Assessment of Cash Management Strategy in Small and Medium Enterprices in Bida Metropolis

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ABSTRACT
This study critically examined the assessment of Cash Management Strategy in Small and Medium scale Enterprises (SME) in Bida Metropolis. In essence, the variables that enhance and promote effective and efficient management of cash has been thoroughly investigated and the primary objective of the work was to ascertain if regular cash management in SME has any relationship with profit maximization in the firms. Data was obtained through primary and secondary sources and analyzed through the use of simple percentage and ANOVA (Analysis of Variance) method of data analysis. The findings shows that management of cash in SME in Bida is not effective and efficient as most of the SME surveyed have not heard about any cash management models due to lack of qualified and professional accountants. The study recommended among others that small and medium scale enterprises should regularly ascertain the cash management strategy or model that will maximize the SME's profit.

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), 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. 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 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.

Some of the most frustrating problems facing many Nigerian small and medium scale enterprises today are fraud, cash misappropriation, illiquid and insolvency. Experience and researches have shown and confirmed that, the major source of failure of many small and medium scale businesses in Nigeria today, is poor cash management leading to fraud, illiquid and subsequently insolvency and or bankruptcy as the case may be (Akinyomi, 2014).

It is quite dismal to note that after so many years of business operations in Nigeria, many owners and managers of small and medium scale enterprise still ask; what does cash constitute? What do we do with excess or idle cash? What is the cause of illiquidity and insolvency? How can any liquid cash be managed for optimal returns? Questions like these and the hunger for knowledge drove me to research into this topic (Assessment of Cash Management Strategy in SME in Bida Metropolis) in order to offer practical solutions to the question as well as to the contemporary business cash problem of our time.

Jeffery and Charles (1997) in their work indicated that cash traps and cash flow can be a problem even when a small business has numerous clients, offers a superior product to its customers and enjoys a sterling reputation in this industry. Company suffering from cash flow problem, have no margin of safety in case of unanticipated expenses

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). 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). Studies have rarely explored the assessment of cash management strategy in SME in Bida metropolis. This study attempts to bridge the existing gap by investigating the cash management strategy in SME. The specific objectives of the study are therefore to assess the prevalence of cash management strategy and to examine the factors such as effect on the reduction of cash, the relationship with profit maximization and the factors that led to cash minimization.

LITERATURE REVIEW

Kolajo (2010) 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), 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 management is particularly important for new and growing business. They also may experience trouble in finding the funds for innovation or expansion. Finally poor cash flow makes it difficult to hire and retain good employees.

A frequently used tool in cash management is controlled disbursement of corporate payment to match the collection of account receivable against disbursement to trading partners. Managing cash flow is the most important job of business managers. If at any time a company fails to pay an obligation when it is due because of lack of cash, the company is insolvent. Insolvency is the primary reason firms go bankrupt.

It is only natural that major business expenses are incurred in production of goods or the provision of service. In most cases, a business incurs such expense before the corresponding payment is received from customers. In addition employee's salaries and other expenses drain considerable funds from most business. These factors make effective cash management an essential part of any business's financial planning.

When cash is received in exchange for products or services rendered by many small business owners, intent on growing their company and tamping down debt, spends most or all of these funds. But while such priorities are laudable, they should leave room for businesses to absorb lean financial time down the line. The key to successful Cash management therefore lies in tabulation of realistic projections, monitoring collection measures, and adhering to budgetary restrictions.

Cash collection system 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. Cash management attempts among other things to decrease the length and impact of these "float" period. A collection receipt point closed to customers, perhaps with an outside third party vendor to receive process and deposit the payment (check), is one way to speed up the collection. The effectiveness of this method depends on the location of the customer, the size and schedule of their payment. According to Akinsulere (2006), motivation for holding cash is the success which is predicated on the transaction motive, Precautionary motive and Speculative motive. 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. According to Obidu (2005), because many firms serve geographically dispersed customers and therefore in order to reduce unnecessary delay in their collection operation, they have resulted in using the following strategies to accelerate collection such as lock box system, Local collection office and Pre authorized cheque payment.

According to Tobin (2006), cash management model is aimed to calculate the optimal amount of securities to be liquidated whenever it concerns required cash. The level of securities will maximize interest received on marketable securities while minimizing the cost of selling marketable securities. However, according to Whalen (2004) the model has its weakness in that it does not apply in real life since the use and receipt of cash cannot be depicted through instantaneous replenishment and gradual use of cash, in spite the increasing research on cash management strategy (Ibrahim and Florence 2015; Ajawu, 2010 ; Festus, 2011; Abubakar, 2015). It is important to understand that this research work has critically assessed the factors to which the Assessment of Cash Management Strategy in SME in Bida Metropolis has been practiced.

