# Cash Management Techniques and Small Scale Enterprises' Effectiveness In Public Universities In Cross River State, Nigeria

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***Abstract***

*The study examined the influence of cash management techniques on small scale enterprises' effectiveness in public universities in Cross River State, Nigeria. To achieve the purpose of the study, two hypotheses were formulated and tested. Survey research design was used. 266 respondents were selected using a combination of stratified, proportional and accidental sampling techniques. However, only 259 respondents participated in the study. A structured questionnaire was the main instrument for data collection and it was validated by three experts. To guarantee the reliability of the instrument, the researcher conducted a trial test of the instrument on 30 small scale business operators outside the ones that were used for the study and Cronbach Alpha procedure was used to establish the reliability indices ranging from 0.75 – 0.87. Data collected was analyzed using simple linear as well as multiple regression statistical techniques and the finding revealed that cash budgeting as well as liquidity management significantly influence small scale enterprises' effectiveness in public universities. The study also revealed that cash management techniques sub-variables such as cash budgeting and liquidity management have significant composite influence on small scale enterprises' effectiveness in public universities. Based on the findings, it was recommended among others that business operators should use credit cards more often with her suppliers and review expenses regularly to lower costs; this would aid the business in recouping its capital quickly.*

***Key words:*** *Cash management techniques, small scale enterprises, effectiveness, cash budgeting and liquidity management.*

## Introduction

Universities are multifaceted institutions in all societies. They are important to the knowledge economies of the 21st century and they play an important role in economic development, as part of their broader mission. The university community is one of such places where people from all works of life come in for one form of activity, among which are small scale business entrepreneurs. Small Scale Enterprises (SSEs) are enterprises that are mostly owned and operated independently. It is characterized by few numbers of employees, low amount of investment and annual business turnover, smallness in size within the industry and owners managed. Small Scale Enterprises (SSEs) play an important role in every economy as its operators are seen as driving force for the promotion of an economy and they contribute immensely to the economic development of any community it resides in. Small businesses are important vehicle to address the challenges of job creation, sustainable economic growth, and equitable distribution of income, industrialization and stimulation of economic development, invariably leading to self-reliance.

The role of SSEs in public universities cannot be overemphasized, as they generate the highest internally generated revenue. Though most funding for universities come from bodies establishing them like federal government, state government, private individuals, faith based organizations and so on; most of these funds go for academic purposes leaving very little for the provision of basic utilities. It is possible that some of the provisions, repairs and maintenance work on infrastructures like; roads, conveniences, electricity, boreholes, and lots more in the universities may be funded through Internally Generated Revenue (IGR) from SSEs.

No business operation is isolative of cash management. Cash is commonly referred to as the life-blood of a business. According to Attom (2014), cash refers to currency (coins and paper) that is generally accepted as a medium of exchange for goods and services. It also includes money in hand, bank accounts balances, petty cash, cheque and short-term highly liquid investments held by the firm. Cash is seen as the most basic liquid input required to keeps the business in its day to day activities and it doubles as the ultimate output expected to be realized by selling the services or products manufactured by the firm. Therefore, the management of this asset is imperative in every business enterprise.

Cash management refers to the administration of an entity's cash to ensure sufficient cash to sustain the entity's daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings. According to Akinyomi (2014), the basic objectives of cash management are to: meet the cash disbursement needs (payment schedule) and minimise funds committed to cash balance. The objective of cash management is to make sure that there is positive cash flow for smooth business processes. With the use of basic cash management tools and techniques, cash becomes a corporate asset that contributes directly to the bottom line. Whether a business is flush with cash or experiencing a shortfall of funds, good cash management is critical to the success of every business. Cash management techniques that can be utilized by an entrepreneur are not limited to: cash budgeting, cash collection period, cash disbursement, cash holding practices, cash pooling practices, cash conversion period, payable management, receivables management among others. However, this study focused on cash budgeting and liquidity management and how the two can influence small scale enterprises.

