PERCEPTION OF SMEs IN BALIWAG, BULACAN ON THE CASH MANAGEMENT PRACTICES OF MERCHANDISING AND SERVICE INDUSTRIES

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Abstract

This study aims to identify the perception on cash management practices of SMEs in merchandising and service industries in Baliwag, Bulacan. The study is based on the objectives which includes (1) finding out the profile of the SMEs in terms of the form of business organization, nature and year of operations, (2) defining the perception of respondents on cash management practices of merchandising and service industries in terms of profitability, liquidity, and growth, and (3) determining the significant difference on cash management practices of merchandising and service industries. A sample of 26 SMEs was selected through random sampling. Self-administered questionnaires designed for this study were filled in by SME head of sales and the data was analyzed using frequency tables, weighted mean tables and t-test formula. The study revealed that there is no significant difference between the perceived cash management practices of merchandising and service industries in terms of the overall financial performance of small and medium enterprises in Baliwag, Bulacan. As a result, it can be assumed that a business's industry type does not significantly affect its cash management practices performed.

Keywords: SMEs, cash management, merchandising, service

Baliuag (actively spelled as "Baliwag") is a first class urban municipality in the province of Bulacan, Philippines. It was founded by Augustinian friars on 1732 and was incorporated by the Spanish Governor-General on 1733. During the Spanish denomination, Baliwag was predominantly agricultural and the main source of livelihood of the *Baliwagenos* was rice farming. Buntal hat weaving and silk weaving were among the known products of Baliwag, Bulacan. The local market grew as it continued to prosper in Commerce and Industry. In the early part of the 19th century, Baliwag had been making name in the map of the Philippines as one of the most progressive and richest towns of Bulacan.

At present, Baliwag is the major commerce, transportation, entertainment and educational center of Northern Bulacan. The Municipality of Baliwag still prospers and continues to expand its market all over the Philippines. Major industries include garments, swine and chicken production, and furniture among others.

Many are willing to invest and businesses pop-out from here and there. This is shown through the increasing number of registered businesses in Baliwag, Bulacan. As of 2019, there is a total of 52 Manufacturers and Assemblers, 7 Wholesalers and Distributors, 1140 retailers, 651 Contractors and Independent Contractor Services, 127 Banks and Other Financial Institutions, 6 Peddlers and the list goes on.

Up until the present, more and more new businesses are opening up in Baliwag and those existing businesses keep looking for ways to grow. According to the article entitled Guides and Reviews: Cash Management (2009), cash management is particularly important for new and growing businesses. Cash flow can be a problem even when a small business has numerous clients, offers a product superior to that offered by its competitors, and enjoys a sterling reputation in its industry. Companies suffering from cash flow problems have no margin of safety in case of unanticipated expenses. They also may experience trouble in finding the funds for innovation or expansion. It is, somewhat ironically, easier to borrow money when you have money.

Managing cash is becoming even more sophisticated in the global and electronic age of the 21st century as finance managers try to squeeze the last peso of profit out of their management strategies. Minimizing cash balances as well as having accurate knowledge of when cash moves into and out of the company can improve overall corporate profitability (Cabrera, 2012).

To identify which cash management practices are fit for small and medium enterprises (SMEs), this study would aim to identify how certain businesses in Baliwag, Bulacan perceive their cash management practices employed. And since the majority of these said registered businesses in Baliwag are merchandising and service industries, the study specifically focused on the cash management practices of the said two industries.

Review of Related Literature

According to Aliet (2012), cash management refers to the collection and management of cash as well as the payment of cash from the business to maximize the cash held that is not invested in buying inventory or fixed assets. It is the ability of controlling the cash in the business by reducing the cash outflows and maximizing the cash inflows.

Consequently, the business will have sufficient cash available to meet operational requirements and avoid the risk of becoming liquidated.

Cash management is an essential tool which aims at establishing the financial position of the organization. Pandey (2002) notes that it is a set of guidelines established by management to ensure that the organization has optimal cash balance at any time to meet the organization goals, cash recovered should be matched with cash spent on services so that there is no unused cash balances. Cash management is concerned with the management of cash flow that is to say inflow and outflow of cash, this seeks to archive control of cash by paying obligations like meeting organizational needs (Kakuru, 2005). The indicators of cash management include cash planning which is a technique use to plan and control the use of cash, safety that is to say there should be one to authorize use of cash, cash control, cash allocation and cash budget.

Abioro (2013) defines cash management 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.

