

**CASH MANAGEMENT PRACTICES:  
A STUDY ON RESIDENTIAL FACILITIES FOR KWAME NKRUMAH  
UNIVERSITY OF SCIENCE AND TECHNOLOGY STUDENTS.**

By

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## DECLARATION

I, hereby declare that this submission is my own work towards the degree of Master of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for an award for another degree of the University, except where due acknowledgement has been made in the text.

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## **ABSTRACT**

This study was conducted to gain information on current cash management practices of the various Halls and Hostels that provide accommodation for Kwame Nkrumah University of Science and Technology (KNUST) Students. Purposive sampling technique was adopted to select the respondents for the study and data was collected mainly through the use of questionnaires. The data collected was analyzed using Statistical Package for Social Sciences (SPSS). The study revealed a worrying situation as unlike the practice in Halls of Residence, majority of the Hostels studied do not adhere to good cash management practices in terms of proper cash planning, control and disbursement. The study also highlighted some factors that pose as a challenge to effective cash management in both facilities which includes inadequate information on avenues to invest cash surplus and finance cash gaps; the seasonal nature of their major cash inflow against all-year-round cash disbursement and the unfavourable economic conditions prevailing in the country. The Researcher recommends a closer partnership between the University and the Hostel facilities by providing training and support on cash management issues for owners and managers.

## **ACKNOWLEDGEMENT**

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## **DEDICATION**

I dedicate this thesis to the Almighty God for His immense support throughout this period of study, my family, my supervisor, Dr. Daniel Domeher and Ms. Yaa Adwubi Asamoah for their time and support for this thesis to be a success.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background of the study.**

Cash is seen as the “life blood” of every business organization. Khan and Jain (2013) indicate that, apart from the fact that cash is the most current asset, it is also seen as the common denominator to which all current assets can be reduced. They explain this to mean that all other liquid assets, such as; inventories, receivables and marketable instruments will all be converted to cash eventually.

According to Scherr (1989), “cash management deals with determining the optimal level of cash, the appropriate types and amounts of short-term investments in cash as well as the efficient methods and controls of cash collections and disbursements”. This involves the administration of liquid assets and liabilities, and the raising of funds to finance a business.

As a greater portion of every transaction involves the receipt or disbursement of cash, efficiency in cash control is essential to ensuring that a business remains liquid enough to be able to meet payment obligations when it is due. This is carried out through the management of cash receipts and payments, cash balances and cash transfers between the different departments of the business.

While holding cash has its own benefits to the business, it nonetheless comes with a cost - the opportunity cost of the profits that could be made if the cash was invested elsewhere. It is therefore the duty of the financial manager to balance the firm’s liquidity with its profitability.

A business organization must develop appropriate mechanism to manage and correctly forecast its cash needs in order to make appropriate decisions with respect to borrowing and investment. Proper cash management therefore is an effective way of ensuring that the little cash available to the business is managed well to bring full benefit to the business in question.

Planned acquisition and utilization of cash or near cash resources ensures that businesses are in the position to meet their liquidity requirement while earning reasonable profits on their cash reserves. On the other hand, poor cash management practices can result in cash flow a problem which is characterized by inability to honour financial obligations, inability to put idle funds into profitable ventures and failure to expand.

Unfortunately, studies on this subject matter reveals that availability and proper management of funds remains a major challenge to the survival, growth and expansion of businesses in Ghana. Mbroh (2012) indicated that, although the burden of cash management remains critical in discussions regarding the establishment, operation, successes or failure of the business sector, majority of businesses operating in Ghana are cash-trapped as a result of inadequate cash inflow to meet their operational needs. Logli (1981), on the other hand, identified poor management of funds as a major problem affecting businesses in Ghana.

This study is conducted to provide current understanding on how the various aspect of cash management are carried out in the various Halls of Residence and Hostel Facilities that provide accommodation for the Kwame Nkrumah University of Science and Technology (KNUST) Students.

### **1.1 Statement of the problem.**

In recent times, the accommodation issue has been a major challenge faced by KNUST Students. Although accommodation fees continue to be on the rise, these Halls and Hostel facilities have not been able to expand enough to meet the increasing demands for their services.

Notwithstanding the vital role cash management play in every business organization, it is unfortunate that lot of studies in this area is focused on corporate institutions such as the banks.

It is in light of this that this research is conducted to provide current understanding on how the various aspect of cash management are carried out in the various Halls of Residence and Hostel Facilities and provide recommendations where necessary.

### **1.2 Objectives of the study.**

This study is aimed at gaining understanding of how cash management practices are carried out by the financial managers of the various residential facilities for students in KNUST.

The study specifically seeks following;

1. To ascertain the major sources of receipts and disbursement of cash for the selected facilities.
2. To identify the organizational practices and procedures in relation to cash management.
3. To identify the challenges faced by the Finance Manager in cash management.

### **1.3 Research questions.**

1. What are the major sources of cash receipts and disbursement?
2. How is the various aspect of cash management carried out?
3. What has been the challenge(s) in the management of cash?

These and other research questions will be answers through the research objective.

### **1.4 Significance of the study.**

This study will help provide insight to stakeholders and policy markers with regards to issues concerning cash management in residential facilities for the students in KNUST.

It is also the aim of the research to provide recommendations to interested parties on how best cash can be managed efficiently to ensure optimum benefit.

The research will further serve as a reference document to aid in further research in this area of study.

Overall, this study provides useful strategic data to government and its agencies, the businesses community and all stakeholders, in order for them to double their cash management efforts to grow themselves so as to expand this sub-sector of the economy.

### **1.5 Methodology.**

Data on the research work was obtained from primary source. Primary data was collected directly from the field administering questionnaires and face-to-face interviews. Collected data from the sample was put into quantitative analysis and Statistical Package for Social Science (SPSS) was employed in the data analysis.

### **1.6 Scope of the study.**

With the view of providing an in depth information about the subject matter and also because of time constraint, the focus of the research was limited to five (5) main Halls of Residence of KNUST and fifteen (15) selected hostels in and around the KNUST Campus. The research also centered on both the Bursars of the respective Halls of Residence in KNUST and Managers of the selected Hostel facilities in and around the KNUST Campus.

### **1.7 Limitations of the study.**

As part of any research work, the researcher is usually confronted with certain issues that hinder the smooth running of the research work. One of such is time constraint in conducting this research due to the fact that the researcher had to combine both academic and research work, hoping to successfully complete the research on time.

The attitude of some of the respondents posed as a challenge as they were reluctant in giving out certain information because of the fear of victimization.

### **1.9 Organization of the study.**

The first chapter introduces the research study and highlights the general overview of the study. Chapter two focuses on reviewing literature on definition of terms, concepts, publications and scholarly articles on the study. The Chapter three focuses on the methodology the researcher adopted covering the sample size and techniques, methods of data collection, and methods of data analysis (statistical procedures). Chapter four presents the analysis and findings and the final chapter, Chapter five summarizes findings, conclusion and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Definition of cash**

Khan and Jain (2013) define cash as “the ready currency to which all liquid assets can be reduced”. In the narrow sense, cash symbolize currencies and any other financial instruments that is generally accepted as a cash equivalent, such as bank drafts, demand deposits and cheques.

In the broader perspective, however, cash includes “near cash” assets - assets that can be readily sold or converted into cash within a shorter time span. According to Khan and Jain (2013), “such assets provide a short-term outlet for excess cash and are also useful for meeting planned outflow of funds”. Dauter (1956) recognized money orders, and cheques drawn against demand deposits as cash.

It should be noted that ,cash is considered as the firm’s least productive assets as it is not directly involved in the production of goods and services as in the case of other liquid assets (inventories and receivables), therefore, no direct returns (profit) will accrue to a firm when it holds cash in currency and in non-interest bearing accounts.

#### **2.2 Motives for Holding Cash.**

Despite the seemingly low or no return for holding cash, a number of reasons exist that motivate businesses to keep cash. Von Eije & Westerman, (2001) points out that “cash usually would not be needed if it were not for the market imperfections and resulting transaction costs of urgently needing cash at short notice if the need arises and there is no enough cash”



J.M Keynes (1936) identified only three (3) reasons of cash by excluding compensating motive. However, other writers have identified (4) reasons why cash is held are transaction, precautionary, speculative and compensating motive (Ross, Westerfield, Jaffe, 1996; Von Horne and Wachowicz, 1998; Khan and Jain, 2013),

### **2.2.1 Transaction motive.**

Kytönen (2004) identified that; transaction motive is one of the main reasons why firms hold cash in the form of non-interest-bearing currency. Since firms financial obligations (For example, payment of wages and salaries, payments of bills and settlement of other operational expenses) are settled mainly through the exchange of cash, firms keep cash to settle such obligations when they fall due.

