CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM BUSINESS ENTERPRISES IN UGANDA

A CASE STUDY: CHEAP GENERAL HARDWARE

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DEDICATION

I dedicate this research work to my Loving Parents Mr. and Mrs. MUSHAGYE FRANK for their wavering support in educating me since my first level ,Its through their investment in my education that I have reached this far.

ACKNOWLEDGEMENT

This far I have come, it is through his grace that I am able to complete this research project. My special appreciation to my Supervisor MR, KIMERA JUDE and other Lecturers in the FACULITY of Business administration and management who took effort to guide and advise me during the entire period of my project.

I am also indebted to my First and foremost I wish to thank the lord for the good health and sustenance he has given me , classmates, colleagues and my Lecturers for all their invaluable support and encouragement during my period of study. Finally I wish to thank cheap general hardware who assisted me in conducting this research, for their time which they spared to enable me collect data from their business.

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LIST OF ABREVIATION

CGHWFY	;	Cheap General Hardware Financial Year
SMES	;	Small and Medium Enterprises
EOQ	;	Economic Order Quantity
NPV	;	Net Present Value
CP	;	Cash Planning
ACH	;	Automated Clearing House
PSFU	;	Private Sector Foundation Uganda
AP	;	Accounts Payable
AR	;	Accounts Receivables
MFIs	;	micro Finance Institutions

ABSTRACT

The study was to examine the influence of cash management practices on the financial performance of SMEs. The study was guided by a number of objectives that is to say : To examine the effect of cash planning on performance; to assess the effect of liquidity management on performance; and to find out the influence of risk management on financial performance of the SMEs.

The study took a descriptive research design and data was collected from both secondary and primary sources by use of questionnaires and observation for primary data and review of textbooks, journals and others while gathering secondary data. The study used 40 respondents who were purposively and randomly selected from the study population that comprised of employees from Cheap General Hardware.

Findings revealed that the SME normally carry out its transaction according to the budgets, costs are always regulated to boost profit increase, the inventories are audited, records are normally taken, cash forecasts are used in budgeting process and immediate cash is normally acquired to meet higher demand.

Findings also revealed that there are credit lines established to facilitate the costly running expenses in case of cash run out, employees of the business are trained on maximum utilisation of resources to avoid over purchase, cash floats are taken to the bank for miscellaneous use in the firm and huge transactions of the SME are made by bank payments as well in form of cheques and other notices.

Further findings revealed that there is a positive strong relationship between cash management and financial performance of Cheap General Hardware with a significant value ($r = 0.705$ $p \leq 0.01$). Assurance of Financial performance of the SME was revealed to be evident if there is increase in resource productivity, financial and operational efficiency, reduction in costs, greater revenue figures and customer retention reducing stock

Further recommendation were also developed basing on the study findings such as employee training programs, proper record keeping, data management, increment on supervisory services and others.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Introduction

This chapter covers the background of the study, statement of the problem, general objectives, specific objectives, research questions, scope of the study and the significance of the study, justification of the study, conceptual frame work and definition of key terms.

1.2 Background of the study

The inner pillar of investors' interest in different ventures is the return gained over investments and proper management of resources of the business enterprise such as maximizing profitability, effective market coverage, minimized liabilities and others. Cash management is a broad term that covers a number of functions that help individuals and businesses process receipts and payments in an organized and efficient manner. . The range of cash management services lies from simple check book balancing to investing cash in debtors and amount to be paid to creditors for automated software that allows easy cash collection and payments.

According to Malcolm & Harris (2010), when it comes to cash collections, there are a few popular options today that can make the process of receiving payments from customers much easier. Like factor rating where other organization are hired to collect cash on behalf of others business.

Financial performance of an organization is measured on the degree of attainment of its goals and objectives both in short term and long term and whenever they fall due. Optimal utilization of resources should ensure maximum output in the project named in the organization’s objectives. Organizations cannot afford to waste their limited financial and skilled power, resources on unproductive ventures. (Gupta 1999).

Mawada (2008) expresses financial performance as the ability to operate efficiently, profitably and react to the environment opportunities and threats. Performance can also be measured by how efficient an enterprise is in use of its resources in achieving the desired goals and objectives. It is also a measure of attainment achieved by an individual, team or an organization.

Hit (1996) believes that many firms’ low performance is because of poorly performing assets like cash. Small and medium enterprises play a vital role in the development of the industrial and business sector. Besides being one of the vehicles of economic progress, these have been found to be one of the most effective means of avoiding the ever increasing unemployment which is common and acute in developing countries like Uganda Broadbent and Cullen (2013).

Small and medium sized enterprises are a centrepiece of the world. Majority of the firms started in a small state and expanded to a recognizable size of high scale production. Initially SMEs comprise of less than or slightly higher than 10-20 employees or annual sales turnover of between Uganda shillings 1,000,000-50,000,000 Broadbent and Cullen (2003). SME Financial performance is most often defined into hard criteria such as increased turnover or wider profit margins and the ability to contribute to job and wealth creation through business start up, survival and growth (Sandberg 2002).

In Uganda today, the foundation to development has been laid on several pillar keys, one of which is the establishment and management of small and medium enterprises. Approximately 80% of all businesses in Uganda are small and medium scale and almost represent 50% of the employment in the country. Consequently, therefore, the Ugandan government is looking to the private sector generally and the small and medium enterprises in particular to take the lead in future industrialization and has given them the necessary, though not all support to take off Ssekatawa (2010).

This is evidenced in government promoted schemes like the Private sector foundation Uganda (PSFU), which is Uganda's umbrella private sector body that offers financial support in form of sharing grants to micro, small and medium enterprises to enable them obtain technical or financial expertise for purposes of becoming more productive and competitive. It achieves this through its development scheme Business Uganda Development scheme-enterprise Development Support.

The Budget speech (2011) highlight that real industrialization and development for a poor Uganda must be through acquisition of indigenous capacities by adopting policies geared towards promotion of small-scale enterprises. The 2014-2015 Budget proposals also highlighted the need to support small-scale businesses. This is evidenced by the 9 billion Uganda shillings that were proposed for the "Jua Kali" artisans to develop appropriate industrial site

1.3 Problem statement

Small and medium business in urban centres use certain strategies to manage cash such as planning, liquidity management, risk management and others which ultimately aim at raising better financial performance in terms of profits but it has guarantee that all small and medium business in Uganda exercise them effectively.

Despite the existence of cash management techniques applied by Cheap General Hardware, there still exist financial constraints that do narrow its capability to meet different managerial and operational functions proclaimed to be arousing from poor financial management of resources (CGHW FY, 2013).

Business enterprises can only survive with a sounding financial performance, if such cases are not handled with great sense of care and attention, the continuity of performance of the business enterprise can involuntarily be vacated, Peavler (2009) . Given the above situation therefore, the researcher attempts to establish the effect of cash management on financial performance.

1.4 Purpose of the Study

The study aimed at assessing the extent to which cash management practices exercised by small and medium enterprises impact their financial performance.

1.5 Objective of the study

1.5.1 General Objective of the study

The study aimed at assessing the relationship between cash management and Financial Performance of SMEs.

1.5.2 Objectives of the study

- To examine the effect of cash planning on performance of Cheap General Hardware.
- To assess how liquidity management affects performance of Cheap General Hardware.
- To find out the influence of risk management on performance of Cheap General Hardware.

1.6 Research Questions

- What is the effect of cash planning on performance of Cheap General Hardware?
- What is the effect of liquidity management on performance of Cheap General Hardware?
- What is the influence of risk management on performance of Cheap General Hardware?

1.7 Scope of the Study

1.7.1 Content scope

The study was focused on cash management as the independent variable and financial performance as the dependent variable. The study was centered on effect of cash planning, liquidity management and the influence of risk management of financial performance of SMEs where the performance level was examined in term of profitability, market share and sales volume of the enterprise.

1.7.2 Geographical scope

The study was based on Cheap General Hardware located in Kasubi Kampala District. This was chosen because of its convenience for the researcher and also the willingness of staff to provide data to help in the research study.

1.7.3 Time scope

The study covered the effect of cash management on the financial performance of Cheap General Hardware Uganda ltd for period between 2012- 2014. This period was chosen because it is when the firm was in serious cash flow problem. The study took a period of five months that is from December 2015 to April 2016 and different activities were conducted in the above time frame for presentation of the final work in time.

1.8 Justification

Cash management is one of the most important aspects in business operation, SMEs are facing a lot problems for example lack of cash management techniques, liquidity levels and high cost of doing business .In current situation there is inefficient and ineffective operation of business and cash management is done to control liquidity, control cash, avoid theft, wastage and embezzlement. Therefore if cash management is neglected in SMEs, there will be short falls in financial performance thus the researcher tends to cover knowledge gap about cash management by providing information that would be used to reduce short falls in SMEs and enhance financial performance.

1.9 Significance of the Study

The study findings will help the management through improving on its cash management to improve on its decision making on areas of financial performance, prompt settlement of claims and further investment.

The study findings will be useful to future researchers to widen their understanding in matters of cash management as a tool for career development and business resource administration.

The study findings will be useful to students, companies and other interested parties who may need to understand more about cash management.

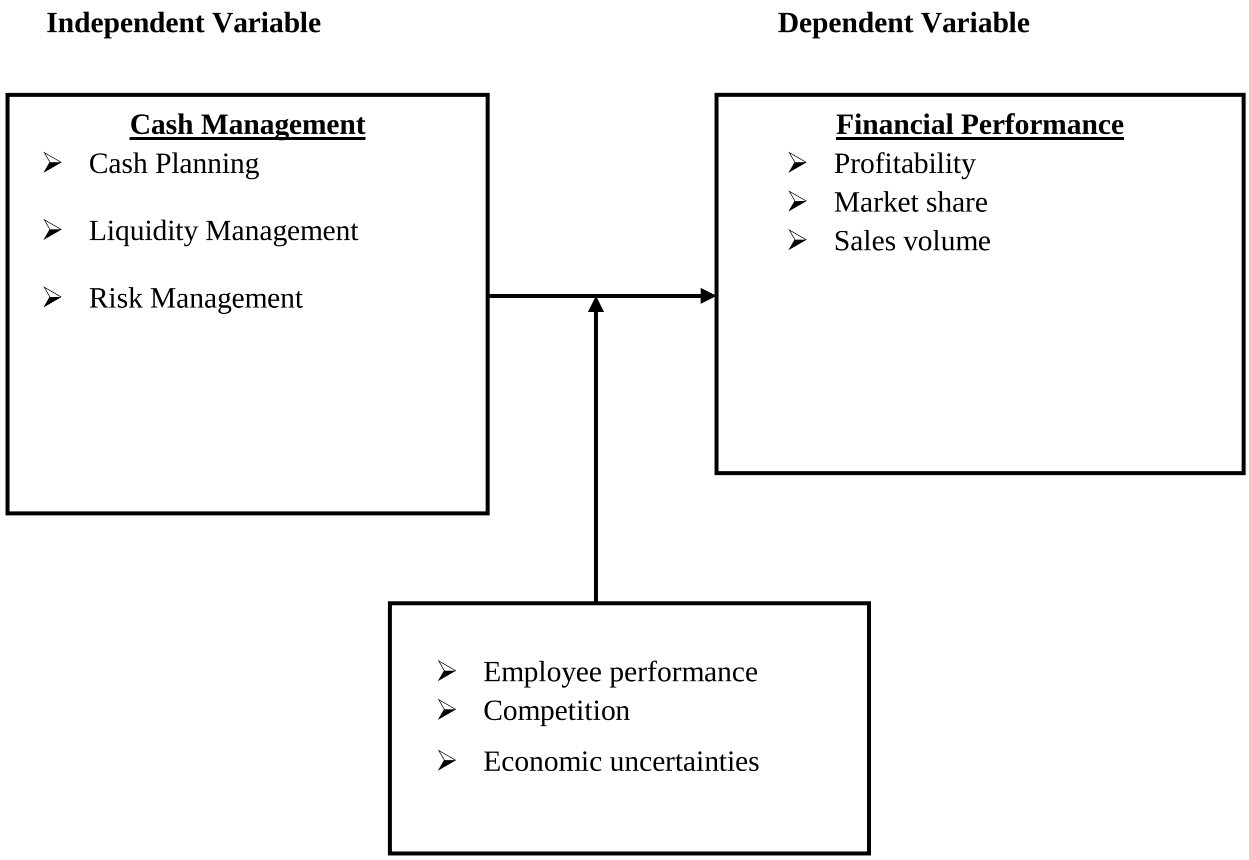
The study findings will be used by Government to promote investment in small and medium business enterprises in Uganda.

