# KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

## COLLEGE OF ART AND SOCIAL SCIENCES

## SCHOOL OF BUSINESS

### DEPARTMENT OFACCOUNTING AND FINANCE

KNUST

## ASSESSING CASH MANAGEMENT AT ABURI INDUSTRIAL CENTRE

## (AIC)

### BY

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### AUGUST, 2009

# ASSESSING CASH MANAGEMENT AT ABURI INDUSTRIAL CENTRE (AIC)
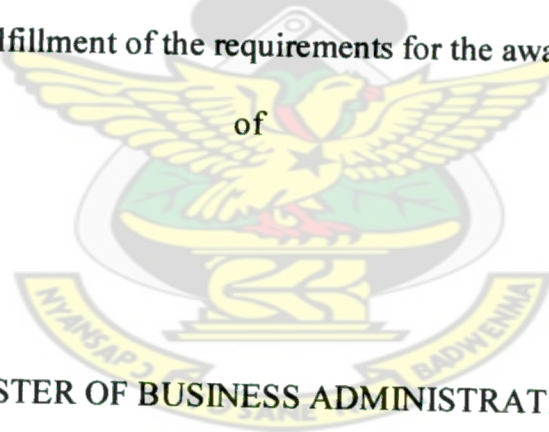
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A long essay submitted to the School of Business,
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In partial fulfillment of the requirements for the award of degree

of

## MASTER OF BUSINESS ADMINISTRATION

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# DECLARATION

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

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# ABSTRACT

The purpose of this report was to assess cash management of Aburi Industrial Centre. The research was conducted through a case study where fifty (50) respondents comprising the seven (7) member executives and forty-three (43) individual carvers were studied. One conclusion from the analysis is that the Association has potential with cash management. Furthermore, the analysis showed that many of the differences that were found in the control of cash management were due to lack of higher education among the carvers. The conclusions of this report can only be considered to apply to AIC in particular and wood carving industry in general and further investigations are needed to confirm and generalize the conclusions of the report.

# DEDICATION

This work is dedicated to my children;

- Yaa Fosuah Coffie

- Nana Ebo Fosuhene Coffie

# AKNOWLEDGEMENT

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# CHAPTER ONE

## RESEARCH INTRODUCTION AND CONTEXT

# 1.1 Background of the study

The first chapter will give the reader a background to what this long essay is about and narrow it down to research problem of interest. The researcher will begin with brief description of cash management and continue with the objective of the study. Thereafter the researcher states the limitation of the study and finally, the chapter ends with a presentation of the layout of this long essay.

Cash management has become crucial parts of a company's planning process, the goal of cash management is to plan a company's cash position so that cash is available when it is needed and all available idle cash is invested to provide maximum income, taking into account the amount of risk the firm is willing to assume. Dennis (2001) established that most experts agree that effective cash flow management is one of the most important areas of financial management for entrepreneurial ventures. The National Federation of Independent Business (NFIB) Education Foundation recently did a survey of small business owners about cash flow. The survey found that one out of five small business owners experienced 'continuity' cash flow problems. Fifty percent of the businesses suffered from cash flow problems, but not on continuous basis only

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one in three said they 'never' experienced cash flow difficulties. The primary reason cited for cash flow problems was difficulty in collecting monies owned, the second was seasonality of sales and third was unexpected variations in sales.

Choyal (1991) described the concept of cash as life blood of a corporation which flows through the veins and arteries of its structure. It engages every part of the structure, gives coverage and moral to the brain (management) and muzzles (personnel), digests to the best degree, the raw materials used by its constraint and regular flow and retains to the heart (cash flows) from another journey.

Ross et al. (2004) opined that cash management has become crucial part of the company's planning process, the goal of cash management is to plan for a company's cash, when it is needed, and when all available idle cash is invested to provide maximum income taking into account the amount of risk the company is willing to assume.

Ross et al. (2004) continued that cash refers to currency on hand plus the demand deposit held in checking accounts at various commercial banks. Marketable securities are the short-term investments the firm may temporarily hold that can be quickly converted into cash. Together, cash and marketable securities form the liquid assets of the firm.

The flow of cash in and out of the firm is continual. Although the level at any point in time is a function of many factors, certain basic cash management ideas are fundamental to any firm, what-ever its size, or industry, or the state of the economy.

Two major aspects of cash management involve speeding the inflows through a cash-gathering system and controlling the outflows, via a cash-disbursing system.

The complexity of the cash-gathering system depends on the size of the firms and the scope of the operations. Small local firms will have very simple systems; large national firms will have extensive systems. In the cash-gathering system, the concept of float is vital.

In most cases the firm's book balance is different from its bank balance. The reason is that anytime the firm writes a cheque for payment, it quickly reduces its book balance by that amount. However, until the cheque is presented to the bank for payment, the bank will not know anything about that cheque so the firm's bank balance will still be the same. The difference between the available bank balance and the book balance is called the float, and it represents the net effect of cheques in the process of cleaning (moving through the bank systems (Ross et al. 2004).

The main ambition of most organizations today is to present good financial result. An organisation's financial result is, for example, strongly influenced by the efficiency in an organization's value chain. According to Larsson (2000) the efficiency in the value chain can be improved, if organisations control and perhaps adjust their financial routines.

## 1.2 Statement of the problem

The success of any establishment whether profit or non-profit oriented depends largely on the generation and management of cash. Cash management is carried out effectively when care is taken in the generating and disbursement of funds. There are

many ways in which funds are generated by Aburi Industrial Centre. These include proceeds from the sale of carved products, contribution from donor agencies and the funds from their cooperative as well as the monthly dues they contributed.

Generating of funds in AIC has been a problem not only because funds are mostly brought from external sources but how to put internal check on generated funds so as to win donor confidence. Moreover, disbursement of funds is one of the greatest problems facing Aburi Industrial Centre. Problem associated with cash flow and control of cash can lead to bankruptcy and total collapse of the association because cash is the life blood of every association.

## 1.3    Objectives of the study

There are, indeed, a few body of literature (books) on wood carving activities particularly their cash management practices and direct involvement in various micro activities in the economy. The general objective is to assess cash management of AIC.

However, the research considered the following specific objectives:

1    to identify the main sources of finance available to Aburi Industrial Centre (as accomplished in chapter 4 page 45)

2    to identify the relationship between collections and disbursement (accomplished in chapter 4 page 48 to 49)

3    to identify the use of surplus cash (accomplished in chapter 4 pages 53)

4    to find out how management of cash can lead to sustainability of woodcarving industry (accomplished in chapter 4 page. 53 to 54)

## 1.4    Significance of the Study

The significance of this study to AIC in particular and carvers in general cannot be underestimated. It will help the carvers to put in place an effective and efficient cash management practices so as to achieve their set goals. In this respect the study will improve the researcher's understanding of the following issues as they apply in the management of cash in carving business.

- o  The relevance of keeping proper books of account in carving business

- o  Expected benefits derived by managing cash properly in carving business

- o  The barriers that prevent carvers from keeping proper books of accounts

## 1.5    Limitation of the Study

The following limitations might have affected the quality of this study.

Firstly, the researcher could not get access to most of the reading materials on cash management.

Secondly, because the research is a case study, data collection was limited to only AIC. Therefore, the findings might not be reflective of all wood carving industries in Ghana.

Thirdly, the study depended solely on the information provided by the respondents of the questionnaire; therefore the reliability of the findings is dependent on the integrity of the respondents.

## 1.6    Scope of the Study

The study limited itself to Aburi Industrial Centre only, owing to time and budgetary constraints.  AIC was selected because it is located in an area where craft is the main occupation of the inhabitants in Aburi.

## 1.7    Organisation of the Study

The study is organized into five chapters.  The first chapter is basically the introduction and research context.  It describes the background of the study and states the research problem in addition to the purpose of the study, the significance of the study, the scope and the limitations of the study.

However, chapter two reviews related literature by discussing woodcarving industry; it's developmental and political indicators.  It continues with a discussion on cash management by focusing cash collections, disbursement technique, controls, and the instrument of idle cash in addition to reasons for holding cash.

Chapter three also gives a brief description of the methodology of the study by looking at the research approach, strategies for research, and types of data, research design, and research instruments used in collection of data as well as the tools used to analyze the raw data.  The chapter also touched on data analyses, validity and reliability of the study.  It continues with a clear description of AIC by touching on areas such as overview of AIC, its establishment.

The chapter four presents both the analysis and discussion of the result based on the objectives of the research.

The final chapter gives summary of the findings as well as the recommendations that can help the management and carvers of AIC to realize their objectives.

## 1.8   Chapter summary

This chapter discussed the background of the study and problem. It also stated what it sought to accomplish in the project, and not leaving out the significance of the study. It continued with its limitation and the scope and closed with how the study is organised.
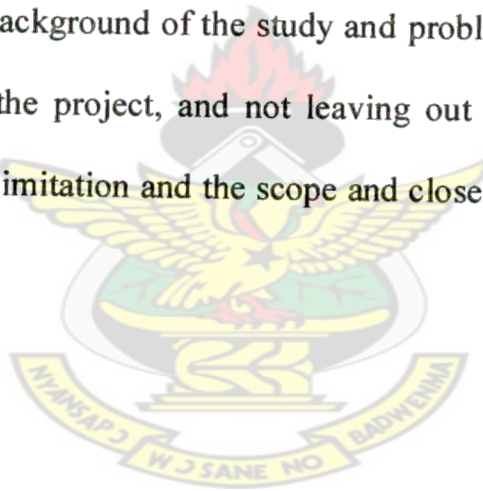
# CHAPTER TWO

# LITERATURE REVIEW

## 2.0   Introduction

The effective manipulation of short-term assets and liabilities is critical to the liquidity of any business. In an ever more competitive business environment, the use of cash management technique is increasingly important not just to ensure liquidity but also to ensure solvency.