It is therefore right to assert that, there is a positive correlation between the transactional motive of holding and the volume of transaction a firm engages in, in that the more payment the firm is expected to honour, the greater will be its transaction motive for holding cash.

### **2.2.2 Precautionary motive.**

Unfortunately, the amount of cash to be spent by the firm in the future with regards to transaction purposes cannot be determined with certainty as emergencies can occur which will require the firm to make immediate cash disbursement. To prevent such situation, additional cash in excess of its transactional needs is kept as a precautionary measure and this is referred to as holding cash with a precautionary motive.

The amount of money that a business holds for this purpose depends on a number of factors such as, the attitude of the business towards risk and the uncertainty characterized with the cash outflow and inflow of the business

According to Horne and Wachowicz (1992), “firm should endeavor to bring in profit on the cash set aside for precautionary and transaction needs by investing a larger percentage of it in “near cash” such as marketable securities”

The more cash for precautionary motive are held in near cash assets, the less currency cash kept and the greater the interest earned, all other things being equal. However, Ross et al (1996) highlights that there is a trade-off between the interest revenue earned and the transaction costs involved in purchasing and selling such near cash assets.

### **2.2.3 Speculative Motive**

This is where a firm holds additional cash balance with the aim of benefiting from yet unidentified investment opportunities or utilizing uncertainties in the money market. For example, if a firm expects a swift fall in the prices of its inputs, the firm may hold cash awaiting such occurrence to take advantage of.

#### **2.2.4 Compensating Motive**

Some commercial banks require a minimum cash balance in every current account. Although this balance is a non-interest-bearing deposit, this minimum cash balance must be maintained by the firm so as to benefit from the luxury of holding that account in the bank. Cash held for this purpose is for compensation motive.

### **2.3 Cash Management**

Cash shortage will inevitably impact negatively on the operations of the business, while excess cash will also remain idle without contributing anything significant, in terms of returns, towards the profitability of the organization. Maintaining a sound cash position for the business, therefore, a major function of the Finance Manager.

Watson and Head (2007) explained the management of cash to mean the practice that concerns itself with the optimization of the amount of cash available, obtaining maximum benefit from returns on idle funds and minimizing losses caused by delays in the transmission of funds. Cash management as “the process of forecasting, collecting, disbursing, investing, and planning for cash a company needs to operate smoothly”. (Zimmerer et al, 2008)

Although businesses must possess enough funds to meet its financial obligations or it risk facing bankruptcy, keeping excessive amount of cash for unexpected circumstances is not profitable as this idle money could have been invested elsewhere to generate returns. This limits or reduces the growth of the business and its profitability because investing cash, even for a short period of time, can add to the profits of the business.

An efficient cash management, therefore, affords the firm an opportunity to face the cash demands of the firm, guard against the situation of holding unnecessary large amount of cash and increase the returns generated from each dollar the company owns.

According to Davidson et al (1992), cash can be a problem even though business has a large number of customers, offers a superior product to its customers and enjoy a strong reputation in the industry.

It should be noted that businesses suffering from cash flow problems do not have a safety margin in case of unforeseen expenditure. They may also exhibit certain features such as experiencing problems in obtaining funding for innovation and expansion; and difficulty in recruiting and retaining good employees.

Westerfield et al (1999) highlighted the essence to establish a distinction between cash and liquidity management as the word cash is used practically in two ways. This preposition was also affirmed by Khan and Jain (2013), who indicated that practically, cash can be used to mean actual currency cash on hand or cash equivalents (near cash).

One of the maiden studies into solving cash management problems in businesses was conducted by Gentry (1988) whose recommendation grouped cash-level planning into phases, and further recognised the characteristics of cash inflows and outflows, such as the level and swiftness of cash flows as well as its patterns and steadiness as essential parts that should be included when designing a direct measure of a given cash level.

Brealey and Myers (1988) also advised that to successfully tackle the problem of short-term cash management, it is imperative to ensure consistent guideline and approach to obtain the required level of cash at all times.

Cash conversion cycle was used as a standard to determine the strength of cash management businesses in the research conducted by Richards and Laughlin (1980). They define this cycle to mean the period that funds are engaged in the production, distribution and collection processes, less the period associated with the delays in inflows of receivables.

## **2.4 Cash Management Studies in Ghana**

Few studies into cash management have been conducted in Ghana. For example, in an effort to find the root cause of cash flow problems faced by businesses in Ghana, Logli (1981) identified the management as one of the main problems hindering the smooth running and expansion of businesses in Ghana. Marfo-Yiadom (2002) also indicated that cash is the basic unit needed to keep businesses running on a continuous basis; shortages therefore will interrupt the operations of the firm while excess of it will remain idle without contributing to the returns of the firm in terms of profitability.

Gitman et al. (1979) attributed the problem relating to cash management, among other things, to the rapid increase in inflation and interest rates. Philips (1997) also noted that with the double digits interest rates experienced in the late 1970s and early 1980s, effective cash management was critical to the financial well being of businesses.

This situation described by Gitman et al (1979) and Philip (1997) is not different from the current happening in Ghana, where the economy is characterized by increase in inflation; interest rates and the depreciation of the Ghana cedi, thereby making the subject of cash management relevant even in our current dispensation.

## **2.5 Cash Planning.**

Cash planning is an important tool for strategic growth in very business. Abioro (2013) defines it as “a technique to plan for and control the use of cash”. He further observed that cash planning protects the financial situation of the company to develop a forward-looking statement of projected cash inflows and outflows expected over a particular period. Therefore, this plan helps forecast future cash flows and cash demands of the company, reducing the probability of idle cash and cash deficit.

Pandey (1999) noted that the frequency of financial planning generally depends on the size of the business and its management philosophy. Larger companies keep daily and weekly forecasts while the medium-sized companies often prepare weekly and monthly forecasts.

The same observation was made by Udojung et al. (2010) as they concluded that, planning of funds is not a science, but rather a continues process that involves many parts of the business. This can be done on a daily, weekly or monthly basis and the frequency of planning for cash is dependent on the size of the company and management philosophy.

### **2.5.1. Cash budgeting.**

Cash budget is useful to the finance manager in projecting the future cash balances of the business and in planning for the financing of future cash needs. Thus, it provides information on the timing and size of expected future cash flows and cash equivalents in the future. This helps to determine the future cash requirements of the business, plan for the financing of its asset needs and exercising control over the cash and liquidity of the firm.

Brealey and Myers (1996) emphasizes that “cash budget provides a standard against which future performance can be judged. The financial manager through the cash budget is able to gain control over the cash and liquidity of the firm”.

### **2.5.2. Cash flow statement.**

The amount of cash a business generates from its day-to-day activities over a period of time is its cash flow. Various means can be used to ascertain the amount of operational cash flow of a business; however, the most popular method is the use of income statement and the statement of financial position in preparing the cash flow statement. (Kasilo, 1997)

Positive cash flows shows that the volume of cash the business has generated from its operations outweigh its cash outflow during the financial year while negative cash flows indicate how much additional cash has been used to sustain the operations during the same period. It is not unusual that firms experiencing negative cash flow from operations also face challenges in financing their operations. They become vulnerable to technical

insolvency problems and may eventually go bankrupt. (Kasilo op cit: 30, Vause and Woodward, 2001: 99)

### **2.5.3 Sensitivity Analysis.**

Khan and Jain op cit defines sensitivity analysis as “a behavioral approach that uses a number of possible values for a given variable to assess its impact on a firm’s returns”. They further explained that sensitivity analysis provides diverse cash flow estimates based on three (3) hypotheses:

- (i) The best outcome ( most optimistic)
- (ii) The worst outcome ( most pessimistic)
- (iii) The expected outcome ( most likely)

Donaldson (1969) recommended that management should work out more than one cash budget for each period to cater for variances from expected outcome. By preparing a budget under both most optimistic outcome and the worst case scenario relating to the same period, will afford management the opportunity to better plan for any contingencies. For internal planning purpose, allowing for a range of probable outcomes is far better than relying solely on a particular outcome. (Horne and Wachowicz, 1992)

## **2.6 Cash Control**

Cash management aims at keeping the investment in cash as low as possible while still keeping the firm operating efficiently and effectively. Once cash budget has been



approved, and appropriate net cash flow established, the financial manager should ensure that there does not exist a significant variation between projected cash flows and actual cash flows. To do this, the financial manager has at his disposal an array of techniques to control the collections and disbursements of cash.

According to Kilvington (1976), it is imperative that proper records on transactions are kept as a proof against fraudulent manipulation. Efficient cash management should, therefore, be governed by a reliable control system.

