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**Cash Management Practices of Small Business Owners in the
Cape Coast Metropolitan Area of Ghana**

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Abstract

The burden of cash management has become a topical issue in small businesses. To gain information on current practice, this paper examines survey evidence on cash management practices of two hundred and two small business owners (SBOs) in the Cape Coast Metropolitan Area of Ghana. It is evident in the study that majority of the SBOs studied either do not understand the attributes or the importance of cash management and as a result did not practice any formal system of the concept. The informal systems of cash management mainly practiced were found to be susceptible to cash fraud and other business growth difficulties. Some associated cash management problems have been highlighted and solutions proffered for ameliorating the situation. The paper further suggests that future research and policy directions consider gender differences and attributes as well as some industry peculiarities to the present rear growth in this important business unit.

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Introduction

Cash is the most liquid current asset and its planned acquisition, disbursement and investment is the central function of short-term financial management. If a business is efficient in its short-term financial management, it is expected to grow or expand. On the other hand, if such financial management is poorly handled, the consequence could be severe cash crises which could lead to the collapse or the relief being significant levels of cash shortages in the business from year to year.

A small business owner (SBO) is a person who establishes and manages a business to attain personal objectives and sees the business as an extension of his or her needs, goals and personality since growth might not be such person's major objective (Boachie-Mensah and Marfo-Yiadom, 2005). The burden of cash management in the small business sector has

been at the centre of discussion regarding their establishment and operation as well as the successes or failures. In Ghana, few studies, some quite dated, have been conducted in this area of corporate or business financial management. For instance, Marfo-Yiadom (2002) maintained that cash is the basic unit needed to keep businesses running on a continuous basis; it is also the ultimate output expected to be realised by selling the products of a firm. That, cash shortages will disrupt the firm's operations while excessive cash will simply remain idle without contributing anything towards the firm's profitability. Similarly, Logli (1981) in his attempt to find the root cause of these problems in small businesses in Ghana noted that one of the significant problems in this business sector is how resources are managed. Even though Bosa (1969); Levy (1993); Keasey and Watson (1994) differed by mainly attributing the root cause of the problems in the self-employed

businesses as cash; in all studies on the subject, the pivotal role of cash in businesses was acknowledged.

Fact is that the world over, cash-related business problems were highlighted in the late 70s. Gitman, Moses and White (1979) noted that the problem relating to cash management results from rapid increase in inflation and interest rates, the introduction of computers, and the arrival of micro-computers in the 70s enhanced daily cash receipts and disbursement information. This situation described by Gitman et al (1979) is similar to those in Ghana, where sharp changes in the rate of inflation, interest rates and the depreciating value of the Cedi are major factors that have compounded the problems of cash management practices, especially those of the small business owners (SBOs). Presently in Ghana, SBOs maintain that they are cash-trapped since they lack adequate inflow of cash to meet their operational needs. If you asked them as to the size of cash that is adequate for their operations, they are unable to clearly spell this out at each level of their business cycle.

Overall, this paper provides useful strategic data to government and its agencies, SBO promoters and all stakeholders, especially the SBOs in Ghana, in order for them to double their cash management efforts to grow themselves so as to expand this sub-sector of the economy.

Literature Review

In the year 2007, the International Finance Corporation (IFC) reported that small and medium enterprises (SMEs) comprise 80 percent of the private sector in Africa. The IFC report is similar to Ghana's, where SMEs employ between 75 and 80 percent of the working populace [Ghana Statistical Services (GSS), 2005]. This notwithstanding, there are many problems affecting small businesses (SBs) in Ghana with regard to their establishment and growth. Presently, the cause of the problems divides academia; as to whether the main cause is finance or rather, how the finance is managed. To this end, a good number of studies have highlighted the crucial role of cash management in SBs.

Globally, one of the maiden and leading studies in an attempt to solve the problems of cash management in businesses was that of Gentry (1988). His recommendation categorized cash-level planning into phases, but recognised the first and most crucial one as the characteristics of cash inflows and outflows, such as the level and speed of cash flows as well as its stability and patterns are important components that should be included when designing a direct measure of a given cash level. In their related maiden effort, Brealey and Myers (1988) cautioned that one can not successfully tackle the problem of short-term cash management unless there is a consistent guideline and approach to obtain the required level of cash at all times. In their study, Richards and Laughlin (1980) used the cash conversion cycle as a measure of cash management strength in a given business. They explain the cycle as the length of time that cash is tied-up in the production, distribution and collection processes, less the time associated with the deferral of payment to suppliers. They maintain that, the shorter a firm's cash cycle, the more liquid the respective firm. In his study on SMEs perception-related funding problems, Bbenkele (2007) concluded that rural South African SMEs had negative perceptions on the services offered by commercial banks and called for the situation to be urgently dealt with for the much needed funds-flow to the SMEs.

However in Ghana, the maiden awareness was created on this subject by Logli (1981). He rather attributed the problems in this business sector to have been caused by how resources are allocated and managed. Since then, Addai (1994) concluded among others that the major problem with small-scale industries is inadequate finance as he noted this affected 50 percent of his respondents. Further, he identified high taxation from both the CCMA and the Internal Revenue Service (IRS). Quite recently, Eyiah (2001) maintained that the main problem SBOs face is finance as currently the commercial banks operate devoid of a good knowledge of their needs as they perceive the SBs and their owners as high risk and unprofitable. Another is the one on credit-funded manufacturing businesses in the Accra-Tema Metro Area by Marfo-Yiadom (2002). He reported that, 95 percent of the businesses

surveyed maintained some system of cash management, however inappropriate. That, financial planning with budgeting were adhered to by firms but the major problem they faced were the prevailing high interest rates and the depreciation of the Cedi that did not allow almost 50 percent of his respondents to make short-term investment in a year.

This paper however presents the findings of a study conducted on 202 SBOs, both credit and equity-funded manufacturing and retail businesses in the CCMA of Ghana to ascertain their cash management practices.

Conceptual Models

The study of cash management practices is based on the nature of business of the enterprises surveyed and its phases of the cash cycle as depicted by figures 1, 2 and 3. The cash cycle explains the processing of cash or credit through other forms of current assets back into cash, the investment of surplus or idle cash in money market instruments with its corresponding returns as well as sources of funds as either initial capital or subsequent injections (Marfo-Yiadom, 2002). See also Richards and Laughlin (1980). These theories have been adopted as underlying the study's conceptual models.

