

**THE USE OF CASH BUDGETS BY SMALL, MEDIUM AND MICRO ENTERPRISES
OPERATING IN THE FAST-MOVING CONSUMER GOODS SECTOR OF THE CAPE
METROPOLE.**

by

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ABSTRACT

Small Medium and Micro Enterprises (SMMEs) in South Africa are perceived to be failing partly due to their reluctance to prepare and use cash budgets for managing their cash. The main objective of this research was to determine the extent to which SMMEs in the Cape Metropole prepare and use cash budgets. Specifically, the study aimed to determine whether SMMEs prepare or use cash budgets, the purpose for which these entities use cash budgets, the perceived effectiveness of cash budgets where used, as well as the factors, if any, that inhibit SMMEs from using cash budgets. The research was motivated by lack of empirical studies on the usage of cash budgets by SMMEs operating in South Africa. To collect data, a questionnaire survey method, which is quantitative by nature, was used. The results of the research show that most of the sampled SMMEs used cash budgets. The results also indicate that cash budgets were used mostly for planning of efficient use of cash, evaluating the financial performance of a business, determining the future ability of a business to pay trade payables/other debts as they fall due and for planning an early settlement of payables to take advantage of cash discounts offered. The results further revealed that cash budgets were perceived to be effective by the SMMEs that used them. With regard to the factors, if any, that inhibit SMMEs in the Cape Metropole from using or preparing cash budgets, the results indicated various prohibiting factors. Key among these were, lack of adequate skills for using and preparing cash budgets, erroneous assumptions of cash budgets that can result in wrong decisions, lack of time to prepare and use cash budgets due to shortage of staff, lack of need for cash budgets or the perception that these budgets are inappropriate for certain types of business. This study fills in the gap in research on the use of cash budgets by SMMEs operating in the FMCG sector of the Cape Metropole and in South Africa at large. Although numerous studies have been conducted on the use of cash budgets by similar entities in other countries, only a few studies have been conducted in South Africa on the use of cash budgets by SMMEs. Those that have been conducted in the country have not focused on the use of cash budgets, but have covered the use of budgets in general, without regard for the size of the entities or the sector in which they operate in. Thus, this study fills the gap in knowledge by focusing on the use of cash budgets by SMMEs operating in the Fast Moving Consumers Goods (FMCG) sector. The study identified skills gaps among SMMEs which should be addressed by the Government and policy makers when rolling out training programmes meant to address the development needs

of the decision-makers of the SMMEs, an aspect that can contribute to ensuring that these entities survive and even thrive.

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DEDICATION

I dedicate this thesis to the memory of my biological father, General Sado Te-Togba Celestin, who always believed in my ability to be successful in the academic arena.

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LIST OF THE ABBREVIATIONS AND ACRONYMS

SMMEs	Small, Medium and Micro Enterprises
SMEs	Small and Medium Enterprises
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
MSEs	Micro and Small Enterprises

LIST OF KEYWORDS

Cash Flows.	The movement of money into and out of a business as goods are bought and sold.
Liquidity.	The state of owning things of value that can easily be exchanged for cash.
Metropole or Metropolis.	A very large city, often the most important city in a large area or country.
Paucity.	A small amount of something; less than enough of something.
Sample.	A number of people or things taken from a larger group and used in tests to provide information about the group.

CHAPTER ONE

BACKGROUND AND PROBLEM STATEMENT

1.1 BACKGROUND

South Africa is a land of contrasts, the country, which is ranked as an upper-middle income economy by the World Bank is Africa's second largest economy after Nigeria, and the 30th largest economy in the world in terms of Gross Domestic Product (GDP) per capita (Oyekunle, 2019). Not only is the country endowed with vast mineral resources, it also has scenic beauty, diverse wildlife, rich cultures and traditions, attributes that have made it a popular tourist destination (Plassis & Saayman, 2017). In addition, the country, which boasts of the most regulated securities exchange in the world, is ranked fourth among the 66 emerging markets and has a robust banking system comparable to the best in the emerging markets (Chonjo, 2017: 12). Despite the above-mentioned, South Africa faces a plethora of challenges that are common among the poor developing African countries. Key among the challenges is the high unemployment rate of about 29 percent, which is one of the highest in the world (Francke & Alexandra, 2018). In addition, the country has extreme poverty, an acute shortage of skilled labour, a high crime rate and is consistently regarded as one of the most unequal countries in the world with a Gini coefficient that ranges between 0.660 and 0.696 (De Wet et al., 2018).

In response to the above challenges, the South African Government has identified Small Medium and Micro Enterprises (SMMEs) as a key vehicle for creating employment, given their capacity to absorb both skilled and unskilled labour (Fatoki, 2018). Regarding the latter, SMMEs have been advocated for as a source of experience through practical application of knowledge at a low risk (Han *et al.*, 2018). In addition, SMMEs have been advocated for as a vehicle for inculcating a culture of entrepreneurship and innovation perceived to be lacking in South Africa (Fancke & Alexendre, 2019).

Given the afore-mentioned importance of SMMEs, the Government has put in place a variety of support institutions and initiatives meant to create an enabling environment in which SMMEs should survive and thrive (Lose, *et al.*, 2015). Notable among these is Ntsika, established to provide non-financial advice to SMMEs on issues such as business development. Likewise, the Government has established Khula to provide loan guarantees to SMMEs (Luiz, 2002). In addition, the Government has introduced an Incubation Support Program (ISP) meant to support skills transfer by partnering large corporations with SMMEs (Lose, *et al.*, 2016).

Despite the above interventions undertaken by the Government, the failure rate of SMMEs in South Africa has remained stubbornly high. Indeed, research evidence has suggested that between 70 percent and 80 percent of SMMEs in South Africa fail within their first three years of existence, a rate considered as one of the highest in the world (Nadage, 2015). Empirical studies conducted in other countries have partly attributed a high failure rate of SMMEs to ineffective cash management practices, particularly a failure to prepare cash budgets or forecasts (Enow, 2015). Given their lack of cash budgets, these entities do not control their cash receipts and payments effectively, an aspect likely to result in a shortage of cash that often makes these entities to pass on profitable opportunities or worse still, they are unable to meet their obligations as they fall due and are thus forced to shut down completely (Mungal, 2014).

A cash budget highlights an SMME's projected cash receipts and payments for a given period, thus can enable it to anticipate a cash surplus or deficit (Mungal, 2014). In so doing, the SMME is able to address the latter through short-term borrowing or the former via short-term investment, among other corrective measures. Thus, a cash budget enables an SMME to identify its future financing needs, determine the areas that need corrective action and evaluate its cash performance (Bruwer, 2010).

In addition, a cash budget can be used to illustrate an SMME's liquidity position to external stakeholders such as investors, suppliers, and lenders (Mong, 2011). This is particularly important to SMMEs as these entities typically have limited internal resources, thus rely on outsiders, yet they lack collateral or a performance track record to enable them to convince investors, suppliers and lenders (Ramzy, 2013). Furthermore, a cash budget can enable an SMME to determine if its projected cash receipts are adequate for meeting its projected obligations as they fall due and to trigger corrective actions in case of a shortfall (Mungal & Garbharran, 2014).

A cash budget can also be used to project whether an SMME has adequate funds required to finance its operations, or to assess whether SMMEs' cash is being spent in productive or unproductive ways (Tabot and Brijlal, 2014). In addition, the budget allows an SMME to establish the amount of credit that it can extend to customers without encountering liquidity problems (Shpak, 2016). Furthermore, it aids an SMME's decision-makers to control cash fluctuation of their business by providing them with a better understanding of its monthly cash flows, thus enabling them to develop a sound plan for its capital needs as well as for a cash buffer required to cushion the business against any unforeseen emergencies (AL Smirat, 2016).

Notwithstanding the potential benefits of cash budgets to SMMEs, and given the limited access that these entities have to cash, the limited empirical research evidence available suggests that most of these entities do not prepare nor use cash budgets (Ellen & Marius, 2019). According to Mong's (2011) study on the use of cash budgets, only 28 percent of the sampled 66 SMMEs operating in South Africa prepared cash budgets. Consistent with this finding, Bruwer (2010) attributed the failure of SMMEs in South Africa to poor accounting and financial practices. Likewise, Chimucheka and Mandipaka (2015) attributed the lack of survival and growth among SMMEs in the country to lack of planning skills among other reasons.

Despite the potential benefits of cash budgets to SMMEs, the importance of these entities to the South African economy, and their apparent high failure rate which some studies have attributed to lack of use of a cash budget, little empirical research has been conducted in the country recently to investigate the extent to which these entities use cash budgets. Therefore, there is a need for a recent study such as this one to investigate the extent to which SMMEs use cash budgets. This study investigates the extent to which, SMMEs, operating in the Fast-Moving Consumer Goods (FMCG) sector, in the Cape Metropole use cash budgets.

1.2 PROBLEM STATEMENT

The problem investigated by this study is that SMMEs in South Africa are perceived to be failing partly due to their reluctance to prepare and use cash budgets for managing their cash (Maduekwe & Kamala, 2016). As a result, they are unable to control their cash receipts and payments, an aspect that results in shortage of cash, which makes these entities to pass on profitable opportunities or worse still, they are unable to meet their obligations as they fall due, an aspect that ultimately leads to insolvency and liquidation, thus resulting in loss of jobs.

Although some studies conducted in other countries (Mong, 2017) have attributed a high failure rate of SMMEs to lack of use of cash budgets (Oladimeji and Aina, 2018) little recent research has been conducted in South Africa on the use of cash budgets by these entities (Tabot and Kamala, 2016). Therefore, there is a paucity of research on the use of cash budgets by SMMEs in South Africa. It is therefore imperative that a study such as this one be conducted in the country to investigate the use of cash budgets by these entities.

1.3 PURPOSE STATEMENT, RESEARCH QUESTION, SUB-QUESTIONS AND OBJECTIVES

1.3.1 Purpose statement

The main purpose of this study is to determine the extent to which, SMMEs operating in the FMCG sector, of the Cape Metropole use cash budgets.

1.3.2 Research question

The main research question of this study reads as follows:

To what extent do the SMMEs operating in the FMCG sector of the Cape Metropole use cash budgets?

1.3.3 Research sub-questions, methods and objectives

The sub-questions, research methods and objectives are summarised in Table 1.1 below.

Table 1.1 Research sub-questions, methods and objectives

Research sub- questions	Research Methods	Research Objectives
Do SMMEs prepare and use cash budgets?	Questionnaire survey underpinned by descriptive statistical analysis and literature review	To determine whether SMMEs prepare and use cash budgets
For what purpose do SMMEs that prepare cash budgets use them for?	Questionnaire survey underpinned by descriptive statistical analysis and literature review	To determine the purpose for which the SMMEs that prepare cash budgets use them for
What are the perceptions of decision-makers of SMMEs regarding the effectiveness of cash budgets used?	Questionnaire survey underpinned by descriptive statistical analysis and literature review	To determine the perceptions of decision-makers of SMMEs regarding the effectiveness of cash budgets for various purposes.
What factors, if any, inhibit SMMEs from preparing and using cash budgets?	Questionnaire survey underpinned by descriptive statistical analysis and literature review	To determine the factors, if any, that inhibit SMMEs from preparing and using cash budgets

1.4 Overview of Research Methodology

Given that the main purpose of this study is to determine the extent to which SMMEs operating in the FMCG sector in the Cape Metropole use cash budgets, a positivist paradigm was adopted. This approach was selected based on its assumption that reality can be objectively measured using metrics that are independent of the research instrument and the researcher (Berg, 2018). In addition, the paradigm was selected as it advocates for the use of quantitative data which is more reliable and verifiable than qualitative data (Berger 2019:28). Furthermore, the main objective of this study required that a percentage be computed of the SMMEs that use cash budgets and those that do not, thus the Positivist paradigm was deemed to be more appropriate as it advocates for the use of quantitative data (Berger 2019:29). Besides, the paradigm requires a researcher to use a well-defined structure, which was achieved by using closed-ended questionnaires, which are readily analysable using various statistical computer packages that are readily available (Sloane *et al.*, 2018)., By advocating for the use of closed-ended questionnaires, the positivist paradigm enables a researcher to collect data from a large sample in a relatively short period of time (Sloane *et al.*, 2018).

The targeted population of this study comprised the SMMEs operating in the FMCG sector that are located within the Cape Metropole. Purposive sampling method was used to identify 99 SMMEs in the Cape Metropole that were sampled. This method was selected as it entails drawing a sample from that part of the population that contains the characteristics or the attributes that serve the purpose of a study (De Vos, Strydom, Fouche & Delpont, and 2011:232). The method was also preferred as it allows a researcher to reach the targeted sample in a quick and cost-effective manner. In addition, the method aids a researcher to limit the sample size to suitable participants based on the knowledge of the respondents and the purpose of the study. Furthermore, it is a non-random technique that enables a researcher to select a representative sample of a population based on the researcher's prior knowledge of the population and the desired characteristics, an aspect that enables generalisations about the sample to be made, unlike a random sample where participants may not have the characteristics that are being investigated.

Primary data was collected from owners, managers and accountants of SMMEs operating in the FMCG sector of the Cape Metropole. These respondents were selected as they are the users and preparers of cash budgets and are thus expected to be familiar with the use or lack thereof of these tools within their entities. A target sample size of 150 respondents from different SMMEs was set as the total population of SMMEs in the Cape Metropole is unknown, however only 99 completed the questionnaire. The size of the sample is justified as a similar size was previously used successfully by other similar studies (Bruwer 2010; Maduekwe 2016).

To address the objectives of this study, primary data was gathered from the owners, senior managers and accountants of the selected SMMEs by means of a self-administered closed-ended questionnaire. This survey tool is pragmatic when a large volume of data is to be collected from a large number of respondents in a short period of time and at a relatively low cost (Brynard and Hanekom, 2006). Besides, closed-ended questionnaire surveys are useful for gathering information from a sample in order to conduct statistical analysis and generalise findings to a population (Mabesele, 2009). The quantitative data collected was analysed and interpreted using descriptive statistics to ensure a high degree of validity (Mabesele, 2009).