The main purpose of this study was to examine the influence of cash management techniques on small scale enterprises' effectiveness in public universities in Cross River State, Nigeria. Specifically, the study sought to examine whether:

1 cash budgeting influence small scale enterprises' effectiveness in public universities

2 liquidity management influence small scale enterprises' effectiveness in public universities

**Statement of the problem**

Small scale enterprises especially in public universities has been identified as vehicles for employment generation and providing opportunities for entrepreneurial sourcing, training, development and empowerment. As part of the proactive strategies, the federal government of Nigeria through the Ministry of Industry, Trade and Investment had established various entrepreneurship programmes such as the University Entrepreneurship Development Programme (UNEDEP), the Youth Enterprise With Innovation in Nigeria (YouWiN), the Central Bank of Nigeria (CBN) N220 billion Micro Small and Medium Enterprises (MSME) Development fund, and many others to promote entrepreneurial success in SMEs.

Despite these laudable programmes, the researcher observed that most of the small scale enterprises in public universities have not been effective as expected as It has been observed that some SSEs in public universities fail before or by the first year of their operation while some shut down before their second year. Some small-scale entrepreneurs in these public universities are faced with a problem of delayed payment of workers, many exhibits negative cash flows which result into difficulties in funding the business commitments such as paying suppliers, meeting payroll demands and paying taxes. It has also been observed that some of these SSEs in public universities has low or no profit, hardly expand overtime and experience low sales. If these problems especially the failure rate is not addressed, the opportunity for SSEs in public universities to create wealth, jobs and internally generated revenue for the university economy they serve will be missed since they may not attain their full potentials.

This ineffectiveness of these small scale enterprises may not be unconnected to inappropriate cash management policies adopted. The question therefore is: do cash management techniques enhance SSEs effectiveness in public universities? It is an attempt to answer this question that the researcher has been propelled to investigate the influence of cash management techniques, such as cash budgeting, liquidity management, receivables management, payables management and inventory management on small scale enterprises' effectiveness in public universities in Cross River State, Nigeria.

## Review of related literature

### Cash budgeting and enterprises effectiveness in public universities

Preparing a cash flow forecast allows an entrepreneur to determine a business's financing needs. If an entrepreneur finds that the business has a forecasted cash shortage as a result of rapid growth, then it might be necessary to raise external money to meet the business financial needs. A good cash flow forecast will allow the entrepreneur to determine the exact amount of cash needed and also when it is needed. In general, there are several reasons why businesses raise outside capital. First, seasonal needs, such as holiday sales, may require the purchase of additional materials and the payment of additional production expenses to meet this temporary increase in demand. Second, more capital may be needed to finance long-term sales growth. As business sales grow, more inventory must be purchased and additional workers will be needed. All these activities will require additional cash, which may not be on hand. A good cash flow forecast will allow an entrepreneur to forecast financing needs for these activities. Third, an entrepreneur may have to purchase expensive capital equipment or make expensive repairs to existing equipment. Entrepreneurs must know that projected cash flow determines the amount of capital a business needs in the future.

Namrata and Niladri (2016) carried out a study on the impact of key entrepreneurial skills on business success of Indian Micro-entrepreneurs: A case of Jharkhand Region. A sample of 147 entrepreneurs with valid responses was collected from three districts of Jharkhand, namely, Dhanbad, Bokaro and Ranchi. Five dimensions of skills, namely, leadership skills, communication skills, human relation skills, technical (budgeting) skills and inborn aptitude, have been identified from previous literatures. Success has been measured as a perceived chance of business success. The study primarily analyzes the strength of the relationship of the skills with success. The questionnaire survey method was employed to collect data for conducting the study. Descriptive statistics, correlation and multiple linear regressions have been used as statistical tools for analysis. The findings of the study show the relationship and the effect of the skills, especially technical (budgeting) skills on the success of micro-entrepreneurs, thereby recommending that entrepreneurs should improve on their budgeting skills for survival of their businesses.