Figure 1 presents a situation where the SBO mainly or partly buys stock on credit for production before sales are made. Under this, cash is used to pay creditors through purchases of raw materials and thereafter labour and overheads expenses are incurred (cash outflow) to produce both work-in-progress and finished goods. The finished goods when sold for cash results in direct amounts of cash inflows but if sold on credit will first generate receivables (Debtors) and subsequently when credit customers pay-up then the firm finally experience an inflow of cash. This process is said to explain only two aspects of cash management as cash collection and cash disbursements. The other aspects of the cash cycle are:

The investment of temporarily idle/surplus funds in money market instruments which earns interest income in the form of cash (inflows) to the firm; and

Financial planning involving the identification of sources of funds/cash inflow to ensure safe cash levels ahead of future operations.

Figure 2 explains a situation where the SBO buys only on cash basis for production before selling either for cash or on credit. All other conceptual interpretations as under figure 1 above are held the same.

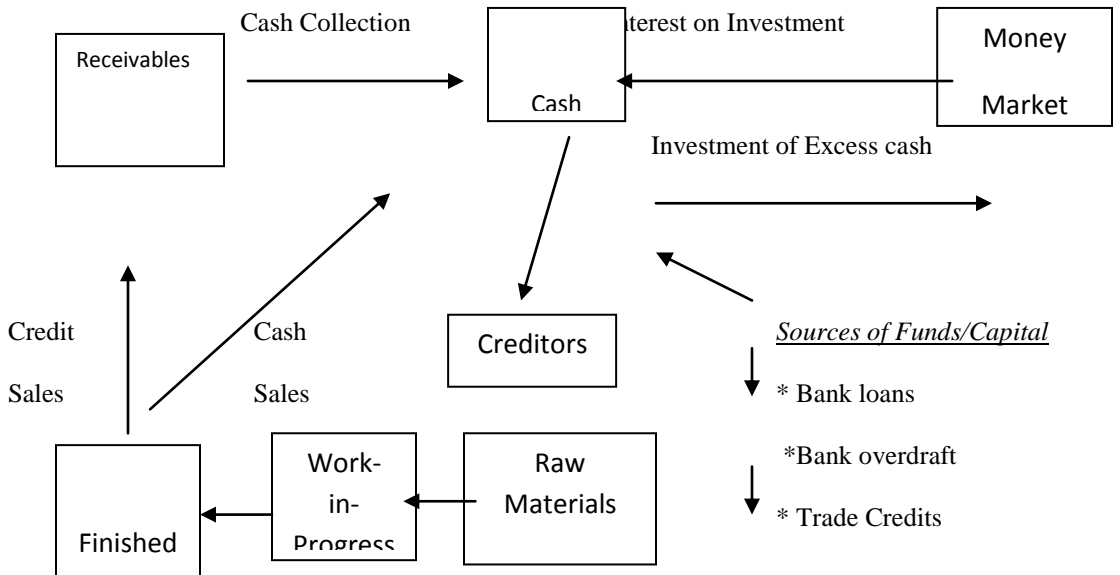
That of 3 rather examines a situation where the SBO does not produce but instead, buys or operates mainly in finished goods and services and may either sell on credit or on cash basis. All other conceptual interpretations as under figure 1 hold.

Objectives of the Paper and Research Question

In order to appreciate the need for SBOs operations in the CCMA, it would be pertinent firstly, to understand the nature of SBs in Ghana, how they are established and how this affects their business turnover. Equally important to note is the gender differences in these respects. Secondly, it is essential to examine the cash management practices of the SBOs and how these could affect their business growth. What enhances or constrains this objective?

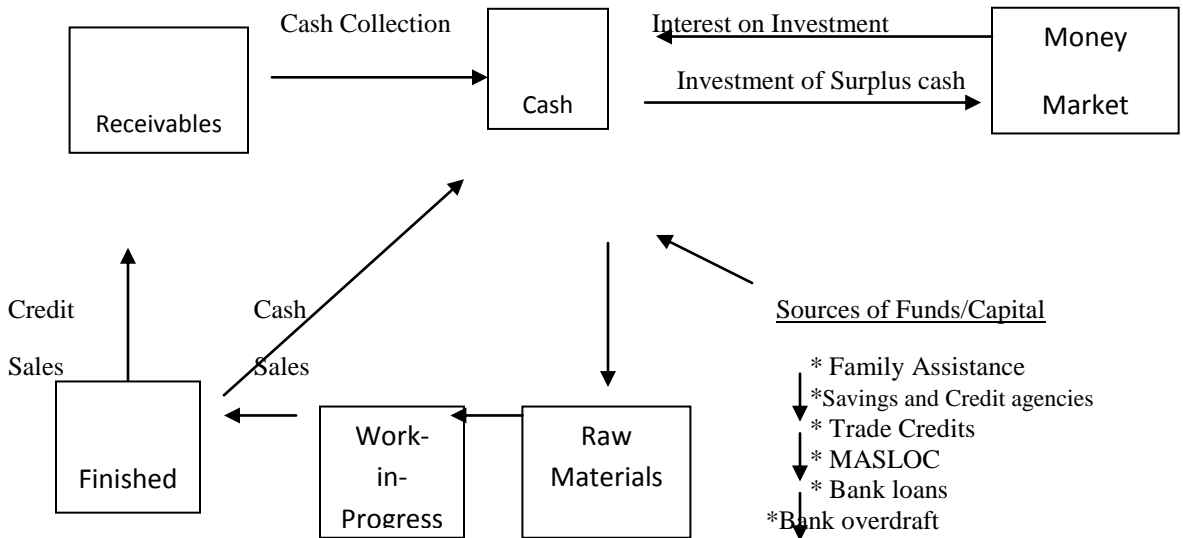
Thirdly, it is important to examine the extent of financial activities in terms of volume of business operations and perhaps income or poverty levels within the CCMA which may influence commerce in one way or another. Finally, the paper discusses the implications of the aforesaid for the desired integration of the SBs and their owners in the metropolis as well as issues affecting their growth.