1.5 THE SIGNIFICANCE OF THE STUDY

This study seeks to inform the decision-makers of SMMEs about the importance of using cash budgets in their businesses, the purposes for which the budgets can be used, their effectiveness as well as the factors to avoid or overcome when preparing and using budgets. These should encourage the uptake of these budgets which should enhance the survival rate of these entities, which at the moment are characterized by a high failure rate. The study identifies skills gaps among SMMEs which can then be addressed by the Government and policy makers when rolling out training programmes meant to address the development needs of the decision-makers of the SMEs, an aspect that may ensure that these entities survive and even thrive.

1.6 LIMITATIONS AND CONSTRAINTS

The review of the prior literature in Chapter two revealed that only a limited number of studies have been conducted on the use of cash budgets by SMMEs operating in the FMCG sector of the Cape Metropole. Thus, this study was only informed by limited literature. Given that this study only focused on SMMEs operating in the FMCG sector of the Cape Metropole, its findings may not be generalizable to SMMEs operating in other sectors or other cities, particularly those in other provinces of South Africa.

SMMEs owners, managers and accountants are known to be very busy people. Based on this, it was a daunting task to get them to commit to completing a questionnaire. In addition, some were reluctant to complete the questionnaire, or may have delegated this task to junior staff or may have provided biased answers. To address these limitations, the researcher visited the potential respondents in person and persuaded them to participate in the study by clarifying its purpose.

Low response rate has been well documented as one of the main challenges of conducting a questionnaire survey, which leads to a non-response bias that undermines the generalizability of the findings to the research population. To mitigate the risk of non-response bias, the researcher

approached the respondents in person and administered the questionnaire himself. In addition, the questionnaire was deliberately designed to be short, comprising only of closed-ended questions.

Given that some respondents perceived the questions asked in the questionnaire to be sensitive, their reluctance to participate in the survey is understandable. To overcome this obstacle, the researcher visited the respondents in person and reassured them of confidentiality and anonymity of the information divulged.

1.7 CONTRIBUTION OF THE RESEARCH

The study fills in the gap in research on the use of cash budgets by SMMEs operating in the FMCG sector of South Africa. Although numerous studies have been conducted on the use of cash budgets by similar entities in other countries, only a few studies have been conducted on the use of budgets in general in South Africa by SMMEs. Those that have been conducted in the country have not focused on the use of cash budgets particularly among SMMEs operating in the FMCG sector. Thus, there is a gap on the topic that this study is intended to fill.

1.8 OUTLINE OF THE STUDY

This study is organised into five chapters as described below.

Chapter 1: Introduction and background:

This chapter provides the background of the study, the research problem and problem statement as well as the research questions, research objectives and research design.

Chapter 2: Literature review:

This chapter provides a comprehensive review of prior literature and identifies the gaps in the prior literature.

Chapter 3: Research Methodology:

This chapter provides the research design and methodology employed to address the objectives of the study.

Chapter 4: Analysis of data and discussion of the results:

This chapter presents an analysis of the data collected and discusses the results.

Chapter 5: Summary, conclusions and recommendations:

This chapter provides the summary and conclusion of the study as well as its recommendations, limitations and suggestions for future research.

1.9 SUMMARY

This chapter identified the research problem, by partly attributing the high failure rate of SMMEs in South Africa to their reluctance to prepare and use cash budgets for cash management purposes. It summarised the purpose of the study, research questions as well as the objectives of the study. The chapter then broadly highlighted the research design, as well as the measures undertaken to ensure validity and reliability, and provided the delineation of the research, its significance, limitations and constraints, as well as the contribution of the research.

The next chapter (Chapter two) provides the literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The purpose of this chapter is to review the prior literature on the use of cash budgets by small, medium and micro enterprises in order to identify significant gaps addressed by this study.

This chapter proceeds with definition of SMMEs in the South African context in Section 2.2. This is followed by a discussion of importance of SMMEs to the South African economy in Section 2.3. Section 2.4 defines cash budgets and discusses their importance to SMMEs. Section 2.5 reviews the prior studies on the use of cash budgets, while Section 2.6 summarises the gaps identified in the prior literature. Section 2.7 discusses the contingency theory which was employed to interpret the results of this study, finally Section 2.8 provides a summary and conclusion of this chapter.

2.2 DEFINITION OF SMMES IN THE SOUTH AFRICAN CONTEXT

Although the definition of SMMEs varies from country to country, it tends to be based on number of employees, annual sales or value of assets. In the South African context, the most cited definition is provided by the National Small Business Act of 1996 as amended by the National Small Business Amendment Act of 2003 and 2004, which defines an SMME as “a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more, which including its branches or subsidiaries if any, is predominantly carried on in any sector or sub sector of the economy”. The Act also classifies SMMEs as shown in Table 2.1.

Table 2.1: Classification of SMEs in South Africa

Size of enterprise	Number of employees	Annual turnover (Rand value)	Gross assets, excluding fixed property
Medium enterprise	Less than 100 to 200, rely on the industry	Less than R4 million to R50 million rely on the industry	Less than R2 million to R18 million rely on the industry
Small enterprise	Less than 50	Less than R2 million to R25 million rely on the industry	Less than R2 million to R4.5 million rely on the industry
Very small enterprise	Between 10 to 20 rely on the industry	Less than R200 000 to R500 000 rely on the industry	Less than R150 000 to R500 000 rely on the industry
Micro enterprise	Less than 5	Less than R150 000	Less than R100 000

Source: National Small Business Amendment Act of 2003 and 2004.

For the purpose of this study, SMMEs are classified according to number of employees as shown in Table 2.2. This classification was selected to simplify the process of identifying the enterprises to sample.

Table 2. 2: Classification of SMMEs in this study

Enterprise	Number of employees
Micro enterprise	1-5
Small enterprise	6-50
Medium enterprise	51-200

Source: National Small Business Amendment Act of 2003 and 2004.

2.3 IMPORTANCE OF SMMES TO THE SOUTH AFRICAN ECONOMY

SMMEs are important to South Africa's economy for several reasons. First, they are labour intensive and tend to absorb both skilled and unskilled labour, an aspect that makes them crucial

for reducing the problem of unemployment, (Pantina and Mini, 2017). Given the high unemployment rate in South Africa estimated to be above 24.3% (Bushe, 2019), SMMEs are important as they employ over 60% of South Africans (Maduekwe & Kamala 2015). By creating jobs, SMMEs do not only alleviate extreme poverty and inequality, they aid to reduce unemployment related social vices such as prostitution and suicide. Second, SMMEs inculcate entrepreneurial spirit and self-reliance, which are deemed to be lacking among the previously disadvantaged South Africans by serving as a training ground for future entrepreneurs (Mbogo, 2011). Thirdly, they impart skills thus enabling those lacking formal education to have an opportunity to hone their skills through practical application of knowledge by managing an SMME (Robichaud *et al.*, 2018). Fourthly, they promote innovation by providing local innovative solutions to local problems (Fransman and Yu, 2018). This they do as the owners of these entities reside in communities that have challenges that need innovative and affordable solutions by understanding the problem and improvising to overcome the challenges (Kibuuka and Tustin, 2019). Fifthly, they increase the competition in the country thus lowering prices for the consumers and increasing the product variety for the consumers to select from, as well as the convenience and quality (Hiam *et al.*, 2017). Sixthly, given their wide dispersal, SMMEs aid in balancing regional development, particularly in the remote rural areas, thus mitigating rural-urban migration and its negative impact (Dooley *et al.*, 2017). Sixthly, by paying taxes and licence fees, SMMEs generate revenue for the local and national government (Dundon & Wilkinson, 2018). Seventhly, they avail distribution channels and outlets for large manufacturers' products to reach the final consumers. Lastly, they serve as incubators from which future large corporations can emerge through expansion of their operations (Shah, *et al.*, 2017).

2.4 DEFINITION AND IMPORTANCE OF CASH BUDGETS TO SMMES

2.4.1 Definition of a cash budget

A cash budget is a plan of projected cash receipts and disbursements during a period (See Figure 2.1). These cash inflows and outflows include revenues collected, expenses paid, and loans receipts and payments. In other words, a cash budget is an estimated projection of the company's cash position in the future (CIMA, 2019). A cash budget can also be defined as an estimation of the cash flows of a business over a specific period of time. This budget enables decision-makers of a business to assess whether the entity has sufficient cash to operate (Shpak, 2016). A cash budget is prepared from sales and production forecasts, along with assumptions about necessary spending and accounts receivable collections (CIMA, 2019).

Figure 2.1: Format of a cash budget

	Month-1	Month-2	Month-3
	\$	\$	\$
Receipts:			
Cash sales	xxx	xxx	xxx
Collection from credit sales	xxx	xxx	xxx
Collections from sales of non-current assets	xxx	xxx	xxx
Receipts from loans	xxx	xxx	xxx
Other receipts	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total receipts (a)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Payments:			
Payment for cash and credit Purchases	xxx	xxx	xxx
Payment for expenses	xxx	xxx	xxx
Cash drawings	xxx	xxx	xxx
Purchase of non-current assets	xxx	xxx	xxx
Repayment of loans or debentures	xxx	xxx	xxx
Other payments	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total payments (b)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net receipts (payments) (a-b)	xxx	xxx	xxx
Bank balance at start	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Bank balance at end	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

2.4.2 Importance of cash budgets to SMMEs

A cash budget is important to an SMME as it can enable these entities to control their cash receipts and payments effectively, an aspect likely to ensure that appropriate intervention is taken where cash shortage or surplus cash are projected (Mungal, 2014). In case of projected shortage of cash, an SMME may arrange for borrowing before it's too late, whereas in case of surplus cash, the SMME could arrange a short-term investment (Maduekwe, 2015). By using a cash

budget, the SMME is in a position to take advantage of short-term profitable opportunities when they arise and able to meet its obligations as they fall due (Mungal, 2014). Thus, a cash budget enables an SMME to identify its future financing needs, determine the areas that need corrective action and evaluate its cash performance (Bruwer, 2010).

By preparing a cash budget, an SMME is able to illustrate its liquidity position to external stakeholders such as investors, suppliers, and lenders (Mong, 2011). This is particularly important to SMMEs as these entities typically have limited internal resources, thus rely on outsiders, yet they lack collateral or a performance track record to enable them to convince investors, suppliers and lenders (Nadage,2015). In addition, a cash budget can enable an SMME to determine if its projected cash receipts are adequate for meeting its projected obligations as they fall due and to trigger corrective actions in case of a shortfall as highlighted above (Mungal & Garbharran, 2014).

A cash budget can also be used to project whether an SMME has adequate funds required to finance its operations, or to assess whether an SMMEs' cash is being spent in productive or unproductive ways (, 2019). In addition, the budget allows an SMME to establish the amount of credit that it can extend to customers without encountering liquidity problems (Shpak, 2016). Furthermore, it aids an SMME's decision-makers to control cash fluctuation of their business by providing them with a better understanding of its monthly cash flows, thus enabling them to develop a sound plan for its capital needs as well as for a cash buffer required to cushion the business against any unforeseen emergencies (AL Smirat, 2016).

2.5 CONTINGENCY THEORY

Contingency posits that there is no universally appropriate management accounting technique or tool that is equally suitable to all types of organisations, and in all circumstances (Otley, 2016: 46). Based on the theory, the suitability of a management accounting technique or tool such as a cash budget is dependent on the specific circumstances in which the organisation finds itself.

In the context of this study, contingency theory posits that a cash budget is not universally suitable for use by all entities. However, its suitability to a particular entity is dependent on situational factors faced by that entity (Granlund & Lukka, 2002). Otley (2016) and Cadez and Guilding (2008), identified the contingency factors that may explain the adoption of a management accounting technique or tool and grouped them into four factors, namely; technology, organisation size, market competition intensity and the level of qualification of accounting staff. According to these researchers, the size of an entity impacts on the adoption of management accounting technique or tool, for instance, large organisations have resources to adopt complex

management accounting techniques and tools. Therefore, there is a positive correlation between the size of the entity and adoption of complex management accounting tools and techniques. The nature and reason for adoption is also impacted by the size of an entity. The researchers further found that the adoption of management accounting techniques and tools also change with the intensity of the competition in the market. Specifically, there is a positive correlation between the intensity of the competition in the market and adoption of management accounting practices. According to the researchers, the level of qualification of an entity's staff is positively correlated to the adoption of management accounting techniques and tools. In other words, the higher the level of qualification, the higher the adoption of appropriate management accounting techniques and tools. Lastly, the more sophisticated the technology level that an entity employs, the more likely that it will adopt appropriate management accounting technique or tool.

Given that none of the prior studies reviewed in this chapter employed a theory, it is imperative that a study be conducted that employs a theory, such as the contingency theory, to interpret the results obtained, in order to provide a deeper understanding of the use of cash budgets by SMMEs operating in FMCG sector of the Cape Metropole.

2.7 PRIOR STUDIES ON THE USE OF CASH BUDGETS

Only a few studies have been conducted in South Africa to investigate the use of cash budgets by SMMEs (Tabot and Kamala, 2015). For this reason, this section reviews both international studies and the local studies that have investigated this topic. In one such study conducted in Ukraine, Shcherbina and Tamulevičienė (2016) investigated the use of cash budgets alongside other budgets by both large enterprises and SMMEs, using a sample of 410 companies. Their study revealed that in general, 91% of the sampled companies used budgets while 9% did not. As far as the use of cash budgets is concerned, 72% of the small companies used cash budgets, while 68% of the large companies did use cash budgets. In addition, the study revealed that 64% of medium sized enterprises used cash budgets. Likewise, 64% of the micro enterprises also used cash budgets. Shcherbina and Tamulevičienė's (2016) study also revealed that the budgets in general were used for planning, monitoring, controlling and measuring performance to improve the effectiveness of the sampled companies. Although informative, Shcherbina and Tamulevičienė's (2016) study was conducted in Ukraine, did not focus on cash budgets only as it covered various types of budgets, and it sampled both SMMEs and large enterprises. Accordingly, its findings may not reflect the use of cash budgets by SMMEs operating in South Africa. Besides, the study did not investigate the perceived effectiveness of cash budgets, nor did it investigate the factors that inhibit these entities from preparing and using cash budgets.