This chapter examines the meaning and techniques of cash management. The chapter further examines disbursement of cash (cash outflows), cash flow planning and the cash control mechanisms employed in the management of cash. Finally, the chapter seeks to address cash management and reasons for holding cash.

## 2.1  Meaning and Techniques of Cash Management

Cammack (1999) noted that cash is the key that ignite the rather stagnant wheels of business; it is the lifeblood of every business, circulating between buyers and sellers in exchange of the supply of goods and services. Palmer and Prince (1990) defined cash as covering cheque, money orders and fund on deposit in a bank as well as notes and coins in hand. For firms, cash performs an operational function and it is used to purchase the resources of the organisation be it material, labour technology among

others. Similarly, Sayer (2002) highlighted that importance of cash cannot be overemphasised. Virtually, all businesses transactions require cash but cash itself does not provide returns. Having too much in hand is not good business practices, needless to say that the lack of it or its inadequacy is also critical to the survival of every business. Business therefore needs to invest as much as possible the excess cash and provide good cost effective control over the cash that they hold.

Fernard (1996) opined that effective and efficient management of cash is crucial and critical to the survival of every business - both small and large organisations. One of the crucial management functions in any business is to prepare at all times to meet the cash demands on its operations. Unfortunately, more businesses fail for lack of cash than for lack of profit. It is therefore imperative that businesses try to manage their cash effectively and efficiently in order not to lead the business to the brink of bankruptcy.

Wise (1998) points out that it is perfectly normal to find a business growing profitably while break down at the bank. This is due to the fact that our reporting standard as well as equity shareholders lay more emphasis on the strength of business in terms of profitability. The timing of cash receipt and cash payment is crucial to the survival of an organisation. Many financial institutions have failed not due to excessive project implementation but because of cash management regarding forecasting, the timing of cash receipt and payment. Organisation and other institutions should analyse the timing of the receipt of most of their cash as well as the timing of their peak cash flow. Such analysis allow organisations to determine both when their cash balances are likely to be more than sufficient and when they

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might be inadequate to meet their operating requirement. Planning cash receipt and disbursement is part of the normal budgetary process.

Poffley (2002) noted that cash management involves planning the amount of cash needed for necessary operations and placing excess cash in investment to yield a return. Carl (1982) emphasized that there are two major sources of cash flows into every organisation; internally generated cash flows and external cash inflow. Carl further noted that every organisation experiences irregular increases in its cash holding from several external sources. Funds can be obtained in the financial markets from the sale of securities such as bonds, preferred stock, and common stock or non marketable debt contracts can be entered into with lenders such as commercial banks. These irregular cash inflows do not occur on a daily basis; the financial arrangements that give rise to them are affected at wide intervals. The reason is that external financing contracts usually involve huge sums of money stemming from a major need identified by the company's management and these needs need not occur everyday.

In most organisations the financial officer responsible for cash management also controls the transactions that affect firm's investment. As excess cash becomes temporally available, marketable securities will be purchased. When cash is short supply a portion of the marketable securities will be liquidated to provide funds for the organisation. Carl (1982) further noted that irregular cash inflows are from external sources; the other main sources of cash to the firm arise from internal operations and occur in more regular basis over long periods the largest receipt will come from accounts receivable collections and to lesser extent from direct cash sales

of finished goods. Many manufacturing concerns also generate cash on regular basis through the liquidation of scrap or obsolete inventory. At various times fixed assets may also be sold, thereby generating some cash inflows.

## 2.2 Cash Outflows

Terry, (2003) opined that apart from the investing of excess cash in near cash assets, the cash balance will experience outflows for three main reasons;

Firstly, on the irregular basis withdrawals will be made to;

- pay cash dividends on preferred stocks and common stock sheet
- meet interest requirement on debt
- repay the principal borrowed from creditors
- Bug the firm's own shares in the financial market for use in executive's compensations plans or as an alternative to paying a cash dividend.
- Pay tax bills

Secondly, the company's capital expenditure programme will designate that fixed assets be required at various intervals.

Thirdly, inventories will be purchased on a regular basis to ensure a steady flow of finished goods of the productions line. This indicates that a portion of the cost of fixed assets is charged against the products coming off the assembly line. This cost is subsequently recovered through the sale of the finished goods inventory, as the product selling price will be set by management to cover all the cost of productions, including depreciation.

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## 2.3    Cash Flow Planning

Bandler, J. (1999) opined that in order to understand cash flow management you need to be aware of the difference between profit and cash flow. Cash flow however, is the actual flow of cash in and out of the organisation with no adjustment made for payments or accruals. A business which has insufficient cash will be forced in liquidation by its unpaid creditors even if it is profitable. A lack of cash can be seen by an increasingly late payment of bills. Management therefore needs to plan and control cash flow to prevent liquidation. In a short term this is done by cash flow budgeting, which can be daily, weakly, monthly or yearly, ensuring that the organisation has sufficient cash inflows to meet its outflows as they become due. Such budget should fit in with the over all budgetary scheme that the company operate. If a shortage is expected then the firm can arrange finance, perhaps by increasing its overdraft, to overcome the problem. Other remedies according to Association of Business Executives that can be used to deal with short term expected cash shortages are;

- Accelerating cash inflows from debtors.

- Postponing cash outflows by delaying payment to creditors.

- Postponing capital expenditure or negotiating extended payment terms with the suppliers.

- Revising past investment decisions, such as selling off non-essential assets.

- Rescheduling loan repayment with lenders agreement.

- Reducing the level of dividend to be paid

In order to help cash management of groups, a facility called cash pooling may be requested from the group's bank. This process of cash pooling allows the offsetting of surplus and deficit held at the bank by the groups companies using a dummy account. The net balance is the one on which payment is payable or chargeable and the group can then decide how to allocate this cost or income. A further method of cash management that may be adopted by a multinational firm is to centralize cash management, holding funds in one of the major financial centres, only the minimum level required for day to day purposes being held by subsidiaries.

## 2.4  Cash Control Mechanisms

Terry (2003) noted that, cash control measures are used to safeguard the assets of the organisation. He emphasized that it is important to observe these seven rules for handling cash which includes;

1. *Keeping money coming in separate from the going out*

   Never put cash received into the petty cash tin, it will lead to error and confusion in the accounting records. All money coming into the organisation must be paid into bank promptly and entered into the records before it is paid out again. Failure to do so will distort financial information.

2. *Always give receipts for money received*

   This affords protection to the person receiving the money and assures the person handling it over that it is being properly accounted for. Receipts must be written in ink not in pencil and preferably from a numbered receipt books.

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3. *Always obtain receipt for money paid out* sometimes this might not be possible. For example when purchase material from market, in this case the cost of each transaction should be noted down straight away so that the amounts are not forgotten and these can then be transferred to a petty cash slip and authorised by a line manager. Remember no receipt means there is no prove that the purchase was made.

4. *Pay surplus cash into bank*. Having cash around in the office is a temptation to a thief and the money will be better managed if it were earning interest in a bank account. A casual approach to cash on the premises might also lead to people wanting to borrow from it.

5. *Have proper laid down procedures for receiving cash*. To protect those handling money, there should always be two people present when opening cash collections boxes, safe, etc. both should count the cash and sign receipt as prove of confirming the available cash.

6. *Restricts access to cash and the safe* keys to the petty cash box and the safe should be given only to the authorised individuals. This should be recorded in organisation's delegated authority document.

7. *Keep cash transaction to an absolute minimum*. Petty cash should only be used to make payments when all other methods are inappropriate. Wherever possible, supplies accounts should be set up and invoices paid by cheque. The advantage of paying for most transactions by cheque is that this has the effect of producing parallel set of accounts in the form of the bank statement. Also

it ensures that only authorised people make payments and it reduces the likely of theft or fraud.

## 2.5  Controlling Cash

Roger et. al (1992) opined that in accounting, cash includes coins; currency; un-deposited negotiable instruments such as cheques, bank drafts and many others; amount in checking in saving accounts; and demands certificates of deposit. The certificate of deposit is an interest-bearing deposit in the bank account that can be withdrawn at demand or at fixed maturity date. Cash only includes demand that may be withdrawn at anytime without prior notice or penalty. Cash does not include postage stamps, IOUs, time certificate of deposit or note receivable. Since much business transaction involves cash it is a vital factor in the operation of business. Of all the company assets cash is the most easily mishandled either through theft or carelessness. To control and manage its cash a company should:

Account for all cash transactions accurately so that correct information will be available regarding cash flows and balances.

Make certain that enough cash is available to pay bills as they come due.

Avoid holding too much idle cash because excess cash could be invested to generate income, such as interest.

Prevent loss of cash due to theft or fraud.

Roger et. al (1999) further explained that the need to control cash is clearly evident. Although one might think first how to protect cash from greedy hands of a dishonest employee as you can see from the list above the control of cash has many aspects.

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Without proper timing of cash flows and the protection idle cash, the business cannot survive.

Tracy, J (1999) explains the guidelines for distinguishing between a source and a use of cash as follows:

- A company generate cash in two ways, by reducing an assets or increasing a liability. The sale of used equipment, the liquidation of inventories, and the reduction of accounts receivable are all reductions in assets accounts and are all sources of cash to the company. On the liability side of a balance sheet an increase in a bank loan in a sale of common stock are increases in liabilities which again generate cash.

- A company also uses cash in two ways: to increase an assets account or to reduce a liability account. Adding to inventories or accounts receivables and building a new plan all increase assets and all use cash. Conversely, the repayment of bank loan, the reduction of account payable, and an operating loss or reduced liabilities and all use cash.

## 2.6   Controlling Cash Receipts

Roger et. al (1992) continued that when a merchandising company sells its merchandise, it may receive cash immediately or several weeks later. The cash

received immediately over the counter is usually recorded and placed in a cash register. The presence of the customer as the sale is rung up usually ensures that the cashier enters the correct amount of the sale in the cash register. At the end of each day, the cash in each cash register should be reconcile with the cash tape. When payment is received later, it is almost always in the form of cheques. A record of the cheques received should be prepared as soon as they are received. Some merchandising companies receive all their cash receipts on a delayed basis in the form of payments on accounts receivable.

