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Research Paper

Cash Management and Organizational Profitability in Gumutindo Coffee Cooperative Enterprise Limited (GCCE), Mbale District Uganda

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ABSTRACT: *This study sought to explore the how cash management effects organizational profitability in Gumutindo Coffee Cooperative Enterprise Limited (GCCE), Mbale District Uganda. Using a case study design, the study tested the hypothesis: Cash Management has a significant positive effect on organizational profitability. The study adopted both probability and non-probability sampling techniques and data was collect from a sample of 181 employees of the company. The study revealed that cash management positively affected organizational profitability with a Pearson correlation coefficient of 0.411. The adjusted R^2 was 0.164 implying that 16.4% of changes in GCCE profitability are accounted for by cash management. It was recommended that the whole management team and the finance manager in particular need to enforce adherence to the cash policy put into place to guide and control cash management.*
Keywords: *Cash Management, Mbale, Organizational Profitability, Profitability, Uganda*

I. INTRODUCTION

Cash management is an indispensable tool which aims at establishing the financial position of the company. In fact Patel (2010) stated that cash management is necessary for every business since it contributes to increasing profitability, future planning and longevity. Cash management is a financial discipline that adopts the same principles, regardless of the type of business, size or age of an enterprise (Njeru, et al 2015). Since resources are scarce, organizations want to maximize the use of available capital in order to guarantee efficient returns from several alternative investment opportunities. To prevent a situation of cash shortage when cash is mostly needed or cash surplus when there is less or no need for cash, many companies have now adopted the idea of effective cash management (Pandey, 2007). 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. Effective cash management ensures the timely provision of cash resources necessary to support the company's operations (Puxty & Dodds, 1999; Pandey, 2007).

Since cash management is an imperative in every company due to the fact that cash is said to be the life blood of any business. The basic nature of cash management is to ensure positive cash flow for smooth business operation (Ross, et al 2008). Festus (2011) observed that in Uganda, the poor cash management practices constrains business operations and some customers who are not satisfied with the services ran away signifying poor performance and hence retardation in the business growth. This study therefore sought to explore the how cash management effects organizational profitability in Gumutindo Coffee Cooperative Enterprise Limited (GCCE), Mbale District Uganda.

II. LITERATURE REVIEW

2.1 Cash Management

According to Njeru et al (2015) cash management is intended for the purpose of determining and achieving the appropriate level and structure of cash, and marketable securities, consistent with the nature of business operations and objectives. They underscored the importance of cash budgets and cash flow forecasting

in cash management. Tennent (2012) put it that it is not the amount of cash held that makes a firm successful; but rather the financial return on the business activities to which cash is invested. Holding cash will not help achieve objectives. Cash management focuses on building sustainable cash flow by forecasting likely cash receipts and payments, treasury management to establish funding lines with investors and banks, and efficiently managing day-to-day operations to minimize the amount of cash required to achieve sustained business growth. It also involves selecting appropriate investment opportunities that will result in an overall positive cash flow for the business, monitoring the portfolio of products and services to ensure they are cash generative and not cash consuming, and having a plan for managing surplus cash. Pandey (2007) described cash as an important current asset for the operations of any business needed for the continuous running of the business; it is the ultimate output expected to be realized by selling the services or products. Cash management on the other hand involves managing cash inflows, cash outflow and cash balances held by the firm. Cash management involves cash planning, managing the cash flows, setting the optimum cash level from time to time and investing surplus cash.

Cash management is necessary because there are mismatches between the timing of payments and the availability of cash. Effective cash management contributes to the smooth implementation of the operational and investment targets. The management of cash has four major objectives: to ensure that adequate cash is available to pay for expenditures when they fall due, to borrow only when necessary and minimize borrowing costs, to maximize returns on would be idle cash and to manage risks associated with cash (Lienert, 2009). Pandey, (2007) underscored the importance of a cash budgets, a statement showing the estimated cash inflows and outflows over the planning horizon. Companies can prepare a cash budget on a quarterly, monthly, weekly or even daily basis. The ultimate purpose is to identify the net cash position of the company at a future time, either cash surplus or deficit. A cash budget will serve its purpose only if the firm can accelerate its collection and postpone its payment within allowed limits.