In a similar study conducted in Malaysia, Ahmad (2016) investigated the cash management practices of 200 micro and small businesses. Ahmad's (2016) study revealed that 96.5% of the sampled companies prepared accounting records related to cash while 3.5% did not. Without specifying a percentage, the study also revealed that most of the sampled entities prepared and monitored a cash budget. The study further revealed that in 54.5% of the sampled entities, the cash related accounting records were prepared by owner managers, in 40% this was done by a cashier. Only in 2.5% and 2% of the sampled entities were the accounting records prepared by an accountant and cashier respectively. Ahmad's (2016) study did not however specify the percentage of the sampled entities that prepared cash budgets, did not enquire the purpose for which the cash budgets were used, neither did it investigate the reasons if any that may have inhibited some of the sampled entities from using cash budgets. Besides, the study was conducted in Malaysia, thus the applicability of its findings to SMMEs operating in South Africa is questionable.

In a related study, AL Smirat (2016) conducted an empirical study to investigate the cash management practices of 270 SMEs in Jordan and their impact on the performance of these entities. He noted that these entities faced a chronic shortage of cash, despite cash being crucial for their survival and growth. AL Smirat's (2016) study further revealed that only 28% of the sampled entities had the knowledge of how to prepare cash budgets while 72% did not. In addition, only 31% of the sampled SMEs tracked cash payments while 69% did not do the same. Furthermore, only 34% controlled their cash flows, while 66% did not do the same.

AL Smirat's (2016) study also revealed that only 35% of the sampled SMEs prepared cash budgets, while 65% did not. Those that did not prepare cash budgets indicated that they did not see the need for the budgets at the time of the study. The above finding concurred with that of Waweru (2003), who opined that majority of Kenyan SMEs do not prepare cash budgets. It also was consistent with the observation of Agyei-Mensah (2012) that SMEs in Ghana face problems with regards to preparation of cash budgets. Although informative, the preceding studies were conducted in Jordan, Kenya and Ghana, and thus their findings may not be applicable to SMMEs operating in South Africa. Besides, the above studies did not investigate the purpose for which the cash budgets were used, nor did they interrogate the perceived effectiveness of the cash budgets prepared and used.

Elsewhere in Ethiopia, Hailu and Venkateswarlu (2016) investigated the extent to which sound financial management practices, including cash management practices are employed by Micro and small enterprises (MSEs). Their findings revealed that 74% of the sampled entities prepared

cash budgets on a monthly basis, and that only 11% of the entities prepared cash budgets on a weekly basis. Only 10% prepared cash budgets biannually or annually, while 5% prepared cash budgets on a quarterly basis. Consistent with the preceding results, only 37% of the sampled entities prepared cash budgets regularly.

As far as the frequency of determining cash balance is concerned, Hailu and Venkateswarlu's (2016) study revealed that only 14% of the sampled MSEs determined their cash balances always or often, 48% determined their cash balance sometimes, while 38% determined their cash balance rarely or did not determine their cash balance at all. For determining the cash balance, 84% of the sampled MSEs relied on the owner/manager's experience when setting the target cash balance, 12% relied on historical data, 2% relied on the theories of cash management, while a similar percentage did not disclose their approach.

Of the sampled MSEs, 60% rarely or never had a cash surplus, 35% often or always had a cash surplus, while 5% had a cash surplus sometimes. On the other hand, 755 of the sampled MSEs experienced a cash shortage sometimes, 22% rarely or had never experienced a cash shortage, while 3% either often or always experienced a cash shortage. Of those that experienced a cash surplus, 80% did not invest the surplus, while 20% invested the cash in bank deposits. Although Hailu and Venkateswarlu's (2016) study is informative, it was conducted in Ethiopia and it covered wide ranging financial management practices thus it did not focus on cash budgets. Thus, its findings may not be applicable to South African SMMEs owing to the differences between the two countries. Besides, these authors did not cover the purpose for which the sampled entities prepared cash budgets; the perceived effectiveness of budgets used as well as the factors that inhibit MSEs from using cash budgets. Accordingly, a study is required to investigate these issues in the South African context.

Still in East Africa, Onduso (2013) investigated the effects of budgets on financial performance of 18 listed manufacturing companies in Nairobi County, Kenya. His findings revealed that 88.2% of the sampled companies prepared revenue budgets, and that only 5.9% of the companies prepared cash budgets. A similar percentage prepared other budgets that were not specified in the study. The findings of the study also revealed that 82% of the sampled companies prepared fixed/static budgets while only 18% prepared flexible budgets. In addition, 76% of the sampled companies prepared budgets semi-annually while the remaining 24% prepared the budgets on a quarterly basis.

With regards to expertise of internal staff in preparing budgets, Onduso (2013) study revealed that 89% of the sampled companies had extensive experience, while 11% had moderate

experience. Concerning the perceived effectiveness of the budgets, the results revealed that budgets were perceived to be effective by 95% of the companies, while 5% of the companies perceived budgets to be neither effective nor ineffective. The study further revealed a strong positive effect of budgets on the financial performance of the sampled companies. Although relevant, Onduso's (2013) study was conducted among manufacturing listed companies in Kenya. Thus, its findings may not be applicable to SMMEs operating in South Africa. Besides, the study did not focus on cash budgets, neither did it interrogate the purpose for which cash budgets are used and the factors if any that inhibit the sampled entities from preparing these budgets.

So far all studies reviewed were conducted in other countries. In a clear departure from the preceding studies, Aren and Sibindi (2014) conducted a study to investigate the cash flow management practices of small businesses operating in the retail sector in Pretoria, Gauteng province using a sample of 31 respondents. Of the sampled respondents, 70.97% of the sampled businesses used cash budgets while 29.03% did not. However, the study did not focus on cash budgets as it covered wide varying issues pertaining to cash flow management. In addition, it employed a limited sample, thus its findings cannot be generalized to South African SMMEs particularly those operating in other provinces. Furthermore, it did not cover the purpose for which the sampled entities prepared cash budgets; the perceived effectiveness of budgets used as well as the factors that inhibit SMMEs from using cash budgets.

Kemp *et al.*, (2015) investigated the usefulness of cash budgets to SMMEs operating in the retail sector, in the Cape Metropolis. Their study which sampled 51 SMMEs found that 49.02% of the sampled SMMEs had never used cash budgets, while 17.65% used cash budgets on a monthly basis. Only 15.69% used cash budgets daily, 7.84% used cash budgets on a weekly basis, while 5.88% used cash budgets bi-annually. Only 3.82% of the sampled SMMEs used cash budgets on a bi-annual basis. In sum, cash budgets were used by 50.98% of the sampled companies.

Of those that used cash budgets, 66.66% found these budgets to be useful, 27.45% were undecided, while 5.88% indicated that cash budgets were not useful. With regard to why budgets are perceived to be useful, 33.34% (of those that indicated that cash budgets were useful) indicated that the budgets were useful making business decisions relating to liquidity, 31.38% for decisions related to efficiency, 31.37% for decisions related to profitability, while 23.53% indicated that cash budgets were useful for making decisions regarding solvency of the business. The researchers however concluded that cash budgets were not effectively used by the sampled companies as they lacked an understanding on how to utilise cash budgets. Although relevant,

Kemp *et al.* (2015) study employed a limited sample of only 51 SMMEs, focused on only micro, very small and small enterprises, thus its findings may not be generalisable to all retail SMMEs operating in the Cape Metropole.

In a related study conducted in the Cape metropolis, Maduekwe and Kamala (2016) investigated the use of budgets by SMEs operating in the FMCG sector, using a sample size of 92 entities. Their study revealed that 82% of the sampled SMEs used cash budgets, while 18% of these entities did not. Their results further revealed that sampled SMEs used budgets for various purposes. These included monitoring (68%), measuring performance (67%), future planning (65%), control purposes (63%), improving decisions (62%), business process improvement (59%), problem identification (59%), optimising the use of resources (57%), developing tactical strategies (53%), improving communication (51%) and motivating employees (47%). Of the respondents that used budgets, 54% perceived these tools to be effective. In addition, the researchers found that lack of; top management support (56%), qualified personnel (55%), required resources (50%) and awareness about the importance of budgets as the main factors that inhibit SMEs from preparing and using cash budgets.

Although informative, Maduekwe and Kamala's (2016) study did not focus on cash budgets, as it covered various types of budgets and budgeting methods. In addition, it only focused on SMEs, thus ignored micro enterprises, for these reasons, a study is required that focuses on the use of cash budgets by SMMEs operating in the Cape Metropole.

In a similar study, Tabot (2015) investigated the working capital management practices by SMMEs in the Cape metropole, South Africa, using a sample size of 200 SMMEs. His results revealed that 60.5% of the sampled entities prepared cash budgets, while 39.5% of these entities did not do the same. Interestingly, 68.5% of the sampled SMMEs indicated that they had a way of determining cash surpluses/shortages while 31.5% of the entities did not, which suggested that 8% had a way of determining cash surpluses/shortages without using a cash budget. Furthermore, the results revealed that 40.5% of the SMMEs invested their cash surpluses but 59.5% did not. Likewise, only 41% of the sampled SMMEs held cash for speculative purposes (to take advantage of arising investment opportunities), but 59% of these entities did not. However, 73.5% monitored their cash flows on a regular basis, but 26.5% did not. Only 62.5% of the SMMEs utilized cash as planned, but 37.5% of these entities did not do. Only a minority of the sampled SMMEs indicated that there were some factors that inhibited them from managing their cash effectively. These included lack of; personnel (30.5%), time (28.5%), resources (28%) and skills (25%). Although relevant, Enow's (2015) did not focus on cash budgets but rather

broadly covered working capital management practices of SMMEs. In addition, the study did not investigate the purpose for which the sampled entities used cash budgets, as well as the perceived effectiveness of the budgets used

2.8 GAPS IDENTIFIED IN PRIOR LITERATURE

Based on the above literature review, the following gaps are apparent:

- Only few studies examined the use of cash of budgets by South African SMMEs.
- None of the studies focused on the use of cash budgets by SMMEs in FMCG sector in the Cape Metropole.
- Some of the studies investigated the use of cash budgets within other sectors such as the retail sector and manufacturing sector some of the studies were conducted in other countries, thus the applicability of their findings to the South African context is in doubt.
- Some studies did not cover the purpose for which cash budgets are used, perceived effectiveness of these budgets or the factors that inhibit SMMEs from preparing and using these budgets.
- Some of the studies employed limited sample sizes, thus the generalisability of their findings is in doubt.
- Some of the studies sampled large companies, some of which are listed; thus, their findings may not be applicable to SMMEs.
- Some studies indicated a high percentage of usage of cash budgets by SMMEs, while others indicated a low percentage of usage of these tools.

Given the above gaps identified in the prior literature, there is a need for a recent study to investigate the use of cash budgets by SMMEs in FMCG sector in the Cape Metropole.

2.8 SUMMARY

The purpose of this chapter was to review the prior literature on the use of cash budgets by small, medium and micro enterprises in order to identify significant gaps addressed by this study.

The chapter commenced by defining SMMEs in the South African context, it then discussed the importance of these entities to the South African economy, defined cash budgets and discussed their importance to SMMEs. The chapter then reviewed the prior studies on the use of cash budgets, summarised the gaps identified in the prior literature and discussed the contingency theory. It then provided a summary and conclusion of this chapter.

Based on the literature review, gaps were identified with regard to lack of studies on the extent to which South African SMMEs prepare and use cash budgets, purpose for which the SMMEs that prepare cash budgets use them for, perceptions of decision-makers of SMMEs regarding effectiveness of cash budgets, and the factors, if any, that inhibit SMMEs from preparing and using cash budgets. Other gaps identified included, that none of the studies reviewed focused on the use of cash budgets by SMMEs in FMCG sector in the Cape Metropole, some of the studies employed limited sample sizes, thus the generalisability of their findings is questionable, and some of the studies sampled large companies. Some of the studies also had contradictory findings.

Given the above gaps identified in prior literature, the researcher concludes that an understanding of the use of cash budgets by SMEs operating in FMCG sector in South Africa still seems evasive.

The next chapter (Chapter 3) elaborates on the research design and methodology employed to address the objectives of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The aim of this chapter is to discuss the research methodology utilised in this study to address the following research objectives:

1. To determine whether SMMEs prepare and use cash budgets.
2. To determine the purpose for which the SMMEs that prepare cash budgets use them for.
3. To determine the perceptions of decision-makers of SMMEs regarding cash budgets.
4. To determine the factors, if any, that inhibit SMMEs from preparing and using cash budgets.

A questionnaire survey methodology, which is in the realm of positivism paradigm, was employed address the above objectives. Accordingly, this chapter proceeds with a discussion and justification of the positivist paradigm adopted in this study in Section 3.2. This is followed by a justification of the questionnaire survey methodology adopted in this study in Section 3.3. Section 3.4 discusses the research population and sampling technique adopted in this study, followed by a discussion of the questionnaire design in Section 3.5. Section 3.6 presents the pilot test conducted on the questionnaire, followed by the data collection process in Section 3.7. Section 3.8 provides a brief description of the data analysis methods used in this study, followed by a discussion of the measures undertaken to ensure the reliability and validity of the research instrument in Section 3.9. Section 3.10 outlines the limitations of the questionnaire-survey methodology, followed by Section 3.11 which describes the ethical considerations of this research. Section 3.12 provides the summary and conclusion of this chapter.