Rosnani, Babak, Soaib and Suhaida (2011) investigated entrepreneur training needs analysis: implications on the entrepreneurial skills needed for successful entrepreneurs. The study was one of the outcomes from interview of 30 entrepreneurs in Malaysia, investigating the business competencies needed for successful in their business. In the study, the training needs of entrepreneurs were identified and analysed with respect to a number of issues affecting business such as creativity and innovation, sources of business finance, accounting skills, financial management and areas in which the entrepreneurs find it difficult to acquire knowledge. During the first visit other than a background of respondents, the researchers have to provide the structure of questions that need answers from the respondents. Given the structure of some questions that require time for respondents to answer, the researchers made an appointment for an in-depth interviews with entrepreneurs based on a written reply by the respondents to obtain clear information and more detailed.

All the data collected from respondents were analyzed using mean and standard deviation. The statistical analysis showed among others that entrepreneurial skills training which was required by the respondent was to plan marketing and advertising skills to promote their own or mean = 4.73, followed by the skills to run the business (mean = 4.63), skills to be more creative and innovative (mean = 4. 60), budgeting skills and selling skills (mean = 4.60) and the skill set the price of the product or services correctly (mean = 4. 50). The study confirms the view that entrepreneurship education makes a significant difference in the performance of entrepreneurs, with entrepreneurs expressing a need for further training and education in specific budgeting skills.

Klammer (2013) stated that effective cash flow control must clearly identify and manage the timing differences between the economic and the cash transactions. The goal of cash conversion is to convert business activities to cash as quickly as feasible. Do whatever possible to maximize cash sales, reduce the collection period, eliminate non-value added costs, and eliminate transactions where the processing cost exceeds the amount of the transaction. Campbell (2015) asserted that a budget can serve as an indicator of the costs and revenues linked to each of the business activities; a way of providing information and supporting management decisions throughout the year and a means of monitoring and controlling the business, particularly if the entrepreneur analyse the differences between actual and budgeted income.

**Liquidity management and enterprises effectiveness in public universities**

The concept of liquidity has been a source of worry to the management of firms of the uncertainty of the future. The liquidity of an asset means how quickly it can be transformed into cash. When referring to business liquidity one usually means its ability to meet its current liabilities and is usually measured by different financial ratios. Liquidity management takes one of two forms based on the definition of liquidity. One type of liquidity refers to the ability to trade an asset, such as a stock or bond, at its current price (Bhunia, 2010). The other definition of liquidity applies to large organizations, such as financial institutions. Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses. In either case, liquidity management describes the effort of investors or managers to reduce liquidity risk exposure.

Matthew's (2013) study examined empirically the impact of cash management on the performance of manufacturing companies in Nigeria-A study of Cadbury Nigeria Plc. The researcher used both secondary and primary data for data collection. For clear analysis, the study centres on two broad variables; the dependent variable which is performance and the independent variable which is cash management. Two different hypotheses were formulated and tested using descriptive statistics and correlation coefficients techniques respectively in order to establish whether there is a significant relationship between cash management, performance and liquidity. The study used a descriptive survey design. The focus population is the entire members of staff (factory workers inclusive) of Cadbury Nigeria Plc. A judgemental sampling technique was used to select 100 personnel while 45 questionnaires were returned. A structured questionnaire was used for the collection of data on the study. A descriptive statistics and correlation coefficients technique were used in analyzing the data. The results of the study suggested that a significant relationship exists between cash management on performance of manufacturing companies in Nigeria. It was also discovered that mere availability of cash (liquidity) without proper management does not necessarily translate into favorable performance for manufacturing companies. Hence, need for effective cash management for better performance.