1.7 Definition of Key Terms

Financial performance; this is defined as the ability of a firm or an organization to meet all financial desires of its stakeholders. Such stakeholders may be directors, creditors, debtors, employees, government institutions and others who may use the financial records to boost or inject in the business.

Cash management: is defined as the managerial financial practice exercised to control the inflow and outflow of cash from any business venture. Cash management largely entails the control terminologies of ensuring commitment and fulfilment of the day to day transactions of the business without effects of distress or outside borrowing of the entity to supplement its running budgets.

1.9 Conceptual Framework.



Source: ***Marc Deloof (2003), Journal of Business Finance and Accounting, Vol. 35*.**

Model above shows cash management (independent variable) and its dimensions; cash planning, liquidity management and risk management, if properly used it can assure a good financial performance (dependent variable) such as profitability, market share and sales volume. Employee performance, competition and economic uncertainties are intervening variables but for use of this study the intervening variables were not considered since they were other factors beyond the scope of study.

1.10 Conclusion

In conclusion all of my expectations for composing this chapter was said to be achieved, my rationale for choosing this type of research topic was seen in my problem statement , research objectives explained and what I was expecting from the research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents relevant information and findings from other scholars and authors as referenced respectively. More highlights and contextual facts are presented on cash management and financial performance of firms on which the study researcher depends to assess the gap of efficiency and effectiveness.

2.1 Theoretical Framework of Cash Management and Profitability.

(Kotler & Gary, 2005) described theoretical framework as a collection of interrelated concepts such as in a theory to guide a research work as it determines the items for measurement and the statistical relationships being studied. A theory is a reasoned statement or group of statements, which are supported evidence meant to explain some phenomena.

2.1.1 Cash Management Theory

The purpose of cash management is to determine and achieve the appropriate level and structure of cash, and marketable securities, consistent with the nature of the business's operations and objectives as cited in William Baumol,1952. Baumol was the first person to provide a formal model of cash management. As Erkki (2004) asserts, this model applied the economic order quantity (EOQ) to cash. Brokerage fees and clerical work form order costs while foregone interest and cash out costs form the costs of holding cash. Baumol's model is however probably the simplest, most striped down and sensible model for determining the optimal cash position (as cited in Ross, 1990). (as cited in Lockyer, 1973) on the other hand modified Baumol's model to incorporate overdraft facilities. According to Lockyer's approach the total annual cash policy cost attributable to the use of overdraft facilities is given by the sum of total annual cash transfer cost, total annual overdraft cost and the total annual holding cost. As Erkki (2004) asserts, Lockyer's model is critiqued for assuming overdraft facilities, which are not automatic especially for firms with poor credit rating. The model also assumes disbursements are even over the planning period.

As Erkki (2004) asserts, the cyclical nature of cash is recognized (as cited in Archer, 1966) who reasons that apart from providing a cash balance for transactional purposes, a cash balance should be provided for precautionary purposes, especially for seasonal activities that are unpredictable. In Archer's approach, costs related to overdraft facilities and capital costs of precautionary balances are compared to determine the optimum. Archer's approach is advantageous for it recognizes the cyclical nature of net cash flows of many firms. As Erkki (2004) asserts, enhances the reasoning (as cited in Archer, 1956). According to Gibbs, the determination of optimal cash balance involves a combination of investment and financial decisions. In Gibbs approach, cases where demand for money is of a cyclical nature a combination of short and long term borrowing should be used to avoid the use of long term funds to cover peaks arising from idle cash balance, during periods of low cash demand. Gibbs contends that, the determination of the amount of buffer money to hold is seen as an investment decision. Gibbs approach emphasizes holding costs, costs of short and costs of long-term borrowing and the costs of investment in marketable securities, (Erkki, 2004).

In order to do this, a variety of activities need to be undertaken, because of the integrative nature of cash to the operation of the firm. Since most of the Business operations revolve around advancement of cash then it is imperative for a considerable minimum level of cash to be maintained. How a firm manages cash will definitely have implications on its liquidity. The theory therefore is of essence on the bases of the policy the firm may have in place with regard to cash retention so as to avoid illiquidity.

2.1.2 Free Cash Flow Theory

As Huseyin (2011) asserts, managers have an incentive to hoard cash to increase the amount of assets under their control and to gain discretionary power over the firm investment decision, (as cited in Jensen, 1986). Having cash available to invest, the manager does not need to raise external funds and to provide capital markets detailed information about the firm's investment projects (Huseyin, 2011). Hence, managers could undertake investments that have a negative impact on shareholders wealth. Managers of firms with poor investment opportunities are expected to hold more cash to ensure the availability of funds to invest in growth projects, even if the NPV of these projects is negative(Huseyin,2011). This would lead to destruction of shareholder value and, even if the firm has a large investment programme and a low market-to-book ratio. Thus, using the market-to-book ratio as a proxy, it is likely that the relation between investment opportunity set and cash holdings will be negative. This is critical in management of liquidity in the firm and ensuring there is a balance between meeting the current obligation to mitigate liquidity short fall and investing in the interest of shareholders wealth maximization (Huseyin, 2011).

2.2 Empirical Review

As Nyabwanga (2011) asserts, cash management is the process of planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (as cited in Pandey, 2004). As Nyabwanga (2011) asserts, efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (as cited in Ross et al., 2008) and as stressed by (as cited in Atrill, 2006), there is need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold. A study by (Kwame, 2007) established that the setting up of a cash balance policy ensures prudent cash budgeting and investment of surplus cash. This finding agrees with the findings by (Kotut, 2003) who established that cash budgeting is useful in planning for shortage and surplus of cash and has an effect on the financial performance of the firms. The assertion by (Ross et al., 2008) that reducing the time cash is tied up in the operating cycle improves a business's profitability and market value furthers the significance of efficient cash management practices in improving business performance.

Erkki (2004) defined cash management as a part of treasury management, which is defined as a part of the main responsibilities of the central finance management team(as cited in Tiegen, 2001) . Huseyin (2011) asserts, the specific task of a typical treasury function include cash management, risk management, hedging and insurance management, account receivable management, account payable management, bank relations and investor relations (as cited in Kytönen, 2004). (Huseyin, 2011) thinks that this definition is consistent with the (as cited in Srinvasan & Kim, 1986) classification of cash management areas as cash balance management, cash gathering, cash mobilization and concentration, cash disbursement, and banking system design. Cash balance management includes management of cash position, short-term borrowing, short term investing, cash forecasting. (Huseyin, 2011) opinion is that the classifications of Tiegen's cash management and Srinvasan and Kim's cash balance management are closely related concepts. (Huseyin, 2011) classifies cash management as operating transactions and financial transactions. The operating transactions include accounting ledgers, invoicing, terms of sales - cash collection, cash control and processing, cash forecasting. The financial transactions include optimization of cash, short-term investments, short term borrowing, interest rate risk management, exchange rate risk management , payment systems, information systems and banking investor relations (as cited in Kytönen, 2004).

2.3 Actual Review Objective by Objective

2.3.1 Cash Planning and Financial Performance of SMEs.

According to Boer G. (1999), cash planning is defined as the process of determining financial resources of business must be utilised for effective and continued growth of the enterprise. Cash Planning is very important for a firm to continue to exist, because of its effects on a firm's profitability and risk, and consequently its value (Smith, 1980). Planning for cash directly affects the liquidity and profitability of a company (Rahman & Nasr, 2007). CP is the day-to-day function of management of a firm. Efficient CP is very vital for the long-term endurance of a business. Due to increase in cost of operations in current circumstances, management of working capital has become more important for a firm survival. CP is the indispensable concern of all firms and it is very essential for all the firms to manage their working capital effectively. Element of Working capital are current assets and current liabilities. Currents assets include cash, AR, Inventories and other current assets while current liabilities are short term loans, AP, and other current liabilities.

According to the business dictionary financial performance involves measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firms return on investment, return on assets and value added. Stoner (2003) as cited in Turyahebya (2013), defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg and Anderson (1995) assert that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. Hitt,et al (1996) believes that many firms' low performance is the result of poorly performing assets.

CP is the most significant module of finance and has an undeviating impact on the liquidity and profitability of a firm. Both profitability and liquidity are very vital in terms of a firm.

Financial Planning demonstrates the capability of company to pay its temporary debts. Liquidity of a company is associated with the ability of a firm to perform its short term obligations. It is the responsibility of financial managers to keep an optimum level of current assets to its total assets; because firm profitability can be affected negatively by holding too many current assets while few current assets can create low liquidity and stock out circumstances for a firm.

Kulkanya Napompech (2012) examines the effects of Cash planning on profitability and found that gross operating profits are negatively linked with receivables collection period and inventory conversion period of companies listed on Thailand Stock Exchange during 2007-2009. Their results suggest that profitability can be increase by minimizing the receivable collection period, CCC and inventory conversion period.

Taghizadah, Akbari and Ebrati (2012) found that firm growth and size have positive impact while leverage, conservative and aggressive investment policies have negative impact on firm’s value and profitability of Iranian firms.

Al-Mwalla (2012) found positive relation between economic growths, firm’s size and sales growth with measure of Value (Tobin’s Q) and profitability. The results elucidate that firm’s value and profitability have a positive impact from conservative investment policy while negative impact was noticed with aggressive financing policy on both value and profitability

According to Aksoy (2005), no matter what type of business you own, it is critical to manage your cash flow properly. Without proper cash flow management techniques you could find yourself running short of liquidity just when you need it the most. That could leave you unable to pay suppliers, develop the marketing plan you need or even pay your employees. Fortunately there are a number of techniques companies can use to maximise cash flow management and keep the business running smoothly.