3.2. RESEARCH PARADIGM

Given that the main purpose of this study is to determine the extent to which SMMEs operating in the FMCG sector in the Cape Metropole use cash budgets, the positivist paradigm was adopted. This paradigm was selected based on its assumption that reality can be objectively measured using metrics that are independent of the research instrument and the researcher (Berg, 2018). In addition, the paradigm was selected as it advocates for the use of quantitative data which is more reliable and verifiable than qualitative data (Berger 2019: 28). Furthermore, the main objective of this study requires that a percentage be computed of the SMMEs that use cash budgets and those that do not, thus the positivist paradigm is deemed to be more appropriate as it advocates for the use of quantitative data (Berger 2019: 29). Besides, the paradigm requires the use of a well-defined structure, which was achieved using closed-ended questionnaires, which are readily analysable using the various statistical computer packages that

are readily available (Sloane *et al.*,2018). By advocating for the use of closed-ended questionnaires, the positivist paradigm enables a researcher to collect data from a large sample in a relatively short period of time (Sloane *et al.*,2018).

3.3 JUSTIFICATION FOR THE QUESTIONNAIRE SURVEY METHODOLOGY

In contrast to a self-administered questionnaire, the current study adopted a researcher-administered questionnaire, based on which the researcher reads the questions to respondents and records their responses. The choice of this method is justified to avoid the challenge of a low response rate that is typically associated with self-administered questionnaires (Burns & Grove, 1993: 777). Moreover, a researcher-administered approach allows the researcher to clarify ambiguous questions, as well as to ask for clarification when the answers are ambiguous. In addition, the problem of respondents skipping questions, that is typically associated with a self-administered questionnaire, is avoided. A researcher-administered questionnaire also ensures that only the intended respondents participate in the survey.

A researcher administered questionnaire was also selected as it is faster to process as the researcher does not have to wait weeks to get answers. In addition, this allows researchers to assess and understand respondents' challenges such as illiteracy (Blance, Durrheim & Painter, 2006: 34). In addition, a researcher-administered questionnaire is useful when information required is sensitive (Myers, 2009: 37).

3.4 RESEARCH POPULATION AND SAMPLE

The targeted population of this study comprised the SMMEs operating in the FMCG sector that were located within the Cape Metropole, the number of which is unknown. Purposive sampling method was used to select 99SMMEs in the Cape Metropole. This method was selected as it entailed drawing a sample from that part of the population that contains the characteristics or the attributes that serves the purpose of a study (De Vos, Strydom, Fouche, Delport, 2011:232). The method was also preferred as it allowed a researcher to reach the targeted sample in a quick and in a cost-effective manner. In addition, the method aided researcher to limit the sample size to suitable participants based on the knowledge of the respondents and the purpose of the study. Furthermore, it is a non-random technique that enables a researcher to select a representative sample of a

population based on the researcher's prior knowledge of the population and the desired characteristics, an aspect that enables generalisations about the sample to be made, unlike a random sample where participants may not have the characteristics that are being investigated.

Primary data was collected from owners, managers and accountants of SMMEs operating in the FMCG sector of the Cape Metropole. These respondents were selected as they were the users and preparers of cash budgets and were thus expected to be familiar with the use or lack thereof of these tools within their entities. An initial target sample size of 150 respondents from different SMMEs was set as the total population of FMCG SMMEs in the Cape Metropole is unknown. Out of these, only 99 participated in the survey. The size of the sample is justified as a similar size was previously used successfully by other similar studies (Bruwer 2010; Maduekwe 2016)

3.5 QUESTIONNAIRE DESIGN

3.5.1 General description of the questionnaire design

The questionnaire comprised nine pages excluding the consent letter (cover page). The letter was as used to clarify the aim of the study and to reassure the participants that any information they give would be used solely for the purpose of this study, be kept confidential and anonymous, and that there were no risks associated with participating in this study. The questionnaire commenced with general questions on the profile of the respondent and the entity's profile, it then funnelled down to the purpose for which cash budgets are used by SMMEs, then to the respondents' perception of the effectiveness of cash budgets by SMMEs and the factors, if any, that inhibit the usage of cash budgets by SMMEs. To encourage respondents to complete the questionnaire, sensitive questions such as those regarding to turnover, incomes, payment of taxes were avoided. Moreover, a deliberate effort was made not to ask any question that would directly link the response to a particular respondent or SMME. To further encourage the would-be respondents to participate in the survey, the questionnaire was designed to be user-friendly and comprised 13 closed-ended questions, with responses requested on either five-point Likert scale, yes/no answers or multiple-choice questions.

3.5.2 Description of the specific sections of the questionnaire

The questionnaire used in this study consisted of five sections (see Appendix B). Section A dealt with respondent's personal profile as well the profile of their businesses. Section B dealt with whether SMMEs prepare cash budgets. Section C dealt with the purpose for which SMMEs use cash budgets, while Section D dealt with the perceived effectiveness of cash budgets used. Section E focused on factors that inhibit a respondent's business from preparing and using cash budgets.

3.5.2.1 Section A: Respondent and Business profile

Section A was aimed at obtaining information on a respondent's personal profile as well as that of his or her business. Section A of the questionnaire comprised of six multiple choice questions. It included questions on the respondent's position in the business, tenure in the position, how long the business had been in existence, highest level of education, whether the highest qualification was accounting related, and number of employees in the business. These questions were necessary to ensure that only the intended respondents participate in the survey.

3.5.2.2 Section B: preparation of cash budgets SMMEs

Section B was intended to address the first research objective listed above, namely; to determine whether SMMEs prepare and use cash budgets.

The section comprised three questions, namely question 7, 8 and 9. Question 7, "does your business prepare cash budgets?" required respondents to indicate using a "Yes" or "No" response whether their respective businesses prepared cash budgets. Question 8, "how frequently does your business prepare a cash budget?" required respondents who had indicated that their business prepares a cash budget, to indicate how frequently it did so, by selecting one of the seven choices, namely; daily, weekly, monthly, quarterly, biannually, annually or as frequent as deemed necessary (ad hoc basis).

Question 9, "who prepares the cash budget for the business?" required respondents who had indicated that their business prepares a cash budget, to indicate who performed this task. This question was meant to assess whether the respondents were directly involved in the preparation of the cash budgets as well as to determine whether the preparation of cash budgets was done by a professional. Respondents were required to select from five choices, namely; accountant, owner, manager, external party and other.

3.5.2.3 Section C: purpose of use cash budgets

Section C was intended to address the second research objective listed above, namely; to determine the purpose for which the SMMEs that prepare cash budgets use them for.

The section comprised one question; namely question 10. Question 10, "to what extent do you agree with the following statements regarding the purpose for which the business uses cash budgets?" was meant to determine the extent to which respondents agreed with 21 statements on purpose for which the SMMEs that prepare cash budgets use them for. This question required a response on a five-point Likert scale [1= Strongly Disagree, 2 = Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree].

3.5.2.4 Section D: Perceived effectiveness of cash budgets

Section D was meant to address the third research objective listed above, namely; to determine the perceptions of decision-makers of SMMEs regarding the effectiveness of cash budgets for various purposes.

The section comprised one question, namely; question 11. Question 11, “What are your perceptions regarding the effectiveness of cash budgets for the following purposes?” was meant to gauge respondents’ perceptions on the effectiveness of cash budgets in relation to 21 possible purposes that a cash budget can be used. The question required response on a five-point Likert scale [1=Very Ineffective, 2=Ineffective, 3 =Neutral, 4= Effective, 5=Very Effective].

3.5.2.5 Section E: Factors that inhibit preparation of cash budgets

Section E was meant to address the fourth research objective listed above, namely; to determine the factors, if any, that inhibit SMMEs from preparing and using cash budgets. The section comprised two questions, namely; question 12 and question 13. Question 12, “are there any factors that inhibit the business from preparing and using cash budgets?” which required a “Yes” or “No” response, was meant to determine if at all there were any factors that inhibited a respondent’s business from preparing and using cash budgets.

Question 13, “to what extent do you agree with the following statements regarding the factors that inhibit your business from preparing and using cash budgets?” was meant to determine the factors that hinder the sampled SMMEs from preparing and using cash budgets. The question required respondents to indicate the extent to which they agreed or disagreed with 16 statements, stating different factors that can inhibit an SMME from preparing and using cash budgets, on a five-point Likert scale [1= Strongly Disagree, 2= Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree].

3.6 PILOT TESTING

Before embarking on data collection, the questionnaire was pilot tested to ensure its validity and reliability. During the pilot test, the questionnaire was reviewed by three academics with vast experience in questionnaire design. The academics were asked to provide their understanding of each question and critique the questionnaire in order to identify any potential weaknesses. The weaknesses in the questionnaire were promptly addressed an aspect that enhanced its validity and reliability. The researcher also monitored the time it took for the academics to complete the questionnaire and modified it further to shorten the time required to complete it.

Based on the feedback from the academics, instructions in the questionnaire were clarified, leading questions were removed and incoherencies eliminated to their satisfaction. During the pilot study, the questionnaire was also tested and retested on 10 SMMEs that did not form part of the final sample of this study, in two-week interval to determine whether it yields consistent results. All discrepancies were addressed to ensure that consistent results are achieved, an aspect that enhanced the instrument's reliability.

3.7 DATA COLLECTION PROCESS

Before the data collection process commenced, the researcher applied and obtained ethics clearance from the Faculty of Business and Management Sciences' ethics committee. The researcher also obtained permission to conduct a questionnaire survey from the gate keepers of the sampled SMMEs. Where permission was granted, the researcher approached respondents in person, explained the purpose of the study and invited the respondents to participate in the study. Those who agreed to participate were given an informed consent form to sign upon which, an appointment date for the completion of the questionnaire was set. During the data collection process, the researcher read the questions to respondents and recorded their responses. This approach afforded the researcher an opportunity to clarify questions and to encourage respondents to answer all questions. In addition, it saved time and increased the response rate.

3.8 DATA ANALYSIS

Data collected was analysed using descriptive statistics. For this purpose, the Statistical Package for Social Science (SPSS) version 25.0 was utilised. This software was selected as it aids the researcher to identify data-entry errors and unusual data points, it avails a faster and easier access to frequency and descriptive statistics functions from its pull-down menus. In addition, the SPSS was selected as it aids a researcher with the interpretation of statistical results and provides a wide range of graphs and charts.

Only descriptive statistics, which provide simple summaries about the sample and observations made, were used in this study. For this study, percentages and graphs were used to summarise and describe data responses. In addition, an arithmetic mean was computed to summarise and rank the responses for the five-point Likert scale questions. For these questions, a standard deviation was also computed to determine the level of agreement of respondents' response on a particular statement. A standard deviation of less than one indicated an agreement among respondents' responses, whereas a standard deviation of more than one indicated a disagreement.

3.9 RELIABILITY AND VALIDITY OF THE RESEARCH INSTRUMENT

3.9.1 Reliability of the research instrument

To enhance the validity and reliability of the questionnaire, it was reviewed by three academics with vast experience in questionnaire design. The academics were asked to provide their understanding of each question and critique the questionnaire in order to identify any potential weaknesses. The weaknesses were promptly an aspect that should enhance its validity and reliability.

The reliability of the questionnaire was also enhanced via a pilot study. During the pilot study, the questionnaire was tested and retested on 10 SMMEs that did not form part of the final sample of this study, in two-week interval to determine whether it yields consistent results. Any discrepancies were addressed to ensure that it yielded consistent results, an aspect that should enhanced its reliability.

3.9.2 Validity of the research instrument

Validity is the extent to which a data collection instrument measures what it is intended to measure (internal validity) and whether it yields valid conclusions (external validity) (Leedy & Ormrod, 2005: 31). The two types of validity are elaborated on below.

3.9.2.1 Internal validity

There are different types of internal validity. For the purposes of this study, only construct and content validity were deemed relevant and are thus discussed below.

Construct validity

Construct validity is the extent to which the research instrument actually measures the construct that is being researched (Berg, 2018). It provides answers to questions such as: is the questionnaire measuring what it should be measuring? Are the questions included in the questionnaire relevant for achieving the purpose of the study (Creswell, 2013)?

According to Rowley (2002), construct validity can be achieved by pilot testing. In this regard, the questionnaire used in this study was reviewed by three academics with vast experience in questionnaire design. During the process, the academics were provided with the objectives of this study and the questionnaire and requested to identify weaknesses in the instrument that undermined its construct validity. The questionnaire was then amended as per the suggested corrections to enhance its construct validity.

Construct validity of a questionnaire can also be achieved by ensuring objectivity of the questions in a questionnaire by linking the questions posed to the original research questions (Rowley,

2002). As per Rowley's (2002) recommendation, the questions in the questionnaire were directly derived from the research questions of this study, an approach that enhanced construct validity. Content validity is the extent to which all facets of a given construct are covered by a research instrument (Berg, 2018). In this study, content validity was affirmed when three academics with vast experience were requested to advise on the whether all facets of the research objectives of this study were covered by the research instrument. Based on their feedback, the questionnaire was amended to include questions that were perceived to increase coverage and exclude those that were deemed not to contribute to the enhancement of the content validity, of the questionnaire.

3.9.2.4 external validity external

External validity refers to the extent to which conclusions drawn from a selected sample can be generalised to the entire population (De Vaus, 1993: 54; Leedy & Ormrod, 2005:105). Achieving external validity requires that a random sampling method be employed to ensure that the sample is representative of the population (Hair et al., 2010). Although this technique was not employed due to unavailability of a complete list of all FMCG SMMEs operating in the Cape Metropole, the fact that 99 SMMEs' representatives participated in the study increased the representativeness of the sample, an aspect that enhanced the study's external validity.

3.10 LIMITATIONS OF THE QUESTIONNAIRE SURVEY

Given that this study only focused on SMMEs operating in the FMCG sector of the Cape Metropole, its findings may not be generalisable to SMMEs operating in other sectors or other cities, particularly those in other provinces of South Africa.