Although businesses vary their specific procedures for controlling cash receipts, they usually observe the following principles:

- A record of all cash receipts should be prepared as soon as cash is received. Most of cash occur before a record is made of the receipt. Once a record is made, it is easier to trace a theft.

- All cash receipt should be deposited as soon as feasible, preferably on the day they are received or the next business day. Un-deposited cash is more susceptible to misappropriation.

- The employee who handles cash receipt should not also be the employ who records the receipt on the accounting books.

- If possible the employee who receives the cash should not also be the employee who disburses the cash. This control measure is possible in all but smallest companies.

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## 2.7 Controlling Cash Disbursement

Bandler (1999) is of the view that controls are also needed over cash disbursement. Since a company spends most of its cash by cheque, many of the internal controls for cash disbursements deals with cheques and authorisations for cash management. The basic principle of segregation of duties is also applied in controlling cash disbursements. Bandler (1999) outlines the following basic procedures for cash disbursements:

- All disbursements should be made by cheque or from petty cash. Proper approval for disbursement should be obtained, and a permanent record of each cash disbursement should be created

- All cheques should be serially numbered, and access to cheques should be limited to employees authorised to write cheques

- Preferably, two signatures should be required on each cheque so that one person alone can not withdraw funds from the bank accounts.

- If possible, the employee who authorised payment of a bill should not be allowed to sign cheques.

- Approve document should be required to support all cheques issued.

- The employee authorising cash disbursement should make certain that payment is for a legitimate purpose and it is made out for the exact amount and to the proper party.

- When liabilities are paid supporting document should be stamped 'paid' and the date and the number of the cheque issued should be indicated.

- Those employees who sign cheques should not have access to cancelled cheques and should not prepare bank reconciliation.

- The bank reconciliation should be prepared each month, preferably by an employee who has no other cash duties, so that errors and shortages will be quickly discovered.

- All cheques incorrectly should be avoided. These cheques should be physically marked 'void' and retain to prevent their unauthorisation used.

In similar development Engler (1978) argues that for efficient cash management, the firm must not only try to slow the disbursement pattern but also use common sense to pay its bills. If a firm has multiple banking relations, management must make sure that all surplus funds are withdrawn periodically and utilized in some form of marketable securities. If the firm is given discount on its accounts payable of 2/10, net/30, it should try to take the 2% discount within a 10 day period. If this is not possible, the firm should pay on the 30$^{th}$ day. If it pays before that time it is not deriving any benefit and is forgoing the opportunity of maximising available cash.

Englar (1978), continues that one technique that firms used is the use of drafts to pay loans. Unlike a cheque a draft is not payable when a supplier receives it. It has to be sent to the supplier's bank, the bank must present it to the issuer before acceptance. Once accepted, the firm will deposit the money to cover payment of the draft. With this system, the firm does not have to worry about a cheque clearing when there are insufficient funds, for the cheque has to clear first with the financial manager. Also this technique slows down the cash disbursement pattern by several hours or even days.

Ross et al (2004), continues with two systems for efficiently managing the disbursement process: the zer0-balance account and the control disbursement account. With a zero-balance account, the firm in cooperation with its bank maintains a master account and a set of sub-account. When a cheque written on one of the sub account must be paid, the amount needed is transferred from the master. The key is that the total amount of cash held as buffer is a smaller under zero-balance arrangement, thereby freeing up to be used else where. With the control disbursement account, all payment that must be made in a given day is known in the morning. The bank informs the firm of the total and the firm transfers the amount needed.

Brealey at el (2004) adds that apart from maintain a zero-balance; a firm can use remote disbursement as another technique. With this technique, the firm pays its supplier on time but with the cheque written on a far distant bank. In this case it may take some days before the cheque is presented for payment.

## 2.7.1 Reasons for Holding Cash

George (1990) stated four basic reasons firms hold cash as follows:

1. Transaction purposes; in the everyday course of business, firms need a certain minimum amount of cash on hand to meet cash outflow requirements. These include routine items such as paying the monthly bills, making payments to suppliers, and the like. In addition, cash is needed for major items such as tax payments, dividends, salaries, and paying interest and/or principal related to debt.

2. Hedge against uncertainty; a second reason for holding liquid assets is a hedge against uncertain future events. These funds often are held in the form of marketable securities. An alternative to holding liquid assets to hedge against uncertainty is to obtain a line of credit. With a line of credit, the firm can borrow up to a specified maximum amount from a bank over some time period. These lines of credit generally require a commitment fee, whether they are used or not.

3. Cash hoard; firms often hold liquid assets in anticipation of some future use. Many firms hold substantial amounts of liquid assets in anticipation of making future acquisitions of other firms or having the ability to fund, quickly and easily, positive net present value (NPV), capital investments. Likewise, during periods of economic downturn firms postpone capital expenditures and attempt to hoard liquid assets to "weather the storm."

4. Compensating balance requirement; banks perform much service for firms, including the collection and disbursement of funds, handling interbank transfers, providing lines of credit, and making loans. The compensation received by the bank comes from two sources-direct fees and compensation balances. A compensation balance is a certain amount the firm agrees to level related to the size of the loan or the amount of services provided.

## 2.8   Cash Management

The main ambition of most organisations today is to present good financial results. An organisation's financial result is, for example, strongly influenced by the efficiency in an organisation's value chain.   According to Larsson (2000) the

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efficiency in the value chain can be improved, if organisations control and perhaps adjust their financial routines. One part of an organisation's financial routines with great potential, but which often is neglected, are how organisations managing their liquid capital, or cash management.

Larsson (2000) noted again that Cash management is not a new phenomenon and organisations have always considered how their liquid capital in the best way should be managed. Even though managing liquid capital always has been done, the term cash management has brought new light to managing liquid capital with focus on the time-dimension of cash flow. During the fifties the first cash management models were presented and the concept cash management was taken in use. Larson (2000) holds that cash management can be defined as theories and methods for handling liquid capital. According to cash management report 580, which Larsson discusses, cash management consists of handling liquid capital and cash flow. Larson holds that many organisations neglect their work with cash management. This neglect arises from the shortcoming of efficient payment routines and trade receivables. Larsson describes that these routines easily can be obsolete if organisations do not focus enough on follow up and developing existing routines.

Trade receivables are a part of the work with cash management that ties up a considerable part of an organisation's working capital (Larsson, 2000). By improving and making their trade receivable routines more efficient, Larsson holds that organisation can free capital from trade receivables and thereby decrease their interest loss and interest cost. An organisation can make their routines more efficient by,

example controlling customers' terms of payment, overdue routines and interest on overdue payment. In other words, making time from sending out invoice payment as short as possible. Terms of payment, overdue routines and interest on overdue payment can also be used as a means of competition. In these terms, trade receivables are the only part of cash management that will be closely examined.

Cash refers to currency on hand plus the demand deposits held in checking accounts at various commercial banks. Marketable securities are the short-term investments the firm may temporarily hold that can be quickly converted into cash. Together, cash and marketable securities form the liquid assets of the firm. There are three main questions relating to liquid asset management:

1. How should the firm design its cash – gathering and cash-disbursing system?

2. How should the investment in liquid assets be split between cash and marketable securities?

3. How should the marketable securities portfolio be managed?

Before discussing these, however, I need to consider some general aspect of the cash management function. Since liquid assets generally provide lower returns than long-term assets, we need to understand why firms hold liquid assets. Then we will discuss the general risk-required return aspects of liquid assets, followed by an examination of how much cash and how many marketable securities some typical firms hold.

According to Larsson (2000) cash management means handling liquid capital and includes i.e. managing cash and cash flow in an organisation e.g. trade receivables and payment routines is important for all organisations to avoid unnecessary

restricted capital. Since an efficient work with cash management can generate free capital it is of great importance for organisations to control their managers into working more efficient with cash management. This control of cash management can be concentrated into different parts of an organisations handle of liquid capital. Larsson holds that stock that restricts a large part of the moving capital, isn't normally managed by financial departments. This is one explanation to the fact that stock normally isn't assigned to cash management. The goal with managing cash management is to maximise free capital in order to maximise stockholders return on invested capital without decreasing other factors, such as customer satisfaction. Trade receivables restrict a large part of the moving capital and are therefore an important part of an organisations work with cash management. Another part of an organisations work with cash management that restricts moving capital is trade creditors. For a manufacturing organisation, due to the value added in production which leads to a higher sales price then the purchase price, trade creditors should not have the same importance as trade receivables.

## 2.9 Chapter Summary

The chapter examined existing literature on the technique of cash management, cash outflow, cash flow planning, cash control mechanism, controlling cash receipts, controlling cash disbursement. Cash management and reason for holding cash was also reviewed.

# CHAPTER THREE

## THE RESEARCH METHODOLOGY AND PROFILE OF ABURI INDUSTRIAL CENTRE

## 3.0 Introduction

Many writers have written extensively on research methodology. The underlying factor in most studies on research methodology is that the selection of methodology is based on the research problem and stated research questions. Methodologies cannot be true or false, only more or less useful (Silverman, 2003). Nachamias et al (1996) for instance states that methodologies are considered to be systems of explicit rules and produced, upon which research is based, and against which claims for knowledge are evaluated. Conducting any type of research should be governed by a well-defined research methodology based on scientific principles. Eldabi and others (2002) have suggested a series of steps as a research paradigm to be followed in a methodology in a research. However, certain quality criteria such as reliability and validity should be used as demonstrated in Figure 3.1 (CF, Foster, 1998).