Many businesses are too passive when it comes to collecting on overdue invoices. The money customers owe you plays a big role in your monthly cash flow, so it is important to develop a solid technique for tracking who owes your firm money, how much they owe and when the payment was due. Make sure your accounts receivable staff is taking a proactive approach to collecting on those unpaid bills, and ask for a weekly report showing the total amount outstanding along with an explanation of why those payments have not been received (Damodaran, 2002). It is noted that building an account receivable database is one of the best ways to keep track of what you are owed. Once the tables have been created and the database has been designed, all your accounts receivable clerks need to do is press a button to open a query showing the details of each outstanding invoice.

According to David Neddle 2000, Cash management is concerned with the movement of cash into and out of the organization. This is an important activity since the company needs to ensure that it has sufficient cash to cover its current expenditure. Several businesses have ceased trading with full order books, simply because they have insufficient incoming cash to pay bank interest charges and so are unable to stay in business and capitalize on their orders. Cash which flow in and out of a company is vital to its growth and survival, without adequate cash inflow a firm may have insufficient funds to meet its bills and expenditure when they become due

Cash management is also a way to avoid “stagnation” of funds; money which has been paid to the firm by customers but is not yet available to the company because it is tied up in float is stagnant. Speeding its availability reduce that stagnation. Therefore successful cash management involves not only avoiding insolvency (therefore bankruptcy) but also reducing days in accounts receivable, increasing collection rates, selecting appropriate short term investment and increasing days cash on hand all in order to improve a company’s overall financial profitability

Samuels, (2006), argues that funds management is the planning, controlling and the effective utilization of funds. Money can be earned not only through manufacture and distribution but also through the management of all its assets that it employees. The best funds management policy is through funds budgets. A company can decide on the funds that it will have available for short-term investment at a particular time depending on the nature of business and season. If a business is seasonal or trade is cyclical, fund budgets will show when the surplus funds that will be available and what length of time will elapse before they are required. Some companies will borrow money in case of deficit spending to satisfy their seasonal needs.

Cash is the basic input needed to keep the business running on a continuous basis as the ultimate output expected to be realized by selling the service or product manufactured by firm. Cash is the money a firm can disburse immediately without any restriction. The term cash include coins, currency, cheques held by the firm and balances in its bank accounts. Some near cash items, such as marketable securities or bank time's deposits are also included in cash.

Kakuru (2000), argues that every organization must establish funds management policies or guidelines to ensure that it has optimal funds balance at any time when it requires it. This can be achieved by implementing the following funds management policies. The organization must ensure that it speeds up funds inflows through efficient credit policy. For example timely preparation and delivering of customer invoices, making customers to pay their outstanding by allowing funds discounts. This will enable the firm to keep in a liquid position and carry on its operations efficiently.

Firms hold funds for primary reasons but although the first two of these are generally satisfied by holding actual funds (a checking account balance, the last two requirements may be meet, instead by holding highly liquid marketable securities. The main reasons can be explained according to Bodil (1995) as below.

Funds inflows and out flows are somewhat unpredictable with the degree of predictability varying among firms and industries. Therefore firms need to hold some funds (or more often marketable securities) in reserve for random, unforeseen fluctuations in inflows and outflows. These ‘safely stock’ of funds are called the precautionary balance and the less predictable the firm’s funds flows the larger the necessary funds balance.

Funds balance may also be held to enable the firm to take advantage of any bargain purchases that might arise; these funds are defined as speculative balances. For example reduction in the price of raw materials, any profitable short-term investment that may happen, the firm should maintain such balance to take advantage of the investment opportunities that may arise Campsey (2005).

Although a carefully prepared funds budget is a necessary starting point for managing the firm’s funds, there are other elements of a good funds management programs. The primary funds management activities are performed jointly by the firm and its main bank, but the financial manager is responsible for the effectiveness of the funds management programs. The most commonly funds management techniques Knott (2008).

One way, in which a firm can keep its funds on hand longer, would simply be by delay payments, but this would lead to such obvious difficulties as being labelled “a dead beat”. Firms have always lengthened the collection period for their cheques so as to delay funds out flows. Payables Centralization permits the financial manager to evaluate the payment coming, one for the entire firm and to schedule funds transfers to meet the needs of the company wide basis. Centralizing disbursements also permits more efficient monitoring of payables and float balances Van (2000).

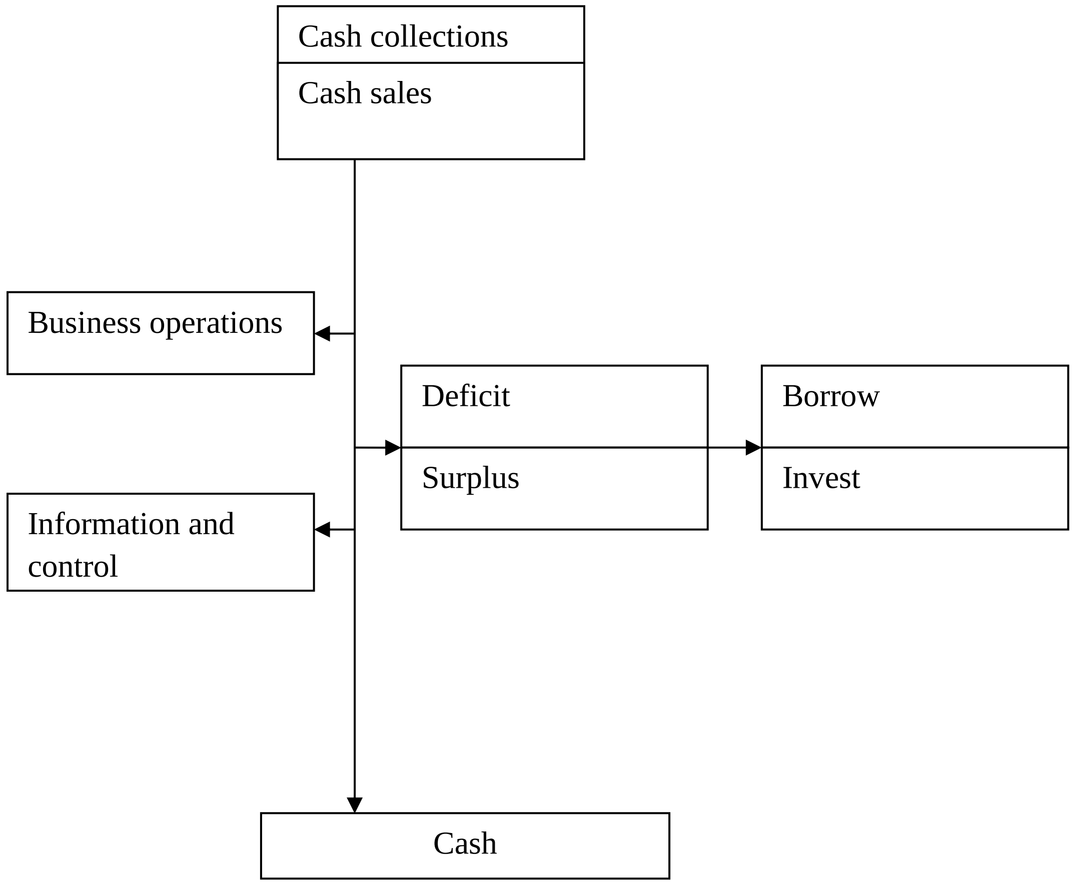
When a firm is actively trying to use floats, it will often arrange with its bank to have the use of an overdraft system. In such a system, the firm writes cheques in excess of its actual balance and its bank automatically extends loans to cover funds shortage. The overdraft is sometime interest free so the firm can use it to carry out its operations, which can yield a return in the long run Sanford et al (2001).

Cash management is concerned with efficient management of cash so as to achieve an optimum level of cash in the firm's working capital. It involves managing the monies of the firm in order to attain maximum cash availability and maximum interest income on idle fund, Van Home (2002).

It deals mainly with the planning and control of cash to ensure that cash is available when it is required and that it is used efficiently. Management of cash in any organization should not be left to chance, but conscious effort should be made to properly plan and control and resource cash, in order to avoid liquidity problems such as stoppage of production activities, bankruptcy or liquidation proceeding. There is as such the necessity to institute techniques and procedures that will facilitate the cultivation of good cash management culture and ensure availability of adequate cash at all times. Cash management is essential because cash shortage will disrupt the firms operation and can even lead to insolvency. Excessive Cash will tie down unnecessarily long term capital with a result that the return on capital employed will be low. A firm thus needs to maintain sound cash position. Proper cash planning is of great importance to firm as cash planning affect the liquidity and profitability if a firm. If a firm holds more cash than required, it becomes liquid, less risky but its profitability is reduced. On the other hand, if a firm holds less cash, it is less liquid, highly risky but with improved profitability.

A growing business enterprise should keep sufficient cash, as less inadequate cash will disrupt its trade operation. Thus, major function of the financial manager is to maintain sound cash position in an organization. Cash management seeks to accomplish the cash management cycle at a minimum cost. At the same time, it also seeks to achieve liquidity and control. In a cash management cycle, sales generate cash, which has to be disbursed out. The surplus cash has to be invested while deficit has to be borrowed.

Fig: Cash Management Cycle



Source : ***Business Finance Accounting, Deloof M, (2003).***

When you are running a business or a household, it is important to get a handle on expenses which are simply entailed in a cash plan. Many business owners are so busy with day to day operations that they lose sight of the big picture, getting a handle on the expenses associated with running your business is one of the best ways to manage and maximise your cash. Start by building a detailed report of every expenses for the past month. Break each expense down into its appropriate category, such as rent, utilities, office supplies, etc then analyse each category and look for ways to cut back. For instance, companies can save money on office supplies by contracting with a specific vendor and negotiating lower prices rather than running to the office supply store down the street (Deloof, 2003).

Cash flows and the extent to which expected cash flows from maturing assets and liabilities match and the diversity, reliability and stability of funding sources, the ability to renew or replace deposits and the capacity to borrow (Raheman and Nasr, 2007).

For regulatory purposes an institution is required to hold a specific amount of assets classed as "liquid" based on its deposit liabilities. Generally, undue reliance should not be placed on these assets, or those formally pledged for operating purposes other than as a temporary measure as legally they may not be available for encashment if needed.

In assessing the adequacy of liquidity, each institution needs to accurately and frequently measure:-

- the term profile of current and approaching cash flows generated by assets and liabilities, both on and off balance sheet;
- The extent to which potential cash outflows are supported by cash inflows may be supported period of time, maturing or liquefiable assets and cash on hand;
- the extent to which potential cash outflow may be supported by the institution's ability to borrow or to access discretionary funding sources; and
- the level of statutory liquidity and reserves required to be maintained.

Essentially, operating liquidity is adequate if the firm's approach cash inflows, supplemented by assets readily convertible to cash or by an institution's ability to borrow are sufficient to meet approach cash outflow obligations. In this context, because he timing and amount of these cash flows are not completely predictable because of risks such as credit defaults and event including honouring customer drawdowns on credit commitments, deposit redemptions, and prepayments, either on mortgages or term loans, sound and prudent liquidity policies must deal with this uncertainty by carefully controlling the maturity of assets, ensuring assets are readily convertible to cash, or securing to borrow funds.