Pandey (2010) divided cash management in the modern corporation into two simple rules:

- (i) Speed up cash collection (Cash Inflow) – minimize collection float,
- (ii) Slow down cash disbursement (Cash Outflow) – maximize disbursement float”.

Ross et al. op cit also reiterated that the aim of cash management in cash collection is to accelerate collections and delay the lag time between the time consumer pays their bills and the time the cheques are paid. The rule therefore is to accelerate collections and delay disbursement.

### **2.6.1 Cash Collection**

In managing cash efficiently, the cash inflow process can be accelerated through two main techniques, namely by encouraging customers to settle their debts as quickly as possible and converting payments by customers into cash without delay. Techniques used in

accelerating collections and reduce collection time include, but not limited to, lock-box system, concentration banking and electronic fund transfer.

#### **2.6.1.1 Concentration Banking**

Khan and Jain op cit defines concentration banking as “a collection procedure in which payments are made to regionally dispersed collection centers, and then deposited in local banks for quick clearing”.It refers to the practice of transferring money from several banks as part of the main company account.

Pandey (2010) describes this system to work through a series of collection centers instead of a centralized collection center at the Company’s Headquarters. Bragg (2010) added that, concentration banking is an excellent solution to solving the problem of inefficient treasury management where subsidiaries and branches maintaining their respective individual bank accounts and as a result create serious problems with regards to monitoring and reconciliation.

#### **2.6.1.2 Lock-Box System**

Lock-box system is a collection procedure, whereby customers send their cheques to local post box, which is emptied by the firm’s bank frequently and any cheque found is deposited in the firm’s account.

This is similar to concentrating banking in that collection in both instances is decentralized and carried out at the branch level. The only difference, however, is whereas under the

concentrating banking arrangement, customers send cheques to the collection center of the firm; they rather send it to the post office under the lock-box system.

According to Allman-Ward et al.,

*“lock boxing involves; receiving mails (cheques) in a bank-controlled post office box, picking up mails (cheques) at several times in a day, taking mails (cheques) back to the bank processing site, opening and sorting mails, determining if any cheques received should not be deposited based on instructions from the company.”*

*(Allman-Ward et al, 2003)*

In a way, lock-box is an improvement on the concentration banking arrangement due to the fact that a phase in the collection process (that is, the receipt and deposit of cheques by the firm) is avoided with the use of lock-box.

#### **2.6.1.3 Electronic Fund Transfer.**

Electronic transfer is another effective way to manage the collection of cash. It is a process whereby cash is transferred from one bank account to another bank account with the help of computer networks. According to Brealey et al (2004), electronic payment is swift and cash becomes available immediately when the firm receives a transfer notification.

Ross et al. (1996) also observed that electronic transfer is the fastest yet the most expensive way to transfer funds. It only takes a few minutes to get to the firms account and it eliminates the mailing and cheque clearing time.

### **2.6.2 Cash Disbursement.**

Cash payments include payments to suppliers, service providers, employees, interest holders, contractors and government. As a strategy to ensure efficient cash management, financial managers must focus on delaying payments as much as possible. By so doing, the company makes maximum use of the interest-free source of funds provided by the trade creditors. This can be achieved through the means of raising disbursement float and maintaining controlled disbursement accounts.

Van Horne (2001) affirmed the idea put forward by Ross (2000) that “the objective of cash disbursement is to delay payment as long as it is legally and practically possible”. He was however quick to add that, care should be taken not to compromise firm’s relationship with its supplier while pursuing this objective. Cash disbursement techniques include;

- delaying payments to suppliers until they fall due rather than paying before time;
- seeking approval from authority before payments to avoid unnecessary expenditure;
- using cheques or bankers drafts instead of cash to make payment.

### **2.7. Cash Management Models.**

Efficient cash management technique will inevitably bring about surplus cash over the cash needs of the firm. It is therefore imperative for the financial manager to determine the optimal level of cash to hold so that the excess can be converted into “near cash”

One principal duty of the financial manager, according to Pandey (2010), is to maintain an appropriate level of liquidity in the firm such that financial obligations can be honored when it is due. He should be able to establish the appropriate level of cash balance to be held by the firm at any point in time and this is mostly influenced by the trade –offs between risk and returns.

As Gallagher (2000) puts it, “cash management involves a trade-off between the need for liquidity and desire for profitability. The more a firm holds cash, the more liquid it becomes, however piling up funds to sustain liquidity will prevent fund from being invested in long term, high return producing assets”.

The firm is, therefore, expected to maintain an optimum cash balance which is neither too small nor large. A cash balance is said to be in its optimum position when the transaction cost and risk of holding a smaller cash balance is equivalent to the opportunity cost of holding a larger cash balance.

Financial theorists have developed mathematical models to help firms find an optimal “target” cash balance, between the minimum and maximum limits, which equates liquidity to profitability. (Gallagher and Andrew, 2003). Optimal cash holding levels can be calculated from the Baumol model and the Miller-Orr model.

### **2.7.1 The Baumol Model.**

This model is based on the premise that deciding on optimal cash balance is the same as deciding on the optimal inventory level. As Jarrad (2000) noted, Baumol treats cash

management problem the same as inventory management problem thereby applying techniques developed for optimizing inventory to the problem of covering transactions demand for cash.

The model makes the following assumptions:

- The firm is able to forecast its cash needs with certainty and receive a specific amount at regular intervals
- The firm's cash payment occur uniformly over period of time
- The opportunity cost of holding cash is known and does not change over time
- The firm will incur the same transaction cost whenever it converts securities into cash

Similarly to the EOQ (Economic Order Quantity) Formula, costs are minimized when:

$$Q = \sqrt{\frac{2C_O D}{C_H}}$$

Where  $C_O$  = transaction costs (brokerage, commission, etc.)

$D$  = demand for cash over the period

$C_H$  = cost of holding cash.

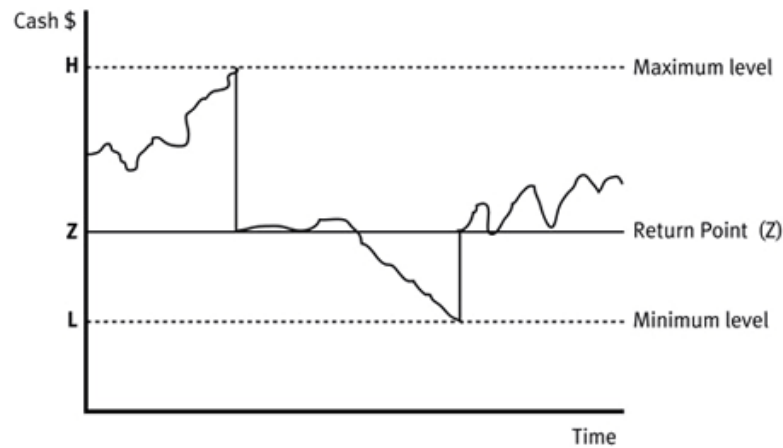
Marsh (2009) acknowledged that, although the model is simple to use and understand, it might be difficult to predict accurately future cash needs using this model as it assumes that the firm faces a constant demand for cash. He further pointed out that, the model did not provide any allowance for buffer cash and that in a situation where the business in question run out of cash, it could be expensive and damaging to that business.

Pandey (2010) also stressed that the major limitation of the Baumol model is that it does not allow the cash flows to fluctuate as practically, firms does not utilize their cash balances uniformly neither are they able to forecast accurately their daily cash inflow and outflows.

### **2.7.2 The Miller-Orr Model.**

In an attempt to produce a more realistic approach to cash management this model was developed. Miller and Orr (1996) provided for two (2) control limits in their model; the lower and upper limit.

The model sets upper limit (H) and lower (L) limit with the target cash balance represented by (Z). Where the cash balance of the firm reaches the upper limit, the firm buys sufficient securities to return the cash balance to a targeted level. On the other hand, where the firm hits the lower limit, it sells marketable securities to bring back the balance to the targeted cash balance (returning point).



### Miller Orr Model

Source: (Pandey, 2010) Financial Management

Management sets the lower limit, and it is dependent on the firm's attitude towards the risk of a cash shortfall, and this in turn is influenced by both access to borrowings and on the implication of a cash shortfall.

The formulae for the **Miller-Orr** model are:

- Return point = Lower limit +  $(1/3 \times \text{spread})$
- Spread =  $3 \left[ (3/4 \times \text{Transaction cost} \times \text{Variance of cash flows}) \div \text{Interest rate} \right]^{1/3}$

**Note:** variance and interest rates are always expressed in daily terms and variance = standard deviation squared.



## 2.8. Investing surplus cash

Companies may possess surplus or idle fund which may not be required for immediate use. Such temporary surplus of cash can either be invested in a financial instrument or returned to shareholders when profitable investment opportunities do not exist. Pandey (2010) described surplus cash as “excess amount of cash held by firm to meet its variable cash requirement and future contingencies and advised that such money should be temporarily invested in marketable securities”.