**Fig. 3.1 Research Paradigm**
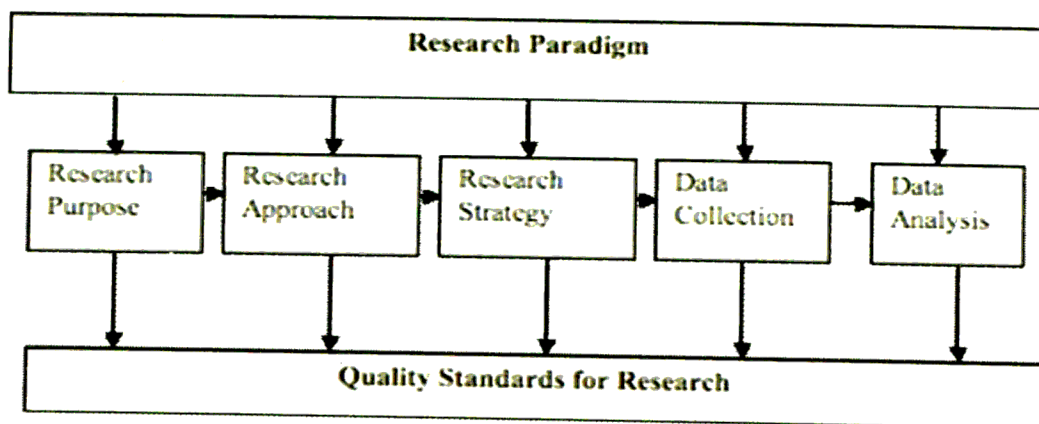


# 3.1   Research Purpose

The purpose of this long essay is to conduct an exploratory and descriptive research in order to gather as much information as possible concerning the management of cash in Aburi Industrial Centre.  According to Yin (1994) exploratory research is designed to allow a researcher to just look around with respect to some phenomenon, with the aim to develop suggestive ideas.  Exploratory research is often used when a problem is not well known, or the available knowledge is not absolute.  The technique that is best suited for information gathering when performing an exploratory research is interview (Yin, 1994).   The researcher employs exploratory study because it gives valuable insight of the problem and result drawn from this study will be in firm grasp of essential characters.   It has also been demonstrated that exploratory research

provides suggestive ideas through reviewing information from problem area. (Chisnall, 1997)

## 3.2    Research Approach

The research approach in this study is chosen based on the purpose and the research questions set out to be addressed. In an exploratory research such as this a qualitative approach was adopted.

Qualitative data are characterised by the richness and fullness based on the opportunity to explore a subject. The nature of qualitative study is primarily to understand, not to explain. Qualitative research implies an emphasis on processes and meanings that are not measured in terms of quantity amount, intensity or frequency.

The main features of quantitative research approaches have been described by Miles and Huberman (1994) as shown below.

- o   The aim of qualitative analysis is a complete, detailed description

- o   Recommended during earlier phases of research projects

- o   Researcher may only know roughly in advance what he/ she is looking for

- o   The design emerges as the study unfolds

- o   Researcher is the data gathering instrument

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- Data is in the form of words, pictures or objects.

- Qualitative data is more "rich", time consuming, and less able to be generalised

- Researcher tends to become subjectively immersed in the subject matter

The Researcher used the qualitative approach for the study because he wanted to have a deeper understanding of cash management and its importance to business organization in Ghana. By using the qualitative approach there was the opportunity to explore the subject matter. The researcher sought to understand more about cash management and its importance to Ghanaian organisations.

## 3.2.1 Strategies for Research

Yin (2003) has described five primary strategies for research in social sciences to collect empirical data. According to him, depending on the character of the research questions, to which extent the researcher has control over behavioral events and to what degree the focus is on contemporary event, the research can choose from the following:

- Experiments;

- Survey;

- Analysis of archival records;

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o   History;

o   Case Study.

For this study the strategy was a survey. This is because the form of research question is "how" Aburi Industrial Centre manages their cash flows. In this long essay the researcher used Aburi industrial centre as a case study.

## 3.3   Data Collection Methods

Yin (2003) holds that data for case studies can arrive from many different sources. According to Ericksson and Wiedeiheim-Paul (2001) there are two different catogories of data collection – primary and secondary. Primary data are collection for the first time by the researchers whilst secondary data are information already collected from previous researchers. The researcher's collected data was mainly primary data but some secondary data has also been used.

## 3.4  Sample Selection

## 3.4.1 Study population

The study population consists of carvers and sellers of carving products in the Aburi community. Institutions responsible for forest policy and management and promotion of woodcarving in Ghana were also incorporated in the study.

## 3.4.2 Sample size

In total fifty carvers and sellers of woodcarving products from Aburi were studied. The executives of AIC, some donor agencies, together with Administrator of Timber Export Development Board (TEDB) was also interviewed by the virtue of their positions in the industry.

## 3.4.3 Sampling Technique

The sampling techniques used for selection of the study population were purposive sampling, proportionate stratified sampling and simple random sampling. Purposive sampling was used to select the executives of AIC, Administrator of TEDB. According to Blalock (1979) purposive sampling is appropriate when one wishes to interview persons who are in good position to supply information. The administrators were selected by this technique because they are the only people who have control over the woodcarving business and can take policies that can affect changes in the industry. The proportionate stratified sampling technique was used to select 50 carvers because of the heterogeneous nature of the carvers. They were sub-grouped and units were selected from each stratum randomly based upon their number. Based on these 25 individual carvers, 15 people from the group carvers and 5 people from the industry carvers were selected. Simple random sampling was used to select the 10 sellers from the three areas. This was used because it is very simple to use and has a high degree of representation (Babbie, 1989).

## 3.5 Research Design

The research design used for this study was field survey. This approach appears to be the appropriate method, since the unit of analysis of the study is the individual as suggested by Babbie (1989). It was to collect primary data that describe the population and the topic under study. According to Smith (1976), this method has an advantage of providing large amount of data at relatively low cost in a short period.

The target population of the study was the three categories of carvers that can be identified in AIC of Ghana; (i) Individual carvers: - these are carvers who set up their individual sheds and carve without any control from any authority on their source of wood supply. They form the majority of the carvers (50%) in Ghana (ii) Group Carvers: - these are well-organised groups of carvers who carve as individuals but gathered at one area to coordinate their activities to attract customers and ensure high productivity. They constitute about 40% of the carvers in Ghana. Their sources of wood supply are only partially controlled by the forestry department since the group buy in bulk and store in their warehouse for the individual carvers to purchase them when needed. They sell their product mostly to the exporters and other individuals who buy in bulk to sell or single products for personal use.

(iii) Industrial carvers: -this group of carvers use advanced technology to carve wood products. They combine cultural and traditional methods with technology to satisfy all types of wood product requirement. The forestry department indirectly controls their source of wood supply since it mostly comes from waste from the timber firms whose activities are controlled by forestry department. They form 10% of the carvers and their products are mostly for export.

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## 3.6  Research Instrument

A prepared questionnaire and interview schedule methods were used to collect data from the respondents. The questionnaire was used to collect similar information (data) from the carvers in the three areas, and the interview schedule was used to obtain similar information from the policy makers and administrators in the industry. The study design took into consideration the fact that some of the population are either illiterate or made up of people who may, for some reason, not feel disposed to fill in the questionnaire themselves. The administration of questionnaire, the researcher has to take a sample because it is often impossible or too much expensive to collect data from all the potential units. Hence samples are chosen to represent the relevant attributes of the whole population. In this respect the researcher notes the caution by Graziano and Raulin (1997) that because the samples are not perfectly representative of the population from which they are drawn, the researcher is unlikely to be able to generalise the conclusions to the entire population.

## 3.7  Empirical Data

The empirical data will be qualitative. This is important to be able to evaluate and describe the cash management at AIC. This data will be collected mainly through the administration of structured questionnaires (see Appendix 1 page 65).

## 3.8  Data Analysis

Data Analysis generally consists of examining, categorising, tabulation or otherwise recombining the evidence to address the initial proposition of a study. According to

Yin, (1994) the ultimate goal of analysing data is to treat the evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretations. In another sense data analysis is seen to consist of three concurrent flows of activities (Miles and Huberman, 1994). These three data are; reduction, data display, and conclusion drawing and verification.

Data reduction as an integral part of data analysis will be carried out to sharpen, sort, focus, discard, and organised the data in a way that allows for final conclusions to be drawn and verified. In this sense data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the raw data (Miles & Huberman, 1994).

Data display refers to an organised assembly of information that permits conclusions, drawing and action taking. Deductions and conclusion will be drawn from the data to decide what things mean from the beginning of data collection. The researcher does this by noting regularities, patterns, explanations, possible configurations, causal flows, and propositions. However, the researcher will hold such conclusions lightly, while maintaining both openness and degree of skepticism.). This according to Chisnall (1997) refers to the stability and consistency of results derived from research; to the probability that the same results could be obtained if the measures used in the research were replicated. Essentially, reliability is connected with consistency, accuracy and predictability of specific research findings. In addition, the role of reliability is to minimise the errors and biases in this study. Two things that were being adopted to increase reliability in this study are the use of case study protocol and the development of a case study database.

## 3.8.1 Method of Analysis

In this study the findings have been presented in narrative descriptions and where possible, tables, charts and figures are also used to indicate trends and pattern that facilitate discussions

Alvesson & Sköldbery (1994), state that three ways for drawing conclusions these are Inductive, Deductive, and Adductive

Inductive method draws conclusions based on empirical findings. This method is normally used when established theories in the field of study are limited and the purpose is to form a new theory.

Deductive method is used when drawing conclusion perceived as valid when it is logically connected. Usually in deductive studies, theories and literature that have been established already is used as foundation for the new research.

Adductive method is similar to Inductive method. Here the researcher starts with the empirical facts, just as in the inductive method. However, theoretical pre-conceptions are not rejected. In adductive method a separate case is interpreted according to the theoretical pattern as if it was true, would explain the case. The result is then confirmed based on the new observations. The new observation from the study is then compared with the theoretical frame of reference.