Figure-1 Cash Cycle



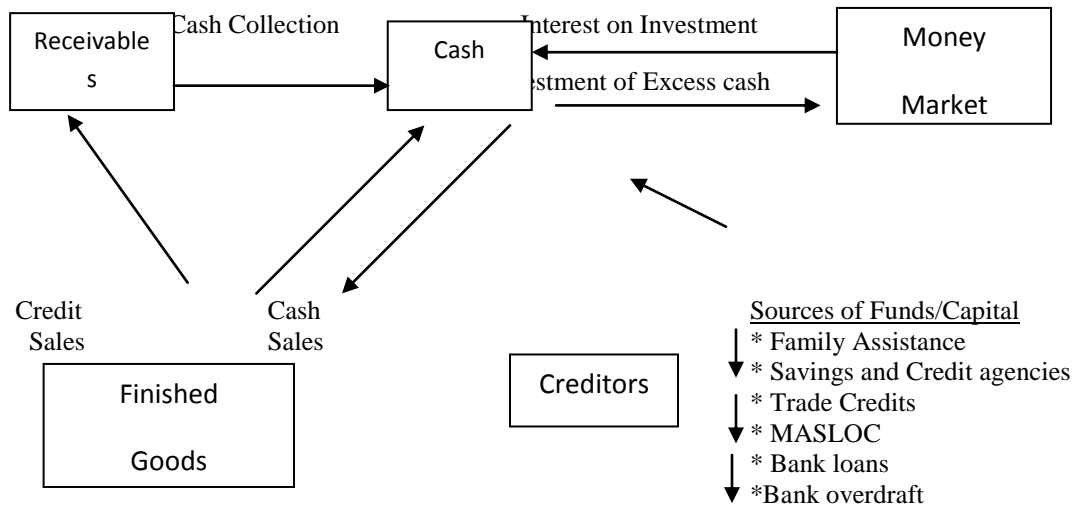
Source: Marfo-Yiadom (2002)

Figure-2 Cash Cycle (where the self-employed buys only on cash basis for production before sales)



Source: Marfo-Yiadom (2002), adopted and modified

Figure-3 Cash Cycle (where the self-employed buys either on credit or with cash for resale)



Source: : Marfo-Yiadom (2002), adopted and modified.

Data Sources and Sampling Technique

There are no reliable data on the number of SBs in the CCMA. In order to obtain a reasonable sample, the metropolitan area was divided into 13 zones and these zones were chosen based on their concentration of businesses. It is equally not yet known as to the percentage of revenue generated annually from the SBOs by the CCMA. Better still, a purposive sampling technique was used in selecting the respondents to achieve a complete coverage in terms of industry classification within the metropolis. Initial questionnaire was tested in the zones and based on the responses; a final questionnaire was produced for the study. SBOs who were available and were willing to participate were used. Further, the selected SBOs were those by virtue of their activities, followed the complete cycle of cash management as depicted by the conceptual models (see figures 1, 2 and 3). Also considered were those with capitalization from GH 2,500 to GH 10,000 or currently making annual revenue between GH 7,500 and GH 60,000. Cape Coast is the capital of Central Region of Ghana and the former capital of Gold Coast. It is the most urbanised and the only metropolis in Central Region. GSS (2002) reported that, the region was the fourth poorest of the ten regions in Ghana. The CCMA is home to one of the country's renowned

universities and a leading polytechnic. There are colleges, each of education and nursing as well as many schools, including seven (7) of the best senior high schools in Ghana. Hospitality and tourism as well as general retailing in SBs in many industries are physically dominant in the private sector. Educational institutions are the biggest formal employer-group, in addition to few decentralised government agencies and departments. The financial sector is presently led by regional outlets of five commercial banks. These are surrounded by several rural banks as well as savings and loans schemes. On average, road networks within the metropolis are good and vehicular movement may be described as smooth. Economic and organized crimes are hardly witnessed.

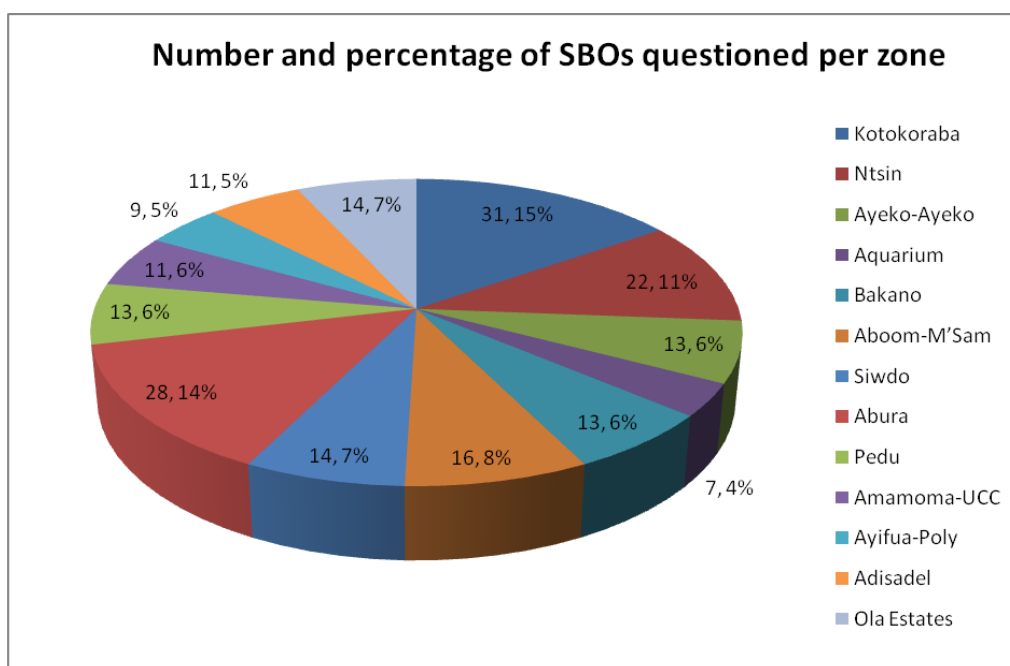
Questionnaire and Field Methods

The study collected primary data through direct communication with respondents via the use of self-administered questionnaires to 202 SBOs of both sexes. A five-day reconnaissance survey of the metropolis was undertaken. All SB concentrated zones in the metropolis were noted with the assistance of five HND graduates. The team observed transactions between SBOs and their clients in terms of cash receipts and payment. In addition, they sought-out information on SBOs regarding their size of

capital, years of establishment, how they were established and their average daily sales. The final questionnaire consisted of 28 questions (both open and close-ended types). It involved structured and combined questions and dealt with SBOs gender participation, educational background, years of business establishment, nature of business, type of industry, qualification of accounts or finance staff where applicable. In addition, there were questions on

various components of cash management such as sources of start-up capital and subsequent cash injection, collateral demands, mode of cash receipts and disbursements, measures for cash crises, existing financial controls, cash planning and forecasting as well as preferred mode of investment of surplus/idle funds. The obtained results were analysed using the Statistical Product for Social Studies (SPSS).