SMMEs owners, managers and accountants are known to be very busy people. Based on this, it was a daunting task to get them to commit to completing a questionnaire. In addition, some were reluctant to complete the questionnaire, or may have delegated this task to junior staff or may have provided biased answers. To address these limitations, the researcher visited the potential respondents in person and persuaded them to participate in the study by clarifying its purpose.

Low response rate has been well documented as one of the main challenges of conducting a questionnaire survey, which leads to a non-response bias that undermines the generalizability of the findings to the research population. To mitigate the risk of non-response bias, the researcher approached the respondents in person and administered the questionnaire himself. In addition, the questionnaire was deliberately designed to be short, comprising only of closed-ended questions.

Given that some respondents perceived the questions asked in the questionnaire to be sensitive, their reluctance to participate in the survey is understandable. To overcome this obstacle, the researcher visited the respondents in person and reassured them of confidentiality and anonymity of the information divulged.

3.11 ETHICAL CONSIDERATIONS

Given that this study entailed collecting data from human participants, the researcher applied for ethical clearance from the Faculty of Business and Management sciences' ethics clearance committee, at the Cape Peninsula University of Technology and only commenced data collection after an ethics clearance certificate number 2019FBREC614 was obtained. The ethics committee requires that participants in a study be protected from any negative repercussion that could arise as a result of participating in a study, which can be achieved through obtaining informed consent of participants and ensuring confidentiality and anonymity of their information as elaborated below.

3.11.1 Informed consent

To meet the requirements of the ethics committee, the researcher visited and invited the potential respondents to participate in this study in person. He explained to the respondents the main purpose of the study and what was required of them. The researcher also reiterated to respondents that their participation was voluntary and that they could withdraw from the participating in the study at any time without any obligation or negative repercussions. They were also informed that they would not remunerate for participating in the study but that the findings of the study would assist in improving the use of cash budgets by SMMEs, which can improve their viability. For those that agreed to participate, the researcher handed over to them a consent letter (Appendix A) to read and seek clarity on any item therein. Only once the respondents consented to participate in the study by signing the consent letter was the questionnaire administered to them.

3.11.2 Confidentiality and anonymity

To ensure confidentiality and anonymity, the names of the sampled SMMEs and respondents were not disclosed in the final thesis of the study and the resulting publications. The respondents' responses were kept strictly confidential and were captured in anonymous manner to protect their identities. The findings of this study were made available to respondents if they so requested. Respondents were assured that the data collected from them would be used for research purposes only and would not be divulged to a third party (Maree, 2010; Hanekom & Brynard, 2006).

3.12 SUMMARY

The purpose of this chapter was to discuss the research methodology utilised in this study to address its objectives. The chapter began with a discussion of the research paradigm adopted, and a justification of the questionnaire-survey method used. The chapter then discussed the research population and sampling technique adopted in the study, followed by the questionnaire design used. The pilot testing conducted on the questionnaires to ensure their clarity, conciseness and understandability was then discussed, as well as the data collection process in the form of a researcher-administered questionnaire. The descriptive statistics used to analyse the data were then discussed, followed by the measures undertaken to ensure reliability and validity of the research instrument. The limitations of the questionnaire-survey methodology adopted were then discussed alongside the ethical considerations of this study.

From the foregoing, it can be concluded that the methodology outlined in this chapter is deemed appropriate to address the research objectives of this study. The next chapter (Chapter 4) provides the analysis and discussion of the results of this study.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

The main purpose of this chapter is to analyse and discuss the results of the questionnaire survey undertaken to investigate the use of cash budgets by SMMEs located in the Cape Metropole. The chapter begins with a re-statement of the specific study objectives in Section 4.2, which is followed by a discussion of the response rate in Section 4.3. Respondents' personal as well as their businesses' profile is discussed Section 4.4. Section 4.5 analyses and discusses the results on the usage of cash budgets by SMMEs operating in the Cape Metropole, while Section 4.6 analyses and discusses the results on the purpose for which the SMMEs use cash budgets. Section 4.7 analyses and discusses results on the perceptions of decision-makers of SMMEs regarding the effectiveness of cash budgets, while Section 4.8 analyses and discusses the results on the factors, if any, that inhibit SMMEs from preparing and using cash budgets. Lastly, Section 4.9 provides the summary and conclusion of this chapter.

4.2 RESTATEMENT OF RESEARCH OBJECTIVES

The main aim of this study was to determine the extent to which the decision-makers of SMMEs operating in the FMCG sector of the Cape Metropole use cash budgets. To accomplish this aim, the following research objectives were formulated:

1. To determine whether SMMEs prepare and use cash budgets.
2. To determine the purpose for which the SMMEs that prepare cash budgets use them for.
3. To determine the perceptions of decision-makers of SMMEs regarding cash budgets.
4. To determine the factors, if any, that inhibit SMMEs from preparing and using cash budgets.

4.3 RESPONSE RATE

Due to the lack of a database of all FMCG SMMEs operating in the Cape Metropole, the researcher set a target sample size of 150 SMMEs. Accordingly, the researcher invited 150 suitable potential respondents to participate in the study. Of all those invited, only 99 agreed and participated in the study. Accordingly, the response rate was 66% as depicted in Table 4.1.

Table 4.1 Response Rate (source: own source)

	Number of respondents	Percentage (%)
Invited to participate in the study s	150	100%
Declined to participate in the study	51	34%
Participated in the study	99	66%

4.4 RESPONDENTS' PERSONAL AND THEIR BUSINESSES' PROFILE

Section A of the questionnaire asked respondents to provide information on their personal profile as well information on the profile of their respective businesses. The information requested included respondent's position in the business, tenure in the position, how long the business had been in existence, highest level of education, whether the highest qualification was accounting related, and number of employees in the business. The information requested was meant to ensure that only the appropriate respondents participate in the survey and that those selected have different characteristics to minimise non-response bias. Their responses are elaborated on below.

4.4.1 Respondents' position in the business

With respect to the respondent's position in their business, 49.5% of the respondents were managers, while 36.4 % were the owners of their business (See Table 4.2). Only 14.1% of the respondents were owners and managers. The above results demonstrate that only the targeted

decision-makers of SMEs participated in the survey. These were defined as managers, owners and accountants.

Table 4.2: Respondents' position in the business (source: own source)

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	Owner	36	36.4	36.4	36.4
	Manager	49	49.5	49.5	85.9
	Owner and Manager	14	14.1	14.1	100.0
	Total	99	100.0	100.0	

4.4.2 Respondents' years of experience

As shown in Table 4.3, 38.1% had been in their current position for less than one year, 33% had been in their current position for between one and five years, while 16.5% had been in their current position for between six and 10 years. Only 12.4% had been in their current position for more than ten years. The results suggest that that 61.9% of the respondents had been in their respective positions for more than five years, therefore, were expected to be knowledgeable about the operations of their business.

Table 4.3: Respondents' years of experience (source: own source)

		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	37	37.4	38.1	38.1
	1-5 years	32	32.3	33.0	71.1
	6-10 years	16	16.2	16.5	87.6
	Above 10 years	12	12.1	12.4	100.0
	Total	97	98.0	100.0	
Missing	System	2	2.0		
	Total	99	100.0		

4.4.3 Respondents' business existence

With respect to how long the respondents' businesses had been in existence, the results summarised in Table 4.4, show that 40.4% of the sampled SMMEs had been in existence for between six and 10 years, 25.3% had been in existence for one to five years, while 21.2% had been in existence for more than 10 years. Only 13.1% of the sampled SMMEs had been in existence for less than a year.

Table 4.4: Respondents' business years of existence (source: own source)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	13	13.1	13.1	13.1
	1-5 years	25	25.3	25.3	38.4
	6-10 years	40	40.4	40.4	78.8
	Above 10 years	21	21.2	21.2	100.0
	Total	99	100.0	100.0	

4.4.4 Respondents' highest level of education

With regards to respondents' highest level of education, the results show that 43.4% of the respondents had a diploma (See Table 4.5), while 28.3% of the respondents had a matric qualification. Only 20.2% had a bachelor's degree, 6.15 had other qualifications, 2% had a master's qualification.

Table 4.5: Respondents' highest level of education (source: own source)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric	28	28.3	28.3	28.3
	Diploma	43	43.4	43.4	71.7
	Bachelor/Degree	20	20.2	20.2	91.9
	Master/Degree	2	2.0	2.0	93.9
	Other	6	6.1	6.1	100.0
	Total	99	100.0	100.0	

4.4.5 Whether respondents' highest level of education was accounting related

With regard to whether the respondents' highest qualification was accounting related, the results revealed that 39.4% of the respondents' highest level of education was accounting related, while 60.6% of the respondents' highest level of education was not (see Table 4.6). Although most respondents' highest level of education was not accounting related, they were involved in internal decision-making of their respective businesses and thus should have been knowledgeable on whether their businesses were preparing and using cash budgets.

Table 4.5: Whether respondents' highest level of education was accounting related (source: own source)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	39.4	39.4	39.4
	No	60	60.6	60.6	100.0
	Total	99	100.0	100.0	

4.4.6 Respondents' business number of employees

In respect to the number of employees of the respondents' businesses, 55.2% of the respondents indicated that their businesses had one to five employees, while 18.8 % indicated that their businesses had six to 10 employees (See Table 4.7). Likewise, 18.8 % indicated that their businesses had 11 to 20 employees. Only 4.2% had 21 to 50 employees, while only 3.1% had 51 to 100 employees. Accordingly, all the respondents included in this study were from SMMEs, the enterprises that this study targeted.

Table 4.7: Respondents' business number of employees (source: own source)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	53	53.5	55.2	55.2
	6-10	18	18.2	18.8	74.0
	11-20	18	18.2	18.8	92.7

	21-50	4	4.0	4.2	96.9
	51-100	3	3.0	3.1	100.0
	Total	96	97.0	100.0	
Missing	System	3	3.0		
Total		99	100.0		

From the foregoing results, it is evident that a heterogeneous group of respondents had been selected to participate in this study as the sampled respondents held different positions, had different levels of qualification, different academic background and worked in varied sizes of SMMEs. Therefore, it is apparent that respondents of different persuasions participated in the questionnaire survey. This, alongside the high response rate of 66%, suggests that non-response bias that is associated with questionnaire surveys had been minimised.

4.5 ANALYSIS AND DISCUSSION OF THE RESULTS ON USAGE OF CASH BUDGETS

4.5.1 Usage of cash budgets by SMMEs

Section B which addressed the first research objective, namely; to determine whether SMMEs prepare and use cash budgets comprised question 7, 8 and 9. In question 7, respondents were asked whether their businesses prepare cash budgets. As shown in Table 4.8, 69.7% of the respondents indicated that their businesses prepared cash budgets, while 30.3% indicated that their businesses did not do the same. These results are consistent with the findings of Shcherbina and Tamulevičienė's (2016) study which revealed that 68% of the sampled enterprises in Ukraine prepared cash budgets. However, the current results contrast those of Kemp et al., (2015), who found that only 50.98% of their sampled SMMEs prepared cash budgets. The above results are also consistent with the contingency theory, which posits that there is no universally appropriate management accounting technique or tool that is equally suitable to all types of organisations, and in all circumstances (Otley, 2016: 46). Accordingly, for the 69.7% SMMEs that prepared cash budgets, it would appear that they have some, if not all, of the situational factors such as technology, organisation size, market competition intensity and qualified accounting staff required to prepare cash budgets. The 30.3% that did not prepare cash budgets may have been lacked these situational factors.

Table 4.8: Whether respondents' businesses prepare cash budgets (source: own source)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	69	69.7	69.7	69.7
No	30	30.3	30.3	100.0
Total	99	100.0	100.0	

4.5.2 Frequency of preparation of cash budgets by SMMEs

In question 8, respondents who had indicated that their businesses prepared cash budgets were asked to indicate how frequently their businesses prepared a cash budget. As shown in Table 4.9, 42% of these respondents' businesses prepared cash budgets on a monthly basis, while 23.2% prepared cash budgets on a daily basis. Only 14.50% of the sampled SMMEs prepared cash budgets as frequently as deemed necessary, 4.3% prepared cash budgets on a quarterly basis, while 2.9% prepared the cash budgets on an annual basis. The above results suggest that 79.7% of the SMMEs that prepared cash budgets did so on a monthly basis or more frequent basis. These results however contrast those of Kemp *et al.*, (2015), who found that 17.65% of SMMEs prepared cash budgets on a monthly basis, 15.69% on a daily basis, 7.84% on a weekly basis, 5.88% bi-annually, while 3.82% prepared cash budgets on an annual basis.

Table 4.9: How frequently respondents' businesses prepared a cash budget (Source: Own source)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Daily	16	16.2	23.2	23.2
Weekly	9	9.1	13.0	36.2
Monthly	29	29.3	42.0	78.3
Quarterly	3	3.0	4.3	82.6
Annually	2	2.0	2.9	85.5
As frequent as deemed necessary (ad hoc basis)	10	10.1	14.5	100.0
Total	69	69.7	100.0	
Missing	0	30	30.3	
Total	99	100.0		

4.5.3 Preparation of cash budgets

In question 9, respondents who had indicated that their businesses prepared cash budgets were asked to indicate who prepared the cash budget. As shown in Table 4.10, 68.1% of the sampled respondents indicated that the owners prepared cash budgets, 10.1% indicated that managers prepared cash budgets, while 8.7% indicated that the accountants prepared cash budgets. Only 4.3% indicated that the cash budgets were prepared by a third party. Likewise, only 2.9% indicated that the cash budgets were prepared by others.

Table 4.10: Who prepares the cash budget? (source: own source)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountant	6	6.1	8.7	8.7
	Owner	47	47.5	68.1	76.8
	Manager	7	7.1	10.1	87.0
	External party	3	3.0	4.3	91.3
	Other	2	2.0	2.9	94.2
	7	4	4.0	5.8	100.0
	Total	69	69.7	100.0	
Missing	0	30	30.3		
Total		99	100.0		

4.6 PURPOSE OF CASH BUDGETS

Section C, which comprised one question, namely; question 10 was intended to determine the purpose for which the SMMEs that prepare cash budgets use them for. The question required respondents to indicate extent to which they agreed with 21 statements on purpose for which the SMMEs that prepare cash budgets use them for. This question required a response on a five-point Likert scale [1= Strongly Disagree, 2 = Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree].