Based on the explanations above, the researcher,s method of analysis is based on the deductive method, that is based on existing literature on cash management.

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This is in order because it presented to researcher a foundation upon which to build on by presenting a guide for my questionnaire that will enable the researcher to collect data upon which conclusions could be drawn based on the empirical findings.

## 3.9 Quality of Data (Validity and Reliability)

## 3.9.1 Validity

Validity according to Weiderheim – Paul (1999) is defined as a measuring instrument's ability to measure what the research has intended. In order to strengthen the validity of the research the researcher used multiple sources of evidence; questionnaire, interview and documentation. The researcher studied the relevant theories and earlier studies by other researchers and based on these designed a questionnaire. The questionnaire was handed to the supervisor for scrutiny before administered to the respondents of AIC. To strengthen the validity further the researcher guided the respondents to fill the questionnaire.

## 3.9.2 Reliability

Reliability according to Yin (2003) is a test with the objective to be sure that the same findings and conclusions made by one investigator should arrive from another investigator that followed the same procedures and conducted the same study over again. In other to strengthen the reliability the researcher used mainly category questions in the design of the questionnaire. Using category questions instead of open questions should make the respondents give similar answers if another case

study was to be conducted. By using factor analysis when analysing the questionnaire, the reliability is strengthened since a factor analysis should draw the same conclusion if another investigator conducts the same case study.

## 3.10 Study Area

## 3.10.1 Profile

Lying on Latitude $5.05^0$ N and Longitude $-0.18^0$ W, Aburi is a town, about 35 minutes drive from Accra. It overlooks the Accra coastal plain from an elevation of between 370 to 460 meters above sea level. With an estimated population of 16,207, the main occupation of the people is farming and wood carving. Aburi is in the Akuapim South District of the Eastern Region.

## 3.10.2 Overview of Aburi Industrial Centre (AIC)

The Aburi Industrial Centre (AIC) has been in existence since 1970s but was not very active until the early 1980s when Ghanaians were repatriated from Nigeria. At that time the Christian Council of Ghana led by one Reverend Quansah decided to settle the returnees from Nigeria who were citizens of Aburi and its environs at the AIC and to train them in the craft trade/profession. Rev. Quansah then invited some German missionaries to assist in developing AIC and that resulted in the old structures built by Christian Council. Hitherto the carvers were practicing their trade in their homes. The missionaries later named the Centre AIC. The original goal for the Centre was to develop the Centre as an Industrial Centre for craft workers, hairdressers, tailors and seamstresses, shoe manufacturers and other industrial trade for the youth in Aburi.

Later, it was reported that the Christian Council wanted to put up a health facility at the current site for the AIC but this was resisted by the craft workers and the youth. This created some confusion between the craft workers and the Christian Council. Consequently, the AIC project was abandoned for sometime and most craft workers abandoned the use of the Centre. In 2000, the chief of Aburi Nana Gyan Kwesi II petitioned the Government of Ghana to revisit the AIC project and develop it for the youth since craft is the main occupation in the town. Subsequently, a government official advised that a cooperative should be legally formed so that they can operate as a business entity and access credit facilities. This led to the formation of Aburi Carvers and Batik Cooperative.

Upon the directive of the President of Ghana, the Government of Ghana through the Ministry of Trade and Industry, and mount of 1.5 billion old Ghana cedis was voted for the establishment of the Craft Village and to construct shops ad other facilities at the site. The District Assembly was the implementing agency then.

However, some AIC members who had refused to join the co-operative speculated that upon completion of the shops, distribution may be done on political or party lines and this made them very uncomfortable and uncooperative. Another issue which created apathy to the project by the craft workers was that they were not consulted before the implementation of the project and their view should have been sought regarding the layout and the structure of the buildings. Lastly, that the quality of the structures being built at the Centre was very poor. These have been the main reasons for the craft workers refusal to patronise the AIC. (MOTI/EDIF: Needs Assessment for establishing a Craft Village at Aburi, 2008).

## 3.11  Chapter Summary

This chapter was designed to present the methodology of the study, profile and overview of AIC.  The methodology consisted of Research Purpose, Research Approach, and Strategy for Research, Sources of Data Collection, the Sample Size, Sample Techniques, the Instrument used in the collection of Data, the Tools used to analysis the data and the extent of the quality of the Data collected.  The AIC Profile also covered its establishment and organisational structure.
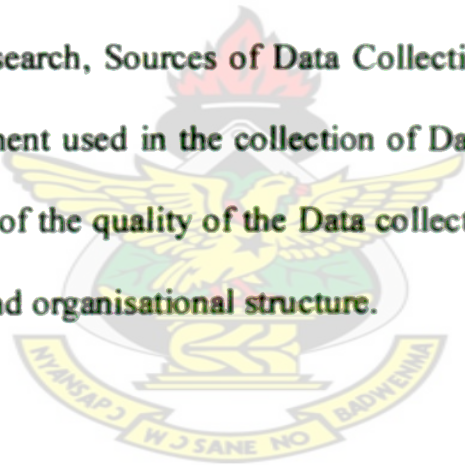
# CHAPTER FOUR

## ANALYSIS AND DISCUSSION OF THE RESULTS

## 4.0    Introduction

The previous chapters of the study addressed the contextual, theoretical and descriptive aspect of the study.  The focus of this present chapter is to analyse the field data and examine the findings in the light of the objectives of the study.  The quantitative data collected under the survey was coded for the analysis.  Microsoft excel, spreadsheet was used to analysis the quantitative data.  The qualitative data was also thoroughly discussed in relation to the objective of the study.

The analysis and the discussion of the field data have been presented in the following structure;

4.1    Background of the respondents

4.2    Sources of funds

4.3    Cash outflow

4.4    Problems faced by AIC

4.5    Investment of surplus funds

4.6    Sustainability of AIC wood carving business

4.7    Chapter summary

This chapter will begin with the presentation of the results of the collected data. The presented data will then be analysed and discussed. The data collection was conducted through a questionnaire and interviews. The data from the questionnaire has been sorted with the help of a statistical computer programme. The data collected through the interviews was also analysed.

The analysis and discussion of the study will now proceed accordingly.

## 4.1    Background of the Respondents

## 4.1.1 Sex Distribution of the Respondents

To understand the category of the people who engaged in the AIC wood carving business, the background of the study group was sought for. This was to asses the socio-economic level they belong to in the wood carving industry.

In table 1, out of fifty carvers interviewed, majority (85%) were male and 15% being female. The sellers were however, different with the females (70%) forming majority and the male (30%) being minority.

**Table 1: Sex Distribution of the Respondents (Carvers and Sellers)**

| Sex | Carvers | Percentage (%) | Sellers | Percentage (%) |
|-----|---------|----------------|---------|----------------|
| Male | 34 | 85 | 3 | 30 |
| Female | 6 | 15 | 7 | 70 |
| Total | 40 | 100 | 10 | 100 |

Source:        Field Survey 2009

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## 4.1.2 Age Distribution of the Respondents

In table 2 the age distribution of the study population were grouped into four (4) in line with developmental stages. The majority of the carvers (95%) fall within the active working group, (26 – 35, 36 – 45) and early adulthood (16 – 25). The seller's distribution was not different from the carvers and this reflects one of the characteristics of the working population in Ghana.

**Table 2:** Age Distribution of the Carvers

| Age Distribution | Carvers | Percentage (%) | Sellers | Percentage (%) |
|---|---|---|---|---|
| 16 – 25 | 12 | 30 | 1 | 10 |
| 26 – 35 | 7 | 45 | 5 | 50 |
| 36 – 45 | 8 | 20 | 3 | 30 |
| 40+ | 2 | 5 | 1 | 10 |
| Total | 40 | 100 | 10 | 100 |

Source: Field Survey 2009

## 4.1.3 Educational Background

The educational background of the group was also investigated. Though the mode of leaning is informal, the new educational reforms that lay emphasis on creative skills and self-employment put the business to text. The study revealed that majority (52.5%) of the carvers was first cycle school leavers with second cycle leavers

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contributing 25%. The carvers with no formal education were 22.5% of the study population and none of the carvers have had higher academic education. This is depicted in figure 4.1 below.

**Figure 4.1:  Educational Backround of Respondents**



### Educational Background of Respondents
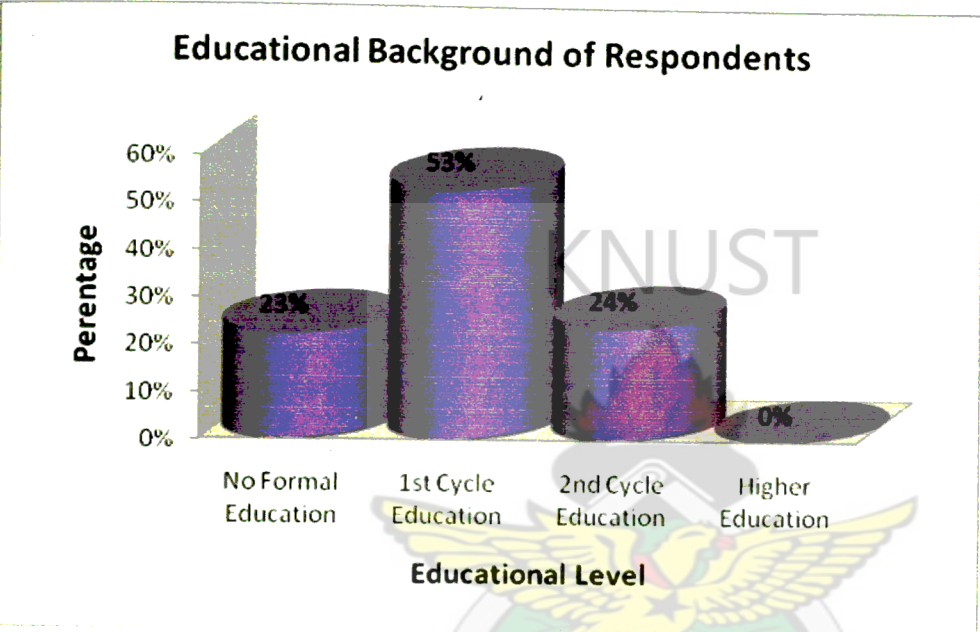
*Source: Field Survey 2009*

## 4.2   Sources of Funds

The study gathered that most of the cash inflows of the carvers were from the sale of wood carvings made to foreigners and bulk buyers.  Ninety percent (90%) of the carvers confirm this assertion.  The 10% which form the minority of the study group disagreed as shown in figure 4.2

on a similar development the study identified that 95% of the members of the association confirmed that the association sourced funds for the individual carvers for their business. Only 5% of the members indicated otherwise