Results and Analysis



Source: Field Work, 2009

Characteristics of Small Businesses, Years of Business Establishment, Education Status of SBOs and Industry Participation

The nature of SBs in Ghana is that they are often simply registered with the Metropolitan Assembly, the Internal Revenue Service and where applicable, the VAT Service. In addition, the well-established ones are also registered

with the Registrar General's Department. The owner or manager who often doubles as the financial manager is charged with the day-to-day management of cash. This function includes the handling of cash receipts in the manner of safe-keeping, depositing at the bank and control over disbursements. Others include investing idle cash and necessary planning to maintain safe cash levels at all times. Oshagbemi (1985) talks about the main criteria used for SBs throughout the world, including sales value, number of employees, financial

strength, relative size, initial capital outlay, comparison with its past standards, independent ownership and type of industry. Similarly, the USA Committee for Economic Development for Small Businesses maintains that a small business will have at least two of the following characteristics: managers are also owners; owners supplied capital; area of operation mainly local and often small in size within the industry.

Table 1 shows that 78 percent of the sampled SBOs had operated over 3 years. It is believed that, the longer a business is established, the better it is positioned to withstand the challenges of financial needs because it would have gained experience over the years. On the other hand, less than a quarter (22 percent) of the SBOs had just been operating within the last 2 years. This however appears worrying as it may imply a general fall in those establishing new SBs. These extreme trends hold, though proportionately, to the gender differences (GDs).

From table 2, even though females account for 62 percent of the SBOs in the CCMA of Ghana, overall school leavers were dominant in SBs (32 percent). While a majority (27 percent) of male SBOs were school-leavers (i.e. having a maximum of 12 years progressive formal education), female SBOs with 38 percent majority had had either basic school education (i.e. a maximum of 9 years progressive formal education) or with additional vocational/technical training. Academicians and accounting professionals were in all gender respects, the least part-takers in SBs. As stated earlier, a major problem in the SBs sector is the establishment and control of effective financial management systems. In order for them to overcome this problem, it equally requires the realization of this fact and a high level of commitment to the attributes of efficient financial management, paramount of which, is qualified staff. By their scale of business

operations, a basic working knowledge of accounting background could be advantageous.

The work of Marfo-Yiadom (2002) mainly considered how the production oriented businesses commenced their cash conversion cycles with credit financing. The conceptual models of this study however, took into consideration two major aspects of the cash conversion cycle and these include how the cycle is started and the nature of business (that is, whether production/processing or general retailing). The study noted that the nature of businesses dealt in were predominantly general retailing (74 percent) of the sampled SBOs (out of this, females had mostly established retail businesses - 75 percent), with the remainder involved in production and processing businesses (from which, male SBOs also had a majority of 75 percent). It is believed that all things being equal, SBs in general retailing would have relatively shorter cash conversion cycles than their counterparts in the production/processing sector.

By their business nature, sizes and associated risks, SBs are highly susceptible to general economic changes than limited liability companies and even partnerships. In view of this fact, a given business concept or choice must be associated with a high level of personal commitment to succeed. With this in mind, SBOs are most likely to painstakingly accept the business trials in order to succeed in the end. On why they chose their businesses, the results show that, 72 percent overall had considered their businesses as the most profitable ones to undertake, irrespective of GDs. Five percent overall in GDs however maintained that their businesses were the only ones they could establish and manage, with about 10 percent in a similar fashion indicating that they were not in their desired businesses because of capital constraints.

SBOs are involved in a variety of business sectors as depicted by table 5. Fact is that, there

are varying reasons for a given choice of business sector. However, once a decision is made, there may be a peculiar financial burden or relief accompanying the choice. Those in the general retailing sector, for instance, are expected to have a relatively shorter cash conversion cycle than their counterparts in the production sector. All these factors are expected to be considered by the SBOs in the selection of industry to operate in. Results above indicate that, overall majority of 36 percent were operating in the Food, Beverage and Tobacco sector (mainly general retailing). This was followed by the Batique, Garment and Textiles (19 percent) in that order, with the Soap manufacturing being the least (one percent) undertaken, regardless of GDs.

SBOs' Sources of Funding, Book-Keeping Practices, Cash Management Practices and its Associated Problems

Funding of the SBs, especially in terms of start-up capital has become a major challenge to date. The way and manner they are established could settle or unsettle their operations and consequently their survival, growth or otherwise. A contemporary financial management system equally requires an appreciable level of capital. It is believed that with the exception of trade credits and bank loans, other sources of capital are often at relatively lower amounts than they may be required. Perhaps the African family traditions account for the results in table 6, as the highest source of start-up capital was from family members (35 percent overall). All regardless of GDs, about 20 percent of the respondents stated that their capital was from spouse joint capital, with the least sources of capital avenues being trade credit and bank loans.

In contrast to results in table 6, respondents indicated (table 7) that, once they were established and had become operational, the banks came second to private funds as the main source of cash injection with trade credit

remaining as a major problem of funding alternative.

The essence of financial management is to dwell on the past, present and future for proper evaluation of financial activities and comparison. To achieve this aim, proper book-keeping remains integral. It is equally acknowledged that relevant academic and accounting backgrounds are expected to enhance the said objectives. The results in tables 8, 9 and 10 respectively indicate that, book-keeping practices were not undertaken by 58 percent overall (out of which, males 41 percent and females 59 percent). Asked about how they had coped with the above situation, 77 percent of the said indicated to have rather kept simple notes on total purchases and sales for every trade cycle (see table 10). This trend is same regardless of the GDs. SBOs who indicated to have undertaken book-keeping practices were 42 percent overall. Quite revealing is the fact that regardless of the GDs, only 9 percent had maintained a complete set of books (see table 9).