Kakuru (2005) stated that profitability is the ability of a firm to earn returns on investment. The higher the cash balances are in a business, the more returns or profitability will be fore gone. The indicators of profitability include return on assets, return on capital employed and sufficient cash flows.

A company has to generate an adequate cash flow from its business in order to survive. In addition to generating cash from its activities, a business also needs to manage its cash situation so that it holds the right amount of cash to meet its immediate and long-term needs (Thangavelu, 2015). A business is assumed to go profitable whenever the current year profit or cash flow is positive (Scott, 1981).

Uwonda and Okello (2015) maintained that an efficient cash flow management system plays a key role and helps to demonstrate that the SME is profitable. Uwonda explained that an enterprise will need to generate a profit over a long-term period but if it does not generate sufficient cash reserves for its daily operations and for the generation of a profit for the owners, then such enterprise is a failure. Uwonda observed further that while the overriding logic in the creation and establishment of any business concern is the generation of a profit for the business it is still the amount of cash that is recognized as the crucial resource in the short, medium, and long-term life of any business.

Cash as an important current asset that needs critically planned for optimal balance to enable business activities take place smoothly. If cash management is maximally ensured in business ventures, holding other factors positive the business must boom and serve the public as expected reflecting better and improved performance with high growth rates (Festus, 2011).

Olawale and Garwe (2010) revealed that the cost can affect the growth of new SMEs. Rising cost especially the cost of electricity and petroleum can constrain growth. Close monitoring of costs is necessary in order to reduce wastage and determine the most efficient means of production. Neu

(2013) also stated that cost cutting is always important. Properly applied, these types of programs will ensure growth, employment and satisfaction for both management and employees.

SMEs are driven primarily by the needs of their customers. Customer power is high for many SMEs. They are dependent upon customers who purchase large quantities and these customers are able to influence price (Levy & Powell, 2005). Customer retention is the key to a flourishing business or organizational concern. No customer means no business. The hunt for a new customer should not affect the existing customers. A business cannot make and retain new customers if the old customers are unhappy. What makes a customer to do repeat purchases will determine the real strength of your business (Bindra, 2014).

Tirmizi and Ahmad (2013) revealed in their study that high retention rate indicates that those firms in Pakistan which have potential investment opportunities are consuming retained capital for growth related activities. Retention decision is primary to a firm because growth oriented firms prefer to reinvest earnings instead of paying dividends to the shareholders. Firms prefer retained earnings (available liquid assets) as their main source of funds for investment. Second preference was debt and third was external equity financing by the firm.

However, according to Davidson, et al. (2012), 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.

A large number of businesses fail due to the absence of cash rather than the absence of profits (Patel, 2010). It is also indicated that cash flow management is vitally important for the business because cash flow management will assist businesses plan for the unforeseen eventualities that almost all businesses encounter and indicated that all businesses should aim at a collecting cash receipts and making payments efficiently to maintain a net balance of a surplus. If these receipts and payments collections are synchronized, a business will encounter this surplus net balance which is regarded as a business profit.

When cash is received in exchange for products or services rendered, many small business owners, intent on growing their company and tamping down debt, spend most or all of these funds. But while such priorities are laudable, they should leave room for businesses to absorb lean financial times down the line. The key to successful cash management, therefore, lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary restrictions (Cloutier, 2010).

A cash budget is a tool used to manage the cash flow of a business. This is a budget that is focused on the cash coming into the business and the cash that leaves the business. Longenecker, Moole, and Petty (2011) believed that the cash budget is most important to a small business. The cash budget is used to foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments.

However Arnold (2011) points that holding cash also provides some advantages, such as (1) provides the payment for daily expenses, such as salaries, materials and taxes. (2) Due to the fact that future cash flows are uncertain, holding cash gives a safety margin for eventual downturns. And finally (3) the ownership of cash guarantees the undertaken of highly profitable investments that demands immediate payment.

Profitability can be defined as the final measure of economic success achieved by an SME in relation to the capital invested in it. This economic success is determined by the magnitude of the net profit accounting (Pimentel, Braga, & Casa Nova, 2010). To achieve an appropriate return over the amount of risk accepted by the proprietor, is the main objective of business operating in economies. After all, profit is the propulsive element of any investments in different businesses.

SMEs should, first, deal with the constraints they feel in offering competitive prices to customers. This requires SMEs to cut unnecessary costs, and improve the quality of products and by-products provided to final assemblers, intermediate enterprises, foreign importers, and suppliers (Thahn, Narjoko & Oum, 2010).