There are three major motives for holding cash in a business: for the transaction motive, carrying out daily transactions like payment for material, labour, utilities, and sales all intended to make a profit. Precautionary motive where cash is needed to cushion the firm against any unforeseen problems like natural disasters, and emergency work force problems, therefore the availability of cash resource mitigates their effects and keeps the organization’s profits in balance. Speculate motive where cash is kept to take advantage of any profitable ventures that may unexpectedly surface (Puxty & Dodds, 1999; Pandey, 2007)

2.2 Organizational Profitability

There are various measurements of profitability. The indicators used in this study that quantifies the profitability of an organization are, return on equity (ROE), return on invested capital (ROIC) and operating profit margin (OPM) (Armstrong 2001, Pandey 2007, and Popa & Ciobanu, 2014). Return on invested capital (ROIC) measures the efficiency of resource allocation and also the quality of management of an organization. ROIC is defined as measuring the efficiency in generating profits from an organization’s assets before the effects of financing. It is an indicator to quantify the effectiveness of the Enterprises' assets. The entrepreneurs and managers measure the total performance of an organization by dividing total income by total assets.

2.3 Cash Management and Organizational Profitability

According to Charitou et al (2010), efficient utilization of the firm’s resources, through working capital management, entails managers finding effective and efficient ways to deal with the cash available for the day-to-day operations. This would enable achievement of optimum investment which translates to increased cash inflows and lesser need for external financing. They linked cash management to the Cash Conversion Cycle (CCC) which they defined as the time lag between the purchasing of raw materials or rendering of services and the collection of cash from the sale of goods or services rendered. The longer the CCC, the greater the investment in working capital and the greater will be the financing needs of the firm. Interest expense will also be higher leading to higher default risk and lower profitability. According to Jose, et al (1996) and Eljelly, (2004), an organization would be more profitable if it attains a shorter CCC. They mentioned that CCC is also measure of liquidity management reflecting the extent to which the firm’s currently maturing liabilities are covered by currently maturing assets. CCC measures the time between cash outlay for resources and cash receipts from product sales. As written by Raheman and Nasr, (2007) CCC is measured by adding average receivables collection period plus inventory turnover in days minus average payment period. Their study of Pakistani firms revealed that CCC had a negative correlation with average payment period and profitability. Lienert (2009) mentioned that for an organization to effectively and efficiently carry out cash management to boost profitability it needs the following: Centralization of organizational cash management, having a clear understanding of the coverage of the cash planning framework, and developing capacity to accurately forecast short-term cash flows. Similarly, an adequate transaction processing and accounting framework, timely information sharing between the organizational central treasury, revenue collecting departments and the

spending departments, are required. In addition, assignment of responsibility, utilization of modern banking and settlement systems, the utilization of short-term financial market instruments, and integration of debt and cash management are important.

Cash flows sometimes vary; in one period cash outflows may exceed cash inflows resulting from huge cash expenditures such as payment for taxes, dividends, and seasonal inventory building-ups. Once cash outflows exceed cash inflows, a danger of illiquidity will most likely arise and if a company does not have near cash assets to convert and meet such payments, profitability will be threatened. In another period cash inflows might exceed cash outflows there by creating excessive liquidity and idle cash. If this excess cash is not wisely invested, a company will lose profits on this idle cash. Thus cash management mitigates lack of harmonization of cash receipts and cash payments and thus enhances profitability (Uwuigbe, et al, 2012). Establishing and maintaining a credit line and good working relationship with lenders and bankers is one way to manage cash flow, avoid shortfalls, and exploit business opportunities as they appear to enable boosting profitability. Many companies set up a line of credit to cover those times when sales fall short or expenses run high. Companies can also easily access short term loans to provide the extra liquidity and cash they need during periods of huge cash outflow when they maintain good relations with bankers (Eljelly, 2004). Akinyomi (2014) noted that success of any business venture is predicated on how management plans and controls its cash flows. One of the major aims of cash management is to accelerate cash inflows and delay cash out flows however, both positions have associated dangers. Once cash inflows are accelerated, the costs of cash management and collection will most likely reduce while profitability will be enhanced, however the reduction of the credit period might negatively affect sales which most likely reduce sales revenue and profits. Akinyomi (2014) further noted that delaying cash outflows may result in ethical and reputational issues and costs. Over delaying to pay staff salaries and wages may result into resentment of work, low morale, low productivity, high labour turnover, strikes, frauds and theft which increase operating costs that reduce profitability. Abioro (2013) studied Nigerian firms and the results suggested a significant correlation between cash management and performance of manufacturing companies. He also discovered that over emphasis on liquidity makes cash available; however, availability of cash without proper management does not translate into favourable performance of manufacturing companies. He advocated for an effective cash management for better profitability. According to Deloof, (2003) keeping track of expenses is good for effective cash management and profitability improvement. Getting a handle on the expenses associated with running a business is one of the best ways to manage and maximize cash utilization. Building a detailed monthly expenditure report, breaking each expense into its appropriate category, such as, rent, utilities, office supplies, salaries, among other expenses, followed by a thorough analysis of each category and looking for ways to cut on some expenditure are vital for cash management and profitability of the company. 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.