In line with the conceptual models adopted, the shorter a firm's cash cycle, the more liquid the respective firm relative to longer cash cycles (Richards and Laughlin, 1980). In addition, it is recognized that in all business sectors (industry participation), efficient financial management practice could further improve the cash cycle. Also acknowledged is the fact that all things being equal, businesses in general retailing are likely to have shorter cash cycles than those involved in production or processing (compare conceptual model figures 1 and 3). Table 11 shows that regardless of GDs, a majority (47 percent) of SBOs indicated that their cash cycle was between two weeks and one month. The study however does not show peculiar situation of the cash cycle for the respective nature of businesses as under table 3 above.

Commenting on the need for records on cash transactions, Kilvington (1976) maintained that,

it is pre-requisite of accounting for solvency that cash records are impeccable and that cash controls are proof against fraudulent manipulation. See also Gentry, 1988. The manner, trend and sometimes volume of transactions handled by SBOs and the importance of prompt and regular collection of cash, point to the fact that cash management should be governed by a control system. The SBOs were asked a combined question to assess their cash control practices (in terms of record-keeping and cash keeping). Theoretically, informal cash control practices are the result of poor cash receipt practice emanating from poor record-keeping and vice-versa. Table 12 depicts a majority of 38 percent overall had made daily deposits of cash receipts at the bank. However, male SBOs had mostly preferred personal safe-keeping (42 percent) to their female counterparts (22 percent). Quite disturbing is the practice where a third (30 percent) overall had preferred personal safe-keeping.

An integral aspect of financial management is planning with forecast and budget. Cash budget (also called cash forecast) is a technique to plan for and control the use of cash. Conventional cash budget identifies anticipated cash inflows, outflows and balances over a specified planning horizon. It is described as the heart of the financial management function (Choyal, 1990). It protects the financial condition of the business by developing projected cash inflows and outflows for a given period. It also specifies the required action at various stages of the cash conversion cycle (see conceptual models). The uses include cash control, pre-requisite for loan or overdraft application, cash levels and requirements, schedule payment to creditors and control debtors. Overall, 59 percent did not prepare any form of cash budget (out of that, male 29 percent and female 71 percent). In contrast, Kamtha *et al* (1995) found in the USA that cash budget was not used by 15 percent of their respondents to forecast their cash position. In the Accra-Tema Metropolitan area of Ghana,

Marfo-Yiadom (2002) rather found that 2.5 percent of his respondents had not used the cash budget technique.

Fact is that, maintaining efficient cash management system with financial planning technique such as forecast or budget does not totally overcome all other problems with a firm's financial management, but reduces the otherwise high risks of financial losses. For instance, an excellent financial plan for a period could be unsettled by other factors such as currency depreciation and general inflationary causes as well as political and changes in the business environment. These adverse factors, if severe, may cause variation between targeted receipts and payments in a planned period, shutter the planned cash reserves and consequently, the firm's investment plans.

Overall, 41 percent had indicated to be using the cash budget as financial planning tool. Asked about the possible causes of variation in their planned cash flows, table 14 indicates 45 percent of their number attributes depreciation of the Cedi to have affected their cash flow predictions. Others include high retail price levels and delayed collections from debtors following in that order. In his findings, Marfo-Yiadom (2002) estimated 27 percent of his respondents had attributed the same orderly reasons for variations in their cash flows.

Cash management practices consider investment of firms' surplus cash seriously. For after all, the aim of cash management is to have improving cash levels but at the same time, establish the right balance between cash on hand, at bank and in investments. To achieve this, cash and marketable securities are managed together because marketable securities are so liquid and the firm can switch from one to the other quickly and cheaply. From table 15, the most popular marketable security was Fixed Deposits, followed by Treasury Bills and Other Savings Schemes; thereafter, Negotiable Certificate of Deposits and Bank Savings

Account. Worrying is the situation where, over a third (34 percent), regardless of their GDs, did not invest in any marketable security. Similarly three percent preferred to put idle cash balances on call (bank savings, current account, etc). Further, they maintain that within the first-half of the year they hardly had short-term surplus funds, a reflection of cash crises and perhaps business slack.

In comparison, Marfo-Yiadom (2002) found Treasury Bills, Negotiable Certificates of Deposit and Fixed Deposit following in that order of patronage. Similarly, Gitman, Moses and White (1979) rather found Commercial Paper, Repurchased Agreement, Treasury Bills and Negotiable Certificate of Deposit as the four ranking money market instrument in the USA. In yet a related study, Mathur and Loys (1983) found that Commercial Paper, Negotiable Certificate of Deposits, Repurchase Agreements and Euro-dollar Time Deposits where the four most popular marketable securities. It should be recognised that the relative size of working capital of the SBOs coupled with general financial squeeze faced by firms in Ghana, especially in the first-half year of 2009 account in part, for the result obtained from the study.

In answer to how they predicted their costs of future operations, 56 percent (see table 16) overall relied upon *current business trend analysis on costs and revenues*. Out of this, females accounted for 72 percent and were less likely to use cash budgeting in cost and revenue predictions (47 percent). 23 percent overall used cash budget technique on their future costs and revenues. An informal practice (well adopted by both sexes), where suppliers were contacted daily on cost levels also emerged (21 percent overall), though this in concept could be classified as part of *the current trend techniques*. In comparison, Kamtha *et al* (1995) found that 40 percent of their respondents had

relied upon such historical trend analysis to forecast cash position.

Payments are financial obligations and may be timely or untimely. However, regardless of how they become liable, they may imply prompt and/or timely settlements in order not to overstretch liberties with creditors. A good prediction of future payment needs may be made with a cash budget, as the timely inflows would be matched to prompt the business manager earlier enough. In his view, Pandey (1991) maintain a twin object of cash management as the acceleration of cash inflows (receipts) and a reasonable delay in cash outflows (payments). Tables 17, 18 and 19 show how SBOs control their cash disbursements, make distinction in expenses between domestic and business and other adopted practical techniques respectively. Overall, 64 percent made payments as and when they arose. Out of this, women accounted for 73 percent. On the other hand, men dominated (63 percent) in paying as and when their businesses had generated cash. The danger here is the fact that, only 8 percent overall had made payments according to a plan of payment. Men were mostly (68 percent) distinguishing payments between domestic and business. Women (83 percent) were just paying without the above classification. Table 19 shows the reasons forwarded for the majority (51 percent) regardless of GDs did not draw the distinction in payments. These reasons however are likely to cause the failure of contemporary businesses.