According to Shim and Siegel (2010) accounting liquidity is the company's capacity to liquidate maturing short-term debt (within one year). Maintaining adequate liquidity is much more than a corporate goal is a condition without which it could not be reached the continuity of a business. Solvency and liquidity are two concepts that are closely related and reflect upon the actions of company's working capital policy. A low liquidity level may lead to increasing financial costs and result in the incapacity to pay its obligations. (Maness & Zietlow 2010)

In another period cash inflows might exceed cash outflows there by creating excessive liquidity and idle cash. If this excess cash is not wisely invested, a company will lose profits on this idle cash. Thus cash management mitigates lack of harmonization of cash receipts and cash payments and thus enhances profitability (Uwuigbe, et al, 2012).

Don (2010), while acknowledging the relative importance of both, submits that liquidity is more important because it has to do with the immediate survival of the company. Profitability tells whether the business is sustainable while liquidity tells if the business has enough cash to pay its obligations.

According to Leonard (2018), accounting for a merchandising business requires understanding the costs and terms of purchase from suppliers. The better a business owner can negotiate terms, the higher his profit margins will be, and the less risk he assumes, based on potential loss or breakage. With the right software set up with categories that pertain to the direct line items in the income statement, a business owner can ascertain his business health at any point in time, by running a few reports.

In a service industry such as construction, cash flow management can be particularly challenging, since companies constantly switch between clients. Fortunately, by following cash management accounting best practices, your construction business can maximize profit while responsibly organizing your finances. Managing your cash flow isn't just about your income; it's also about what you spend. Seek out deals on high quality materials or see if you can buy in bulk. These practices will keep you from wasting money on essential purchases (Lombardi, 2017).

Merchandise-based businesses and service-based businesses operate on different cycles. For example, merchandise-based businesses typically receive cash, buy inventory, merchandise the inventory, sell the goods and account for sales on the books. On the other hand, a service-based business has fewer steps that generally only consist of receiving cash, performing services and accounting for the sale of those services (Vogt, n.d.).

According to Juneja (2015), one factor which distinguishes product retailing from service retailing is standardization. Standardization is possible in case of product retailing but not possible in case of service retailing due to the human element involved in the delivery of services. Standardization provides an opportunity for growth by strengthening the relationship between the customers and retailers.

However, Francis (2019) stated that the main difference between a merchandising company and a service industry company is that the merchandising company must stock inventory. Cost of Goods Sold is needed for a business that sells merchandise, but not necessarily for a business that offers services. As such, merchandising companies may incur more costs compared to a service company.

Theoretical Framework

Cash Flow Theory. The theory behind the model can best be explained within the framework of a cash flow. Beaver (1966) writes: “The business is viewed as a reservoir of liquid assets, which is supplied by inflows and drained by outflows. The reservoir serves as a cushion or buffer against variations in the flows. The solvency of the business can be defined in terms of the probability that the reservoir will be exhausted at which point the business will be unable to pay its obligations as they mature (i.e., failure).” It was argued that businesses with a positive cash flow are able to raise their capital and borrow from the capital market, while businesses with a negative or insufficient cash inflow are unable to borrow and therefore facing the risk of default. According to this argument, a business is assumed to go profitable whenever the current year profit or cash flow is positive (Scott, 1981).

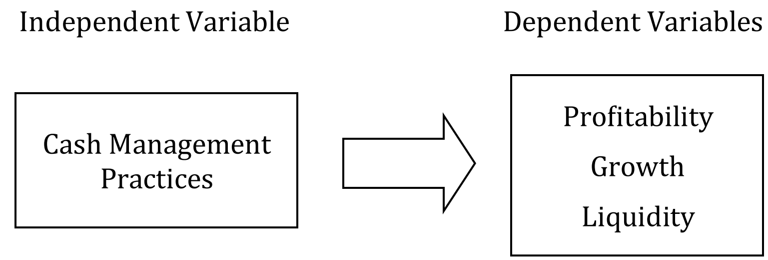
Financial Theory. Kytonen (2002) opines that in financial theory, researchers are interested in how cash and other liquid assets affect firm value and the optimal capital structure of a firm. Financial theory considers the cash management problem in the framework of the evaluation and capital structure of a firm. He suggested that, cash management as a representative for the liquidity management, can be linked to financial theory by considering its importance in an imperfect market. According to him this can be done, by adding cash balances to the financial theoretic models, such as the Capital Asset Pricing Model (CAPM) or the Modigliani-Miller (M&M) model. The effects of the inclusion of cash balances in these theoretical models show the importance of liquid assets for the value of a firm (through the systematic risk component) and for the optimal capital structure (through the liquidity slack concept).