Methodology
The researcher adopted survey design method of data collection through the instruction of questionnaire. The survey covered a total of 70 workers of SME in Bida metropolis. However we analyzed a sample of 50 staff, which included directors, proprietors and apprentices in Bida. The data were presented and analyzed using table and percentage. While the explanatory variables were tested using a statistical tool ANOVA. This was as a result of the findings of the previous studies. (Ibrahim and Florence 2015; Ajawu, 2010 ; Festus, 2011; Abubakar, 2015).

Results

Respondents' profile

TABLE 1: Opinion as to whether the assessment of cash management strategy in SME can help in cost reduction.

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agreed	15	33.3
Agreed	17	37.8
Undecided	4	8.9
Disagreed	6	13.3
Strongly disagreed	3	6.7
TOTAL	**45**	**100**

SOURCE: field work (2016)

From the table above, it shows clearly that assessment of cash management strategy in SMEs can help in cost reduction as 15 respondents with 33.3% and 17 respondents with 37.8% strongly agreed and agreed which constitute the majority of response. 8.9% of the respondents were undecided, 13.3% disagreed and 6.7% strongly disagreed with the opinion.

TABLE 2: Opinion on whether regular cash management assessment in SME can lead to profit maximization

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agreed	19	42.2
Agreed	16	35.6
Undecided	3	6.7
Disagreed	5	11.1
Strongly disagreed	2	4.4
TOTAL	**45**	**100**

SOURCE: field work (2016)

The table above shows that 42.2% of the respondents strongly agreed that regular cash management assessment in SME can lead to profit maximization, while 35.6% agreed to the opinion as well. 6.7% was undecided, 11.1% disagreed and 4.4% strongly disagreed with the opinion.

TABLE 3: Opinion as to whether strategic cash management can help to expose the factors that leads to cash minimization

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agreed	16	35.6
Agreed	10	22.2
Undecided	5	11.1
Disagreed	8	17.8
Strongly disagreed	6	13.3
TOTAL	**45**	**100**

SOURCE: field work (2016)

The above table shows clearly that strategic cash management can help to expose the factors that lead to cash minimization. 16 respondents with 35.6% strongly agreed while 10 respondents with 22.2% agreed to the notation, 5 respondents were undecided with 11.1%, 8

respondents with 17.8% totally disagreed with the opinion and a total of 6 respondents with 13.3% strongly disagreed with the opinion.

TABLE 4: Opinion as to whether there is any significant relationship between cash management assessment in SME and profit maximization

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agreed	14	31.1
Agreed	18	40.0
Undecided	4	8.9
Disagreed	6	13.3
Strongly disagreed	3	6.7
TOTAL	45	100

SOURCE: field work (2016)

The table shows that majority of the respondents agreed that there is significant relationship between cash management assessment in SME and profit maximization of a firm with a total of 40%, while 31.1% strongly agreed to the same opinion. 6.7% of the respondents and 13.3 have contrary opinions while 8.9% was totally undecided as to the significant of cash management assessment in SME to profit maximization.

TABLE 15: Opinion regarding the presence of cash misappropriation and fraud in the firms

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agreed	25	55.6
Agreed	17	37.8
Undecided	0	0
Disagreed	2	4.4
Strongly disagreed	1	2.2
TOTAL	45	100

SOURCE: field work (2016)

Judging from the above table, 55.6% strongly agreed and 37.8% agreed that cash misappropriation or fraud has ever occurred in their various firms at one point, indicating a poor financial and internal control management and 4.4% and 2.2% stands for no cash misappropriation or fraud has occurred in their firms.