In contemporary businesses, there are several means available for making payments. Businesses are thus required to know and use the varied means of payment available so as to derive the related benefit(s). For instance, cash payment may be preferred where a business wants to avoid the temptation of using funds earlier allocated to creditors (often caused by cheques issued but not yet presented) and relatively small amounts involved in payments.

Cheques, on the other hand, may be used where a business intends to be double sure by controlling disbursements to limited number of designated persons or parties; avoid the risks of cash loss and theft and to enforce proper record keeping as well as proof of payment details. Both sexes preferred the use cash payment (81 percent overall). Over a third (36 percent) of men preferred payments by cheque. In contrast, Marfo-Yiadom, (2002) found the use of cheque as the most preferred payment mode by his respondents. Bank drafts and letters of credit were never used by women. Table 21 shows how SBOs, with GDs, solve their cash crises. Overall majority of 40 sought loans from friends, relatives and other individuals. Out of this women represented 70 percent. Further, 45 percent of women and 31 percent men respectively preferred the aforesaid practice. Refreshing in times of cash crises however, was the near non-existent option of closing up their businesses (0.5 percent overall). Overall, 51 percent were unable to get cash in times of crises, out of which, 85 percent were women.

A majority of 45 percent men preferred commercial banks, while many women (38 percent) preferred Susu and Saving Schemes for cash injections. Overall, bank loans were the most sought medium in times of cash crises.

Overall, 85 percent were asked to use their building(s) as collateral for bank loans. In contrast, Marfo-Yiadom (2002) found that Plant and Machinery were the popular form of collateral demanded on his respondents.

An overall majority of 51 percent did not get cash in times of crises. Table 25 further indicates a rather poor bank-SBO relationship of mutual benefit.

Business Turnover and Trends within the last two (2) years

SBOs selected were those by virtue of their annual turnover earned between 7,500 and

60,000 Ghana Cedis. Regardless of their GDs, majority of them were able to make daily sales between 20 and 107 Ghana Cedis (i.e. US \$30 and \$160.5 as at June 30th 2009). Further, there was no significant difference between the earnings of men and women (table 26). Fact is that, averagely, women earned more than men (table 27). A convincing majority of both men and women SBOs indicated that their sales had mainly remained the same or decreased in the last two years (table 28).

Conclusions and Recommendations

The above results paint a worrying picture of how wrongfully cash management is considered and practiced by most SBOs. Although some respondents had satisfactorily addressed aspects of cash management these businesses represented a net total of 25 percent of all SBOs studied. Of much concern is the fact that about 75 percent of the SBOs both do not understand the attributes or the essence of cash management and as a result, did not practice any formal system of the concept. Hard realities are the SBOs' poor systems of book-keeping in terms of cash controls (i.e. from cash receipts, payments to investments).

Further, it is concluded that, the above situation answers in fact that, majority of the SBOs (51 percent) were unable to get instant cash injections, of which 85 percent were women. Also, by their nature of establishment, the study noted to have partly affected the much needed start-up capital from formal finance. The informal cash management practices, it observed, were much susceptible to cash fraud and defeat the growth objects of contemporary businesses. In addition, such practices could result in wrongful cost-benefit analysis, profit estimation, incorrect taxation as well as misplaced priority on product lines. All told, banks are likely to misjudge SBOs' financial strengths with regard to loans and overdraft applications. Outside SBOs' control were the cash crises caused by depreciation of the Cedi

and inflation (79 percent overall) which in part affected their short-term savings by 34 percent.

Overall, few businesses had been established in the recent two years (22 percent). Out of this total, only 4 percent was established in the recent year which signifies a decline year-in and out (table 1). Somehow, the above fits in with the situation where majority of both men and women had stated to have had the same or decreased sales in the same period.

It is recommended that a system of cash receipts and payments be adopted by all SBOs, classifying these respectively under internal and external. The internal cash receipts should relate to petty cash system. This will properly control the internal cash levels and requirements. The excess of the petty cash need should be externally deposited at the bank at all times. To this end, such payments levels may be made in cash and beyond which threshold, the classification of external payment policy be used, where payments are then made with cheques. Further, owing to the nature of their businesses, a daily cash report system may be used, showing previous day's cash balance, current cash receipts, disbursements, balance on the day and how the balance is kept. This is expected to show SBOs' banking behaviours and to provide the banks, the opportunity to properly assess them when the need for loans and overdrafts arises. In times of cash crises, the SBOs can adopt any or all of the following techniques to ameliorate the situation:

- Postpone capital expenditure – sometime even vital ones;
- Speed up cash inflows through price reduction especially during lean seasons;
- Reverse previous investment (in fixed assets) which have no present or immediate benefits and future benefits are not reasonably certain; and

- Be honest to creditors about the crises in order to reschedule debts.

The CCMA on its part is expected to create a congenial business climate in terms of security, taxation and infrastructure as well as promote seminars through the Business Advisory Centres, CEDECOM, and other small business development and promotion partners. Equally important is the need to re-examine SBOs' capabilities to attain efficient formal cash management practices. Again, the CCMA and the Business Schools within the tertiary institutions in the metropolitan area should jointly assert themselves by creating a Small Business Clinic aimed at equipping the SBOs on the attributes and importance of cash management techniques and practices. Regarding the illiterate ones, such programmes could be in the form of non-formal education aimed at equipping them with basic working knowledge in accounting or business management. Finally, future research direction and policies should focus on GDs in terms of training and funding, popular source of funding, industry peculiarities as well as specific orientation (or re-orientation where applicable) for SBOs in terms of business development, establishment and management know-how.

Table 1: Number of years' of business establishment (Actual frequencies in brackets in all tables)

Years	Sex				Row total	
	Male		Female			
Up to 1 year	3.9	(3)	4.0	(5)	4.0	(8)
1 – 2 years	23.4	(18)	15.2	(19)	18.3	(37)
3 – 5 years	28.6	(22)	29.6	(37)	29.2	(59)
Above 5 years	44.1	(34)	51.2	(64)	48.5	(98)
Sample Size	38.1	(77)	61.9	(125)	100.0	(202)

Source: Author's Field Work, 2009.