2.3.2 Liquidity Management and Financial Performance of SMEs.

According to Malcolm & Harris (2010), liquidity management is a broad term that covers a number of functions that help individuals and business process receipts and payment in an organised and efficient manner. Administering cash assets today often makes use a number of automated support services offered by banks and offer financial institutions. The range of liquidity management practices range from simple check book balancing to investing cash in bonds and other types of securities to automated software that allows easy cash collection and management.

Malcolm & Harris (2010), when it comes to cash collections, there are few popular options today that can make the process of receiving from customers and paying suppliers much easier. Automated clearing houses make it possible to transact a business to business cash transfer that deducts the payment from the customer account and deposits the funds in the vendor account. Generally, this service is available for a fee at local money lenders that is basically MFIs and Commercial Banks.

Effectiveness of liquidity management is assesses on the organisational efficiency in meeting daily needs, costs and its profitability. On the other hand refers to the positive gain from an investment or business operation after subtracting for all expenses opposite of loss (Proimos, 2009). Business gains can be used to buy more stock, improve technology or expand the premises. A business that does not make a profit will fail, potentially affecting employees, suppliers and the local community because their overall operations depend on profits.

Proimos (2009), further noted that in situations where businesses can exploit the customers because there is not much competition from other businesses. A business will need to an ethical view (what is morally right) on how much to charge and whether they believe their profits to be excessive. It needs to be remembered that profits are used to reinvest, which leads to better services for their customers, better wages and working conditions for their workers or to help the local community.

The major reason for slow profits and financial distress is wrong liquidity management policies or strategies. Performance of any organisation or business is assessed by the way they succeed or fail in the way they intend to achieve their objectives. Liquidity management offers huge cash opportunities that could be released with sustainability within a relative short period of time but organisations or companies which fail in their liquidity management policies face a challenge of reduction in their profitability levels. (Loneous and Fazeeria 2004).

According to Mc Laney, (1997), Liquidity is the availability of funds, or assurance that funds will be available to honour all cash outflow commitments (both on and off balance sheet) as they fall due. These commitments are generally met through cash inflows, supplemented by assets readily convertible to cash or through the institution’s capacity to borrow. The risk of illiquidity may increase if principal and interest cash flows related to assets, liabilities and off balance sheet items are mismatched.

According to Raheman A. and Nasr M. (2007), Managing liquidity is a fundamental component in the safe and sound management of all financial institution. Sound liquidity management involves prudently managing assets and liabilities (on and off balance sheet), both as to cash flow and concentration, to ensure that cash inflows have an appropriate relationship to approaching cash outflows. This needs to be supported by a process of liquidity planning which assesses potential future liquidity needs, taking into account changes in economic, regulatory or other operating conditions. Such planning involves identifying known, expected and potential cash outflows and weighing alternative asset/ liability management strategies to ensure that adequate to ensure that adequate cash inflows will be available to the business to meet these needs.

Kulter and Demirgunes (2007), notes that cash collection systems aim to reduce the time it takes to collect the cash that is owed to a firm. Some of the sources of time delays are mail float, processing float and bank float. Obviously, an envelope mailed by a customer containing payment to a supplier firm does not arrive at its destinations instantly. Likewise, the payment is not processed and deposited into a bank account the moment it is received by the supplier firm. And finally when the payment is deposited in the bank account oftentimes the bank does not give immediate availability to the funds. These three "floats" are time delays that add up quickly, and they can force struggling or new firms to find other sources of cash pay their bills (Lazaridis, 2006).

Liquidity management attempts among other things to decrease the length and impact of these "float" periods. A collection receipt point closer to the customer perhaps with an outside third part 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 payments; the firm's method of collecting payment; the process of processing payments; the time delays involved for mail, processing and banking, and the prevailing interest rate that can be earned on excess funds. The most important element in ensuring good cash flow from customers, however is establishing strong billing and collection practices (Tryfonidis, 2006).

According to McLaney (1997), once the money has been collected, most firms then proceed to concentrate the cash into one center. The rationale for such a move is to have complete control of cash and provide a greater investment opportunities with large sums of money available as surplus. There are numerous mechanisms that can be employed to concentrate the cash, such as wire transfers automated clearing house (ACH) transfers and checks. The trade-off is between cost and time.

Another aspect of liquidity management is knowing a company's optimal cash balance. There are a number of methods that try to determine this magical cash balance, which is the precise amount needed to minimise costs yet provide adequate liquidity to ensure bills are paid on time (hopefully with something left over for emergency purposes). One of the first steps in managing the cash balance is measuring liquidity or the amount of money on hand to meet current obligations (Myers, 2003).

2.3.2 Risk Management and Financial Performance of SMEs.

According to Thomas S. Coleman "A Practical Guide to Risk Management" defines risk as a probability or threat of damage, injury, liability, or any other negative occurrence that is caused by external and internal vulnerabilities and that may be avoided through pre-emptive action. It can also be referred to as the probability that an actual return on an investment will be lower than the expected return.

Business survive alongside different risks or collapse as a result of effects from lossful risk operations that may come along their operations. According to Vintox (2009) explains the risk to business do not arouse from similar sources but genuinely affect the financial performance of the entire organisation since it drains resources to varsity and discussed as follows.

Capital risk: Kakuru Julius (2001), defines this as the risk that an investor faces that he or she may lose all the part of the principal amount invested. The capital of a company may include equipment, factories, and liquid securities. The higher the investment returns a business wants to achieve, the higher risky a business stands because when high gains are achievable, it's likely that high volatility will also be on the cards. Whereas a businesses' capital could grow significantly, it could also fall drama

Exchange rate risk: this is the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates. This can also be defined as the financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. When investors purchase a bond that is designated in another currency other than their home countries, investors are opened up to exchange risk. This is because the payment of interest and principal will be in a foreign currency .when investors receive that currency they have to go into the foreign currency markets and sell it to purchase their home currency. The risk is that their foreign currency will be devalued compared to the currency of their home countries and that they will receive less money than the expected returns thus the poor performance of businesses in Kampala.

Delivery risk: this is also termed as the settlement risk which is the risk that counterparty in a transaction may not be able to fulfil its side of agreement by failing to deliver the underlying asset or the cash value of the contract. When deliveries are done as per the agreed time and in the right places, business performance is paramount and on the other hand when deliveries are slow moving, the business tends to slow down at the same time.

Interest rate risk: According to Michel Crough, this is the risk that arises for bond owners from fluctuating interest rates. The rate of interest rate risk a bond has depends on how sensitive its price is to interest rate changes in the market. When interest rates rise, new issues come to the market with higher yields than older securities making those older ones worthless hence their prices go down. This will lead to poor performance of the business. Whereas when interest rates decline new bond issues come to the market with lower yields than older securities making those older, higher-yielding ones worth more hence their prices go up leading to good performance of the business because people will have access to loan services.

Political risk: According to the World Investment Report 2012, this is a risk that an investor's returns could suffer as a result of political changes of instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control. It may also refer to an exercise of political power that can affect a company's value. Government actions like confiscating company's assets make it difficult to acquire financing which can affect the ability of a company's supply chain to support production leading to poor performance of some businesses. However Government's actions like imposing tariffs on some commodities say imports protects the local firms thus leading to their long run survival in the business.

Cultural Risk. "Hannah Walter of Boston University" he says that Cultural risk is just as real a threat to global business as is political and economic risk. Cultural risk is the threat that an international corporation will commit a business blunder, engage in poor customer relations or fail at negotiations because of a lack of understanding and adaptation to the differences in culture between the home country and the host country. Cultural risk can take the form of national, business and corporate risk. National cultural risk is the threat of not doing things appropriately within the socio cultural environment of the host country. Business cultural risk is the risk of acting inappropriately within the business cultural environment of the host country, and corporate cultural risk is the threat of making mistakes in dealing with a specific firm.

Market risk: According to Pieto Penza and Vipul K. Bansal, This is the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. The chief way that market risk affects cost of capital is through its effect on the cost of capital. A company's total cost of capital includes both the funds required to pay interest on debt funding and the dividends on equity funding. The higher the market risk, businesses will perform better and vice versa.

Operations risk: this is the risk of loss resulting from inadequate or failed processes people and systems from or from external events. It can also be defined as the prospect of resulting from inadequate or failed procedures, systems or policies. This occurs when a company must incur fixed costs during the production of its goods and services. A higher proportion of fixed costs in the production process means that the operating leverage is higher and the company has more business risk.

Inflation risk: inflation risk is also known as purchasing power risk. This arises from the decline in value of securities cash flow due to inflation which is measured in terms of purchasing power. Stock markets perform poorly during inflation because unexpected inflation causes investors to demand a higher risk premium for stocks. However when inflation is not present, investors demand a lower risk premium for stocks.

Payment system risk: this addresses the risks that payment, clearing, settlement, and recording activities present to the financial system. When businesses fail to pay their creditors on time, this might slow down businesses because creditors lose trust in them. When a company fails to record its payments properly business performance may as well slow down.

Economic risk: this is the chance that macro-economic conditions like l exchange rates, government regulation or political stability will affect an investment. When a country is politically stable, businesses will perform very well unlike an unstable state.

Credit risk: this refers to the possibility that a particular bond issuer will not be able to make expected interest rate payments and / or principal payment. Typically, the higher the credit risk, the higher the interest rate on the bond.

Taxability risk: this applies to municipal bond offerings, and it refers to the risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity. Since municipal bonds carry a lower interest rate than fully taxable bonds, the bond holders would end up with a lower after-tax yield than originally planned.

Call risk; call risk is specific to bond issues and refers to the possibility that a debt security will be called prior to maturity. Call risk usually goes hand in hand with reinvestment risk, discussed below, because the bondholder must find an investment that provides the same level of income for equal risk. Call risk is most prevalent when interest rates are falling, as companies trying to save money will usually redeem bond issues with higher coupons and replace them on the bond market with issues with lower interest rates. In a declining interest rate environment, the investor is usually forced to take on more risk in order to replace the same income stream.

Risk of personal information leaks: organizations handle a variety of personal information, including customer information, in the course of its business operations, and stringent information management is essential. Initiatives to strengthen personal information management include the establishment of an organizational unit dedicated to personal information management, the formulation of related rules and regulations, and the ongoing provision of appropriate training.

However, businesses could suffer damage to public reputation and incur substantial financial costs if unforeseen circumstances result in the leakage of personal information. Such a situation adversely affects the business performance and financial position of the business enterprise.

Retirement benefit risk: the employee benefit obligations and costs of the business enterprise are calculated primarily using actuarial assumptions such as discount ratios and expected rates of return on plan assets. These actual assumptions may be viewed annually. Any changes in the ratios could cause fluctuations in business performance and financial positions. The business therefore has to take steps to minimize this effect including the return to the government of the substantial portion of the pension funds that it previously administered, and the adoption of defined contribution pension plans and cash balance pension plans. However the potential effect cannot be entirely eliminated. Further declines in discount ratios or deteriorating investment returns could have a negative impact on the business performance.