Priya and Nimalathasan (2013) investigated liquidity management and profitability: A case study of listed manufacturing companies in Sri Lanka. The study aimed at finding the effect of changes in liquidity levels on profitability of manufacturing companies in Sri Lanka. The study covered listed manufacturing companies in Sri Lanka over a period of past 5 years from 2008 to 2012. The research was an explanatory studies. The sample of the study composed of listed manufacturing companies from Manufacturing Sector of Colombo Stock Exchange (CSE) for the period of 2008-2012. The scope of the study is listed manufacturing companies on Colombo Stock Exchange (CSE), Sri Lanka. Thirty one companies are listed under manufacturing sectors. Hence, out of thirty one, only ten companies are selected for the study purpose as random. Correlation and regression analysis were used in the analysis and findings suggest that there is a significant relationship exists between liquidity and profitability among the listed manufacturing companies in Sri Lanka. Suggested that Inventory Sales Period (ISP), Current Ratio (CR)and are significantly correlated with Return on Asset (ROA), Operating Cash Flow Ratio (OCFR)are significantly correlated with Return on Equity (ROE) 5 percent level of significance. At the same time ISP and OCFR also are significantly correlated with ROA, Creditors Payment Period (CPP) also is significantly correlated with ROE at 1 percent level of significance.

**Methodology**

Survey research design was used for the study. The population of the study was 2,663 small scale business operators in the University of Calabar and Cross River University of Technology respectively. 266 respondents were selected using a combination of stratified, proportional and accidental sampling techniques. However, only 259 respondents participated in the study. A structured questionnaire was the main instrument for data collection validated by three experts. To guarantee the reliability of the instrument, the researcher conducted a trial test of the instrument on 30 small scale business operators outside the ones that were used for the study and Cronbach Alpha procedure was used to establish the reliability indices ranging from 0.75 – 0.87. Data collected was analyzed using simple linear as well as multiple regression statistical techniques.

## ANALYSIS AND DISCUSSION OF RESULTS

### Data presentation and analysis

Hypotheses One

TABLE 1

Simple Linear Regression analysis of the influence of cash budgeting on small scale enterprises' effectiveness. n=259

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .657[a] | .432 | .430 | 5.43116 |

| Source of variation | SS | df | MS | F-ratio | p-level |
|---|---|---|---|---|---|
| Regression | 5770.967 | 1 | 5770.967 | 195.642* | .000[b] |
| Residual | 7580.863 | 257 | 29.498 | | |
| Total | 13351.830 | 258 | | | |

*p<.05; df 1, 257; critical F = 3.86

The result is presented in Table 1

From Table 1, the R which is the correlation coefficient of the independent and the dependent variable was .657 indicating significant positive relationship between the independent and the dependent variable. This showed that as cash budgeting increases, there is likelihood that small scale enterprises' effectiveness in public universities would improve. The coefficient of determination (Adjusted $R^2$) which explains the power of the independent variable in predicting the dependent variable is .430. This showed that up to 43% of variance in small scale enterprises' effectiveness in public universities is explained by cash budgeting.

The Table also showed that the p-value of .000 associated with the computed F-ratio of 195.642 is less than .05 level of significance at 1 and 257 degrees of freedom. With these results, the null hypothesis which stated that cash budgeting do not significantly influence small scale enterprises' effectiveness in public universities was rejected. It was accepted alternately that cash budgeting significantly influences small scale enterprises' effectiveness in public universities.

Hypothesis two

TABLE 2

Simple Linear Regression analysis of the influence of liquidity management on small scale enterprises' effectiveness. n=259

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .577[a] | .333 | .330 | 5.88772 |

| ource of variation | SS | df | MS | F-ratio | p-level |
|---|---|---|---|---|---|
| Regression | 4442.873 | 1 | 4442.873 | 128.165* | .000[b] |
| Residual | 8908.957 | 257 | 29.498 | | |
| Total | 13351.830 | 258 | | | |

*p<.05; df 1, 257; critical F = 3.86

From Table 2, the R which is the correlation coefficient of the independent and the dependent variable was .577 indicating significant positive relationship between the independent and the dependent variable. This showed that as liquidity management increases, there is likelihood that small scale enterprises' effectiveness in public universities would improve. The coefficient of determination (Adjusted $R^2$) which explains the power of the independent variable in predicting the dependent variable is .330. This showed that up to 33% of variance in small scale enterprises' effectiveness in public universities is explained by liquidity management.