Conceptual Framework

The conceptual framework showed the scope and direction of the study. The paradigm consisted of two frames which showed the independent variable in the left: cash management practices of the SMEs; and the one in the right

showed the dependent variable: profitability, growth, and liquidity of SMEs in Baliwag, Bulacan.

The figure above shows the connecting relationship that exists among the variables.



Statement of the Problem

This study looked into the perception of SMEs in Baliwag, Bulacan on their cash management practices. Specifically, it sought answers to the following questions:

1. What is the profile of the SMEs in terms of:
    - 1.1 Forms of business organizations,
    - 1.2 Nature of operations, and
    - 1.3 Years of operation?
2. How did the respondents perceive their businesses’ cash management practices with regards to:
    - 2.1 Profitability,
    - 2.2 Growth, and
    - 2.3 Liquidity?
3. Is there a significant difference between the perceived cash management practices of merchandising and service industries?

Hypothesis

The hypothesis will be raised in the study and will be tested at .05 level of significance.

H_0: There is no significant difference between the perceived cash management practices of merchandising and service industries' with regards to:

1. Profitability
2. Growth
3. Liquidity

Method

The study used a descriptive inferential research design to assess the perception on the cash management practices of merchandising and service industries. Descriptive research is a type of research which attempts to explore and explain while providing additional information about the topic. Inferential statistics makes inferences and predictions about a population based on a sample of data taken from the population in question.

The researchers used the quantitative method to collect data and develop the findings about the study. It employed the use of survey-questionnaire as the research instrument. The data collection was based on the questionnaires distributed to the respondents and this served as the primary instrument. The survey-questionnaire was designed in order to accumulate enough information pertaining to the objectives of the study.

Participants and Sampling Procedures

The researchers used the Slovin formula to calculate the sample size (n) given the population size (N) and a

margin of error (e) of 5%. If a sample is taken from a population, this formula is used to take into account confidence levels and margin of error. The study will use 26 selected SMEs identified as merchandising and service industries from Baliwag, Bulacan.

This method was used to select merchandising and service owners from Baliwag, Bulacan. This was achieved by getting a list of business names or trade names from the municipality of Baliwag, Bulacan and then writing the business names in a piece of paper which was folded and put in a basket. After thorough reshuffling, the researchers selected elements, recorded them and put them back into the basket until the required number is obtained.

The respondents would be the head of sales from these selected entities. The head of sales is responsible for overseeing all sales activities of the company and managing the sales teams and as such, the researchers believe that they have enough knowledge to answer the questions posed in the study.

Research Instrument

An instrument in the form of a questionnaire was formulated by the researchers with other literature and pre-existing studies mentioned earlier as the basis. It consists of twenty-four (24) questions aimed to answer the problem of the research which were answered by the head of sales.

The questions were designed to determine the perception on the cash management practices of merchandising and service industries. Statements 1 to 5 pertain to cash management practices performed to increase business profitability; Statements 6 to 10 pertain to cash management practices performed to ensure business growth; and Statements 11 to 15 pertain to cash management practices performed to manage business liquidity.

To establish the validity of the instrument made by the researchers, the questionnaire was submitted to a licensed psychometrician. Each of the statements and questions were reviewed. The subject matter expert commented that the formulated questionnaire was not technical and is appropriate for the chosen respondents of this study.

Data Analysis and Statistical Treatment of Data

To interpret the data effectively, the researchers will employ the following methods of statistical treatment.

Percentage. This will determine the frequency counts and percentage distribution of personal related variables of the respondents. This method will be used to answer the first research question.

Weighted Mean. This is an arithmetic mean in which each value in the collection is not simply summed-up, but is weighted by some measure of importance. This was used when the options to the items of the questionnaire have assigned points. This method will be used to answer the second and third research questions.

Weighted Average Scale and Verbal Interpretations:

	Scale	Verbal Interpretation
4	3.26 - 4.00	Strongly Agree
3	2.51 - 3.25	Agree
2	1.76 - 2.50	Disagree
1	1.00 - 1.75	Strongly Disagree

Results and Discussion

This chapter presents the results of the survey. This includes the analyses and interpretations of data based on the questions presented by the study. These data will help answer the questions laid by the researchers. Prior studies and related literatures that were gathered and read by the researchers serve as the basis for the analyses of the data.