Risk of fixed Asset Value Reduction. Kakuru Julius 2000 first edition urges that the organization has to apply fixes asset impairment accounting. It has to continue to calculate future cash flows relating to its assets and to recognize the estimation on the impairment of their assets. It is therefore possible that business performance and financial positions will be adversely affected if the fixed asset impairment losses are shown in their books of accounts.

Environmental preservation risk; David Vose an author of Risk Analysis: A Quantitative Guide suggests that businesses engage in a wide range of activities aimed at global environmental preservation. However, the enterprise cannot guarantee that it will be able to completely prevent or mitigate any risk of environmental pollution. For, should serious environmental pollution occur as a result of the business activities, an adverse impact on the performance and financial position of the business is realized.

Disaster and accidental risk: Natural disasters such as earth quakes, floods could cause substantial damage to the business operations as production, distribution, sales and information management facilities could turn slow. Also, in the occurrence of natural disaster in the work place, there is a possibility that the business activities will be discontinued or restricted. A business would join its efforts to prevent the regular disasters but there could be no guarantee that it will alleviate all of them in particular.

Regulatory risks: the business is subject to various official regulations including the need to obtain approvals and permits from the government for its investment activities. Furthermore, the business has to obtain patents, other intellectual property rights, environmental regulations and other requirements. Such official regulations can be expected to change over time hence imposing additional costs relating to compliance with the adjustments made.

Business restructuring risks: in order to enhance management efficiency and competitiveness, the enterprise has to conduct business restructuring, realignment of subsidiaries and affiliates, manufacture bases and sales and right sizing the work force. These measures could have an impact on the business performance.

Acquisition/ merger risk: the business may plan to expand its investments including corporate acquisitions and capital participation. To maximize the benefits of this acquisition, the business seeks to integrate them in to their corporate cultures and management strategies. However, there is no guarantee that the anticipated returns and benefits would be realized.

Procurement risks :Carl L. Pritchard suggest that the business procures materials, parts, services and other supplies as required for its production activities. There is a possibility that the amount paid for these supplies will rise because of increased industrial demand or increased raw material prices. This implies that the reliability or reputation of the business products will be affected by the defects in material, parts, services and other supplies, and this will determine the stand of the business.

New Product Development Risk: In the operations schedule, a business seeks to provide exceptional products and services to satisfy its target customers. Therefore, it creates high quality living spaces that are healthy, comfortable and safe by continually developing attractive products based on an accurate understanding of available technology and consumer needs. However, failure to respond appropriately to changes in market needs may result in a decline in growth and the earning potential as well.

2.4 Financial Performance

According to Chell and Baines (1998), financial performance of SMEs is the single most determinant factor of growth and ability to develop into fully defined shareholding firms, financial performance is most often captured by use of measurement criteria such as increased turnover or wider profit margins. Sandberg, Vinbery and Pan (2002) defined the performance of small businesses as their ability to contribute to job and wealth creation through business startup, survival and growth.

SME Financial performance is most often defined into hard criteria such as increased turnover or wider profit margins and the ability to contribute to job and wealth creation through business start up, survival and growth (Sandberg et al, 2002, Chell & Baines, 1998). Financial performance can be measured using proxies like profitability, return on asset, liquidity, solvency, market share and sales growth and all these can be extracted from the financial statements and/or reports (Dobbins and Barnard, 2000).

Performance measurement conducted by various scholars is done so by adopting proxies such as profitability, return on asset, liquidity, solvency, and sales growth and all these can be extracted from the financial statements and/or reports. According to Levasseur (2002) information on financial performance is useful in predicting the capacity of the enterprise hence analyzing how well or poorly an enterprise is doing against its set objectives. The suitability of a measurement index is determined by the dominant characteristics that bring out the nature of the firm.

Irwin (2001) noted that many people find it difficult to look at a profit and loss account or a balance sheet and derive a full picture. As a result, ratios are often used to interpret accounts since they point out how an enterprise is performing and provide indications of trends and patterns. They can be compared to the same ratios in previous years' accounts and the accounts of other businesses operating in a similar environment. Ratios are published for many business sectors which can be used as a comparison. According to Slywotzky (1998), success in today’s marketplace depends on how profit is really made in an industry. Profitability should be interpreted in terms of each individual company’s circumstances. Companies that have become almost constantly customer-centric and profit-centric are known as re-inventors.

The study will adopt profit margin ratio as tool for measuring dependent variable, this is considered suitable since it brings out the firms profitability in relation to its sales hence giving a clear presentation of the existing market condition in relation to performance of the firm.

According to the business dictionary financial performance involves measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firms return on investment, return on assets and value added. Stoner (2003) as cited in Turyahebya (2013), defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg and Anderson (1995) assert that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. Hitt,et al (1996) believes that many firms' low performance is the result of poorly performing assets.

Customer retention and loyalty practices. Everyone makes mistakes however the key to rectifying a mistake is to be honest with the customer and to accept responsibility. “The absolute best way to establish a sterling reputation as an organization is to be prepared to take responsibility for whatever decision you make. It is a matter of integrity, and it will earn you the respect of both the employees and customers of the organization” (Scott 2001).

Accepting responsibility also means being a team player and providing service to the customer on behalf of the entire organization. There can be no “it’s not my job.” When a mistake has been made, admit it and set things straight. When customers have a complaint – listen, truly listen. Then, apologize and take corrective action. In many instances, the very act of listening (without interrupting) can be enough to diffuse the situation and make the person feel worthy as a customer and will always make the client to like more the enterprise’s services, purchase more and be loyal to its products or services (Clark 2006).

2.5 Conclusion

Basing on the above findings, there seems to be cash management is seen to be among the influential factors towards financial performance of different business at different scales.

Firms go on to face diseconomies of scale, uncertainty as well as others enjoy a result of appropriateness in cash management which determines financial performance of the enterprise hence the intends to investigate future the actual review.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The chapter constitutes the methodology that the study employed during data collection, analysis, interpretation, presentation and the limitations that were encountered.

3.2 Research design

A descriptive research design was used. The study analysed and described the interrelationship between cash management and financial performance of Cheap General Hardware. The research study confined on the cash management practices of the SME and its influence on financial performance to draw meaningful recommendation and conclusions basing on vivid findings.

3.3 Area of Study.

The study was carried out at Cheap General Hardware’s branch located at Kasubi in Rubaga Division in Kampala. The area of Kasubi is highly concentrated with many Small and Medium enterprises providing products and services to the local community and the general public.

3.4 Study Population

The study population consisted of employees and managers from Cheap General Hardware. The staff at the branch constitute of 45 employees who served as the study population used because they were expected to provide all the information that were needed by the researcher for the study carried out.

3.5 Sample Size and Selection.

Out of the total population a sample size of 40 respondents were covered. The sample size used was determined according to the Krejcie and Morgan (1970) where the sample size was determined basing on confidence level needed from the selected population under study.

Table 1: Showing the staff that were interviewed.

Category	Sample population	Sample size	Sampling method
Managers	5	5	Purposive sampling
Employees	40	35	Random sampling method
Total	45	40	

Source: ***Researcher's Expectations***

3.6 Sampling Procedures.

The researcher employed both purposive and simple random sampling techniques as shown above;

- **Purposive sampling**; Purposive sampling is where an interview is conducted from specific people with information regarding the research being carried out. It was used on the managers because of their experience and expertise in financial management and performance.
- **Simple random sampling;** Simple random sampling is where each person has equal chances of being interviewed. It was used on other employees because each employee had equal chances of being interviewed thereby eliminating the possibility of being biased.

3.7 Data sources

Primary data and secondary data was collected.

- **Primary data;** This is the data that is got from the field for the first time. Primary data was got from staff of the Enterprise. Primary data were necessary because the staff had most of the information needed in the research.
- **Secondary data**; This form of data that was archived from already existing materials for example previous researchers' reports, textbooks, magazines, management reports and internet materials. Secondary data was got from records and reports of the banking institution. Secondary data was a basis of comparison with the current arguments and agreements presented by the primary data as cited respectively in the study.

3.8 Investigative procedure

The researcher first obtained an introductory letter from the faculty which the researcher took along with the questionnaires that enabled him to get the permission to gather the data from the field.

3.9 Data collection methods and tools

Questionnaires; These comprised a list of questions that the researcher went with to the field for the respondents to fill in their own views concerning the research being carried out. Questionnaires of multiple choice short answers were used. Questionnaires were used because most of the respondents were busy and questionnaires provided them with enough time and freedom of alteration to provide information needed by the study researcher.

Observation; This where the data is got by observing the practices activities. The data were obtained by observing the general performance of staff while being supervised and when supervisors were absent.

3.10 Data presentation, processing and analysis

Data was presented using tables after computation and coding in to more understandable and presentable statistical information.

Primary data from the field was processed by first editing it to ensure errors are eliminated. Then the data was coded so that tabulation is carried out. Qualitative data was analysed by quoting and clearly analysing statements provided in order to bring out the real intent revealed.

Some elements were observable during data collection and were noted, mentored and archived by the researcher such as book keeping practices, records management and others.

- **Editing**: This was done in order to ensure that inconsistencies and errors are eliminated from the information got from the study. This ensured reliability of information.
- **Coding**: coding was done in numerical terms and entered in the computer system for interpretation.
- **Tabulation**; tables with frequencies and percentages of various categories of respondents was used to tabulate the data. Spearman rank correlation coefficient was used to analyse data, using statistical package for social scientists, to make conclusions.

3.11 Data Validity and Reliability

Validity is the degree by which the sample of test items represents the content. The test is designed to measure content validity which was employed by this study as a measure of the degree to which data collected using particular instruments represents a specific domain or content of particular concept.

Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional expert in a particular field. To establish the validity of this research the researcher seeks the opinions of experts in the field of study especially the researcher's supervisor and Lecturers which helped in modification of research Instrument in order to enhance validity.

Reliability refers to the consistency of measurement and is frequently assessed using test and re-tests reliability method. Reliability was increased by including many similar items on a measure by testing diverse sample of individuals and using uniform testing procedures

3.12 Ethical Consideration

The researcher went with introductory letter from the university, however he first requested for authorized permission to conduct the study by introducing himself politely to respondents, described the research he was doing and the major purpose of the study that is basically for academic purposes. He respected ideas of each respondent and assured utmost confidentiality with out any other retrieval.

3.13 Limitations of the study and solutions

The time was not enough to fully assess and analyse all the information in secondary sources. This problem was solved by getting a good number of relevant journals and going through them quickly.

Resources in terms of money were not enough. The problem of resources was solved by using the money sparingly for enabling successful completion of the data collection and analysing process.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 Introduction

This chapter presents the study findings revealed by data collection instruments as used by the researcher. Findings also consist of the background information of the respondents and discussions.

4.1 Background information of the respondents.

Table 1: Gender Composition of the respondents

	Gender	Frequency	Percentage
Valid	Male	28	70%
	Female	12	30%
	Total	**40**	**100%**

Source: Primary Data

Findings presented in the table revealed that 70% of the respondents were males and 30 were females. This implies that the study used more males than females.