For the sake of brevity, the percentages of those that either strongly agreed or agreed with the statements were added together and reported as “percentage that agree with the statement” as shown in the second column of Table 4.11. Those who neither agreed nor disagreed were reported as disagreeing with the statement as these words suggest lack of a clear stand. The approach was adopted as it ensured that only those who indicated that they strongly agree or

agree with the statements are reported as such, and has been used widely in similar prior studies (Kamala & Mjongwana, 2018).

As indicated in Table 4.11 below, 91.30% of the respondents indicated that their businesses prepared cash budgets for the purpose of planning for efficient use of cash, 88.4% indicated for the purpose of identifying short and long-term cash needs of the business to avoid cash shortage. Similarly, 87% indicated that their businesses prepared cash budgets for evaluating the financial performance of the business. Other purposes for which cash budgets were used by most of the sampled SMMEs were for : ensuring that sufficient cash is available when required to fulfill regular operations (85.5%); providing the status of the company’s cash position at any point of time (84.1%); making arrangements for projected cash shortages (82.6%); identifying sources of cash that can be allocated to meet payment obligations (81.2%) and determining the credit that the business can extend to its customers before falling into liquidity problems (81.2%). Other purposes as indicated in Table 4.11 were also agreed to, albeit by smaller percentage of respondents. The means obtained mirrored the percentages, while the standard deviations of more than one for 20 out of 21 statements suggest a disagreement in the respondents’ responses.

Table 4.11: The purposes in which cash budgets were used by SMMEs

Purpose for which SMME used cash budgets.		Respondents N=69	
Statements	Percentage that agreed with the statement	Mean	Standard Deviation
a. Forecasting the payments that need immediate cash allocation	73.90	3.78	1.293
b. Identifying sources of cash that can be allocated to meet payment obligations	81.20	4.07	1.019

c. Providing the status of the company's cash position at any point of time	84.10	4.09	1.081
d. Making arrangements for projected cash shortages	82.60	4.03	0.891
e. Planning for investing projected surplus cash	50.70	3.67	1.146
f. Prioritizing urgent payments in the budget period	69.60	3.64	1.475
g. As a financial control tool by analysing variances between cash budget-versus-actual cash inflow and outflow	79.70	3.84	1.208
h. Controlling cash expenditure by highlighting the need for corrective action	66.70	3.87	1.282
i. Strategic decision-making such as acquisition of machinery and building infrastructure	62.30	3.72	1.235
j. Providing for unforeseen contingencies that result in unplanned expenses	75.30	3.88	1.461
k. Creating a cash reserve for taking advantage of business opportunities arising	73.90	3.84	1.279
l. Identifying short and long-term cash needs of the business which gives time to the management to take	88.40	4.00	1.188

appropriate actions in time to avoid cash shortage			
m. Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	73.90	3.97	1.175
n. Determining the credit that the business can extend to its customers before falling into liquidity problems	81.20	4.04	1.143
o. Ensuring that sufficient cash is available when required to fulfill regular operations	85.50	4.22	1.162
p. Assessing the liquidity of the business- ability to meet financial obligations as they become due without disrupting the continuing operation of your business	79.70	3.93	1.155
q. Evaluating borrowing needs and repayment plans	66.60	3.43	1.460
r. Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	69.50	3.74	1.233
s. Supporting application for loans and other sources of finance from lenders and creditors	49.20	3.58	1.143
t. Evaluating the financial performance of the business	87.00	4.29	1.164

u. Planning for efficient use of cash	91.30	4.33	1.133
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The above current results are to some extent consistent with those of Madueke and Kamala (2016) who found that SMMEs prepared cash budgets for monitoring purposes (68%), measuring performance (67%), future planning (65%), control purposes (63%), improving decisions (62%), business process improvement (59%), problem identification (59%), optimising the use of resources (57%) and developing tactical strategies (53%).

4.7 PERCEIVED EFFECTIVENESS OF CASH BUDGETS BY SMMEs.

Section D, which comprised one question, namely; question 11 was intended to determine the perceptions of decision-makers of SMMEs that prepared and used cash budgets, regarding the effectiveness of cash budgets for 21 purposes listed. The question required response on a five-point Likert scale [1=Very Ineffective, 2=Ineffective, 3 =Neutral, 4= Effective, 5=Very Effective].

For the sake of brevity, the percentages of those that either perceived cash budgets to be very effective or effective were added together and reported as “percentage that perceive the cash budget to be effective for this purpose” as shown in the second column of Table 4.12. Those who indicated neutral were treated as if they perceived cash budgets to be ineffective as the word neutral suggests lack of a clear stand. The approach was adopted as it ensured that only those who indicated that they perceive cash budgets to be effective are reported as such, and has been used widely in similar prior studies (Kamala & Mjongwana, 2017).

Table 4.12: Perceived effectiveness of cash budgets

Perceived Effectiveness of Cash Budgets by.		Respondents N=99	
Statements	Percentage that perceive cash budgets to be effective for this purpose	Mean	Standard Deviation
a. Forecasting the payments that need immediate cash allocation	65.70	3.88	1.262

b. Identifying sources of cash that can be allocated to meet payment obligations	76.80	4.09	1.314
c. Providing the status of the company's cash position at any point of time	82.60	4.23	1.308
d. Making arrangements for projected cash shortages	73.90	3.96	1.288
e. Planning for investing projected surplus cash	59.40	3.94	1.083
f. Prioritising urgent payments in the budget period	71.50	4.03	1.307
g. As a financial control tool by analysing variances between cash budget-versus-actual cash inflow and outflow	71.00	3.87	1.199
h. Controlling cash expenditure by highlighting the need for corrective action	71.00	3.96	1.242
i. Strategic decision-making such as acquisition of machinery and building infrastructure	62.30	3.62	1.394
j. Providing for unforeseen contingencies that result in unplanned expenses	63.70	3.86	1.320
k. Creating a cash reserve for taking advantage of business opportunities arising	66.60	4.06	1.271
l. Identifying short and long-term cash needs of the business which gives time to the management to take appropriate actions in time to avoid cash shortage	68.10	3.88	1.409
m. Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	69.60	3.93	1.418

n. Determining the credit that the business can extend to its customers before falling into liquidity problems	75.30	3.88	1.356
o. Ensuring that sufficient cash is available when required to fulfil regular operations	73.90	3.86	1.353
p. Assessing the liquidity of the business ability to meet financial obligations as they become due without disrupting the continuing operation of your business	73.90	3.88	1.301
q. Evaluating borrowing needs and repayment plans	69.50	3.80	1.461
r. Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	66.70	3.75	1.398
s. Supporting application for loans and other sources of finance from lenders and creditors	58.00	3.49	1.244
t. Evaluating the financial performance of the business	69.50	3.83	1.260
u. Planning for efficient use of cash	69.70	3.80	1.406

As shown on table 4.12, 82.60% of the respondents cash budgets to be effective for providing the status of the company's cash position at any point of time, 76.8% perceived cash budgets to be effective for identifying sources of cash that can be allocated to meet payment obligations. Likewise, 75.30% perceived the cash budgets to be effective for determining the credit that the business can extend to its customers before falling into liquidity problems. Other purposes for which cash budgets were perceived to be effective for included for: making arrangements for projected cash shortages (73.9%); ensuring that sufficient cash is available when required to fulfil regular operations (73.9%); and assessing the liquidity of the business' ability to meet financial obligations as they become due (73.9%). Cash budgets were perceived by most of the respondents to be effective for all the other purposes listed in Table 4.12, albeit to a lesser extent. The means obtained mirrored the percentages, while the standard deviations of more than one for all 21 statements suggest a disagreement in the respondents' responses.

The current results contrast those of Tabot (2015), who found that cash budgets were not perceived by decision-makers of SMMEs to be effective for various purposes, as SMMEs could manage their cash without needing these tools.

4.8 FACTORS THAT INHIBIT THE USAGE OF CASH BUDGETS BY SMMES

Section E, which was meant to determine the factors, if any, that inhibit SMMEs from preparing and using cash budgets comprised two questions, namely; question 12 and question 13. In question 12, respondents were asked to indicate by way of a yes/no question whether there were any factors that inhibited a respondent’s business from preparing and using cash budgets. The results to this question are summarised in Table 4.13 below.

Table 4.13: Whether there are any factors that inhibit SMMEs from preparing and using cash budgets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	8.1	11.6	11.6
	4	19	19.2	27.5	39.1
	5	42	42.4	60.9	100.0
	Total	69	69.7	100.0	
Missing	0	30	30.3		
Total		99	100.0		

As shown in the table 4.13, 60.9% of the sampled size indicated there were some factors that inhibited their businesses from preparing and using cash budgets, the remaining businesses respondents did not indicate that there were any factors that inhibited them to prepare and using cash budgets.

Question 13, was meant to determine the factors that hinder the sampled SMMEs from preparing and using cash budgets. The question required respondents to indicate the extent to which they agreed or disagreed with 16 statements, stating different factors that can inhibit an SMME from

preparing and using cash budgets, on a five-point Likert scale [1= Strongly Disagree, 2= Disagree, 3= Neither agree nor disagree, 4= Agree, 5= Strongly Agree].

For the sake of brevity, the percentages of those that either strongly agreed or agreed with the statements were added together and reported as “percentage that agree with the statement” as shown in the second column of Table 4.14. Those who neither agreed nor disagreed were reported as disagreeing with the statement as these words suggest lack of a clear stand. The approach was adopted as it ensured that only those who indicated that they strongly agree or agree with the statements are reported as such, and has been used widely in similar prior studies (Kamala & Mjongwana, 2017).

Table 4.14: Factors that inhibit SMMEs from preparing and using cash budgets

Factors that inhibit SMMEs from preparing and using cash budgets		Respondents N=30	
Statements	Percentage that agreed with the statement	Mean	Standard Deviation
a. Lack of skills to prepare and use a cash budget	88.40	4.39	1.286
b. Lack of resources required to prepare and use a cash budget	0.00	1.47	.502
c. Lack of time to prepare and use cash budgets due to shortage of staff	73.50	3.71	1.323
d. A cash budget is not appropriate for the type of business that we operate	71.40	3.73	1.335
e. The business does not require to prepare a cash budget as it can obtain all the information pertaining to cash from other sources	61.30	3.76	1.347
f. Lack of awareness about how a cash budget can benefit the business	42.80	3.00	1.514

g. Preparing and updating cash budgets is time consuming	51.10	3.18	1.629
h. The business does not need a cash budget	73.40	3.86	1.242
i. Cash budgets are based on assumptions, which if erroneous can result in wrong decisions	77.50	3.82	1.219
j. Cash budgets are inflexible	38.80	3.04	1.322
k. Preparation of cash budgets is expensive	44.90	2.88	1.424
l. Cash budgets cannot aid our business in reducing costs	36.70	2.92	1.441
m. Cash budgets limit the business' operations	42.80	3.08	1.397
n. The business is in the process of implementing a cash budget	46.90	3.00	1.541
o. The business relies on the owner/managers experience to make cash related decisions thus does not a cash budget	48.90	3.04	1.513
p. The business plans to implement a cash budget in the future	51.00	3.53	1.138

Scale: 1=strongly disagree; 5=strongly agree (Source: field work)

As shown in Table 4.13, 88.4% of respondents indicated that lack of adequate skills to prepare cash budget inhibited their SMMEs from using cash budgets, while 77.5% indicated that cash budgets are based on assumptions, which if erroneous can result in wrong decisions. Likewise, 73.50% of respondents indicated lack of time to prepare and use cash budgets due to shortage of human resources as a factor that inhibited their SMMEs from using cash budgets and the view that the respondents' business does not need a cash budget (73.5%). Also cited was the view that a cash budget is not appropriate for the type of business that the respondents' SMME operated (71.4%). The rest of the factors included in Table 4.13 were cited by a lesser percentage of respondents. The means obtained mirrored the percentages, while the standard deviations of more than one for 15 out of 16 statements suggest a disagreement in the respondents' responses.

Although, the above mentioned results contest with those of Madueke and kamala (2016) who found that the prime factor that inhibited their sampled SMMEs to cash budget was lack of top personnel (54.95%), followed by lack of required resources such as accounting information system (49.46%) and lastly lack of awareness of budgeting within SMMEs (41.76%).

In addition, the current results also opposed with those of Tabot and Kamala (2016) who concluded that 25% of the responded SMMEs lack skills to manage cash, while 34% the sampled size lack skills to manage accounts receivables and payables respectively. Likewise, 28% of the respondents SMMEs lack resources to manage them cash.

Thus, the current study results may not be generalised with those of the researchers cited in the above paragraphs.

4.9 SUMMARY

The main purpose of this chapter was to analyse and discuss the results of the questionnaire survey undertaken to investigate the use of cash budgets by SMMEs operating in the FMCG located in the Cape Metropole. The chapter began with a re-statement of the specific objectives of the study, discussed the response rate, personal profile of respondents as well as their business' profile. The study then analysed and discussed the results on the usage of cash budgets by SMMEs operating in the FMCG of the Cape Metropole. The results showed that, 69.7% of the sampled SMMEs prepared cash budgets, while 30.3% did not. The study also revealed that the cash budgets were typically prepared on a monthly basis (42%), mostly by the owners of the businesses (68.1%).

With regards to the purpose for which cash budgets were used, the results showed that the budgets were mostly used for planning for efficient use of cash (91.3%), identifying short and long-term cash needs of the business to avoid cash shortage (88.4%) and for evaluating the financial performance of the business (87%). The results further showed that cash budgets were perceived to be effective for various purposes. Key among these purposes were for providing the status of the company's cash position at any point of time (82.6%), identifying sources of cash that can be allocated to meet payment obligations (76.8%), determining the credit that the business can extend to its customers before falling into liquidity problems (75.3%).