From previous researches it was concluded that efficient cash management through expenses monitoring, improved cash inflows and investment, and maintenance of a low CCC were fundamental in improving organizational profitability. Cash management has a positive effect on organizational profitability. On this basis the hypothesis is stated:

H_1: Cash Management has a significant positive effect on organizational profitability.

III. METHODOLOGY

The study used a descriptive research design and adopted a case study strategy. With a descriptive research design, respondents explained and described key issues about the important variables of the study. The study adopted both probability and non-probability sampling techniques. Stratified Random Sampling was used on unit heads, clerks, and office assistants, while all the top management and section heads were included (census). Likert type scale questionnaires were used to collect data from the respondents in terms of the two variables. The study population comprised employees of Gumutindo Coffee Cooperative Enterprise (GCCE) who were drawn from various departments categorized into top management, section heads, unit heads, and clerks & office assistants: As per GCCE staff list of December 2015, the company had 345staff. Out of a population of 345 staff, a sample size of 181 was derived using the Krejcie and Morgan (1970). Using Cronbach's Alpha test of reliability (Cronbach, 1951), scores for the questionnaire were above the adopted 0.7 alpha as the adequate reliability as recommended by Cronbach, (1951). The researcher used content validity index (CVI) attributed to Martuza (1977) cited by Polit & Bech, (2014) to calculate content validity. The content validity index was 0.808, which exceeds 0.7 as suggested by Yin (2013). The data was presented using frequency distribution tables summarizing the frequency and percentage of occurrences of values under study. Tables used gave a clear and a more understandable presentation of the obtained data. The mean was used in further statistical analysis using Statistical Package for the Social Sciences (SPSS) computer package for determination of correlation and regression.

IV. RESULTS AND DISCUSSIONS

4.1 Demographics

Forty one respondents were in the age category of 18 to 25 years representing 24.4%; 51 respondents were between 26 to 35 years representing 30.4%; 38 respondents were between 36 to 45 years representing 22.6%; while 38 respondents were above 46 years representing 22.6%. Male respondents constituted 57.1% of the sample and 42.9% were female. Certificate holders were 32 representing 19% while Diploma holders were 50 representing 29.8%. Degree holders were 64 representing 38.1% of total respondents. 4.8% of responses had not completed a year at GCCE. 41.1% was in the range of 1 to 5 years at GCCE. 39.3% had served between 5 to 10 year and 14.9% had served for more than 10 years.

4.2 Cash Management

Table 4.1: Responses about Cash Management at GCCE

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
	The company carries out cash flow budgeting	30 (17.9%)	89 (53%)	27 (16.1%)	22 (13.1%)	-	3.76	.899
	I am conversant about guidelines on cash management	20 (11.9%)	82 (48.8%)	33 (19.6%)	30 (17.9%)	3 (1.8%)	3.51	.979
	Cash management at Gumutindo is satisfactory	8 (4.8%)	57 (33.9%)	34 (20.2%)	55 (32.7%)	14 (8.3%)	2.94	1.093
	Cash management has helped Gumutindo to have sufficient cash available to run activities with ease.	4 (2.4%)	79 (47%)	23 (13.7%)	59 (35.1%)	3 (1.8%)	3.13	.988
	Cash management has reduced costs e.g. interest costs, and cash collection and payment costs	2 (1.2%)	95 (56.5%)	21 (12.5%)	46 (27.4%)	4 (2.4%)	3.27	.957
	When cash is in surplus, it is invested in other venture to obtain more profits	-	14 (8.3%)	21 (12.5%)	122 (72.6%)	11 (6.5%)	2.23	.690
	Cash management positively affects profitability of the company	21 (12.5%)	114 (67.9%)	23 (13.7%)	8 (4.8%)	2 (1.2%)	3.86	.736