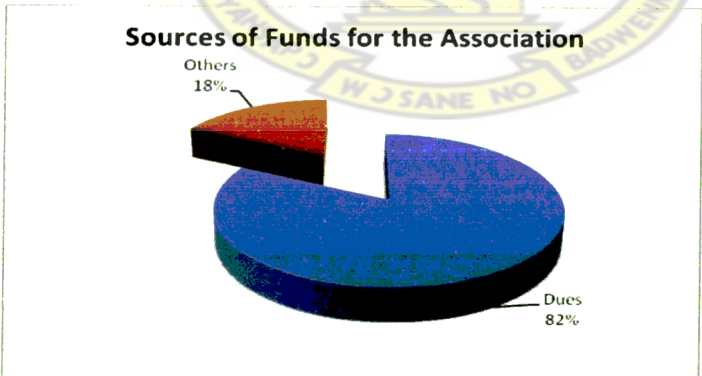**Figure 4.2: Main Source of Cash Inflows to the Carvers**
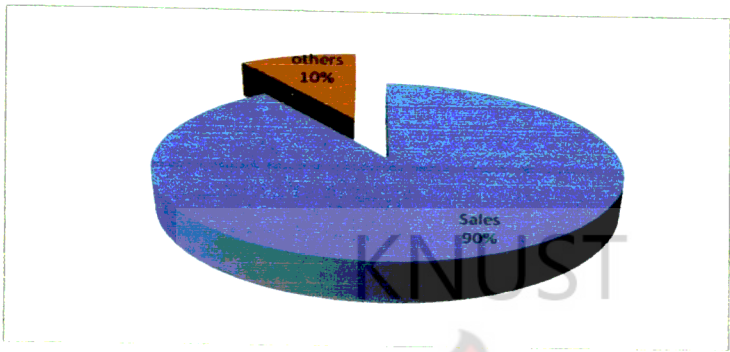


*Source: Field Survey 2009*

The study depicted that (82%) of the respondents indicated that the association gets funds through dues paid by members, and (18%) of respondents indicated that the association gets funds through other source as shown in figure 4.3
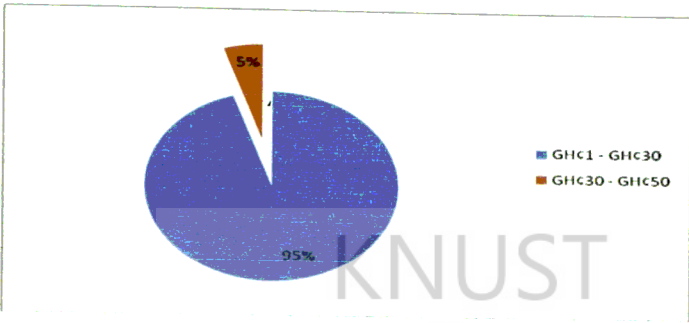
*Figure 4.3 Sources of Funds for the Association*



*Source: Field Survey 2009*

The study proved that majority of carvers earn between GH¢21 to GH¢30 annually with only few earning annual income of GH¢31 to GH¢50 (fig. 4.4). It was found out that the carvers that earn more than GH¢30 annually were industrial carvers.

**Figure 4.4:   Annual Earnings of the carvers**



*Source:    Field Survey 2009*

## 4.2.1 Other Sources of Cash Inflow for the Wood Carvers

As shown in figure 4.5 the respondents indicated the proportion of financial assistance they enjoy from the following groups; social groups (12%), banks (17%), NGOs (70%) donors (8%), and governmental agencies (5%).

It was realised from the study (figure 4.6) that majority of carvers which constitute 90% kept their inflows in the cashier's safe and only 10% kept their inflows at the bank.

*Figure4.5   Sources of Funds for Individual Wood Carvers*
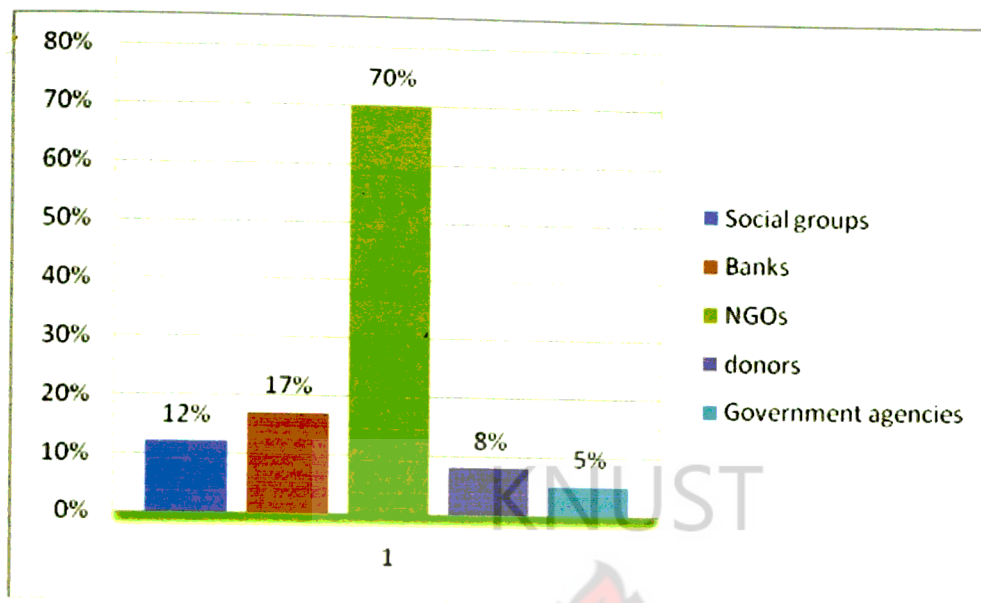
**Figure 4.6  Deposit of Initial Inflows**
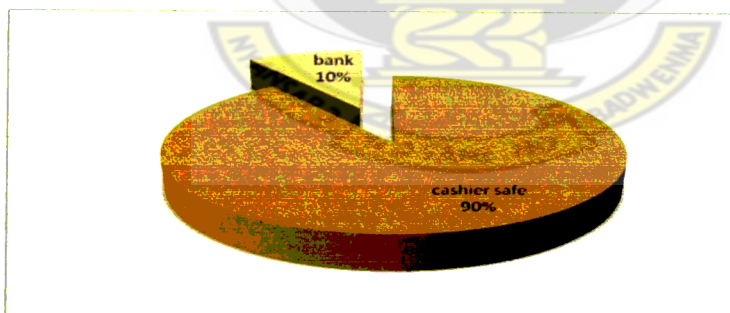
With regards to the actual cash inflow meeting the estimated target, the study revealed that hardly did the actual cash flow meet the target set by the carvers. About (80%) confirmed that their inflow did not meet their target, (13%) also confirmed that

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very often they did meet their target and the (7%) also did agree that they meet their target (figure 4.7)

**Figure 4.7    Actual Cash Inflows and Estimated Target**



*Source:    Field Survey 2009*

## 4.3    Relationship between Collections and Disbursements

The third objective of this study was to examine the relationship between collections and disbursement for 2008 (see chapter 1, section 1.3, and page 5)

Figure 4.8 is the summary of comparative analysis of collection and disbursements. From the figure, it can be seen clearly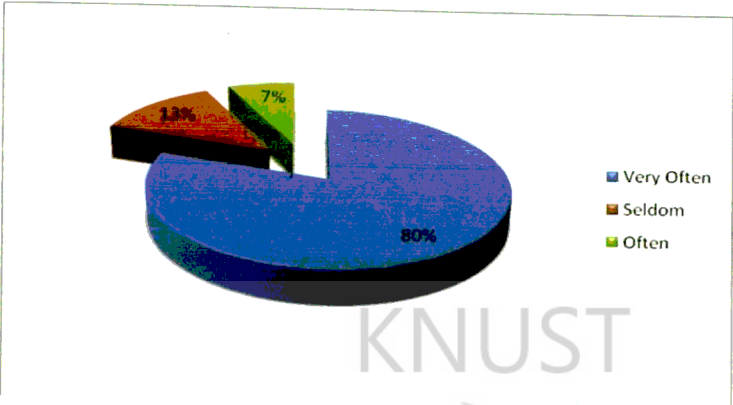 that disbursement was very high in January, comparatively, higher than collections. However, disbursement decreased sharply in February, while collection decreased steadily in the same month. So in February, collections stood higher than disbursement. Then disbursement rose steadily going higher than collections in March and April and decreased sharply again in May with collection standing higher than disbursement in the same month. Disbursement then

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rose to its peak in June and decrease gradually up to December. Collections on other hand rose steadily in July, August and October, and decrease slow in November and December. Generally, the figure shows that disbursements were relatively higher than collections in 2008.