Table 2: Age of the Respondents.

	Age	Frequency	Percentage
Valid	18 – 24 yrs	8	20%
	25 – 35 yrs	12	30%
	36 – 44 yrs	17	43%
	45 – 55yrs	2	5%
	Above 55yrs	1	3%
	Total	**40**	**100%**

Source : Primary Data.

Findings presented in the table above revealed that 20% of the respondents were 18 – 24 years of age, 25 – 35 years were 30%, 36 – 44yrs were 43%, 45 – 55years were 5% and only 3% were above 50 years of age. This implies that all respondents were mature enough to provide relevant and reliable findings about the matters in context of the study concerning cash management and financial performance.

Table 3: Level of Education of the respondents.

	Age	**Frequency**	**Percentage**
Valid	Certificate	14	35%
	Diploma	22	55%
	Degree	3	7%
	Masters	1	3%
	Total	**40**	**100%**

Source : Primary Data

Findings revealed that 35% had Certificates, 55% had Diplomas, 7% were Degree Holders and only 3% were Masters Graduates. Majority of the respondents were having diplomas followed by certificates and others. This implies that all respondents were knowledgeable enough to provide relevant findings to the study since they had attained a recognizable level of education.

Table 4: Marital Status of the respondents.

	Age	Frequency	Percentage
Valid	Single	12	30%
	Married	24	60%
	Widowed	2	5%
	Separated	2	5%
	Total	**40**	**100%**

Source: Primary Data

Of the total respondents, 30% of the respondents were single, 60% were married, 5% had widowed and only 5% had separated. This implies that majority of the respondents were married which shows a great sign of responsibility and maturity hence engraving more confidence in the findings provided.

Table 5: Time Spent with Cheap General Hardware.

	Age	Frequency	Percentage
Valid	1 – 2yrs	5	13%
	2 – 4yrs	14	35%
	4 – 8yrs	16	40%
	Above 8yrs	5	13%
	Total	**40**	**100%**

Source: Primary Data

Findings presented in the table above, 13% had worked for 1 - 2 years, 2 - 4 yrs were 35%, 4 – 8yrs were 40% and above 13% were above 8 years. This implies that all respondents had worked for a reasonable period of service which validates their capability to be knowledgeable about the cash management practices and financial performance of the enterprise thus valid responses attained.

4.2 Cash Planning and Financial Performance.

Table 6: All Transactions are carried out according to the budgets.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	22	55%
	Agree	14	35%
	Not Sure	0	0%
	Disagree	2	5%
	Strongly Disagree	2	5%
	Total	**40**	**100%**

Source: Primary Data

55% of the respondents strongly agreed that all transactions performed by the SME is done according to the budget values, 35% agreed, none of them was not sure, 5% disagreed and only 5% strongly disagreed. This implies that the SME normally conducts its transactions in line with the budget which is a sign of accountability.

Table 7: Costs are normally regulated to increase profits.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	17	43%
	Agree	19	48%
	Not Sure	3	8%
	Disagree	0	0%
	Strongly Disagree	1	3%
	Total	**40**	**100%**

Source : Primary Data

Findings revealed that 43% of the respondents strongly agreed that costs are regulated normally in to foster boost of profit level, 48% agreed, 8% were not sure and 3% strongly disagreed. This implies that the SME attempts regularly to lower costs as a way of boosting residual revenue figures for profit maximisation.

Table 8: Hardware's Inventories are normally audited.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	18	45%
	Agree	8	20%
	Not Sure	4	10%
	Disagree	6	15%
	Strongly Disagree	4	10%
	Total	**40**	**100%**

Source: Primary Data

45% of the respondents strongly agreed that audits of inventories are normally done in Cheap General hardware, 20% agreed, 10% were not sure, 15% disagreed and 10% strongly disagreed.

Some of the respondents (13,19,34,37) asserted that the Hardware takes normally records such as quantity of any given unit has been released or retained in the store which is usually done as a detecting practice on which right quantity to procure the following day. This provides them with valid sales record, correspondence of receipts, fraud control and other benefits to the Hardware. This implies that inventory audits are exercised on a regular basis at Cheap General Hardware.

Table 9: Cash forecasts are used as a basis while formulating budgets.

	Response	Frequency	Percentage %
Valid	Strongly Agree	25	63%
	Agree	11	28%
	Not Sure	3	8%
	Disagree	1	3%
	Strongly Disagree	0	0%
	Total	**40**	**100%**

Source: Primary Data

63% of the respondents strongly agreed that cash forecasts serve as a basis in budget formulation, 28% agreed, 8% were not sure and 3% disagreed. This implies that the SME use its projected forecasts in budget invention which considered amount to be spent on each item with correspondence to the assumed revenue collections.

Table 10: Existence of minimal cash balance requirement retained to meet daily expenses of the hardware.

	Response	Frequency	Percentage %
Valid	Strongly Agree	10	25%
	Agree	11	28%
	Not Sure	8	20%
	Disagree	6	15%
	Strongly Disagree	5	13%
	Total	**40**	**100%**

Source: Primary Data

Findings revealed that 25% of the respondents strongly agreed that there is minimal cash balance retained by Cheap General Hardware, 28% agreed, 20% were no sure, 15% disagreed and 13% strongly disagreed. Some of the respondents proclaimed that some of the hardware normally retains certain amount of money to meet daily expenses such as employees' welfare costs, transport allowances, motor car fuel costs and others which are recorded as petty cash on a usual basis.

Table 11: Short term financing is acquired to suppress immediate cash demands.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	12	30%
	Agree	5	13%
	Not Sure	7	18%
	Disagree	9	23%
	Strongly Disagree	5	13%
	Total	**38**	**95%**

Source : Primary Data

Findings revealed that 30% of the respondents strongly agreed that Cheap General Hardware acquired short term loans for emergency cash needs, 13% agreed, 18% were not sure, 23% disagreed, and 13% strongly disagreed. This implies that the hardware usually acquire immediate cash supply from friendly creditors in case of any unrealised cash demands in the due course of operation.

4.2.1 The relationship between Cash Planning and Financial Performance of Cheap General Hardware.

Table 12: The Relationship between Cash Planning and Financial Performance of Cheap General Hardware.

		Cash Planning	Financial Performance
Cash Planning	Pearson Correlation	1	.735**
	Sig. (2-tailed)		.000
	N	40	40
Financial Performance	Pearson Correlation	.735**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

From the Table above, the results revealed that there is a correlation between Cash Planning and Financial Performance with a positive and significant relationship (r =0 .735, $p \leq 0.01$).

This means improved Cash Planning among SMEs the higher the Financial Performance.

Findings above are in agreement with the study Rahman & Nasr (2007) who stated that Planning for cash directly affects the liquidity and profitability of a company and it is a day-to-day function of management of a firm. Efficient Cash Planning is very essential for the long-term endurance of a business due to increase in cost of operations in current circumstances, management of working capital has become more important for a firm survival thus cash planning must be sufficiently managed to foster effective financial performance.

4.3 Liquidity Management and Financial Performance of Cheap General Hardware.

Table 13: There are established credit lines to potential creditors to suppress high running expenses.

	Response	Frequency	Percentage %
Valid	Strongly Agree	16	40%
	Agree	4	10%
	Not Sure	8	20%
	Disagree	12	30%
	Strongly Disagree	0	0%
	Total	**40**	**100%**

Source: Primary Data

Findings presented in the table above revealed that 40% of the respondents strongly agreed, 10% agreed, 20% were not sure and 30% of the respondents strongly disagreed. This implies that Cheap General Hardware has got established credit lines with potential creditors that facilitate costly running expenses in case of cash slant downs.

Table 14: All employees are trained on maximum utilisation of resources to avoid over purchase.

	Response	Frequency	Percentage %
Valid	Strongly Agree	11	28%
	Agree	16	40%
	Not Sure	3	8%
	Disagree	6	15%
	Strongly Disagree	4	10%
	Total	**40**	**100%**

Source: Primary Data

28% of the respondents strongly agreed that all employees are trained on maximum utilisation of resources to avoid over purchase, 40% agreed, 8% were not sure, 15% of the respondents disagreed and 10% strongly disagreed. This implies that Cheap General Hardware trains its employees for effective and efficient utilisation of resources.

Table 14: Cash floats are taken to bank for miscellaneous use.

	Response	Frequency	Percentage %
Valid	Strongly Agree	17	43%
	Agree	13	33%
	Not Sure	2	5%
	Disagree	5	13%
	Strongly Disagree	3	8%
	Total	**40**	**100%**

Source: Primary Data

43% of the respondents strongly agreed that cash floats are taken to bank for miscellaneous use 33% of the respondents agreed, 5% were not sure, 13% disagreed, and 8% strongly disagreed. This implies that cash floats at Cheap General Hardware are usually taken to the friendly bank and later utilised for miscellaneous use.

Table 15: Cash is made available to meet day to day operations.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	6	15%
	Agree	21	53%
	Not Sure	1	3%
	Disagree	8	20%
	Strongly Disagree	4	10%
	Total	**40**	**100%**

Source: Primary Data

15% of the respondents strongly agreed that cash is made available to meet day to day operations, 53% agreed, 3% were not sure, 20% disagreed and 10% strongly disagreed. Some of the respondents further proclaimed that the Hardware normally retains cash to meet petty and transactional payments of the firms. This implies that Cheap General Hardware usually ensure availability of cash to meet day to day operations of the firm.

Table 16: All huge transactions are made by Bank Payments.

	Response	Frequency	Percentage %
Valid	Strongly Agree	17	43%
	Agree	13	33%
	Not Sure	6	15%
	Disagree	3	8%
	Strongly Disagree	1	3%
	Total	**40**	**100%**

Source: Primary Data

Findings revealed that 43% of the respondents strongly agreed that huge transactions are made by bank payment, 33% of the respondents also agreed, 15% were not sure, 8% disagreed, and 3% strongly disagreed.

Some of the respondents discussed that employees are not allowed to move with bulk cash from clients or to suppliers as away of avoiding both internal and external fund robbery hence bank account deposits or cheques are made. This implies that the hardware performs bulky transactions via bank partners.

4.3.1 The Relationship between Liquidity Management and Financial Performance of Cheap General Hardware.

Table 17: The Relationship between Liquidity Management and Financial Performance of Cheap General Hardware.

		Liquidity Management	Financial Performance
Liquidity Management	Pearson Correlation	1	.661**
	Sig. (2-tailed)		.000
	N	40	40
Financial Performance	Pearson Correlation	.661**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

Table above, the results revealed that there is a correlation between Liquidity Management and Financial Performance with a positive and significant relationship (r =0 .661, $p \leq 0.01$). This means improved Liquidity Management among SMEs the higher the Financial Performance.

Findings in the above are in agreement with the study of Loneous and Fazeeria (2004), who emphasised that the major reason for slow profits and financial distress is wrong liquidity management policies or strategies. Performance of any organisation or business is assessed by the way they succeed or fail in the way they intend to achieve their objectives. Liquidity management offers huge cash opportunities that could be released with sustainability within a relative short period of time but organisations or companies which fail in their liquidity management policies face a challenge of reduction in their profitability levels.