The analysis and discussion of the results also revealed that factors that there are factors that inhibit SMMEs from preparing and using cash budgets. Key among these factors were a that lack of adequate skills to prepare and use a cash budget (88.4%), the notion that cash budgets are based on assumptions, which if erroneous can result in wrong decisions, lack of time to prepare

and use cash budgets (73.5%) and the view that some of the SMMEs do not need a cash budget (73.5%).

The next chapter (Chapter 5) presents the summary and conclusion of the study, discusses the contribution of this study, its limitations and makes suggestions for further research.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.1 INTRODUCTION

Main purpose of this study was to determine the extent to which, SMMEs operating in the FMCG sector, of the Cape Metropole use cash budgets. The study was motivated by lack of research on the use of cash budgets by SMMEs operating in South Africa. To accomplish the above-purpose, a questionnaire survey was conducted.

The purpose of this chapter is to summarize the key findings and draw conclusions on the extent to which SMMEs operating in the FMCG sector of the Cape Metropole prepare and use cash budgets, the purpose for which the SMMEs that prepare cash budgets use them for, perceived effectiveness of the cash budgets used for various purposes, and the factors that inhibit SMMEs from preparing and using cash budgets.

This chapter proceeds with a re-statement of the research problem, purpose statement, the main research question and sub-questions as outlined in chapter 1, in Section 5.2. This is followed by a summary and conclusion of the literature review on the usage of cash budgets by SMMEs that was presented in Chapter 2, in section 5.3. Section 5.4 presents a summary and conclusion of the research design and methodology used in this study, as presented in Chapter 3. This is followed by a summary and conclusion of the analysis and discussion of results of the study, presented in Chapter 4, in Section 5.5. Section 5.6 provides contribution and recommendation of the study, Section 5.7 presents limitations of the study, followed by suggestions for further research in Section 5.8.

5.2 CHAPTER 1- RESEARCH PROBLEM, PURPOSE STATEMENT AND RESEARCH QUESTIONS

5.2.1 Problem statement

The problem investigated by this study is that SMMEs in South Africa are perceived to be failing partly due to their reluctance to prepare and use cash budgets for managing their cash.

5.2.2. Purpose statement

The main aim of this study was to determine the extent to which, SMMEs operating in the FMCG sector of the Cape Metropole use cash budgets.

5.2.3 Main research question

The main research question of this study reads as follows:

To what extent do the SMMEs operating in the FMCG sector of the Cape Metropole use cash budgets?

5.2.3 Research sub-questions

- Do SMMEs prepare and use cash budgets?
- For what purpose do SMMEs prepare cash budgets?
- What are the perceptions of decision-makers of SMMEs regarding the effectiveness of cash budgets?
- What factors, if any, inhibit SMMEs from preparing and using cash budgets?

5.3 CHAPTER 2 SUMMARY AND CONCLUSION OF THE LITERATURE REVIEW ON THE USE OF CASH BUDGETS BY SMMEs

The purpose of this chapter was to review the prior literature on the use of cash budgets by SMMEs in order to identify significant gaps addressed by this study.

The chapter commenced by defining SMMEs in the South African context, it then discussed the importance of these entities to the South African economy, defined cash budgets and discussed their importance to SMMEs. The chapter then reviewed the prior studies on the use of cash budgets, summarised the gaps identified in the prior literature and discussed the contingency theory. It then provided a summary and conclusion of this chapter.

Based on the literature review, gaps were identified with regard to lack of studies on the extent to which South African SMMEs prepare and use cash budgets, purpose for which the SMMEs that prepare cash budgets use them for, perceptions of decision-makers of SMMEs regarding effectiveness of cash budgets, and the factors, if any, that inhibit SMMEs from preparing and using cash budgets. Other gaps identified included, that none of the studies reviewed focused on the use of cash budgets by SMMEs operating in the FMCG sector of the Cape Metropole, some of the studies employed limited sample sizes, thus the generalisability of their findings is questionable, and some of the studies sampled large companies. Some of the studies also had contradictory findings.

Given the above gaps identified in prior literature, the researcher concluded that an understanding of the use of cash budgets by SMEs operating in the FMCG sector in South Africa still seems evasive.

5.4 CHAPTER 3—SUMMARY AND CONCLUSION OF RESEARCH DESIGN AND METHODOLOGY

The purpose of this chapter was to discuss the research methodology utilised in this study to address its objectives. The chapter began with a discussion of the research paradigm adopted, and a justification of the questionnaire-survey method used. The chapter then discussed the research population and sampling technique adopted in the study, followed by the questionnaire design used. The pilot testing conducted on the questionnaires to ensure their clarity, conciseness and understandability was then discussed, as well as the data collection process in the form of a researcher-administered questionnaire. The descriptive statistics used to analyse the data were then discussed, followed by the measures undertaken to ensure reliability and validity of the research instrument. The limitations of the questionnaire-survey methodology adopted were then discussed alongside the ethical considerations of this study. The researcher concluded that the methodology outlined in Chapter three was deemed to be appropriate for addressing the research objectives of this study.

5.5 CHAPTER 4—SUMMARY OF ANALYSIS AND DISCUSSION OF RESULTS.

The main purpose of this chapter was to analyse and discuss the results of the questionnaire survey undertaken to investigate the use of cash budgets by SMMEs operating in the FMCG sector located in the Cape Metropole. The chapter began with a re-statement of the specific objectives of the study, discussed the response rate, personal profile of respondents as well as their business' profile. The study then analysed and discussed the results on the usage of cash budgets by SMMEs operating in the Cape Metropole. The results showed that, 69.7% of the sampled SMMEs prepared cash budgets, while 30.3% did not. The study also revealed that the cash budgets were typically prepared on a monthly basis (42%), mostly by the owners of the businesses (68.1%).

With regard to the purpose for which cash budgets were used, the results showed that the budgets were mostly used for planning for efficient use of cash (91.3%), identifying short and long-term cash needs of the business to avoid cash shortage (88.4%) and for evaluating the financial performance of the business (87%). The results further showed that cash budgets were perceived to be effective for various purposes. Key among these purposes were for providing the status of the company's cash position at any point of time (82.6%), identifying sources of cash that can be allocated to meet payment obligations (76.8%), determining the credit that the business can extend to its customers before falling into liquidity problems (75.3%).

5.6 CONTRIBUTIONS, SIGNIFICANCE AND RECOMMENDATIONS OF THE STUDY

5.6.1 Contributions of the study

The study fills in the gap in research on the use of cash budgets by SMMEs operating in the FMCG sector in South Africa. Although numerous studies have been conducted on the use of cash budgets by similar entities in other countries, only a few studies have been conducted on the use of budgets in general in South Africa by SMMEs. Those that have been conducted in the country have not focused on the use of cash budgets particularly among SMMEs operating in the FMCG sector. Thus, there is a gap in knowledge on the topic that this study fills.

In addition, unlike the other prior South African studies such the one conducted by Matsotso and Benedict (2015), the current study employed a researcher administered questionnaire, an aspect that increased the response rate, external validity of the study as well as reduced non-response bias associated with questionnaire surveys. This study also employed the contingency theory to interpret the results, the prior studies on the use of cash budgets by SMMEs were not informed by any theory.

5.6.2 Significance of the findings of the study

This study seeks to inform the decision-makers of SMMEs about the importance of using cash budgets in their businesses, the purposes for which the budgets can be used, their effectiveness as well as the factors to avoid or overcome when preparing and using budgets. These should encourage the uptake of these budgets which should enhance the survival rate of these entities, which at the moment are characterised by a high failure rate. The study identifies skills gaps among SMMEs which can then be addressed by the Government and policy makers when rolling out training programmes meant to address the development needs of the decision-makers of the SMMEs, an aspect that may ensure that these entities survive and even thrive.

The results of these study may also encourage other scholars to conduct a similar study in other sectors of the economy or in other provinces of South Africa in order to confirm the external validity of the findings of this study. The scholars may employ the detailed methodology provided and even adopt the questionnaire designed in this study to investigate the use of other types of budgets in other sectors and provinces of South Africa. Training institutions may embed the results of this research in their curriculum by developing short courses to impart the skills needed to prepare and use cash budgets, which at the moment is the main inhibiting factor as revealed in this study.

5.6.3 Recommendations of the study.

With regards to the findings of this study, some recommendations are suggested.

Firstly, SMMEs should hire professionals who have relevant experience in finance and accounting to take care of their financial tool report such as cash budgets.

Secondly, the South African Government should sustain SMMEs decision-makers to attend financial and management accounting workshops which will give them a good understanding on how to resolve their financial issue. There are those that organized by SEDA. However, they should also focus on Cash budgets.

Thirdly, the Government should provide some funds programs in which can support start up SMMEs to pay their rent since rental money is one of the prime challenges that they are facing at their early stage.

Fourthly, SMME decision-makers with no accounting qualification should do at least a short course to become more knowledgeable in cash budgets.

Lastly, SMMEs decision-makers should prepare a formal cash budgets report instead of other way to manage cash.

5.7 LIMITATIONS OF THE STUDY

The review of the prior literature in Chapter two revealed that only a limited number of studies have been conducted on the use of cash budgets by SMMEs operating in the FMCG sector of the Cape Metropole. Thus, this study was only informed by limited literature. Given that this study only focused on SMMEs operating in the FMCG sector of the Cape Metropole, its findings may not be generalisable to SMMEs operating in other sectors or other cities, particularly those in other provinces of South Africa.

SMMEs owners, managers and accountants are known to be very busy people. Based on this, it was a daunting task to get them to commit to completing a questionnaire. In addition, some were reluctant to complete the questionnaire, or may have delegated this task to junior staff or may have provided biased answers. To address these limitations, the researcher visited the potential respondents in person and persuaded them to participate in the study by clarifying its purpose.

Low response rate has been well documented as one of the main challenges of conducting a questionnaire survey, which leads to a non-response bias that undermines the generalisability of the findings to the research population. To mitigate the risk of non-response bias, the researcher approached the respondents in person and administered the questionnaire himself. In addition, the questionnaire was deliberately designed to be short, comprising only of closed-ended questions.

Given that some respondents perceived the questions asked in the questionnaire to be sensitive, their reluctance to participate in the survey is understandable. To overcome this obstacle, the

researcher visited the respondents in person and reassured them of confidentiality and anonymity of the information given.

Inferential statistical studies were deemed to be irrelevant as the study is exploratory in nature, and does not employ a random sample.

5.8 SUGGESTIONS FOR FURTHER RESEARCH

The limitations summarised above present future research opportunities. To start with, this study only focused on SMMEs operating in the FMCG sector of the Cape Metropole, future studies may replicate the current study in other sectors and other cities in South Africa and in Africa at large.

In addition, the current study assumed that owners, managers and accountants are the only decision-makers of SMMEs, future studies may include other types of decision-makers that are not necessarily the three types included in the current study. The current study only investigated the use of cash budgets by SMMEs, future studies may investigate the use of the other types of budgets.

Furthermore, the findings of the current study were based on a sample of 99 SMMEs. This number is not representative of all the possible number of SMMEs that operate in the FMCG sector of the Cape metropole. Future studies could employ a larger sample size to increase the external validity of the findings.

The current study employed a quantitative methodology. Future studies could employ qualitative methodology such as using interviews to conduct case studies to obtain a deeper understanding of the use of cash budgets by SMMEs and the factors that inhibit them from using these tools. Future studies could also compare the use of cash budgets among entities of different sizes.

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APPENDICES

APPENDIX A: CONSENT LETTER



Faculty of Business and Management Sciences

Consent to participate in an academic study

Research conducted by: Sado Wayangbo Pierrot

Student number: 212037293

Dear Sir/Madam,

Invitation to participate in an academic research study

You are kindly invited to participate in a research study titled “The use of cash budgets by Small Medium and Micro Enterprises (SMMEs) in the Cape Metropole”. This study is conducted by Mr Sado Wayangbo Pierrot, a master’s student at the Cape Peninsula University of Technology (CPUT). The purpose of this study is to determine the extent to which, SMMEs, operating in the Fast-Moving Consumer Goods (FMCG) sector in the Cape Metropole use cash budgets.

Because you are a decision maker of a South African SMME operating in in incorporateFMCG sector, your opinions are very valuable to this study. Your participation in this study is voluntary and you are free to withdraw from it at any time without obligation. There are no risks associated with participating in this study. The study will not collect any information that can identify you as all responses will be recorded anonymously. While you will not receive any compensation for participating, the information collected in this study will positively contribute to the sustainability of the SMMEs operating in in incorporateFMCG sector, in South Africa.

Your consent to participate in this study is highly appreciated. For further inquiries, you may contact me on 073 784 7534 or via email: pierrotsado@gmail.com.

If you consent to participate in this study, please sign this form to indicate that:

- you have read and understood the information provided above
- you hereby consent to participate in this study voluntarily

Name of the Enterprise: _____

Respondent’s signature: _____ Date: _____

APPENDIX B: QUESTIONNAIRE

--

SECTION A – RESPONDENT AND BUSINESS PROFILE (Please mark “X” in the appropriate box)

1. What is your position in the business?	
a. Owner	1
b. Manager	2
c. Owner and Manager	3
d. Accountant	4
2. How long have you been in the above position?	
a. Less than 1 year	1
b. 1-5 years	2
c. 6-10 years	3
d. Above 10 years	4
3. How long has the business been in existence?	
a. Less than 1 year	1
b. 1-5 years	2
c. 6-10 years	3
d. Above 10 years	4
4. What is your highest level of education?	
a. Matric	1
b. Short course	2
c. Diploma	3
d. Bachelor/Degree	4
e. Masters	5
f. Doctorate	6
g. Other	7
5. Was the above qualification accounting related?	
a. Yes	1
b. No	2
6. What is the number of employees in your business?	
a. 1-5	1

b. 6-10	2
c. 11-20	3
d. 21-50	4
e. 51-100	5
f. Above 100	6

SECTION B – WHETHER SMMES PREPARE CASH BUDGETS (Please mark “X” in the appropriate box)

7. Does your business prepare cash budgets?

a. Yes	1
b. No	2

If your response is “yes” to question 7, proceed to question 8, 9 and 10, if your response is “no” to question 7, proceed to section E.

