diploma and certificate level of education. This means all categories of individuals participate in operation of small scale business which in turn contributes more towards growth domestic product (GDP) of the economy. Since the majority of the respondents were educated, this implies that they could effectively manage their cash well which would improve on their business performance.

Most of the respondents had experience of more than five years meaning they have spent more time while running business activities. These are well conversant with the business challenges and can as well circumvent them by aligning or matching cash flows and other attributes of the business to ensure its growth. Respondent less than one year have a lot to consider because their businesses are still in introduction stage and should ensure all business strategies are put in place in order to become successful and hence growth.

Cash Management; Safeguarding

From the findings, the majority (52.3%) showed that they were not banking their daily cash sales which was again putting their cash at risk.

59.1% of the respondents agreed that Cash from every day sales is kept far away from access by anybody implying they manage business with the intention of getting a return at the end of the period.

The study revealed that most of the small businesses in Mbale Municipality were exposing their cash to risk of theft since the majority revealed that they were not always accompanied by security guard whenever they are making bulky deposits and withdrawals.

Cash Management Policies

The majority of the respondents (50%) strongly agree that cash planning is aimed at having optimal cash balance meaning they apportioned appropriately cash that made the business to retain enough cash which could be invested in other profitable activities that enabled the business grow in all corners and improve performance.

The findings showed that some businesses were not strict on cash management with the intention of good business performance and maintenance of business at the end of the period since only 29.6% of the respondents agreed that their cash inflows and outflows were always predetermined. Although there were some businesses which matched cash inflows against cash outflows and critically observe all avenues where a big return could be achieved.

It was realized that most businesses did not keep records of their business debtors. Small businesses should keep records concerning debits since it will help them to make a follow-up. The business at times fails to access information concerning debtors. This greatly retards growth of small scale business.

The study revealed that a shorter credit period was offered to customers. Long credit period offered to customers leads to accumulation of debts that reduces on the profits in the ordinary course of the business hence affect performance.

Cash Management and Sales Volume of Small-Scale Businesses

Figure 4 shows that most businesses were not always making high volumes of sales moreover sales are the lifeblood of any successful business. An increase in sales, all other things equal, usually translates into higher profitability.

The findings imply that the majority of the businesses in Mbale were not making high profit margins as indicated by the majority of the respondents. For this reason, cash flows, capital, and financial controls should be in place and should take precedence over short-term profit.

From the findings, some respondents (38.6%) disagreed that their closing stock was always less than opening stock in a given accounting period which greatly affected their profitability.

Since the majority of the respondents showed that they did not have a large customer base, this equally affected their income and the profitability of the businesses.

The majority of the businesses in Mbale Municipality had a variety of new latest product that customers could buy. A product mix is an important consideration for any firm. It offers the ability to expand your customer base by offering more products in more niches. Understanding the basics of a product mix will help a proprietor understand why it is so important to the organization.

Cash Management and Profitability of Small-Scale Businesses

The findings showed that businesses always incurred less administrative costs because they always had few administrative staff since they were small in nature.

The findings revealed that most of the businesses were not realizing high profit margins moreover profits helps small businesses to decide whether they are successful or not. Given that small businesses collections are small, their performance can be judged on how successful they are at adding to the corporate net profit.

Through interviews, some respondents revealed that their businesses had many different avenues where they got their source of findings that contributed towards their income.

Cash Management and Liquidity of Small-Scale Businesses

The study indicated that the majority of the businesses (65.9%) never paid their bills on time moreover the cost of paying on time is low as compared to almost anything else you can do to maintain a good reputation in your business community.

The findings imply that few suppliers were willing to supply the businesses in Mbale on credit as revealed by the majority of the respondents which affected their liquidity of their businesses.

It was revealed that small businesses in Mbale Municipality did not always have cash available at hand to invest in new ventures moreover small businesses need a cash cushion at hand to rely on. This gives them security in unstable times. It also gives them an opportunity to take advantage of strategic investments or take advantage of opportunities to reduce costs. Small businesses also have to focus on the concept of free cash flow in order to establish that cash cushion.