From table 4.1, on finding out whether GCCE carried out cash flow budgeting, results showed that 70.8% agreed,13.1% disagreed, and 16.1% were undecided. The mean score was 3.76 and the standard deviation was 0.899. This implied that indeed GCCE carried out cash flow budgeting entailing forecasting the cash sources and cash uses pertaining a given period of time both within and outside the organization with participation of all departments. This means that cash flow budgeting helps an organization to plan for cash requirements, match cash sources to cash uses and cash timing. These are needed for appropriate sourcing and investments of cash to boost profitability. This is in agreement with Njeru et al (2015) who argued that cash budgeting and cash flow forecasting are important in working capital management and cash management in particular that would boost profitability.

Results shown by table 4.1 on whether respondents were conversant about guidelines on cash management, findings were; 60.8% agreed, 19.6% disagreed, while 19.6% were neutral. The mean score was 3.51 and the standard deviation was 0.979. This implies that majority of the respondents were knowledgeable about the cash management guidelines. The means GCCE uses guidelines to spell out the procedure for cash flow budgeting, requisition for cash, cash handling, accountability procedures, possible alternative investment of surplus cash, and who holds particular cash responsibilities. These guidelines are needed for effective cash management that would promote profitability.

On finding out whether cash management at GCCE was satisfactory, results in table 4.1 show that 38.7% agreed, 41% disagreed, and 20.3% were neutral. The mean score was 2.94 and the standard deviation was 1.093. These results meant that cash management was not as effective as respondents expected it to be; implying that there were loopholes that were being used to mismanage cash. This implies that stronger controls were

needed to enforce the implementation of the guidelines or guidelines needed revision to achieve effective cash management that would boost profitability. One interview respondent had this to say: "GCCE does not keep proper tracking of expenses, has gaps in enforcing accountability, and oftentimes runs out of cash and delays internal payments like salaries." In line with the findings, Deloof, (2003) argued that keeping track of expenses was good for cash management that would boost profitability. Similarly, Akinyomi, (2014) warned that delaying cash flows like salaries might result in ethical and reputational issues and costs, for example, resentment, low morale, fraud, and high labour turnover, which might deter profitability initiatives.

As to whether cash management had helped GCCE have sufficient cash available to run activities with ease; findings in table 4.1 showed that 49.4% agreed, 36.9% disagreed, and 13.7% were neutral. The mean score was 3.13 and the standard deviation was 0.988. This meant that cash management helped GCCE to have sufficient cash to run operations although the respondents who agreed were less than half implying that on some occasions GCCE did not have sufficient cash needed. This implies that GCCE needs to maintain good relations with financial institutions to help in accessing short term cash needed to finance operations and working capital requirements to achieve profitability. This is in line with Eljelly, (2004) who argued that establishing and maintaining a credit line and good working relationship with lenders and bankers is one way to manage cash flows and avoid shortfalls. In line with the findings, Abioro, (2013) argued that over emphasizing cash availability would make cash available but cash without proper management would not translate into favorable performance.

On finding out whether cash management had reduced costs like interest cost, findings in table 4.1 show that, 57.7% agreed, 29.8% disagreed, while 12.5 were neutral. The mean score was 3.27 and the standard deviation was 0.957. This implies that cash management had helped reduce cash related costs especially cash collection, cash maintenance and cash payment costs. This means that GCCE was able to minimize costs like bank charges, interest payment on short term borrowing, the cost of misappropriation of cash, and cost of not having sufficient cash. This cost reduction is fundamental to achieving better profitability. However, by having only 57.7% agreeing means that improvement is needed in cash related cost management for better profitability.

As to whether, when cash is in surplus, it is invested in alternative ventures to obtain more profits, results in table 4.1 show that 8.3% agreed, 79.2% disagreed, while 12.5% were neutral. The mean score was 2.23 and the standard deviation was 0.690. This implies that GCCE did not invest surplus cash in alternative ventures. This means that GCCE rarely had surplus cash and in a bid to boost profitability, GCCE had specialized in coffee and invested all its available resources in coffee. One respondent had this to say: "GCCE only deals in coffee and all available funds are invested in coffee."Documentary review revealed that GCCE lacked sufficient funds to procure all its members' coffee which caused them to side sell (Management report, 2014).