**Figure 4.8 Comparative Analyses of Collections and Disbursements**
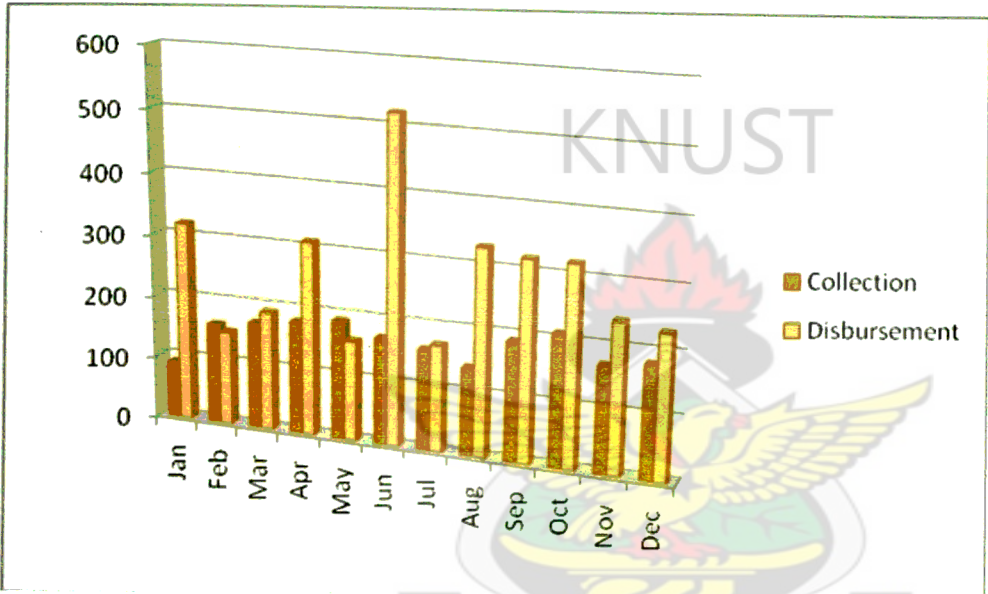


*Source: Field Survey 2009*

## 4.4    Cash Outflows

From the study conducted all the study group indicated that the Association together with the individual carvers do not have any standard procedures through which expenditures are made. They make expenditure as and when they think it is necessary. It was also confirmed by the carvers that no provision is made for contingencies since most of their expenditures are not based on standard planning.

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Furthermore, 25% of the study group did indicate that expenditures are recorded and receipt obtained on expenditure made by the association. The remaining 75% disagreed to this assertion and stated that expenditures are not recorded and no receipt were obtained on expenditures (figure 4.9)

**Figure 4.9    Documentation of movement of cash**
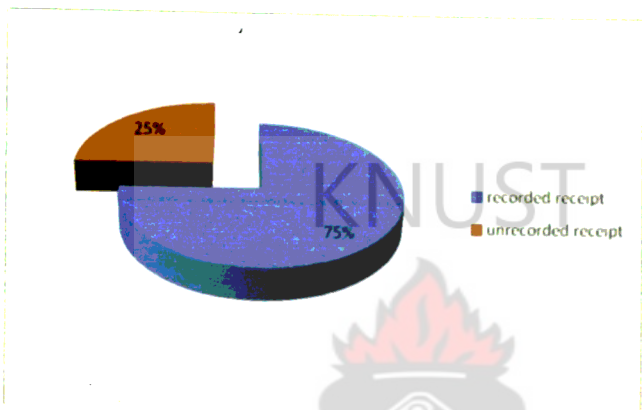


*Source:    Field Survey 2009*

All the study population did confirmed that the association and the individual carvers did not prepare budget at all and did not have any idea with regards to the preparation of budget, hence their failure to achieve their revenue target.

In the survey, 65% agreed that there were a lot of loop holes in the revenue control measures and 35% were of the view that there are no loop holes. The carvers identified some of the loopholes as; no separation of duties, no proper receipts kept, no audit team and no checks and balances. The offenders of misapplication of funds were not punished as the study revealed.

The study gathered that (90%) indicated there is no policy with regard to cash receipts, cash disbursement as well as cash investment. Only (10%) of the carvers stated is cash receipts, disbursement and investment policy.

Table 3 shows that 80% of disbursements are not properly authorised. The little expenditure which is properly authorized is done by the cashier.

All the respondents agreed that the organisation has a secured safe under lock for the safe keeping of available cash. However 90% of the respondents alerted that the organisation does not have any monitoring team to check the control systems on cash control. Finally, all respondents alerted that there is no internal audit department.

**Table 3  Control procedures, Aburi carvers**

| All spending are Properly authorized | Yes | % | No. | % |
|---|---|---|---|---|
| Properly authorized | 10 | 20 | 40 | 80 |
| Availability of safe For cash custody | 50 | 100 | - | |
| Availability of monitory team | 5 | 10 | 45 | 90 |
| Availability of audit team | - | | 50 | 100 |

*Source:  Field Survey 2009*

## 4.5    Problems faced by AIC

Problems facing Aburi Industrial centre. It was manifested in the study that carvers and sellers face numerous challenges in the industry. Table shows that wood supply is the biggest problem facing most of the carvers and this was a widely held, by 35% of the carvers. This is affecting their cash flow since they needed to incur a lot of expenses in order to get required species to be used for the products.

Even though the government has established the export finance company (EFC), to provide financial and non-financial support to producers and exporters of non-traditional products, financial support according to the carvers is difficult to come by due to the demand of collateral securities before the financial institutions grant loan facilities. In addition, since the launch of EPC in 1990, it has been facing financial problems and this has caused the suspension of three important schemes-the export credit guarantee, export insurance and export refinance. (Adobo et.al 2000)

For instance, the number of exporters who benefited from EFC disbursement was initially 73 in 1990, and this increased to 283 in 1992, but declined to dismal number of only 5 exporters in 1993 as a result of low budgetary allocation and foreign assistance. It was not surprising that 30% of the carvers and 50% of the sellers considered finance as the major problem this is affecting the expression of the industry, and hence unemployment and revenue generation from its industry. Due to this, Aburi industrial centre had set up credit cooperative to offer assistance to needy carvers.

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## 4.6    Investment of Surplus Funds

The study identified that the surplus cash on carvers and executives is invested into capital expenditures like tools, equipment and buildings. Basically, the sale of handicrafts at AIC is seasonal depending on the type or categorisation of buyers. The period between June through to September is the peak period for sales made to foreigner tourists. Within this period the Pan African Festival and emancipation day (PANIFEST) and other tour activities are held in Ghana. These activities attract a lot of tourist and Africans in Diaspora to Ghana who buy craft products. The rate of turnover becomes high; hence there is surplus cash for capital investment.

## 4.7    Sustaining Wood Carving Industry at AIC through Cash Management

Finally, the study tried to seek the views of the respondents on the possible ways to sustain the carving industry in order to achieve the short term set target within 5 year tourism development plan.    All the carvers recommended that budget preparation should be given a priority if the industry is to strive. The executives and the sellers also hold similar sentiment but they were of the view that the channel to all the financial support to the Centre must be properly be monitored. The carvers have come to realisation that it's time to diversify tree species used and also think of new ways of management the cash flows in order to remain in the business. Again finance was not left out in their suggestions for sustenance of the Industry. Operations of

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EFC was decried by the executives and the carvers as inefficient and hence needs restructuring and focus in direction.

A majority was of the view that government should encourage private sector participation in the activities of GEPC and also encourage domestic banks to offer more direct assistance to the Non-Traditional Export Sector (NTES). The assistance should be backed by favourable credit guarantee scheme operated by Bank of Ghana. They call for fairness and equity and the granting of loans and other financial assistance to the carvers.

## 4.8 Chapter Summary

This chapter also presented the analysis of the data and the discussion of the result based on the five objectives of the study. It uses tools such as pie charts, graphs, tables and for its illustration. The findings are presented in chapter five.
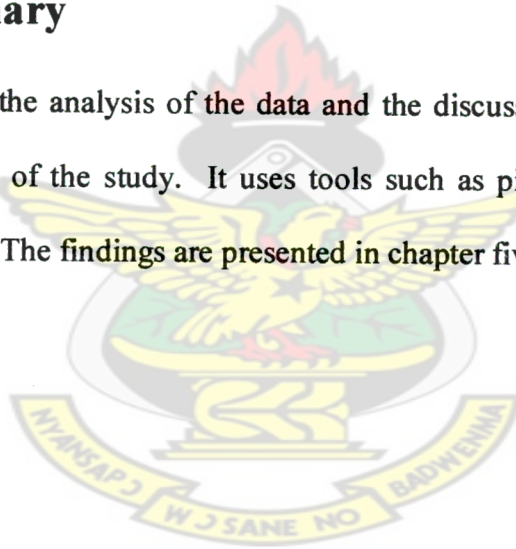
# CHAPTER FIVE

## SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

## 5.0    Introduction

This chapter comprises the findings, recommendations and conclusions.    The summary of findings is subdivided into main findings as per research objectives and additional findings.  The main findings are the major outcome of the study and the additional are the outcomes which the management and wood carvers may not be aware of.  The researcher therefore made recommendations on both findings.

## 5.1    Summary of Main Findings

The research findings can be summarised below as follows:

From research objective one, it was found out that the main source of funds to the individual carvers and the association as a whole is the sale of products and the payment of dues respectively.  However, aside the main source of funds the study revealed that banks, NGOs, social groups, donors and government agencies also offer financial assistance to the carvers.

Another finding from the study in respective of research objective two is that there is no correlation between cash collected and its disbursement as expenditures are not based on standard planning.

Additionally, the study further revealed that the surplus funds available for the carvers are invested into capital expenditure in order to promote the efficiency of their work. This finding addressed research objective number three.

Finally the carvers have subscribed to the assertion that the sustainability of their business is dependent on proper management of the income generated. This is also in line with the last research objective.

The additional findings are also as follows:

- Most of the carvers are young and energetic who seek the prospect of the carving business.
- Some of the carvers have acquired appreciable level of education and therefore appreciate and understand modern trend of business and marketing of products. And a good number of them too have not had formal education.
- Most carvers do not have the requisite knowledge in cash management
- A number of the carvers do not have knowledge of keeping proper books of account.