Once the optimal cash balance of the firm has been determined, any surplus cash should not be left idle. It must be invested to earn a return for the firm. As Berk et al. (2011) rightly put it, “once a firm’s need to hold cash is reduced, funds should be invested in short-term investment securities”. The objective of investing this temporary cash surplus is to ensure liquidity, profitability and safety of the firm

Allman-Ward and James (2003) categorized the instruments available for short term investing into three (3), which includes;

- **Government instruments:** Treasury bills, bonds, revenue securities, general obligation securities etc.
- **Bank instruments:** Time deposits, Certificates of Deposit (CD), Bankers Acceptance (BA), repurchase agreements and sweeps.
- **Corporate instruments:** Commercial paper (CP), preferred stock and Money mutual funds.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND PROFILE OF STUDY AREA**

#### **3.0 Introduction**

This chapter is concerned with how data for the study was gathered. It deals with the Research Design, Sources of Data, Population of the study, Sampling and Sampling Techniques, Data Collection Instruments, Data Analysis Techniques and the Profile of the Study Area

#### **3.1 Research Design.**

Burns and Grove (2003:195) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”.

It is a detailed outline of how an investigation will take place and will typically include how data is to be collected, what instrument will be employed, how the instruments will be used and the intended means for analyzing data collected.

Descriptive research is a form of research that specifies, describes or reports the nature of a particular situation or phenomenon and a survey is usually employed for descriptive research because it allows the collection of data in order to answer questions concerning the current situation of the subject under study and it helps in determining the way things are. A survey is defined as the method of collecting primary data based on a representative sample of individuals (Saunders et al., 2007).

The research aimed at obtaining an understanding of how financial managers of the various Halls of Residence and Hostel facilities, manage their cash to ensure proper maintenance and possible expansion of their facilities to meet the growing demand of their services by the student population.

### **3.2 Population of the Study.**

According to Saunders et al (2007), “a population is the full set or total number of people that a sample can be taken from”. The population of a research consists of a collection of all possible individuals of interest and the identification of the population of research aids in narrowing down to the subject matter under study.

Since an essential requirement of survey research is the “explicit and equivalent definition of the target population” (Jaeger, 1988), some boundaries were set for the selection of the respondents for the research.

For the purpose of study, the population was made up all the residential facilities available to student in KNUST which is estimated to be about Sixty (60) facilities. Six (6) are traditional Halls of Residence (Owned by government) and the rest are Hostels owned by individuals and private business.

### **3.3 Sampling and Sampling Techniques.**

Saunders et al (2007) refers to a sample as “a subset of the population that the researcher has interest in and it normally describes the participants selected for the project”.

Sampling is necessary because in dealing with a large number of respondents, there is the need to get a fair representation of the people since everybody in the study cannot be

studied. However, the question about the right sample size in a quantitative research is one that is of prime importance for most social investigators.

According to Saunders (1992) and Nwana (1990), if the size of the population is a few hundreds, a minimum of 40% can be selected as a sample. A total of twenty (20) facilities were, therefore, selected for the study and their respective financial managers were required to respond to a structured questionnaire. Five (5) were Bursars of the traditional Halls of Residence of the University and fifteen (15) were Hostels Managers.

Due to the nature of the study and the targeted population the researcher was interested in gaining information and drawing conclusion from, a non random sampling technique (Purposive sampling technique) was adopted in selecting the respondents for this study. Purposive Sampling involves the assembling of a sample of persons with known or demonstrable experience and expertise in some area. (Trochim, 2006)

### **3.4 Sources of Data Collection.**

Data was collected from primary source for this study. The researcher gathered data primarily through the administration of questionnaires which was followed up with interview when the need arose to provide further understand and clarification for both the research and the respondents.

### **3.5 Data Collection Method.**

The data for the research was collected mainly through the administration of questionnaires. The Researcher was around to help explain terms which were seen as technical and this was to ensure that respondents fully understood the questions and the responses they were giving.

Some of the responses drew the attention of the researcher to ask further questions in a form of interview in the quest to provide current evidence on the area of research.

### **3.6 Data Analysis.**

The researcher used Statistical Package for Social Scientist to critically analyze and convert raw data into meaningful and comprehensive reading and understanding. Frequency tables and percentages were generated from the responses of the Halls Bursars and Hostel Managers and these helped the researcher to come out with the final findings of the research.

### **3.7 Profile of the Study Area.**

Kwame Nkrumah University of Sciences and Technology (KNUST) is located in the Kumasi Metropolis. It is situated approximately on a sixteen (16) square kilometer Campus of undulating land and pleasant surroundings. It is about seven (7) kilometers away from the Central Business District of Kumasi.

“KNUST was first established as Kumasi College of Technology, which was officially opened on 22nd January 1952 with 200 Teacher Training Students transferred from

Achimota to form the nucleus of the new college. Initially, School of Engineering, Department of Commerce, Pharmacy Department, School of Architecture, Town Planning and Building were established. Currently, the University has six (6) Colleges based on the Collegiate System and Institute of Distance Learning (IDL) that run a lot of Bachelors, Masters, Diploma, Certificate and Doctor of Philosophy Degree Programmes” (University Relations Office, KNUST, 2011).

There are six (6) Halls of Residence and a number of Hostel facilities in the University. The six (6) traditional Halls of Residence are Africa, Queen Elizabeth II, Republic, Independence, Unity and the University Hall.

In addition to the Halls of Residence, the University also manages a number of Hostels through the Ghana Universities Staff Superannuation Scheme (GUSSS) and they include the Graduates’ Hostel and Tek Credit Hostel.

“The Kwame Nkrumah University of Science and Technology (KNUST) has grown in all spheres of its life over the years. According to the vice- chancellor of the University, Professor W.O Ellis, the University which had a student population of only **915** students in the 1963/64 academic year as increased to as much as **32,198** in the 2012/13 academic year.” (University Relations Office, KNUST, 2012)

## CHAPTER FOUR

### DATA PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction.

The focus of this chapter is on the analysis of the data collected from the field of study according to the response given by the respondents. The data which provides materials for analysis were derived from responses to questionnaires, interviews, and observations.

The researcher used two groups of respondents in order to present an objective and accurate representation of data gathered which consisted Hall Bursars and Hostel Managers.

#### 4.1 Demography and Facility Profile.

##### 4.1.1 Type of facility.

Out of the 20 facilities surveyed 5 (25%) are Halls of Residence whiles the remaining 15 (75%) are Hostels. This was done to present a true and fair view of the population for this study as Hostel facilities provides a greater percentage of accommodation for KNUST students relative to Halls of residence.

**Table 1: What type is this facility?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Hall	5	25.0	25.0	25.0
Valid Hostel	15	75.0	75.0	100.0
<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Field Survey Data, 2015*

#### 4.1.2 Highest level of educational of respondents.

From table 2, it could be observed that all the respondents for this study have had some form of formal education. Degree holders were the highest with a frequency of 13 (65%) followed by those with HND / Diploma certificates representing 5 (25%) whiles S.S.S.C.E Certificate holders were 2 representing (10%). This data was collected to ensure that respondents are able to read, understand and provide the appropriate response that will be beneficial to the study. The researcher was however available to provide further clarification when it became necessary.

**Table 2: What is your highest level of education?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	S.S.S.C.E	2	10.0	10.0	10.0
	Diploma / HND	5	25.0	25.0	35.0
	Degree	13	65.0	65.0	100.0
	<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Field Survey Data, 2015*

#### 4.1.3 Age of Facility.

The age distribution of the facilities shown in table 3 below is to assist in determining the growth in the supply of residential facilities over the years. The data generated shows that 5 (25%) out of the total facilities surveyed were within the ages of 41 to 60 years. The Researcher would like to highlight that; these facilities are mainly Halls of residence whiles the remaining 15 (75%) which falls within the ages of 0 to 20 years are Hostel facilities.



This is a clear indication that the spur in the growth of hostels facilities around the environs of KNUST is as a result of the acute accommodation problems confronting students of this institution in recent times.

**Table 3: How old is this facility?**

	Frequency	Percent	Valid Percent	Cumulative Percent
0 - 10 years	6	30.0	30.0	30.0
11 - 20 years	9	45.0	45.0	75.0
Valid 41 - 50 years	2	10.0	10.0	85.0
51 - 60 years	3	15.0	15.0	100.0
<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Field Survey Data, 2015*

#### **4.1.4 Facility's intake in relation total demand.**

When asked about the percentage of students the facility was able to accommodate in relation to the total demand, 2 (10%) responded that they were able to accommodate within 30% - 49% out of the total requests from students, whiles 11 (55%) and 7 (35%) are able to honour within 50% - 69% and 70% - 89% respectively out of the total demand.