On finding out whether cash management positively affected profitability, table 4.1 shows that 80.3% agreed, 6% disagreed while 13.7% were neutral. The mean score was 3.86 and the standard deviation was 0.736. This means that cash management at GCCE positively affects organizational profitability. This implies that by effectively managing cash related costs, effectively investing the available resources, ensuring sufficient cash to run operations, monitoring expenses, and ensuring proper accountability, GCCE is able to improve its profitability. This is in line with Uwuigbe, et al (2012) who argued that cash management through harmonization of cash receipts and cash payments was key to enhancement of organizational profitability. However, one interview respondent expressed fear that profitability was stressed more than liquidity which had resulted into cash shortages in some circumstances.

4.3 Organizational Profitability

Table 4.2: Responses about Profitability at GCCE

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
	The company is experiencing an increase in return on shareholders capital.	10 (6%)	58 (34.5%)	41 (24.4%)	50 (29.8%)	9 (5.4%)	3.06	1.048
	The company is experiencing improvement in sales revenue	6 (3.6%)	109 (64.9%)	25 (14.9%)	27 (16.1%)	1 (0.6%)	3.55	.825
	The company is experiencing an increase in operating profit margin	6 (3.6%)	102 (60.7%)	26 (15.5%)	32 (19%)	2 (1.2%)	3.46	.882

	Over the past two years there has been a reduction in operational costs	1 (0.6%)	38 (22.6%)	30 (17.9%)	83 (49.4%)	16 (9.5%)	2.55	.965
	The company is experiencing an increase in return on invested capital.	6 (3.6%)	77 (45.8%)	51 (30.4%)	34 (20.2%)	-	3.33	.837
	Profitability has influenced working capital management decisions	18 (10.7%)	112 (66.7%)	29 (17.3%)	9 (5.4%)	-	3.83	.683

On finding out whether GCCE was experiencing an increase in return on shareholders' capital, findings in table 4.2 indicate that 40.5% of respondents agreed, 35.1% disagreed, while 24.4% were neutral. The mean score was 3.06 and the standard deviation was 1.048. This implied that GCCE was experiencing an increase in the return to shareholders equity although the increment might have been small because the percentage of those who agreed was only 40.5% which was below half. Documentary review revealed that the return on equity increased in the year 2011 to 17%, then in 2012, to 20%, it was stagnant in 2013 at 20%, but reduce in the 2014 to 19% and in 2015 to 15% (Management reports, 2011-2015). An increase in return on shareholders' equity implies that the residual profits to be shared out to shareholders or to be retained in business have increased. This means an increase in shareholders' wealth. This points to better performance of managers in managing the resources entrusted to them by their shareholders, as stipulated in the goal theory of Etzioni, (1964). Finding are also in agreement with Periasamy (2009) who argued that return on shareholders' equity highlights success of the business from the owners' point of view, measuring income on shareholders' investment and measuring the efficiency of managers in handling owners' investment.

In ascertaining whether GCCE was experiencing improvement in sales revenue, findings in table 4.2 show that 68.4% agreed, 16.7% disagreed, while 14.9% were neutral. The mean score was 3.55 and the standard deviation was 0.825. These results meant that there was an increase in sales revenue which could have resulted from an increase in sales volumes of the company, and/or an increase in coffee prices on the world market. Indeed documentary review of the statements of comprehensive income, (2011 to 2015) confirmed that GCCE was experiencing an increase in sales revenue during the study period. One respondent had this to say: "Sales is the major source of revenue for GCCE and most initiatives undertaken to increase profitability are sales oriented."