The Pearson product moment correlation was used and the results revealed that there is a significant and positive relationship between cash management and performance of small scale businesses ($R=0.853$, $P<0.005$). The model summary yielded $R = 0.853$, $P<0.005$. This implies as the independent variables increase, so does the dependent variable. Meaning that, as the more excess cash is invested in business, the business profit margin will increase and so does the current assets against current liabilities. The Adjusted R^2 was 0.728, implying that the independent variable contributes 72.8% to the performance of these businesses. The remaining 27.2% is contributed by some other factors beyond the scope of this study.

5.2 Conclusion

The findings of the study show that small scale businesses have cash management system which is operational though with a few loop holes such as failure to identify cash inflows minimize cash out flows and cash planning.

It was also found that cash management affects growth of small scale businesses by 5%. In conclusion, the poor performance of the business in terms of growth can be alleviated by a combination of all other factors that affect it.

5.3 Recommendations

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

All business operators should keep records concerning debtors to easily know the amount due and how it can be recovered. Documents concerning debtors are very important for easy retrieval of the amount due.

Businesses should think of promotional events to giveaways, to increase the quantity of items sold. They can also increase the quantity by offering discounts.

The businesses should seek various sources to finance their business for example through seeking credit facilities from lending institutions, sale of business property, investing surplus cash in profitable activities among others. This will enable the business to perform well both in long run and short run hence realizing a high net profit figure.

For most businesses to survive, they have to pay their debts in time otherwise, they risk losing their good reputation which will eventually affect their sales.

In addition to that, for business to grow in all dimensions, it has to identify different sources of cash inflows and administer them very well.

Business operators should always reconcile cash at hand with cash banked. There should be maintenance of clear debt collection procedures. Business managers should endeavor 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.

5.4 Areas for further research

Further research should be carried on appropriateness of cash management models, all aspects that form cash management and their effects on performance of small scale business.

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APPENDICES

APPENDIX A: RESEARCH QUESTIONNAIRES

Dear Respondent,

My name is **Olowo Lawrence** a student of Kampala International University pursuing a Bachelors Degree of Business Administration as a requirement for my graduation, I am carrying out research on the topic "Liquidity Management and Performance of SMEs; A Case of Mbale Municipality." I request you to help answer the following questionnaires and promise that all information obtained will be for academic purposes only. You are free to be anonymous while answering the questions and all answers will be rated with confidentiality

Thanks.

SECTION A: BIO DATA

1. Gender

a) Male ☐ b) Female ☐

2. Age bracket in years

a) Less or equal to 20 ☐ b) 21-30 ☐

c) 31-40 ☐ d) 41-50 ☐

3. Highest level of education

a) Primary ☐ b) Secondary ☐

c) Certificate ☐ d) Diploma ☐

e) Degree ☐

4. Number of years in business

a) Less than one year ☐ b) 1-2 years ☐

c) 3-5 years ☐ d) 5 and above years ☐

SECTION B-

In this section, you are required to tick on the response option ranging from strongly Disagree 1, Disagree 2, Undecided 3, Agree 4, strongly Agree 5. For each of the statements please tick on the appropriate digit.

SECTION B: cash management

Safeguarding

S/No.	item	1	2	3	4	5
5.	You always bank your everyday cash from sales made.					
6.	The remaining cash at hand is kept in the safe					
7.	Any cash taken out of the till is recorded.					
8.	Your pin number is known by you alone.					
9.	Cash from every day sales is kept far away from access by any body					
10.	You are always accompanied by security guard whenever you are making bulky deposits and withdrawals.					
11.	You always count cash made from every day sales.					

Cash management policies

Section c

S/No.	item	1	2	3	4	5
12.	Excess cash is always invested.					
13.	Your cash inflows and outflows are always predetermined.					
14.	Cash is only spent on profit generating activities.					
15.	You regularly collect debts from your customers.					
16.	You offer cash discounts to customers to encourage them pay cash of pay in time.					
17.	You always delay payments to your suppliers to increase availability of cash in business.					
18.	You offer shorter credit period to your customers.					
19.	All cash sales made are receipted.					
20.	All cash purchases made are receipted.					
21.	There is continuous review of your cash bank.					
22.	All expenses paid in cash are recorded in the cash book.					