Except from the conclusions that could be drawn from the objectives and the additional findings above, the researcher has during the writing of the long essay also found a number of interesting aspects that probably also influence AIC carvers way of controlling cash management. Thus the carvers have no ideas with regards to cash management; the study has also shown that cash management consist of several

component where improvement could be made, that is the carvers must be aware of the existence of factors that complicate improvement of the control of cash management.

This long essay has, therefore, strengthened the researcher understanding of the need of cash management by organisations.

## 5.2   RECOMMENDATIONS

After the analysis of the empirical data the researcher found it necessary to state the following recommendations:

A very good sales and marketing strategy should be put in place by the carvers so as to maximise sales since according to the studies sales constitute their main source of cash inflow.  The executives of AIC should organise training programmes in business management to equip the individual carvers the requisite knowledge of computing the cost of products and price appropriately.  The training should further enlighten the carvers on how to keep proper books of accounts to enhance a basic preparation of financial statements.

The researcher again recommends that the association as a body should source for loans to buy capital intensive equipment like Kiln Dryer facility to help the carvers to engage in massive production to meet orders in time.

It is finally recommended that the individual carvers and the association as a body should have a standard procedure for disbursing the income generated by constantly recording and documenting movement of cash

## 5.2.1 Recommendation for Future Research

It will be interesting for other researchers to conduct their studies in these related areas;

1. Cash Management and its Practicalities pertaining in the Wood Carving Business

2. Book keeping Management in Wood Carving Business

3. The Growth of Carving Business in Ghana and its Threats to Cash Management

4. Revenue control Management in Wood Carving Industry

## 5.3    CONCLUSION

It was obvious from the study that most of the carvers do not have higher education and those who have little education do not know much about finance therefore no proper books of account was kept, and has affected their cash management.  As the study confirms, the carvers do not prepare cash budget to be able to know when and how to source for funds and when and how to use the funds sourced.  Even though the study showed that the major sources of income to the carvers are sales of their carving products especially for those into industrial production, and the sellers do export the products

Even though quantity of carvings exported and income generated by AIC less than which carvers elsewhere generate, it still contribute significantly to the economic development of the town and also improves the living standard of the carvers. Revenue generated from the carving industry are taxed from the carvers and exporters, 65% foreign retention of all export and other induced economic sectors. In addition to these individual, groups and companies both local and foreign participating in any organised handicraft fairs by the Ghana Export Promotion and Ghana Handicraft Association have to pay participation and promotional fees. Furthermore, the number of tourist coming into the country to experience the art and craft of Ghanaian artist also contribute some kind of funds into the industry.

Additionally the carvers invest their surplus cash in tools and equipment which are locally made. AIC do not have access to such well-developed tools thus depending on those simple local tools and their ingenuity. Using such tools are very time consuming therefore increases the cost of production and consequently making AIC products very uncompetitive on the international market. The respondents however gave conflicting views about the durability of locally manufacture tools. Whilst some claim that the locally made tools are better than the foreign ones in terms hardness, durability and its ability to carve hard wood, others thought otherwise. AIC has also invested into machine workshop which a pool of wood carving tools such as jig saw, band saw, chain saw, chisel etc.

The study concluded that the expenditure made on the production of the wood carvings has no relationship with the cash that flows into the carvers. The carvers have different method of production, and different method of selling the products.

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Again the registered carvers at times receive some form of financial assistance from NGOs or donors. From the study an NGO like World Wildlife Fund (WWF) offered financial and non-financial assistance to the carvers.

The socio-economic benefit that Aburi community is enjoying from the growth of the wood carving industry must balance with the management of cash flow. The amount of money that comes to the carvers during PANEFEST and exportation of the carving products is so huge that proper management needs to be made in other to raise their standard of living and also to further their education so as to benefit tremendously and stay long in the business.
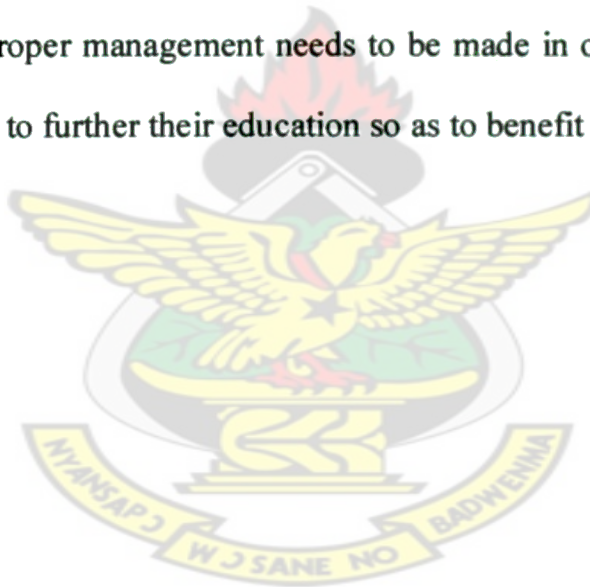
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# APPENDIX I

## QUESTIONNAIRE

This questionnaire is purposely targeted of AIC to solicit information exclusively for academic work. Information gathered will assist the researcher to assess the cash management techniques of AIC in particular and woodcarving industry in general. Any information will be treated as confidential.

**SECTION A**

1. Sex   i. male

   ii. Female

2. which age group do you belong?

   i. 16-25

   ii. 26-35

   iii. 36-45

   iv. 46+

3. what is your educational level?

    i   uneducated

    ii  $1^{st}$ cycle (primary – Middle School / Primary – J.H.S )

    iii $2^{nd}$ Cycle (Secondary / Technical / J.H.S)

    iv Tertiary (Post Sec / Poly / University)

**SECTION B**

**Cash in flows**

4.   What are the main source of cash inflow?

    i.  Sales

    ii. others, specify ..................................................

5.   How does the association raise funds for its activities?

    i.  Dues

    ii. Others, specify ........................................

6. Does the association source funds for you? (Individual carvers)

   i. Yes

   ii. No

7. What range of income do you earn in a year?

   i. GH¢1 – 20

   ii. GH¢20 – 30

   iii. GH¢30+

8. Which of the following agencies offer financial assistance to you?
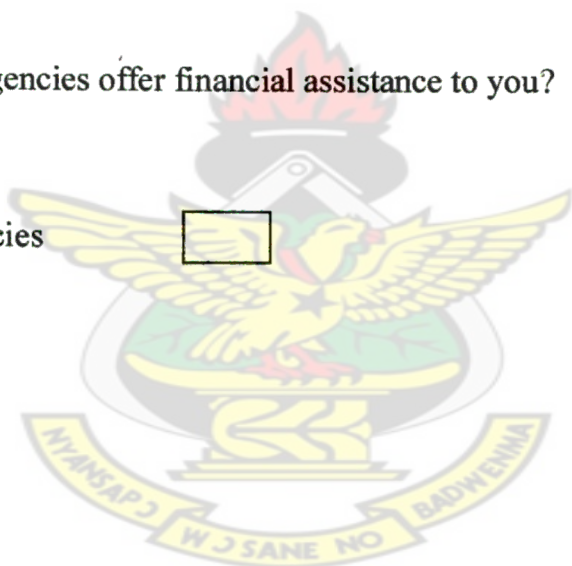
   i. NGOs

   ii. Governmental agencies

   iii. Donors

   iv. Banks

   v. Social groups

9. where are inflows deposited initially?

   i Cashier's safe

   ii Bank account

10. How often does actual cash inflows meet estimated target?

i  Very often

ii  Seldom  ☐

iii Often

**Cash Collections and Disbursement**

11.  Please provide information on your collection activities for 2008

| Month | Ledger Balance | Available balance |
|---|---|---|
| January | | |
| February | | |
| March | | |
| April | | |
| May | | |
| June | | |
| July | | |
| August | | |
| September | | |
| October | | |

| Month | | |
|---|---|---|
| November | | |
| December | | |

12. Please provide information on your disbursement (payment) activities for 2008

| Month | Ledger Balance | Available balance |
|---|---|---|
| January | | |
| February | | |
| March | | |
| April | | |
| May | | |
| June | | |
| July | | |
| August | | |
| September | | |

| October | | |
|---------|---|---|
| November | | |
| December | | |

## CASH OUTFLOWS

13. Does the organisation have a standard procedure for spending?

    Yes

    No      ☐

14. Does the organisation make provision for contingencies?

    Yes

    No      ☐

15. How does the association record and document movement of cash?

    i. Recorded Receipt      ☐

    ii. Unrecorded Receipt

16. Do you budget for revenue and expenditure?

    i. Yes

    ii. No      ☐

17. Are there any loop holes in revenue control measures?

   i. Yes

   ii. No

18. If yes, briefly state the loopholes

   ……………………………………………

   ……………………………………………

19. Do you have an internal auditor?

   i.   Yes

   ii.  No

20. Do you normally achieve your revenue targets?

   i. Yes

   ii. No

21. What controls are put place against the misuse of funds?

   ……………………………………………………………

   ……………………………………………………………

22. Do you have any policy pertaining to cash receipt, cash disbursement and cash investment?

i. Yes

ii. No

23. Are all spending properly authorised?

i. Yes

ii. No

24. Do you have safe for cash custody?

i. Yes

ii. No

25. Is there availability of monitoring team?

i. Yes

ii. No

26. Do you have an audit team?

i. Yes

ii. No

27. Do you encounter problems in the carving business?

i. Yes

ii. No

28. How do you rate the following problems? (high, low)

   i.  Finance

   ii.  Marketability

29. What kind of investment do use surplus funds for?.

   i.  Tools and equipment

   ii. Funerals

   iii. Marketable security

30. What methods are there to sustain the carving at AIC?

..................................................

..................................................