4.3   DISCUSSION OF FINDINGS
TEST OF HYPOTHESIS
TABLE 16:

	SA	A	UD	DA	SD
TABLE 1	15	17	4	6	3
TABLE 2	19	16	3	5	2
TABLE 3	16	10	5	8	6
TABLE 4	14	18	4	6	3

TABLE 17: Random selection (Randomized block design)

TREATMENT	I	II	III	IV	V	TOTAL
A	15	17	4	6	18	**60**
B	3	19	16	3	4	**45**
C	5	2	16	10	6	**39**

| D | 5 | 8 | 6 | 14 | 3 | **36** |
| **TOTAL** | **28** | **46** | **42** | **33** | **31** | **180** |

Sum of Square Total (SST) $= \sum Y^2 ij - \frac{(GT)^2}{RC}$

Treatment:

$A^2 = 15^2 + 17^2 + 4^2 + 6^2 + 18^2 = 890$
$B^2 = 3^2 + 19^2 + 16^2 + 3^2 + 4^2 = 654$
$C^2 = 5^2 + 2^2 + 16^2 + 10^2 + 6^2 = 421$
$D^2 = 5^2 + 8^2 + 6^2 + 14^2 + 3^2 = 330$
$\sum Y^2 j = A^2 + B^2 + C^2 + D^2$
$= 890 + 654 + 421 + 330 = 2292$
$\frac{(GT)^2}{RC} = \frac{180^2}{4 \times 5} = \frac{32400}{20} = 1620$
SST $= 2292 - 1620 = 672$

Sum of Square Treatment (SSt) $= \sum \frac{Y^2 i}{i} - \frac{(GT)^2}{RC}$

$\sum \frac{Y^2 i}{i} = \frac{60^2}{5} + \frac{45^2}{5} + \frac{39^2}{5} + \frac{36^2}{5}$
$= \frac{3600}{5} + \frac{2025}{5} + \frac{1521}{5} + \frac{1296}{5}$
$= 720 + 405 + 304 + 259 = 1688$
SSt $= 1688 - 1620 = 68$
Sum of Square Error (SSe) = SST − SSt
$= 672 - 68 = 604$

SOURCE	D/F	SS	MS	F/ratio
TREATMENT	4	68	17	0.425
ERROR	15	604	40	_
TOTAL	19	672	_	_

F/ratio $= \frac{MSt}{MSe} = \frac{17}{40} = 0.425$

F $_{-\text{ Tabulated}}$ = Fα (c − 1) (n − 1) = F 0.05 (5 − 1) (20 − 1) = F 0.05 (0.95), 4, 15 = 3.06

Discussion

This study examined the prevalence of cash management strategy in small and medium enterprise in Bida metropolis. 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 of the selected firms 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. Cash remains the life blood of any business and cash flows are inseparable part of the business operations of any company. Therefore, the effectiveness of cash management becomes indispensable for successful and profitable business operations. The amount of cash held has a positive response to the level of business operation and as a result, cash management has a direct relationship with profit maximization. Stressing that Management can optimize the cash position of a firm, in order to ensure that proper cash management strategy is adopted by the SME to reduce the cost of activities and cost of operation of the SME

CONCLUSION

This research work has critically assessed the extent to which the Assessment of Cash Management Strategy in SME in Bida Metropolis has being practiced. In essence, the variables that enhance and promote effective and efficient management of cash has being thoroughly investigated, determined and emphasized and the primary objective of the work was to ascertain if regular cash management in SME has any relationship with profit maximization in the firms. Emphasis is laid on the cash management strategies, which the small and medium scale enterprises should apply in managing their cash resources in order for them to continue to survive the present economic depression in Nigeria. In ensuring this survival the researcher has therefore recommended the followings:

To ensure that proper cash management strategy is adopted by the firm to reduce the cost of activities or cost of operation of the firms.

i   Small and medium scale enterprises would regularly assess and ascertain the cash management strategy or model that will maximize the firms' profit.

ii   To adopt the cash management strategy that will help the firm to expose the various factors that lead to cash minimization in the firm.

iv   To ensure that all this recommendations are properly implemented, professional accountants should be employed to handle the accounting department of the small and medium scale firms.

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ANOVA TABLE

SOURCE	D/F	SS	MS	F/ratio
Treatment	t – 1	SSt	MSt	MSt/MSe
Error	(t –)(r – 1)	SSe	MSe	__
TOTAL	r (t – 1)	SST	__	__

Where:

D/F is degree of freedom (it is column minus one and row minus one)

SS is sum of square

MS is mean square

MSe is mean square error

SST is sum of square total

SSt is sum of square treatment

F/ratio is the frequency calculated.

$$SST = \sum Y^2 \, ij - \frac{(GT)^2}{RC}$$

Where:

GT is Grand Total

RC is roll and column

$$SSt = \sum \frac{Y^2 i}{i} - \frac{(GT)^2}{RC}$$

DECISION RULE: Reject Null Hypothesis if $F_{calculated}$ is greater than $F_{tabulated}$ value, otherwise accept.