In addition, when ascertaining whether GCCE was experiencing increasing operating profit margin, findings in table 4.2 show that 64.3% agreed, 20.2% disagreed, while 15.5% were neutral. The mean score was 3.46 and the standard deviation was 0.882. This meant that there was an increase in operating profit margin; these findings were in line with the increase in sales revenue. This implies that business volume had been increasing over the years under study at GCCE. Documentary review indeed confirmed that the operating profit margin increased from 2011 through to 2015 (Management reports, 2011-2015). One interview respondent said that: "GCCE uses operating profit margin to measure the pricing strategy and operating efficiency by measuring the amount of profit earned per unit of sales revenue made." The findings imply that there has been an improvement in general operation efficiency at GCCE which point at an improvement in profitability. On finding out whether over the past two years there had been a reduction in operational costs, findings in table 4.2 revealed that 23.2% agreed, 58.9% disagreed, while 17.9% were neutral. The mean score was 2.55 and the standard deviation was 0.965. Findings implied that there was an increase in operating cost in the past two years. This means that the increase in the volume of business inevitably increased operational expenses in terms of staffing, utilities payments, and the cost of sales.

As to whether GCCE was experiencing an increase in return on invested capital, findings in table 4.2 revealed that 49.4% agreed, 20.2% disagreed, while 30.4% remained neutral. The mean score was 3.33 and the standard deviation was 0.837. These results implied that GCCE was experiencing an increase in return to invested capital. This means that GCCE management was managing well the total invested capital and this pointed to better profitability. Documentary review revealed that the return on invested capital increased in the year 2011 to 12%, then in 2012, to 15%, in 2013 to 18%, but reduced in the year 2014 to 14% and increased in 2015 to 15% (Management reports, 2011-2015). One interview respondent mentioned that: "GCCE uses the difference between return on shareholders' equity and the return on invested capital to determine the extent shareholders were benefiting in terms of profitability from borrowed funds after payment of interest."

On whether profitability had influenced working capital management decisions, results in table 4.2 show that 77.4% agreed, 5.3% disagreed, while 17.3 were neutral. The mean score was 3.83 and the standard deviation was 0.683. This implies that profitability motives direct decisions of working capital management. As illustrated under cash management, one interview respondent expressed that profitability was stressed more than liquidity when making cash management decisions. This means that decisions in management of inventory, accounts receivables, accounts payables and cash are geared towards improving profitability of GCCE.

4.4 Cash Management and Organizational Profitability

Tables 4.3: Model Summary of Accounts Payable Management and Organizational Profitability

Model	R*	R Square*	Adjusted R Square	Std. Error of the Estimate
1	0.411	0.169	0.164	0.55036

Significance level: *p<.01

The model summary table 4.3 revealed that correlation coefficient (R) using predictor cash management is 0.411, and the adjusted $R^2$of 0.164. This implies that 16.4% (0.164*100) variations in profitability are explained by cash management while the remaining 83.6% is explained by other factors. This confirms the hypothesis that: Cash Management has a significant positive effect on organizational profitability. Thus the hypothesis is accepted.

V. CONCLUSIONS AND RECOMMENDATIONS

In regard to cash management and organizational profitability, the study revealed that cash management positively affected organizational profitability with a Pearson correlation coefficient of 0.411. The adjusted R^2 was 0.164 implying that 16.4% of changes in GCCE profitability are accounted for by cash management. Findings showed that GCCE carried out cash flow budgeting in a bid to plan for cash flows that would ensure effective operations needed for a profitable business. To manage cash resources well, GCCE had in place guidelines about which respondents were knowledgeable. Cash management helped GCCE to have sufficient cash available to run activities although sometimes it faced cash challenges. Results continued to show that cash management was believed to have helped in reducing cash related costs. GCCE never had surplus cash to invest in alternative ventures that would yield more profits but rather all funds available were invested in coffee. However, the findings revealed weakness in cash management especially where the guidelines are not adhered to. This created chances of false accountability and embezzlement of cash resources.

The study concluded that, cash management positively contributed to GCCE profitability by 16.4%. However cash management as adopted by GCCE needed improvement to become more effective. For an effective cash management, it is recommended that the whole management team and the finance manager in particular need to enforce adherence to the cash policy put into place to guide and control cash management. For example by ensuring that cash related transactions occur only after the approval of an individual with delegated authority to make approvals. Ensure that cash related transactions are fully documented so that an undisputable audit trail exists. This will improve accountability and ensure that cash is safe, not idle and available when needed. Effective control of disbursements by the finance manager could help conserve cash and reduce the financial requirements, for example only paying obligation that have fallen due and not paying those that are within terms.

To improve cash management and minimize cash constraints, the finance manager needs to match the timing of receipts from accounts receivables and payments of accounts payable. This would minimize the need for short term borrowing and the associated interest payments thereby improving profitability.

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