This highlights the urgent need for expansion in these facilities so as meet its increasing demand

**Table 4: What is the percentage of students intake in relation to total demand?**

	Frequency	Percent	Valid Percent	Cumulative Percent
30% - 49%	2	10.0	10.0	10.0
Valid 50% - 69%	11	55.0	55.0	65.0
70% - 89%	7	35.0	35.0	100.0
<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Field Survey Data, 2015*

## **4.2 Cash movement**

### **4.2.1 Cash receipts.**

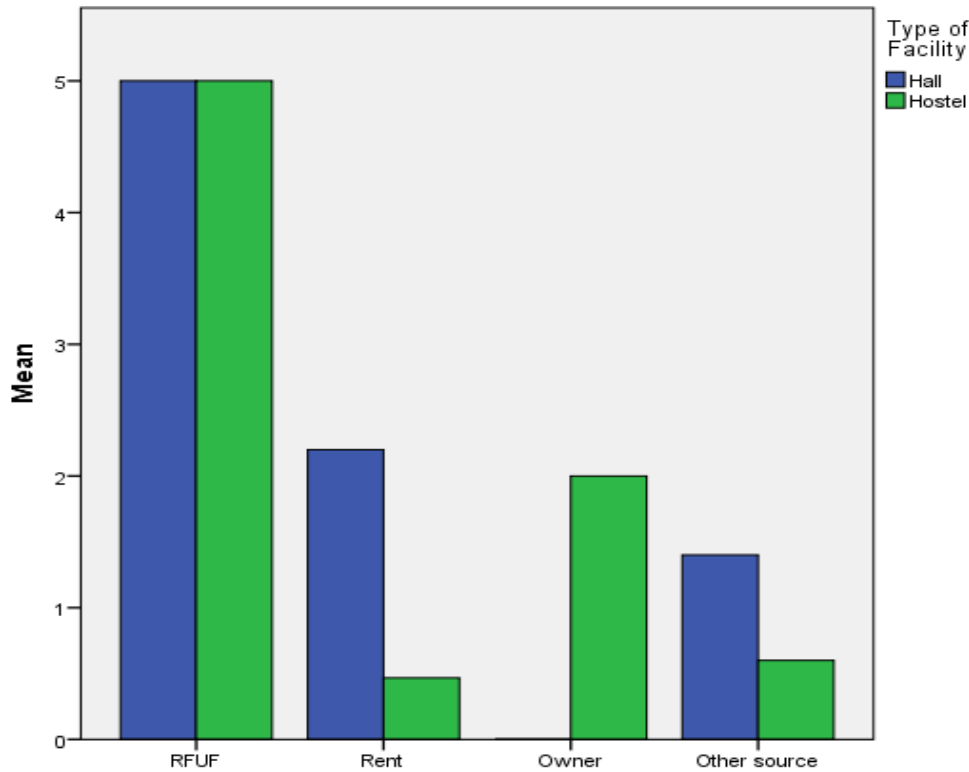
From figure 1 below, it could be observed that the main source of cash inflow for both Halls and Hostel is the Residential Facility User Fees (RFUF). Here the RFUF is used to represent the entire amount charged as accommodation fees.

Halls receive a moderate percentage of their receipts from rent whiles this is low for Hostels. Here, rent is used to represent all amounts received from tenants occupying spaces belonging to the facility most of which are stalls / stores.

When asked about funding from owners as a source of cash receipt for the facility, the average answer from respondents from Hostels indicated that this source of funding is low as compared to receipts from RFUF. Respondents from the Halls, on the other hand, indicated that they do not receive anything from such source.

The other source represents cash inflow from non-regular source and both facilities scored a very low rate for it.

**Figure 1:** Cash receipts by facility type



*Source: Field Survey Data, 2015*

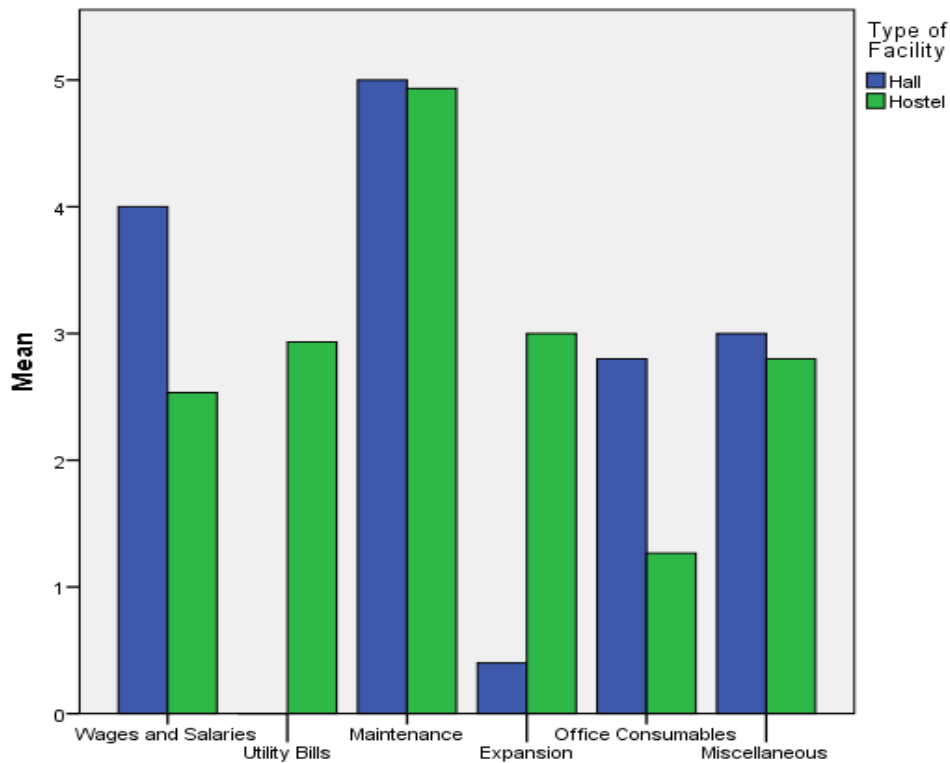
#### 4.2.2 Cash disbursements

It is evidenced from the figure below, that maintenance cost constitute the highest percentage of cash out flow for both facilities. However, while a fair amount of cash from Hostels is spent on expansion, Hall do not see such expansion and this can be a contributory factor to the acute accommodation problems students in this university face. This is because these facilities which were built decades ago to cater few hundreds has been overstretched as students' population continues to increase over the years.

Amount spent of wages,salaries & allowances, and office consumables tend to be relatively higher in the case of Halls than Hostels. This is because most of the staff working in the halls are full-time employees employed by the university ususally with a higher level of qualifications. This is however, not the case of hostels who depend primarily on part-time employees. They rather depend highly on casual labourer and part-time workers.

Respondent from the halls stated that they do not incur any cost on utilities (Water and Electriticity) as this is paid for by the government. However, this represents a significant element of cash outflow for the hostels. Although most hostels surveyed require students to buy their own electricity credit, water bills, for example, is bourn by the hostel itself. Miscellaneous here is used to represent non-regular source of cash outflows (payment of taxes, interest, fees e.t.c)

**Figure 2 : Cash disbursement by facility type**



### **4.3 Cash Management Practices**

#### **4.3.1 Cash holding Motive.**

When respondents were asked about the reasons why they hold cash, 20 ( 100%) said it is for a transaction motive while 5 ( 25%) and 3 (15%) selected precautionary motive and compensating motive respectively. No respondent, however, selected speculative motive and this can be attributed to the fact that the derivative market in Ghana is not developed yet for financial managers to hold cash for such motive.

**Table 5: What are the reasons of holding cash?**

		Responses		Percent of Cases
		N	Percent	
Reasons for holding cash	Transaction Motive	20	71.4%	100.0%
	Precautionary Motive	5	17.9%	25.0%
	Compensating Motive	3	10.7%	15.0%
<b>Total</b>		<b>28</b>	<b>100.0%</b>	<b>140.0%</b>

**Source: Field Survey Data, 2015**

#### **4.3.2 Cash planning.**

An integral aspect of financial management is planning with forecast and budget (Mbroh, 2012). This technique identifies expected cash inflows, outflows and balances over a specified planning horizon. According to Choyal (1990), “It is described as the heart of the financial management function

Overall, only 5 (33%) of the hostels prepare some form of cash budget as way of planning for their cash needs while majority of them (67%) do not prepare such forecast. Upon further enquiry, the researcher found out that these hostel managers rather depend on business trends and guess work to predict their future cash needs. However, with the case of halls, all of them prepare some form of cash forecast.