4.4 Risk Management and Financial Performance

Table 18: Organisational assets are insured to avoid losses from risks.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	11	28%
	Agree	9	23%
	Not Sure	6	15%
	Disagree	9	23%
	Strongly Disagree	5	13%
	Total	**40**	**100%**

Source: Primary Data

Findings revealed that 28% of the respondents strongly agreed that organisational assets of Cheap General Hardware are insured to avoid losses from risk, 23% of the respondents also agreed, 15% were not sure, 23% disagreed and 13% strongly disagreed. This implies that organisational assets of Cheap General Hardware are insured to avoid losses from risks.

Table 19: There are different controls to access the firm's assets.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	16	40%
	Agree	13	33%
	Not Sure	6	15%
	Disagree	4	10%
	Strongly Disagree	1	3%
	Total	**40**	**100%**

Source: Primary Data

Findings revealed that 40% of the respondents strongly agreed that there are controls asserted that limit access to the firm's assets, 33% agreed, 15% were not sure, 10% disagreed and 3%

strongly disagreed. This implies that there are controls in existence about access to firm's assets.

Table 20: Different records are kept on profit performance and uncertainties.

	Response	Frequency	Percentage %
Valid	Strongly Agree	27	68%
	Agree	6	15%
	Not Sure	0	0%
	Disagree	5	13%
	Strongly Disagree	2	5%
	Total	**40**	**100%**

Source: Primary Data

From the findings presented in the table 20 above, 68% of the respondents strongly agreed that different records are kept on profit performance and uncertainties, 15% also agreed, 13% disagreed and 5% strongly disagreed. This implies that there are different records of the company kept on profit performance and uncertainties.

Table 21: Special Workers are assigned to manage cash to avoid fraudulent activities.

	Response	Frequency	Percentage %
Valid	Strongly Agree	13	33%
	Agree	15	38%
	Not Sure	7	18%
	Disagree	2	5%
	Strongly Disagree	3	8%
	Total	**40**	**100%**

Source : Primary Data

33% of the respondents strongly agreed that there are workers who are assigned duties to perform with cash management in order to control and avoid fraudulent tendencies. 38% of the respondents also agreed, 18% were not sure, 5% disagreed and 8% of the respondents strongly disagreed. This implies that the company has got specified workers that are assigned to manage cash of the enterprise.

Table 2: Existence of continued monitoring and supervision against risks.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	12	30%
	Agree	11	28%
	Not Sure	8	20%
	Disagree	5	13%
	Strongly Disagree	4	10%
	Total	**40**	**100%**

Source: Primary Data

30% of the respondents strongly agreed that monitoring and supervision is carried out in the business enterprises as way of mitigating risks and losses, 28% agreed, 20% were not sure, 13% disagreed, and 10% strongly disagreed. This implies that the SME carries out monitoring and supervision at the enterprise in order to avoid occurrence of various risks that may sink the business enterprise into the heavy avoidable losses.

Table 22: Security Officials are employed against effects from external risks.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	17	43%
	Agree	9	23%
	Not Sure	5	13%
	Disagree	2	5%
	Strongly Disagree	7	18%
	Total	**40**	**100%**

Source : Primary Data

43% of the respondents strongly agreed that the business has got employed security officials that are guard organisational assets from the external environment. 23% agreed, 13% were not sure, 5% of the respondents disagreed and 18% were strongly agreed. This implies that the SME employ security officials to safeguard its assets from effects resulting from misconduct shoving from external environment.

Table 23: Returns on performance are used as a guide to further investments.

	Response	**Frequency**	**Percentage %**
Valid	Strongly Agree	20	50%
	Agree	7	18%
	Not Sure	8	20%
	Disagree	1	3%
	Strongly Disagree	4	10%
	Total	**40**	**100%**

Source : Primary Data

50% of the respondents strongly agreed that returns on performance are reinvestment for continued multiplication and productivity, 18% also agreed, 20% were not sure, 3% disagreed, and 10% strongly disagreed. This implies that residual resources from business operations are normally reinvested as a way of boosting continued financial performance of the enterprise.

Table 24: All Cash inflows and outflows are evidenced with documentations attached.

	Response	Frequency	Percentage %
Valid	Strongly Agree	14	35%
	Agree	8	20%
	Not Sure	10	25%
	Disagree	5	13%
	Strongly Disagree	3	8%
	Total	**40**	**100%**

Source: Primary Data

35% of the respondents strongly agreed that cash inflows and outflows of the enterprise are presented with verification documents, 20% agreed, 25% were not sure, 13% disagreed and 8% strongly disagreed. This implies that all cash inflows and outflows of the company are well documented for evidencing purposes.

Table 25: Work machinery is maintained and repaired to avoid loss breakdowns.

	Response	Frequency	Percentage %
Valid	Strongly Agree	14	35%
	Agree	16	40%
	Not Sure	6	15%
	Disagree	3	8%
	Strongly Disagree	1	3%
	Total	**40**	**100%**

Source: Primary Data

35% of the respondents strongly agreed that enterprise's machinery is well maintained and repaired to ensure continued performance, 40% of the respondents also agreed, 15% were not sure, 8% disagreed and 3% strongly disagreed. This implies that business machines such as cars, loaders, trailers and others properly maintained, repaired and serviced to ensure continued functionality and general performance.

Table 26: Existence of immediate help lines to suppress emergency needs.

	Response	Frequency	Percentage %
Valid	Strongly Agree	10	25%
	Agree	5	13%
	Not Sure	18	45%
	Disagree	4	10%
	Strongly Disagree	3	8%
	Total	**40**	**100%**

Source : Primary Data

25% of the respondents strongly agreed that there are immediate help lines established by the management of the SME so as to ensure immediate helplines to suppress emergency needs, 13% agreed, 45% were not sure, 10% disagreed and 8% strongly disagreed. This implies that respondents were indifferent whether there are established help lines due to a high percentage of respondents in the not sure (neutral) according to the likert scale.

Table 27: Business activities are legally exercised to mitigate penalties and fines.

	Response	Frequency	Percentage %
Valid	Strongly Agree	11	28%
	Agree	9	23%
	Not Sure	5	13%
	Disagree	13	33%
	Strongly Disagree	2	5%
	Total	**40**	**100%**

Source: Primary Data

28% of the respondents strongly agreed that the enterprise operations are legally conducted to avoid interferences and disruptions from penalties and fines that may be subjected to the enterprise by authoritative bodies, 23% also agreed, 13% were not sure, 33% disagreed and 5% of the respondents strongly disagreed. This implies that the SME ensure legal conduct of its activities to mitigate associated risks and losses.

4.4.1 The Relationship between Risk Management and Financial Performance.

Table 28: The Relationship between Risk Management and Financial Performance of the Enterprise

		Risk Management	Financial Performance
Risk Management	Pearson Correlation	1	.719**
	Sig. (2-tailed)		.000
	N	40	40
Financial Performance	Pearson Correlation	.719**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

Table above, the results revealed that there is a correlation between Liquidity Management and Financial Performance with a positive and significant relationship ($r = 0.719$, $p \leq 0.01$). This means improved risk Management among SMEs the higher the Financial Performance. Basing on the findings presented, risk management if managed well good financial performance results may be yielded and thus the reverse is true.

4.5 FINANCIAL PERFORMANCE OF THE SME

4.5.1 Level of Financial Performance of Cheap General Hardware.

Table 29: Level of Financial Performance of the Cheap General Hardware.

	Response	Frequency	Percentage %
Valid	Very High	5	13%
	High	10	25%
	I Don't Know	14	35%
	Low	7	18%
	Very Low	4	10%
	Total	**40**	**100%**

Source : Primary Data

13% of the respondents revealed that the SME has got a highly sounding financial performance, 25% revealed high, 35% were indifferent whether the SME's performance is high or low, 18% revealed financial performance being low and 10% proclaimed its being very low. The same findings in the table 29 above, revealed a mean value of 2.8 which also shows the respondents neutrality on awareness whether the business enterprise is highly or lowly performing and significant value of standard deviation 1.343 is also revealed by the same test that presents varied responses from respondents.

4.5.2 Determinants of financial performance in Cheap General Hardware.

Table 30: Determinants of Financial Performance in Cheap General Hardware.

	N	MIN	MAX	MEAN	Std. Dev
Increase in resource productivity	40	1	5	3.85	1.00
Financial and operational efficiency	40	1	5	3.75	1.45
Reduction in costs of operations	40	1	5	4.05	1.28
The revenue is higher than the costs of operation	40	1	5	3.6	1.52
Decrease in stock during the operations	40	1	5	3.8	1.11
Customer retention priority	40	1	5	4	1.15
Hardware compete favourably on market	40	1	5	3.63	1.19
Future opportunities for an increase in market	40	1	5	3.34	1.46
Hardware known national wide	40	1	5	3.3	1.24
Valid N (list wise)	40				

Source: Primary Data

4.5.2.1 Increase in resource productivity.

The study (as reflected in table) found that the respondents seem to agree that the business enterprises realises goof financial performance with an increase in resources productivity which is evident over a mean value of 3.85 which appears to be close to the agreement rank of 4. This shows that they generally agree about the assessment of resource productivity for financial performance of the SME. However, the corresponding standard deviation also revealed a significant value of 1.00. This also shows that there is a clear variation in the responses provided by the respondents about the increase of resource productivity.

Findings in the above go in line with the study of Chell & Baines, (1998) who asserted that organisational financial performance is prescription of the ability of a firm to yield more on investments in order to ensure profitability, return on assets and other

4.5.2.2 Financial and Operational efficiency.

In Table 30 above, respondents provided their understanding in regard that financial performance can be measured by financial and operational efficiency because their perceptions show a mean value of 3.75, implying that they agree with the statement. A standard deviation value of 1.45 suggests significant differences in responses as financial and operational efficiency. Findings were in line with the study of Turyahebya (2013) in that financial performance involves measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firms return on investment, return on assets and value added.

4.5.2.3 Reduction in costs of operations.

Study findings presented in table 30, found that the respondents seem to agree that the reduction in costs of operations as an indicator of financial performance with a mean value of 4.05 which appears to be close to the maximum rank of 5. This shows that they generally agree about the appearance of reduced costs being a gauge of financial performance. However, the corresponding standard deviation also revealed a significant value of 1.28. This also shows that there is a clear variation in the responses provided by the respondents about the reduction in costs of operations.

4.5.2.4 The Revenue is higher than the costs of operations.

From the table 30 above, respondents seemed to agree that whenever revenue is higher than costs of operations there is sounding financial performance as reflected by the mean value of 3.6 which is tending towards the agreement point of 4. However, a significant standard deviation of 1.52 suggests varied responses regarding higher revenue over operational costs.

4.5.2.5 Decrease in stock during the operations.

Basing on the findings in table 30 above, it is evident that respondents agreed that decrease in stock volumes during operations that there is a reasonable financial performance reflected by a mean value of 3.8 which is closer to actual agreement point of 4 according to the Linkert Scale. A significant value of standard deviation is achieved which presents variation in the responses from the respondents.