The Table also showed that the p-value of .000 associated with the computed F-ratio of 128.165 is less than .05 level of significance at 1 and 257 degrees of freedom. With these results, the null hypothesis which stated that there is no significant influence of liquidity management on small scale enterprises' effectiveness in public universities was rejected. It was accepted alternately that there is significant influence of liquidity management on small scale enterprises' effectiveness in public universities.

**Discussion of results**

The finding of hypothesis one revealed that cash budgeting significantly influence small scale enterprises' effectiveness in public universities. This is so because preparing a cash budget allows an entrepreneur to determine a business's financing needs. If an entrepreneur finds that the business has a forecasted cash shortage as a result of rapid growth, then it might be necessary to raise external money to meet the business financial needs. A good cash flow forecast will allow the entrepreneur to determine the exact amount of cash needed and also when it is needed. In consonance with the finding, Namrata and Niladri (2016) carried out a study on the impact of key entrepreneurial skills on business success of Indian Micro-entrepreneurs: A case of Jharkhand Region. The results of the study showed the relationship and the effect of the skills, especially technical (budgeting) skills on the success of micro-entrepreneurs. The finding is in contrast with Kareem's (2018) position, who stated that there are many reasons why typical operational profit and loss budgeting may not be desirable: its benefits do not outweigh the costs involved; it is too time consuming and it requires too much education of operating managers to enable them to participate in the process

The finding of hypothesis two revealed that there is significant influence of liquidity management on small scale enterprises' effectiveness in public universities. This is so because investors, lenders, and managers all look to a business financial statement using liquidity measurement ratios to evaluate liquidity risk. This is usually done by comparing liquid assets and short-term liabilities, determining if the business can make excess investments, pay out bonuses or, meet their debt obligations. Businesses that are over-leveraged must take steps to reduce the gap between their cash on hand and their debt obligations. When businesses are over-leveraged, their liquidity risk is much higher because they have fewer assets to move around. Matthew's (2013) study examined empirically the impact of cash management on the performance of manufacturing companies in Nigeria-A study of Cadbury Nigeria Plc. The results of the study agrees with the finding. The results suggested that a significant relationship exists between cash management on performance of manufacturing companies in Nigeria. It was also discovered that mere availability of cash (liquidity) without proper management does not necessarily translate into favorable performance for manufacturing companies. Hence, need for effective cash management for better performance. The finding is supported by Abuzar and Eljelly (2004), who stated that the crucial part in managing working capital requires maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation. Liquidity management is a concept that is receiving serious attention all over the world especially with the current financial situations and the state of the world economy. The concern of business owners and managers all over the world is to devise a strategy of managing their day to day operations in order to meet their obligations as they fall due and increase profitability and shareholder's wealth. The results of Priya and Nimalathasan (2013) on liquidity management and profitability: A case study of listed manufacturing companies in Sri Lanka correlates with the finding. The results suggested that there is a significant relationship exists between liquidity and profitability among the listed manufacturing companies in Sri Lanka. It also suggested that Inventory Sales Period (ISP) and Current Ratio (CR) are significantly correlated with Return on Asset (ROA), while Operating Cash Flow Ratio (OCFR)are significantly correlated with Return on Equity (ROE) at a 5 percent level of significance. At the same time ISP and OCFR also are significantly correlated with ROA while Creditors Payment Period (CPP) also is significantly correlated with ROE at 1 percent level of significance.

**Conclusion**

This study empirically supports the fact that cash management techniques can predict small scale enterprises' effectiveness. Therefore, for successful operations and survival of SSEs, efficient and effective cash management techniques must not be compromised. These business operations should be able to prepare cash budgets quarterly, maintain optimal liquidity level in order to satisfy their financial obligations to customers and also maximize profit for shareholders, manage receivables, payables and inventory. Business operators should set aside time to read accounting books, on how to prepare a simple cash budget, as this would help them identify various sources of income and how it can be effectively expended for the good of the business.

Business operators should open a separate account for its business, so that all cash receipts and payments is done via this account; this would help the entrepreneur keep tab on how expenses are incurred.

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