It should be stated that, maintaining efficient cash planning does not totally eliminate all problems associated with cash management, but reduces the risks of financial losses.

**Table 6: Do you prepare any form of cash forecast?**

			Type of Facility		Total
			Hall	Hostel	
Preparation of any form of cash forecast	Yes	Count	5	5	10
		% within Type of Facility	100.0%	33.3%	50.0%
	No	Count	0	10	10
		% within Type of Facility	0.0%	66.7%	50.0%
Total		Count	5	15	20
		% within Type of Facility	100.0%	100.0%	100.0%

*Source: Field Survey Data, 2015*

#### **4.3.3 Causes of deviations from cash targets.**

When asked about the possibility of always meeting cash targets, respondents unanimously responded in the negative. They attributed the possible causes of this deviation to a number of factors.

Table 7 indicates 5(25%) of their number consider no or poor forecasting as the main cause of this variation while the majority of the respondent (75%) pointed to bad economic conditions as the cause to these variations. This affirms the assertion made by both Gitman et al (1979) and Philip (1997).

**Table 7: What mainly account for the deviation from cash targets?**

	Frequency	Percent	Valid Percent	Cumulative Percent
No / Poor forecasting	4	20.0	25.0	25.0
Valid Bad economic conditions	12	60.0	75.0	100.0
Total	16	80.0	100.0	
Missing System	4	20.0		
<b>Total</b>	<b>20</b>	<b>100.0</b>		

*Source: Field Survey Data, 2015*

#### **4.3.4 Cash Control**

According to Kilvington (1976), it is imperative that proper records on transactions are kept as a proof against fraudulent manipulation. Efficient cash management should, therefore, be governed by a reliable control system. The respondents were asked a combined question to assess their cash control practices (in terms of proper book-keeping).

Table 8 depicts all respondents from the halls (100%) keep proper books of account. The halls are owned by the government and as such, the activities of the financial managers of these facilities (Hall Bursars) are governed by the Financial Administration act 2003, Act 654. The regulations require Hall Bursar, among other things, to keep proper books of accounts which are audited periodically by both internal and external auditors.

Majority of the hostels representing (80%) do not keep proper books of account. This is because no such strict regulations apply to hostels which are owned by individuals. However, the only 3 (20%) hostel facilities who keep proper books of accounts are principally those owned by organizations.



**Table 8: Do you keep proper accounting records?**

			Type of Facility		Total
			Hall	Hostel	
Do you keep proper accounting records	Yes	Count	5	3	8
		% within Type of Facility	100.0%	20.0%	40.0%
	No	Count	0	12	12
		% within Type of Facility	0.0%	80.0%	60.0%
Total	Count		5	15	20
	% within Type of Facility		100.0%	100.0%	100.0%

*Source: Field Survey Data, 2015*

#### **4.3.5 Investment of cash surplus.**

The aim of cash management is to have improving cash levels but at the same time, maintain the right balance profitability and liquidity. To achieve this, marketable securities are managed together with cash because they are so liquid that the firm can switch from one to the other quickly and cheaply.

From table 9 below, the most popular marketable security was Bank Deposits (Fixed deposits, savings e.tc.) representing 80% followed by Treasury Bills 4 (20%)

This deviate from the study conducted by Marfo-Yiadom (2002) on cash management practices, where respondent listed treasury bills, negotiable certificates of deposit and fixed deposit following in that order of patronage as the avenue of investing their surplus cash.

**Table 9: How is idle cash utilized?**

	Frequenc y	Percent	Valid Percent
Purchase of Treasury Bill	4	20.0	20.0
Valid Deposit in the bank	16	80.0	80.0
<b>Total</b>	<b>20</b>	<b>100.0</b>	<b>100.0</b>

*Source: Field Survey Data, 2015*

#### **4.3.6 Factors considered in selecting a marketable security.**

The non-profit making nature of the halls of residence make their choice of investment skew more toward liquidity whiles that of the hostels is skewed highly towards profitability.

From the table below, 5 (100%) of the respondent from the Halls chose easy access to cash as their main reason for selecting a particular type of marketable security to invest in.

Majority of the Hostel Managers (67%), on the other hand, also selected earning of interest on their investment as the main reason for choosing a particular marketable security to invest surplus cash. 4(27%) and 2 (7%) chose easy access to cash and sake-keeping respectively.

**Table 10: Reason for the choice by facility type**

			Type of Facility		Total
			Hall	Hostel	
Reason for the choice	Earn Interest	Count	0	10	10
		% within Type of Facility	0.0%	66.7%	50.0%
	Safe-keeping	Count	0	1	1
		% within Type of Facility	0.0%	6.7%	5.0%
	Easy access	Count	5	4	9
		% within Type of Facility	100.0%	26.7%	45.0%
Total		Count	5	15	20
		% within Type of Facility	100.0%	100.0%	100.0%

*Source: Field Survey Data, 2015*

#### **4.3.7 Managing cash flow.**

The mode of settling financial obligation was used by the researcher to determine how cash out flows are managed by the respective facilities under study.

Pandy (1991) maintains that a twin object of cash management is acceleration of cash inflows (receipts) and a reasonable delaying in cash outflows (payments).

“In contemporary businesses, there are several means available for making payments, businesses are thus required to know and use the varied means of payment available so as to derive the related benefit(s)” (Mbroh, 2012). For example, cash payment may be preferred when one wants to avoid the temptation of using funds earlier assigned to a particular and where a relatively smaller amount involved in the payments.

On the other hand, cheques is preferable when one wants to be double sure by controlling disbursements to limited number of designated persons or parties; minimize the risks of cash loss and to enforce proper record keeping .

From Tables 11, it is clear that halls depend on the issue of cheques as their major mode of settling their financial obligation. They are however allowed to keep some amount of cash as imprest to cater for contingencies which does not involve substantial amount. The maximum amount of cash to be kept as imprest is approved by the Finance Officer of the University.

Three of respondents from hostels (20%) also use cheques as their mode of payment while the majority 12 (80%) settle their obligation through cash payment.

**Table 11: What mode of payments (Major) is used by the facility?**

			Type of Facility		Total
			Hall	Hostel	
Mode of payment ( Major)	Cheques	Count	5	3	8
		% within Type of Facility	100.0%	20.0%	40.0%
	Cash	Count	0	12	12
		% within Type of Facility	0.0%	80.0%	60.0%
Total	Count		5	15	20
	% within Type of Facility		100.0%	100.0%	100.0%

*Source: Field Survey Data, 2015*

#### **4.3.8 Financing cash shortage.**

In times of cash crises, there are a number of options available for businesses to adopt in order to ameliorate the situation. This include, but not limited to, issuing securities, postponing capital expenditure, accelerating cash inflows whiles delaying cash outflows, and seeking for loans and overdrafts.

When respondents were asked about the means through which they fund for their cash shortage, it was clear that majority of the hostels (53%) rely on their owners to finance cash gaps. The options of going for loans / overdraft and delaying cash outflow both ranked second (20% each) whiles the option of postponing capital expenditure is not well patronized by the hostels. However, the reverse is the case for the halls where 4 (80%) of the respondent prefer to postpone capital expenditure in times of cash crisis whiles only 1 (20%) believes delaying cash outflow is the preferable option in times of crises.

The position taking by the hall can be attributed to the fact that as part of a non-profit making organization; halls are not obliged to make profit but rather only required to be self – sufficient, therefore liquidity is more important here than profitability.

**Table 12: How is cash shortage is funded by the facility?**

			Type of Facility		Total
			Hall	Hostel	
How cash shortage is funded	Postpone Capital Expenditure	Count % within Type of Facility	4 80.0%	1 6.7%	5 25.0%
	Accelerate cash inflow and delay cash outflow	Count % within Type of Facility	1 20.0%	3 20.0%	4 20.0%
	Go for Bank Loan / Overdraft	Count % within Type of Facility	0 0.0%	3 20.0%	3 15.0%
	Support from Owner	Count % within Type of Facility	0 0.0%	8 53.3%	8 40.0%
Total		Count % within Type of Facility	5 100.0%	15 100.0%	20 100.0%

*Source: Field Survey Data, 2015*

#### **4.3.9 Level of influence of respondents on cash management issues.**

To ensure effective cash management practice in an organization, financial managers should be seen to have some level of authority and autonomy on finance issues in general. This condition is, however, dependent on the qualification, experience and skills demonstrated by the finance managers.