4.5.2.6 Customer retention priority.

From the findings presented in table 30 above, respondents agreed that customer retention is a sign of good financial performance and this is evident with a mean value of 4.00. However a significant value of standard deviation 1.15 is presented which portrays variation in the responses provided by respondents in the same test.

Findings in line with the arguments of Clark (2006), who proclaims that organisations are able to hold customer reputation and sales growth which is based on retaining the current customers as they attract more. Kotler P, (2009) also suggested that customer retention boost organisational sales volume via customer relations management and quality consistency.

4.5.2.7 Hardware competes favourably to the market.

From the findings presented (in table 30), it is clearly evident that whenever the hardware is competing on market there is high financial performance yielded and it also revealed by a mean value of 3.63, and a significant value of standard deviation 1.19 was also presented which shows a variation in responses provided by the respondents in the same test.

4.5.2.8 Future opportunities for an increase in markets.

Findings in the table 30, it seems that the study respondents agreed with the argument that future opportunities for an increase in markets portray boost in financial performance and it is evident with the mean value of 3.34, and a significant value of standards deviation 1.46 was also presented which shows a variation in responses provided by the respondents in the same test.

4.5.2.9 Organisational known national wide.

From the findings in the table 30, it is revealed that the organisation being known country wide is also a sign of sounding financial performance which is evident with a mean value of 3.3. A significant standard deviation of 1.24 was revealed which shows a variation in the responses provided by the respondents in the same test.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents summaries of the study findings as per the study objectives, conclusions based on those findings and recommendations which are based on both the study findings and other relevant literature considered necessary and vital to be used in future to improve the study situation.

5.1 Summary Findings.

This part presents the summarized results and interpretation (findings) based on the study objectives as established at the beginning of the study.

5.1.1 Cash Planning and Financial Performance

Findings revealed that the SME normally carry out its transaction according to the budgets that are drafted and implemented by the management of the enterprise which is a sign of proper and effective practice of accountability with financial resources of the enterprise. Costs of the enterprise are also regulated to boost profit increase and the inventories are audited in that the Hardware takes normally records such as quantity of any given unit has been released or retained in the stores which is usually done as a detecting practice on which right quantity to procure the following day. This provides them with valid sales record, correspondence of receipts, fraud control and other benefits to the SME.

It was revealed that cash forecasts are used by the SME while formulating budgets, there are minimum cash balances retained to meet daily expenses of the hardware such as employees' welfare costs, transport allowances, motor car fuel costs and others which are recorded as petty cash on a usual basis.

From the findings, it was revealed that the SME acquires immediate cash demands for the enterprise that suppress immediate cash demands on moment in that the hardware usually acquire immediate cash supply from friendly creditors in case of any unrealised cash demands in the due course of operation.

The study went ahead to assess the relationship between cash planning and financial performance where a positive and significant relationship ($r = 0.735$, $p \leq 0.01$) which are inline the study of Rahman & Nasr (2007) who stated that Planning for cash directly affects the liquidity and profitability of a company and it is a day-to-day function of management of a firm.

5.1.2 Liquidity Management and Financial Performance of Cheap General Hardware.

Findings revealed that there are credit lines established to facilitate the costly running expenses in case of cash run out, employees of the business are trained on maximum utilisation of resources to avoid over purchase. Basing on the findings, it is clearly evident that cash floats are taken to the bank for miscellaneous use in the firm; huge transactions of the SME are made by bank payments in that workers of the hardware are not allowed to move with cash purposely done with the intention of avoiding both internal and external fund robbery hence bank account deposits or cheques are made.

The study revealed a strong positive and significant relationship between the variables that is $r = 0.661$, ($p \leq 0.01$) which was in agreement with the study of Loneous and Fazeeria (2004), who emphasised that the major reason for slow profits and financial distress is wrong liquidity management policies or strategies. Performance of any organisation or business is assessed by the way they succeed or fail in the way they intend to achieve their objectives. Liquidity management offers huge cash opportunities that could be released with sustainability within a relative short period of time but organisations or companies which fail in their liquidity management policies face a challenge of reduction in their profitability levels.

5.1.3 Risk Management and Financial Performance.

Findings revealed that the hardware insured its multivalued assets for avoid losses that can be brought about by risks of the firm, there are also controls established to access of the firm's assets such as verification, signatory requisitions and others. The SME gathers different records that are kept on profit performance and uncertainties that tend to affect the performance of the enterprise with a purpose of reviewing and strategic decision making; there are special employees that are assigned to perform specified duties of the enterprise as a way of mitigating fraudulent and other risky financial mismanagement practices.

The firm's management continuously monitors and supervises activities on how they are being conducted, resource utilisation and confinement to the expected results in a way of marginalizing divergence and wastage of resources which is unbeneficial to the firm.

The company employs security officials responsible to ensure safeguard of organisational assets against external risks such as robbery, and others. Advancement in returns are used as a guide for further investments, all cash inflows and outflows are evidenced with documentations attached on record, work machinery is maintained and repaired to avoid loss breakdowns, there are immediate helplines to suppress emergency needs, business activities are legally exercised to mitigate penalties and fines,

The study went ahead to assess the relationship between risk management and financial performance by correlation and a positive significant relationship ($r = 0.719$, $p \leq 0.01$). This means improved risk Management among SMEs the higher the Financial Performance. Basing on the findings presented, risk management if managed well good financial performance results may be yielded and thus the reverse is true.

5.1.4 Financial performance of the SME.

Respondents were indifferent about the performance of their SME whether it is high or low basing on the revealed mean value of 2.8 on rating the performance of the SME. Findings also revealed a good financial performance of the business can be evidenced with increase in resource productivity, financial and operational efficiency, reduction in costs, greater revenue figures, customer retention reducing stock, and were also indifferent about business popularity nationwide.

5.2 Conclusions.

Findings revealed that the SME normally carry out its transaction according to the budgets, costs are always regulated to boost profit increase, the inventories are audited, records are normally taken, cash forecasts are used in budgeting process and immediate cash is normally acquired to meet higher demand.

Findings also revealed that there are credit lines established to facilitate the costly running expenses in case of cash run out, employees of the business are trained on maximum utilisation of resources to avoid over purchase, cash floats are taken to the bank for miscellaneous use in the firm and huge transactions of the SME are made by bank payments as well in form of cheques and other notices.

Further findings revealed that there is a positive strong relationship between cash management and financial performance of Cheap General Hardware with a significant value ($r = 0.705$ $p \leq 0.01$). Assurance of Financial performance of the SME was revealed to be evident if there is increase in resource productivity, financial and operational efficiency, reduction in costs, greater revenue figures and customer retention reducing stock

5.3 Recommendation

Basing on the findings revealed the following are the recommendable areas of improvement to boost the financial performance of the SME.

There is a need to train workers properly on how to manage organisational resources and boost productivity, effective utilisation and efficiency with use.

There is a need to ensure proper record keeping and auditing to marginalise data falsification and manipulation that may mislead management in the planning and budgeting process of the SME.

The management of Cheap General Hardware should adopt effective use of computerised accounting softwares in order to eradicate mistakes and tiresomeness experiences with the use of manual accounting that involves bulk paper works.

The management of cheap general hardware should hire external auditors in order to reveal the unexplored mistakes that may be intentionally done with personal or individual benefits.

There is a need to increase the level of supervision on employees to ensure effective and efficient utilisation of the organisational resources.

5.4 Area of further study.

The following areas can be researchable to effectively explore resource control and performance of SMEs.

i. Tax policies and financial performance of SMEs.

ii. Employee Training and Firm productivity among SMEs.

iii. Technological Advancement and Financial Performance of SMEs.

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APPENDIX I

QUESTIONNAIRE

Dear Respondent(s), am Bachelors degree student of Uganda Martyrs University carrying out a research study entitled ***"Cash Management and Financial Performance of small and Medium Business enterprises in Uganda" and a case study of Cheap General Hardware was chosen***. Your unreserved participation to the study is highly welcome and all responses shall be treated with a high level of confidentiality.

Tick appropriately your best option from all provided but not more than one.

SECTION A

1. Gender

   a) Male ☐ b). Female ☐

2. Age

   a) 18 – 24 yrs ☐
   b) 25 – 35 yrs ☐
   c) 36 – 44 yrs ☐
   d) 45 – 55 yrs ☐
   e) Above 55yrs ☐

3. Level of Education

   a) Certificate ☐
   b) Diploma ☐
   c) Degree ☐
   d) Masters ☐
   e) PhD ☐

4. Marital Status

   a) Single ☐
   b) Married ☐
   c) Widowed ☐
   d) Separated ☐

5. Time Spent

a) 1-2 yrs

b) 2-4yrs

c) 4-8yrs

d) Above 8yrs

SECTION B

The Following measurement scale is applied to the following questions.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
SA	A	NS	D	SD

Cash Planning and Financial Performance of Cheap General Hard.

Statement	**SA**	**A**	**NS**	**D**	**SD**
All transactions are carried out according to the budgets.					
Costs are normally regulated to increase profits.					
The hardware's inventories are normally audited.					
Cash Forecasts are used as a basis while formulating budgets.					
There is a minimal cash balance requirement retained to meet daily expenses of the hardware.					
Short term financing is acquired to supress immediate cash demands.					

Liquidity Management and Financial Performance of SMEs.

Statement	SA	A	NS	D	SD
There are established credit lines to potential creditors to suppress high running expenses.					
All employees are trained on maximum utilisation of resources to avoid over purchase.					
Cash floats are taken to bank for miscellaneous use.					
Cash is made available to meet day to day operations.					
All huge transactions are made by bank payments.					

Risk Management and Financial Performance

Statement	SA	A	NS	D	SD
Organisational assets are insured to avoid losses from risks					
There are different controls to access of firm's assets.					
Different records are kept on profit performance and uncertainties.					
There are workers assigned to manage cash to avoid fraudulent activities.					
There is continued monitoring and supervision to avoid					

risks.					
Security officials are employed against effects from external risks.					
Returns on performance are used as a guide to further investments.					
All cash inflows and outflows are evidenced with documentations attached.					
Work machinery is maintained and repaired to avoid loss breakdowns.					
There are immediate call helplines provided for emergencies.					
All business operations are carried legally to avoid penalties and fines					

According to your own opinion, How does properly managing cash help Cheap General Hardware in boosting its financial performance?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

FINANCIAL PERFORMACE IN CHEAP GENERAL HARDWARE

How do you rate the level financial performance in cheap general hardware

Very high	High	Low	Very low	I don't know

Indicate your level of agreement on the following determinants of financial performance in Cheap General Hardware.

Statement	**SA**	**A**	**NS**	**D**	**SD**
Increase in resource productivity					
Financial and operational efficiency					
Reduction in costs of operations					
The revenue is higher than the costs of operation					
Decrease in stock during the operations					
Customer retention priority					
Hardware compete favourably on market					
Future opportunities for an increase in market					
Hardware known national wide					

What are the other determinants of financial performance in cheap general hardware?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

………………………………………...

Thanks for your participation, May the Almighty God Reward you abundantly.