Table2: Sex and formal education status of SBOs in percentages (Actual frequencies in brackets in all tables)

Level of Education	Sex				Row total	
	Male		Female			
None	10.4	(8)	12.8	(16)	11.9	(24)
JHS/Non-tertiary technician	23.4	(18)	30.4	(38)	27.7	(56)
SHS/O'Level/RSA/DBS	35.0	(27)	29.6	(37)	31.7	(64)
CA/ACCA/CIMA (Part or Final)	7.8	(6)	3.2	(4)	5.0	(10)
HND and Degree	16.9	(13)	21.6	(27)	19.8	(40)
Master and PhD	6.5	(5)	2.4	(3)	4.0	(8)
Sample Size	38.1	(77)	61.9	(125)	100.0	(202)

Source: Author's Field Work, 2009.

Table 3: Nature of business undertaken

Nature of Business	Sex				Row total	
	Male		Female			
Production/processing	50.6	(39)	10.4	(13)	25.7	(52)
General retailing	49.4	(38)	89.6	(112)	74.3	(150)
Sample Size	38.1	(77)	61.9	(125)	100.0	(202)

Source: Author's Field Work, 2009.

Table 4: Reasons for business choices

Reasons for Choice	Sex				Row total	
	Male		Female			
Only business to do	3.9	(3)	5.6	(7)	5.0	(10)
Most profitable business	61.0	(47)	79.2	(99)	72.2	(146)
Initial capital constraint	19.5	(15)	4.0	(5)	9.9	(20)
Family inheritance	15.6	(12)	11.2	(14)	12.9	(26)
Sample Size	38.1	(77)	61.9	(125)	100.0	(202)

Source: Author's Field Work, 2009.

Table 5: Industry participation by SBOs

Type of Industry	Sex				Row total	
	Male		Female			
Batique, Garment and Textiles	9.1	(7)	25.6	(32)	19.3	(39)
Building, Welding, Metal and construction	14.2	(11)		(3)		(14)
Timber processing			2.4		6.9	
Printing and paper products	11.7	(9)	0.0	(0)	4.5	(9)
Food, Beverage and Tobacco	9.1	(7)	8.0	(10)	8.4	(17)
Herbal Medicine, Drug and Pharmacy	18.2	(14)	46.4	(58)	35.6	(72)
	11.7	(9)	4.8	(6)	7.4	(15)

Leather, Rubber and Plastics	10.4 (8)	6.4 (8)	7.9 (16)
Soap manufacturing	0.0 (0)	1.6 (2)	1.0 (2)
Automotive Products and Services	15.6 (12)	4.8 (6)	8.9 (18)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 6: Sources of start-up capital

Source of Start-up Capital	Frequency	Percent
Family Assistance	70	34.7
Spouse Joint Capital	41	20.3
Savings and loans schemes	35	17.3
Trade Credit	9	4.5
Banks loans and Overdrafts	15	7.4
Personal Fund	32	15.8
Sample Size	202	100.0

Source: Author's Field Work, 2009.

Table 7 : Sources of subsequent cash injections after establishment

Source of cash injection	Frequency	Percent
Bank	47	23.3
Family Assistance	40	19.3
Savings and Loans	39	19.3
Trade Credit	17	8.4
Personal Fund	59	29.2
Sample Size	202	100.0

Source: Author's Field Work, 2009.

Table 8: Book-keeping for account

Book Keeping	Sex		Row total	
	Male	Female		
Yes	37.7 (29)	44.8 (56)	42.1 (85)	
No	62.3 (48)	55.2 (69)	57.9 (117)	
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)	

Source: Author's Field Work, 2009.

Table 9 : The specific types of books kept by those practicing book-keeping

Type of book-keeping	Sex		Row total	
	Male	Female		
Cash book only	44.8 (13)	41.1 (32)	42.3 (36)	
Cash book, day books, journal, ledger, asset register	20.7 (6)	3.6 (3)	9.4 (8)	
Ledger accounts only	17.2 (5)	1.7 (0)	7.1 (6)	
Personal jotter/ notes	17.2 (5)	53.6 (10)	41.2 (35)	
Sample Size	34.1 (29)	65.9 (56)	100.0 (85)	

Source: Author's Field Work, 2009.

Table 10 : Coping strategies by those without proper book-keeping practices

Coping Strategies	Sex		Row total
	Male	Female	
Notes on total purchases and sales for a period	72.9 (35)	79.7 (55)	76.9 (90)
Adjust with business news on prices, scarcity etc.	8.3 (4)	10.1 (7)	9.4 (11)
Periodic supplies	10.4 (5)	8.7 (6)	9.4 (11)
Mainly target cost of fresh supplies	6.3 (3)	1.5 (1)	3.4 (4)
Others	2.1 (1)	0.0 (0)	0.9 (1)
Sample Size	41.0 (48)	59.0 (69)	100.0 (117)

Source: Author's Field Work, 2009.

Table 11: Period between credit sales and receipt of cash (Cash Cycle)

Cash cycle/period	Frequency	Percent
1-2 weeks	79	39.1
2 weeks to 1 month	94	46.5
1-3 months	21	10.4
3-6 months	8	4.0
Sample Size	202	100.0

Source: Author's Field Work, 2009.

Table 12: Control of cash generated from operations

Cash keeping strategies	Sex		Row total
	Male	Female	
Personal safe-keeping	41.6 (32)	22.4 (28)	29.7 (60)
Susu and Other Savings	9.1 (7)	28.0 (35)	20.8 (42)
Bank instantly	31.2 (24)	41.6 (52)	37.6 (76)
Bank after a trade cycle	9.1 (7)	2.4 (3)	5.0 (10)
Instant plough back	7.7 (6)	3.2 (4)	5.0 (10)
Daily payment to suppliers	1.3 (1)	2.4 (3)	2.0 (4)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 13: Preparation of any form of cash forecast or budget

Cash forecast preparation	Sex		Row total
	Male	Female	
Yes	54.5 (42)	32.0 (40)	40.6 (82)
No	45.5 (35)	68.0 (85)	59.4 (120)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 14 : Causes of variation in planned cash flows

Causes	Frequency	Percent
Depreciation of the cedi	37	45.1
Changes in interest rates	7	8.5
Inflation	26	31.7
Political (new laws)	2	2.4
Changes in market/competition	3	3.7
Delayed payment by debtors	5	6.1
Cheque clearing	2	2.4
Sample Size	82	100.0

Source: Author's Field Work, 2009.

Table 15 : Types of Marketable security or investment avenue

Investment avenue, etc	Frequency	Percent
Negotiable certificate of deposit	11	5.4
Fixed deposit	83	41.1
Treasury bills	17	8.4
Banks' savings	6	3.0
Other saving schemes	17	8.4
Non response	68	33.7
Sample Size	202	100.0

Source: Author's Field Work, 2009.