Table 13 shows a higher level of influence of Bursars on issues bothering on cash management in the halls. The researcher gathered (through interview) that although Bursars work together with the Hall Masters / Warden and Senior Hall Tutors as Hall

Administrators, they report directly to the finance officer of the University. They are signatories to the Hall's bank account(s) and they act on behalf of the University's Finance Officer in their respective Halls.

In the case of Hostels, the situation is quite different as majority of the respondents point out that their level of influence on cash management issues are either low (47%) or moderate (33%) while only 3 (20%) believe to have a high level of influence in that regard.

What is worrying is that technically most of these Hostel Managers are seen as merely assisting the Owners of these facilities. They therefore, have not much authority and autonomy like their counterparts in the Halls of Residence

**Table 13: What is your level of influence on cash management issues in the facility?**

			Type of Facility		Total
			Hall	Hostel	
Level of influence in terms of cash management in the facility	<b>Low</b>	Count % within Type of Facility	0 0.0%	7 46.7%	7 35.0%
	<b>Moderate</b>	Count % within Type of Facility	0 0.0%	5 33.3%	5 25.0%
	<b>High</b>	Count % within Type of Facility	3 60.0%	3 20.0%	6 30.0%
	<b>Very high</b>	Count % within Type of Facility	2 40.0%	0 0.0%	2 10.0%
Total		Count % within Type of Facility	5 100.0%	15 100.0%	20 100.0%

#### 4.4 Challenges to Effective Cash Management

Averagely, the seasonal nature of major cash inflow as against the all-year-round cash outflow record the highest mark as a challenge to effective cash management in both facilities.

The researcher gathered that the major source of cash inflow, which is funds obtained from Residential Facility User Fee, occurs ones in the academic year. However, these facilities are required to spread this amount against various expenditure that occur all-year-round.



From figure 3 below, the next challenge that negatively affects both facilities is the unfavourable business and economic environment. Respondents commented that persistent rise in inflation and interest rates make cash planning, control and gap financing very difficult.

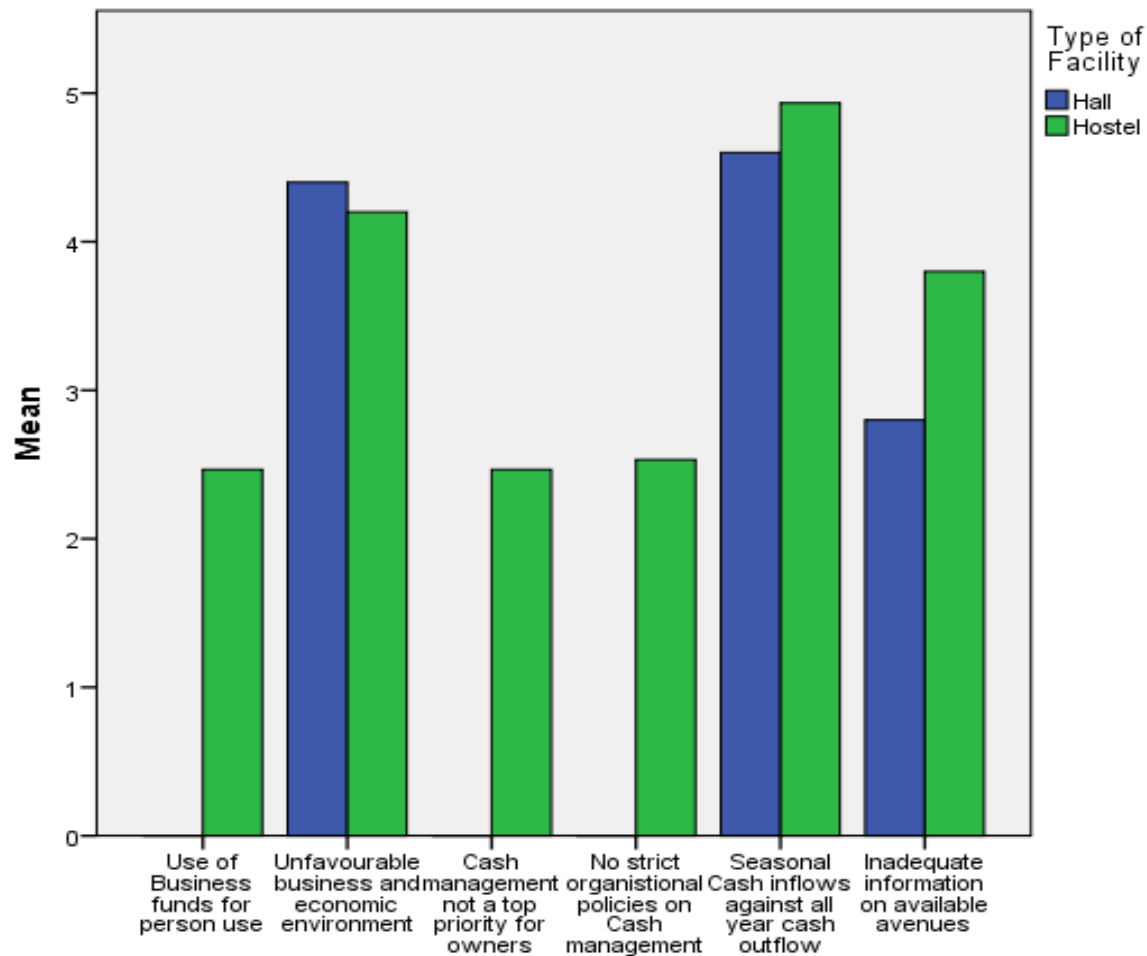
Getting adequate information on available avenues to either utilize surplus cash or finance cash gap can also be seen as a challenge to effective cash management. Throughout the study, it was evidenced that most financial managers were unaware of other marketable securities such as Commercial Papers and Negotiable Certificate of Deposits.

The use of businesses fund for personal use of owners, cash management not a priority of owners and the problem of no strict organizational policy on cash management is posses as a challenge to Hostel managing only.

Some respondent suggested that since the University is a major stakeholder in the hostel business, the University should play an active role in sensitizing owners on best practices in cash management. This is because any positive result that comes out of this sensitization is greatly going to affect the survival and growth of these facilities which will eventually lead to an increase in their capacity in terms of students' intake.

Others also requested for a more stable economic conditions to help effective planning and control. They further explained that, the current load shedding has forced them to incur more cost on fuel than they expected.

**Figure 3:** Challenges to effective cash management practice by facility type



*Source: Field Survey Data, 2015*

#### **4.4.1. Relevance of effective cash management on survival and growth of the facility.**

Here, the researcher wanted to know whether financial managers perceive cash management as an important factor in survival and growth of the facility and 19 (95%) agreed to the assertion that indeed cash management is vital to the survival and growth of their business. Their reasons mainly focused on the fact that effective cash management will prevent the business from being cash-strapped which was cited by Mbroh (2012) as a challenge to most small-scale businesses in Ghana.

One person (5%) was, however, of the opinion that the current economic conditions do not make any form of management effective and that they rather depended on God for the growth and survival of their business.

**Table 14: Relevance of cash management on survival and growth of the facility**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	19	95.0	95.0	95.0
No	1	5.0	5.0	100.0
Total	20	100.0	100.0	

*Source: Field Survey Data, 2015*

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATION**

#### **5.1 Introduction.**

This part of the study is in two main components. The first component presents a summary of the major findings the data analysis that was done in chapter four and the final component provides appropriate recommendations based on the findings.

#### **5.2 Summary of findings.**

Generally, this study sought to examine how cash management practices are carried out in various residential facilities (Halls and Hostel) for KNUST students.

Based on the findings, the main source of cash inflow for the facilities is identified as cash inflows from accommodation (RFUF) while receipts from rents and other non-regular source serve as a minor source of cash inflow for the facility.

Facility maintenance, on the other hand, constitute a major cash outflow for both facilities whiles the rest of cash disbursement categories remain fairly the same in both facility with the exception of facility expansion which registers high as cash disbursement for hostels only.

Again, the results gather from the study paints a fairly good picture for halls of residence in terms of cash planning or forecasting. However, that cannot be entirely the case for hostels as it is made clear that majority of the respondents here do not practice any form of cash

forecasting or budgeting. About 67% of hostels managers do not engage in any form of cash planning which involves cash forecasting or budgeting

It was also revealed that the very few who engaged in any form of cash planning were those hostel facilities owned and managed by organizations.

Also, the study underscores the point that about 80% of the hostels studied do not keep proper books of accounts and there is no evidence of proper auditing of accounting records. The effect is that proper monitoring and controlling of financial activities will be difficult in this situation.