8. How frequently does your business prepare a cash budget?

a. Daily	1
b. Weekly	2
c. Monthly	3
d. Quarterly	4
e. Biannually	5
f. Annually	6
g. As frequent as deemed necessary (ad hoc basis)	7

9. Who prepares the cash budget for the business?

a. Accountant	1
b. Owner	2
c. Manager	3
d. External party	4

e. Other If _____ other, _____ please _____ specify _____	5
--	---

SECTION C – PURPOSE FOR WHICH SMMES USE CASH BUDGETS (Please mark “X” in the appropriate box)

Answer this Section only if you responded with a “yes” to question 7

Use the following information scale to answer question 10.

1= Strongly disagree, 2= Disagree, 3= Neither agree or disagree, 4= Agree, 5= Strongly agree

10. To what extent do you agree with the following statements regarding the purpose for which the business uses cash budgets?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. Forecasting the payments that need immediate cash allocation	1	2	3	4	5
b. Identifying sources of cash that can be allocated to meet payment obligations	1	2	3	4	5
c. Providing the status of the company’s cash position at any point of time	1	2	3	4	5
d. Making arrangements for projected cash shortages	1	2	3	4	5
e. Planning for investing projected surplus cash	1	2	3	4	5
f. Prioritising urgent payments in the budget period	1	2	3	4	5
g. As a financial control tool by analysing variances	1	2	3	4	5

between cash budget-versus-actual cash inflow and outflow					
h. Controlling cash expenditure by highlighting the need for corrective action	1	2	3	4	5
i. Strategic decision-making such as acquisition of machinery and building infrastructure	1	2	3	4	5
j. Providing for unforeseen contingencies that result in unplanned expenses	1	2	3	4	5
k. Creating a cash reserve for taking advantage of business opportunities arising	1	2	3	4	5
l. Identifying short- and long-term cash needs of the business which gives time to the management to take appropriate actions in time to avoid cash shortage	1	2	3	4	5
m. Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	1	2	3	4	5
n. Determining the credit that the business can extend to its customers before falling into liquidity problems	1	2	3	4	5
o. Ensuring that sufficient cash is available when required to fulfill regular operations	1	2	3	4	5
p. Assessing the liquidity of the business- ability to meet financial obligations as they become due without disrupting the continuing operation of your business	1	2	3	4	5

q. Evaluating borrowing needs and repayment plans	1	2	3	4	5
r. Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	1	2	3	4	5
s. Supporting application for loans and other sources of finance from lenders and creditors	1	2	3	4	5
t. Evaluating the financial performance of the business	1	2	3	4	5
u. Planning for efficient use of cash	1	2	3	4	5

SECTION D – PERCEIVED EFFECTIVENESS OF CASH BUDGETS (Please mark “X” in the appropriate box)

Answer this Section only if you responded with a “yes” to question 7

Use the following scales to answer question 11.

1=Very Ineffective, 2=Ineffective, 3 =Neutral, 4= Effective, 5=Very Effective

11. What are your perceptions regarding the effectiveness of cash budgets for the following purposes?

	Very Ineffective	Ineffective	Neutral	Somewhat Effective	Very Effective
a. Forecasting the payments that need immediate cash allocation	1	2	3	4	5

b. Identifying sources of cash that can be allocated to meet payment obligations	1	2	3	4	5
c. Providing the status of the company's cash position at any point of time	1	2	3	4	5
d. Making arrangements for projected cash shortages	1	2	3	4	5
e. Planning for investing projected surplus cash	1	2	3	4	5
f. Prioritising urgent payments in the budget period	1	2	3	4	5
g. As a financial control tool by analysing variances between cash budget-versus-actual cash inflow and outflow	1	2	3	4	5
h. Controlling cash expenditure by highlighting the need for corrective action	1	2	3	4	5
i. Strategic decision-making such as acquisition of machinery and building infrastructure	1	2	3	4	5
j. Providing for unforeseen contingencies that result in unplanned expenses	1	2	3	4	5
k. Creating a cash reserve for taking advantage of business opportunities arising	1	2	3	4	5
l. Identifying short and long term cash needs of the business which gives time to the management to take appropriate actions in time to avoid cash shortage	1	2	3	4	5
m. Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	1	2	3	4	5

n. Determining the credit that the business can extend to its customers before falling into liquidity problems	1	2	3	4	5
o. Ensuring that sufficient cash is available when required to fulfill regular operations	1	2	3	4	5
p. Assessing the liquidity of the business- ability to meet financial obligations as they become due without disrupting the continuing operation of your business	1	2	3	4	5
q. Evaluating borrowing needs and repayment plans	1	2	3	4	5
r. Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	1	2	3	4	5
s. Supporting application for loans and other sources of finance from lenders and creditors	1	2	3	4	5
t. Evaluating the financial performance of the business	1	2	3	4	5
u. Planning for efficient use of cash	1	2	3	4	5

SECTION E – FACTORS THAT INHIBIT THE BUSINESS FROM PREPARING AND USING CASH BUDGETS (Please mark “X” in the appropriate box)

12. Are there any factors that inhibit the business from preparing and using cash budgets?

(a) Yes

1

(b) No

2

If yes, proceed to question 14. If no, please return the questionnaire. Thank you for participating in this survey.

Use the following information scale to answer question 13,

1= Strongly disagree, 2= Disagree, 3= Neither agree or disagree, 4= Agree, 5= Strongly agree

13. To what extent do you agree with the following statements regarding the factors that inhibit your business from preparing and using cash budgets?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. Lack of skills to prepare and use a cash budget	1	2	3	4	5
b. Lack of resources required to prepare and use a cash budget	1	2	3	4	5
c. Lack of time to prepare and use cash budgets due to shortage of staff	1	2	3	4	5
d. A cash budget is not appropriate for the type of business that we operate	1	2	3	4	5
e. The business does not require to prepare a cash budget as it can obtain all the information pertaining to cash from other sources	1	2	3	4	5
f. Lack of awareness about how a cash budget can benefit the business	1	2	3	4	5
g. Preparing and updating cash budgets is time consuming	1	2	3	4	5
h. The business does not need a cash budget	1	2	3	4	5

i. Cash budgets are based on assumptions, which if erroneous can result in wrong decisions	1	2	3	4	5
j. Cash budgets are inflexible	1	2	3	4	5
k. Preparation of cash budgets is expensive	1	2	3	4	5
l. Cash budgets cannot aid our business in reducing costs	1	2	3	4	5
m. Cash budgets limit the business' operations	1	2	3	4	5
n. The business is in the process of implementing a cash budget	1	2	3	4	5
o. The business relies on the owner/managers experience to make cash related decisions thus does not a cash budget	1	2	3	4	5
p. The business plans to implement a cash budget in the future	1	2	3	4	5

Thank you for your participation. If you would like feedback on the findings of this study, please E-mail Mr Pierrot Sado using the following E-mail address: pierrotsado@gmail.com

APPENDIX C: FREQUENCY TABLES

Descriptives

		Notes	
Output Created			30-JUL-2019 03:12:04
Comments			
Input	Data	C:\Users\Olwethu\OneDrive - Cape Peninsula University of Technology\School work\Masters\The adoption of selected conventional MAP\New folder (2)\New folder (3)\DR KAMALA\Untitled6.sav	
	Active Dataset	DataSet1	
	Filter	<none>	
	Weight	<none>	
	Split File	<none>	
	N of Rows in Working Data File		99
Missing Value Handling	Definition of Missing	User defined missing values are treated as missing.	
	Cases Used	All non-missing data are used.	
Syntax		DESCRIPTIVES VARIABLES=D1 D2 D3 D4 D5 D6 D7 D8 D9 D10 D11 D12 D13 D14 D15 D16 D17 D18 D19 D20 D21 /STATISTICS=MEAN STDDEV.	
Resources	Processor Time		00:00:00,00
	Elapsed Time		00:00:00,16

Descriptive Statistics

	N	Mean	Std. Deviation
Forecasting the payments that need immediate cash allocation	69	3.78	1.293

Identifying sources of cash that can be allocated to meet payment obligations	69	4.07	1.019
Providing the status of the company's cash position at any point of time	69	4.09	1.081
Making arrangements for projected cash shortages	69	4.03	.891
Planning for investing projected surplus cash	69	3.67	1.146
Prioritising urgent payments in the budget period	69	3.64	1.475
As a financial control tool by analysing variances between cash budget-versus-actual cash inflow and outflow	69	3.84	1.208
Controlling cash expenditure by highlighting the need for corrective action	69	3.87	1.282
Strategic decision-making such as acquisition of machinery and building infrastructure	69	3.72	1.235
Providing for unforeseen contingencies that result in unplanned expenses	69	3.88	1.461
Creating a cash reserve for taking advantage of business opportunities arising	69	3.84	1.279

Identifying short and long term cash needs of the business which gives time to the management to take appropriate actions in time to avoid cash shortage	69	4.00	1.188
Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	69	3.97	1.175
Determining the credit that the business can extend to its customers before falling into liquidity problems	69	4.04	1.143
Ensuring that sufficient cash is available when required to fulfill regular operations	69	4.22	1.162
Assessing the liquidity of the business- ability to meet financial obligations as they become due without disrupting the continuing operation of your business	69	3.93	1.155
Evaluating borrowing needs and repayment plans	69	3.43	1.460
Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	69	3.74	1.233

Supporting application for loans and other sources of finance from lenders and creditors	69	3.58	1.143
Evaluating the financial performance of the business	69	4.29	1.164
Planning for efficient use of cash	69	4.33	1.133
Valid N (listwise)	69		

Descriptive Statistics

	N	Mean	Std. Deviation
Forecasting the payments that need immediate cash allocation	67	3.88	1.262
Identifying sources of cash that can be allocated to meet payment obligations	69	4.09	1.314
Providing the status of the company's cash position at any point of time	69	4.23	1.308
Making arrangements for projected cash shortages	69	3.96	1.288
Planning for investing projected surplus cash	69	3.94	1.083
Prioritising urgent payments in the budget period	63	4.03	1.307

As a financial control tool by analysing variances between cash budget-versus-actual cash inflow and outflow	69	3.87	1.199
Controlling cash expenditure by highlighting the need for corrective action	69	3.96	1.242
Strategic decision-making such as acquisition of machinery and building infrastructure	69	3.62	1.394
Providing for unforeseen contingencies that result in unplanned expenses	69	3.86	1.320
Creating a cash reserve for taking advantage of business opportunities arising	69	4.06	1.271
Identifying short and long term cash needs of the business which gives time to the management to take appropriate actions in time to avoid cash shortage	69	3.88	1.409
Determining the future ability of the business to pay trade payables and other debts early to take benefit of cash discount.	69	3.93	1.418

Determining the credit that the business can extend to its customers before falling into liquidity problems	69	3.88	1.356
Ensuring that sufficient cash is available when required to fulfill regular operations	69	3.86	1.353
Assessing the liquidity of the business- ability to meet financial obligations as they become due without disrupting the continuing operation of your business	69	3.88	1.301
Evaluating borrowing needs and repayment plans	69	3.80	1.461
Analysing the impact of financial decisions by formulating projected estimates for several alternative outcomes	69	3.75	1.398
Supporting application for loans and other sources of finance from lenders and creditors	69	3.49	1.244
Evaluating the financial performance of the business	69	3.83	1.260
Planning for efficient use of cash	66	3.80	1.406
Valid N (listwise)	58		

FOR SECTION E: QUESTION 13 (To what extent do you agree with the following statements regarding the factors that inhibit your business from preparing and using cash budgets?)

Descriptive Statistics

	N	Mean	Std. Deviation
Lack of skills to prepare and use a cash budget	69	4.39	1.286
Lack of resources required to prepare and use a cash budget	99	1.47	.502
Lack of time to prepare and use cash budgets due to shortage of staff	49	3.71	1.323
A cash budget is not appropriate for the type of business that we operate	49	3.73	1.335
The business does not require to prepare a cash budget as it can obtain all the information pertaining to cash from other sources	49	3.76	1.347
Lack of awareness about how a cash budget can benefit the business	49	3.00	1.514
Preparing and updating cash budgets is time consuming	49	3.18	1.629
The business does not need a cash budget	49	3.86	1.242

Cash budgets are based on assumptions, which if erroneous can result in wrong decisions	49	3.82	1.219
Cash budgets are inflexible	49	3.04	1.322
Preparation of cash budgets is expensive	49	2.88	1.424
Cash budgets cannot aid our business in reducing costs	49	2.92	1.441
Cash budgets limit the business' operations	49	3.08	1.397
The business is in the process of implementing a cash budget	49	3.00	1.541
The business relies on the owner/managers experience to make cash related decisions thus does not a cash budget	49	3.04	1.513
The business plans to implement a cash budget in the future	49	3.53	1.138
Valid N (listwise)	24		

APPENDIX D: ETHICS CLREARENCE CERTIFICATE




Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS AND MANAGEMENT SCIENCES
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At a meeting of the Faculty's Research Ethics Committee on **19 February 2019**, Ethics **Approval** was granted to **Sado Wayangbo Pierrot (212037293)** for research activities of **Master of Man. Accounting** at Cape Peninsula University of Technology.

Title of dissertation/thesis/project:	THE USE OF CASH BUDGETS BY SMALL, MEDIUM AND MICRO ENTERPRISES IN THE CAPE METROPOLE Lead Researcher/Supervisor: Dr P. Kamala
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Comments:

Decision: Approved

 <hr/> Signed: Chairperson: Research Ethics Committee	19 February 2019 <hr/> Date
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