Table 16: Predicting costs of future operations

Mode of future cost predictions	Sex		Row total
	Male	Female	
From business trend, news and competitors	41.6 (32)	65.6 (82)	56.4 (114)
From cash forecast and budgets prepared	32.5 (25)	16.8 (21)	22.8 (46)
I only sell by daily contact with my suppliers on prices	25.9 (20)	17.6 (22)	20.8 (42)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 17: Mode of payment for operating cost and expenses

Mode of payment	Sex		Row total
	Male	Female	
Pay as and when they arise	45.4 (35)	75.2 (94)	63.9 (129)
Pay only when there is cash	33.8 (26)	12.0 (15)	20.3 (41)
Pay only according to a plan of payment	13.0 (10)	5.6 (7)	8.4 (17)
Pay only after a trade cycle is completed	7.8 (6)	7.2 (9)	7.4 (15)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 18: Distinguishing payment as domestic/ personal versus business

Responses	Sex		Row total
	Male	Female	
Yes	88.3 (68)	25.6 (40)	49.5 (100)
No	11.7 (35)	74.4 (85)	50.5 (102)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 19 : Techniques adopted for dealing with payments without classification

Technique adopted	Sex		Row total
	Male	Female	
Personal and business expenses are paid out of cash at H/B	44.4 (4)	23.6 (22)	25.5 (26)
After obtaining cost/value of fresh supplies I pay any debt	11.2 (1)	15.1 (14)	14.7 (15)
I pay all my expenses from my profit	44.4 (4)	61.3 (57)	59.8 (61)
Sample Size	8.8 (9)	91.2 (93)	100.0 (102)

Source: Author's Field Work, 2009.

Table 20: Medium of payment for expenses

Technique adopted	Sex		Row total
	Male	Female	
Cash	53.2 (41)	97.6 (122)	80.7 (163)
Cheque	36.4 (28)	2.4 (3)	15.3 (31)
Letters of credit	1.3 (1)	0.0 (0)	0.5 (1)
Bank draft	9.1 (7)	0.0 (0)	3.5 (7)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 21: Solution to instant (impromptu) cash crises in businesses

Solution	Sex		Row total
	Male	Female	
Seek private loans	31.2 (24)	44.8 (56)	39.6 (80)
Negotiate for credit terms	19.5 (15)	24.8 (31)	22.8 (46)
Personal savings(additional capital)	37.6 (29)	24.0 (30)	29.2 (59)
Reduce prices of products to realize cash	10.4 (8)	5.6 (7)	7.4 (15)
Sell idle property	1.3 (1)	0.0 (0)	0.5 (1)
Simply fold-up	0.0 (0)	0.8 (1)	0.5 (1)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 22 : Instant cash injection when the need arises

Responses	Sex		Row total
	Male	Female	
Yes	80.5 (62)	29.6 (37)	49.0 (99)
No	19.5 (15)	70.4 (88)	51.0 (103)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 23: Avenues for getting instant cash

Avenues forwarded	Sex		Row total
	Male	Female	
Bank loans are readily available	45.2 (28)	27.0 (10)	38.4 (38)
Savings, susu, credit schemes	35.5 (22)	37.8 (14)	36.4 (36)
Family assistance	19.3 (12)	35.2 (13)	25.2 (25)
Sample Size	62.6 (62)	37.4 (37)	100.0 (99)

Source: Author's Field Work, 2009.

Table 24: Types of collateral demanded by banks

Investment avenue, etc	Frequency	Percent
Building	172	85.1
Plant and Machinery	2	1.0
Personal guarantees	23	11.4
Floating assets	5	2.5
Sample Size	202	100.0

Source: Author's Field Work, 2009.

Table 25 : Reasons forwarded for not getting cash injections.

Reasons forwarded	Sex		Row total
	Male	Female	
Banks despise our businesses	26.7 (4)	35.2 (31)	34.0 (35)
Banking procedures are cumbersome	60.0 (9)	59.1 (52)	59.2 (61)
Only when family, friends sources fail	13.3 (2)	5.7 (5)	6.8 (7)
Sample Size	14.6 (15)	85.4 (88)	100.0 (103)

Source: Author's Field Work, 2009.

Table 26 : Daily turnover of SBOs by gender participation

Ghana Cedi (currency)	Sex		Row total
	Male	Female	
20 – 49	29.9 (23)	12.8 (16)	19.3 (39)
50 – 78	33.7 (26)	47.2 (59)	42.1 (85)
79 – 107	26.0 (20)	26.4 (33)	26.2 (53)
108 – 136	7.8 (6)	9.6 (12)	8.9 (18)
137 – 165	2.6 (2)	4.0 (5)	3.5 (7)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 27: Daily turnover of SBOs by gender (statistics) in Cedis

Sex	Mean	Std Dev	CV	Responses
Male	69.5	30.1	43.3%	77
Female	76.9	28.2	36.7%	125

Source: Author's Field Work, 2009.

Table 28: Level Turnover in the last 2 years by sex of SBOs

Sales trend	Sex		Row total
	Male	Female	
Increasing	19.5 (15)	20.8 (26)	20.3 (41)
Same	40.3 (31)	44.0 (55)	42.6 (86)
Decreasing	33.7 (26)	27.2 (34)	29.7 (60)
Can't tell	5.2 (4)	6.4 (8)	5.9 (12)
N/R	1.3 (1)	1.6 (2)	1.5 (3)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 29: Total Daily expenditure by gender of SBOs in Cedis

Ghana Cedi (currency)	Sex		Row total
	Male	Female	
20 – 49	23.4 (18)	60.8 (76)	46.5 (94)
50 – 78	58.4 (45)	29.6 (37)	40.6 (82)
79 – 107	14.3 (11)	6.4 (8)	9.4 (19)
108 – 136	2.6 (2)	3.2 (4)	3.0 (6)
137 – 165	1.3 (1)	0.0 (0)	0.5 (1)
Sample Size	38.1 (77)	61.9 (125)	100.0 (202)

Source: Author's Field Work, 2009.

Table 30: Mean on Daily expenditure by SBOs' gender

Sex	Mean	Responses
Male	63.9	77
Female	49.8	125

Source: Author's Field Work, 2009.

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