With respect to the hall, it was observed that the bureaucratic nature in which they operate tends to stiffen the creativity of the Hall Administrator. They prefer to follow to status-quo rather than taking much risk as it is with their counterparts in the corporate world. With their level of qualification and experience, the researcher believes that they can produce above average results when challenged by the appropriate bodies.

The study also identified bank deposits and purchase of treasury bills as the only avenue surplus cash are invested. This may be due to the fact that managers do not have enough information on other reliable alternatives of cash investments.

The research revealed that the commonly used strategy adopted by the halls in times of cash crises is to postpone capital investment whiles hostels mainly depend on supply of funds from their owners and sometimes the bank.

Various factors were highlighted, through the study, as a challenge to effective cash management practice in the residential facilities. Unfavourable business and economic environment, inadequate information on available avenues to utilize idle cash and finance cash gaps; and the seasonal nature of major cash inflow against all-year-round cash outflow, have been cited as a challenge faced by both facilities (halls and hostels). However, other factors were identified as a challenge peculiar to hostels facilities and they include the use of business fund for personal dealings by owners and lack of strict organizational policies on cash management.

### **5.3 Conclusion.**

The Researcher can say that, majority of hostels do not adhere to good cash management practice although they understand its benefits and impact on the survival and growth of their business. The very few who, however, follow a fairly good cash management practice are predominately those facilities owned by organizations.

Cash management practice is relatively better in the halls of residence, although the researcher is of the opinion that much improvement could be made if Bursars are challenged and well motivated by the appropriate authorities.

The researcher has also identified a number of challenges which needs to be address in order to foster much compliance especially on the part of the Hostel facilities.

#### **5.4 Recommendations.**

On the basis of the findings that have been established and the conclusion drawn from the study it is suggested:

Firstly, the study has revealed that the practice of good cash management practice is very low in most of the hostel facilities. Therefore, the University as a major stakeholder should not only focus on ensuring good security and sanitary conditions in these facilities but should also ensure the existence good financial management practice with particular attention to cash management.

It is therefore recommended that the University engages owners and managers of these facilities from time-to-time to sensitize them on good cash management practices. All other things being equal, adopting effective cash management practice can lead to growth and expansion in the students' intake capacity of these facilities which would help reduce the perennial accommodation challenge faced by students of this University.

Secondly, the researcher did find that, because most hostel owners do not see the need for proper cash management in their facilities and as such, they tend to employ people who do not possess the requisite qualification and experience in financial management. These managers therefore, act as mere assistants to the owners without much influence on cash management issues.

It is recommended that owners of such facilities be encouraged by the appropriate licensing bodies to employ people with the requisite qualification and experience to handle cash issues as the survival and growth of business is mostly dependent on it.

Again, a major challenge this study identified is the over-reliance on the residential facility user fees as the only major source of cash inflow. This phenomenon puts the facilities especially the Halls of residence in a challenging situation when it comes to cash management.

It is therefore recommended that other sources of cash inflows should be developed to supplement the amount received from RFUF which usually flows into the facilities once in an academic year.

The halls should be allowed to provide certain services to the university community at a fee. For example, they can be allowed to run shuttle business around campus and operate secretarial businesses in their respective halls at a fee which can be added to their internally generated funds. This will help limited their over-reliance on revenue from RFUF.

Lastly, this study revealed that, the current economic conditions prevailing in the country poses as a challenge to cash management in these facilities. Examples include the high levels of inflation and the interest rate on borrowing, and the continuous depreciation of the cedi.

Another challenge is the limited avenues through which these facilities can invest their surplus funds or borrow on a short-term to finance cash gaps. The financial market of the country is not well developed to provide enough options for investors and borrower. The existence of such conditions limits any form of proper planning, controlling and management of cash flow.



Government is, therefore, encouraged to make efforts with the view of addressing these impediments. This will help contribute to the survival, growth and expansion in the activities of these facilities in particular and the business sector as a whole.

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**APPENDIX I**  
**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,**  
**KUMASI**  
**SCHOOL OF BUSINESS**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**QUESTIONNAIRE FOR HALL BURSARS AND HOSTEL MANAGERS**

**Topic:** *Cash Management Practices: A Study On Residential Facilities for Kwame Nkrumah University of Science and Technology (KNUST) Students.*

This questionnaire is solely designed for academic purposes and it seeks to gather relevant information on how cash management practices are carried out in the various Halls of Residence and Hostels in and around KNUST.

Assurance is given for confidentiality of the information provided.

*Please write and tick (✓) where appropriate.*

**Section A: FACILITY PROFILE AND DEMOGRAPHY OF RESPONDENT**

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1. Type of facility    ☐ Hall                    ☐ Hostel
2. Educational Background  
☐ S.S.S.C.E ☐ Diploma / HND ☐ Degree        ☐ Other (Please specify).....
3. How long has this facility been in existence (in years)?  
☐ Below 10   ☐ 11 - 20    ☐ 21 – 30        ☐ 31 – 40        ☐ 41 – 50        ☐ 51 - 60
4. What percentage (%) of accommodation request is your facility able to absorb?  
☐ 11% - 29%        ☐ 30% - 49%    ☐ 50% - 69%    ☐ 70% - 89%    ☐ Above 90%

## Section B: CASH MOVEMENT

Kindly use the 5-point scale below to provide your responses.

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Very Low	Low	Moderate	High	Very High

5. What proportion of the facility's cash is obtained from each of the items listed below?

Cash Receipts		1	2	3	4	5	N/A
<b>CIF_1</b>	Residential Facility User Fee (RFUF)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2</b>	Rent (e.g. cash from occupants of stalls owned by the facility)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3</b>	Funds from Owner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4</b>	Others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. What proportion of the facility's cash is spent on each of the items listed below?

Cash Disbursement		1	2	3	4	5	N/A
<b>COF_1</b>	Wages ,Salaries and Allowances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2</b>	Utility Bills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3</b>	Facility Maintenance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4</b>	Facility Expansion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5</b>	Office consumables (e.g. Printing & Stationery & Refreshment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6</b>	Miscellaneous (e.g. Taxes, Bank Charges & Fees )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Section C: CASH MANAGEMENT PRACTICES

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7. What is the motive of holding cash in this facility?

☐ Transaction    ☐ Precautionary    ☐ Speculative    ☐ Compensative

8. Do you prepare any form of cash forecast or budget?

☐ Yes                      ☐ No

9. If no, how do you estimate your future cash needs?

.....  
.....

10. Do you always meet your cash needs?

☐ Yes                      ☐ No

11. If no, what do you think highly account for the shortfall?

☐ No / Poor forecasting    ☐ Bad economic conditions    ☐ Competition in the market

☐ Other (Please specify).....

12. Do you keep proper book of accounts?

☐ Yes                      ☐ No

13. How do you utilize idle cash?

- ☐ Purchase of Treasury bill      ☐ Deposit in the bank      ☐ Hold it in cash till  
☐ Purchase of commercial paper      ☐ Other (Please specify).....

14. Why do you put your idle cash in any of the items mentioned in question (13)?

- ☐ To earn interest   ☐ For safe-keeping   ☐ To get easy access to it when needed  
☐ Other (Please specify).....

15. Through what means do you mostly pay for expenses?

- ☐ Cheque   ☐ Banker's draft   ☐ Cash      ☐ Other (Please specify).....

16. How do you to ease cash shortages?

- ☐ Postpone capital expenditure   ☐ Accelerate cash inflow and delay cash outflow  
☐ Go for Bank Loan / Bank Overdraft   ☐ Obtain financial support from Owner  
☐ Other (Please specify).....

17. What level of influence do you have when it comes to taking decisions on cash

management issues in your facility?

- ☐ Very Low      ☐ Low      ☐ Moderate   ☐ High ☐ Very High



## Section D: CHALLENGES TO EFFECTIVE CASH MANAGEMENT

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18. To what extent do you rate each of the items listed below as a challenge to effective cash management in your facility?

*Kindly use the 5-point scale below to provide your response.*

	<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>N/A</b>
<b>CCM_1</b>	Use of business funds for personal dealings by Owners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2</b>	Unfavourable business and economic environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3</b>	Cash management issues not a top priority for Owners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4</b>	No strict organisational policies on cash management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5</b>	Seasonal Cash inflows against all year round cash outflow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6</b>	Inadequate information on available avenues to utilize idle cash and finance cash gap	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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19. In your view, what do you think can help minimize these challenges in your organization?

.....

.....

20. Do you think good and effective cash management has any bearing on the survival and growth of your business?

a. Yes [ ], in what way?

.....

.....

No [ ], why?

.....

21. Do you have any other view(s) on how cash management practices can be improved in Ghana as a whole?

.....

.....

**Thank you!!**