Table 1. *Profile of the Respondents*

Profile			Frequency	Percentage (%)
1.	Form of business organization	Sole Proprietorship	17	65.38
		Partnership	2	7.69
		Corporation	7	26.92
		Total	26	100.00
2.	Nature of Operation	Merchandising	14	53.85
		Service	12	46.15
		Total	26	100.00
3.	Years of Operation	0-5 years	9	34.62
		6-10 years	7	26.92
		11-15 years	2	7.69
		More than 15 years	8	30.77
		Total	26	100.00

There are 26 SMEs representing the respondents of the study. As presented in Table 1, 65.38% (17) of these respondents are sole proprietorship, 26.92% (7) comprises corporation, and 7.69% (2) are partnership. This shows that most SMEs in Baliwag, Bulacan are owned by sole proprietors.

Table 1 presented the nature of operations of these SMEs. 53.85% (14) of them are in merchandising business and 46.15% (12) are service business. This means that most SMEs in Baliwag, Bulacan are retailers or merchandisers.

Table 2. *Mean and Mean Interpretation of Perception on Cash Management Practices – Profitability*

Practices	Merchandising Weighted Mean	Merchandising Interpretation	Service Weighted Mean	Service Interpretation
1. Higher inflows than outflows	3.71	Strongly Agree	3.08	Agree
2. Outflows are controlled	3.29	Strongly Agree	3.42	Strongly Agree
3. Excess cash put into income-generating activities	3.21	Agree	3.25	Agree
4. Has controls over cash received and collected	3.64	Strongly Agree	3.67	Strongly Agree
5. Cash planning aimed at having optimal cash balances	3.57	Strongly Agree	3.67	Strongly Agree
Overall	**3.49**	Strongly Agree	**3.42**	Strongly Agree

As shown in Table 2.1, both merchandising and service business, with a weighted mean of 3.71 and 3.08, strongly agreed and agreed respectively that their businesses have higher inflows than outflows. This implies that the respondents were able to generate higher inflows than outflows from their business operations. The findings properly coincided with Thangavelu (2015), who states that a company has to generate an adequate cash flow from its business in order to

survive. In addition to generating cash from its activities, a business also needs to manage its cash situation so that it holds the right amount of cash to meet its immediate and long-term needs. This view is also in line with the study of Scott (1981), who states that a business is assumed to go profitable whenever the current year profit or cash flow is positive.

As shown in Table 2, both merchandising and service businesses, with a weighted mean of 3.21 and 3.25 respectively, agreed that excess cash is put into income-generating activities. These findings are consistent with the study of Kakuru (2005), who states that profitability is the ability of a firm to earn returns on investment. The higher the cash balances are in a business, the more returns or profitability will be foregone. The indicators of profitability include return on assets, return on capital employed and sufficient cash flows.

As shown in Table 2, both merchandising and service businesses, with a weighted mean of 3.64 and 3.67 respectively, strongly agreed that the business has controls over cash received and collected. These findings are consistent with the study of Patel (2010), who states that cash flow management is vitally important for the business because it will assist businesses plan for the unforeseen eventualities that almost all businesses encounter and indicated that all businesses should aim at collecting cash receipts and making payments efficiently to maintain a net balance of a surplus. If these receipts and payment collections are synchronized, a business will encounter this surplus net balance which is regarded as a business profit. These findings are also in line with the study of Clotier (2010), who states that the key to successful cash management, lies in tabulating realistic projections, monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary restrictions.

Table 3. *Mean and Mean Interpretation of Perception on Cash Management Practices – Growth*

Practices	Merchandising Weighted Mean	Merchandising Interpretation	Service Weighted Mean	Service Interpretation
1. Cuts on unnecessary costs	3.50	Strongly Agree	3.50	Strongly Agree
2. Provides goods and services according to customers' demands	3.50	Strongly Agree	3.42	Strongly Agree
3. Retains regular customers	3.57	Strongly Agree	3.42	Strongly Agree
4. Satisfied with its growth rate	3.50	Strongly Agree	3.33	Strongly Agree
5. Grows by its retained profit	3.43	Strongly Agree	3.33	Strongly Agree
Overall	**3.50**	Strongly Agree	**3.40**	Strongly Agree

Table 3 shows that both merchandising and service businesses, with a weighted mean of 3.50 respectively, strongly agreed that it cuts on unnecessary costs. These findings were in line with the study of Thahn, Narjoko & Oum (2010) who suggest that SMEs should, first, deal with the constraints they feel in offering competitive prices to customers. This requires SMEs to cut unnecessary costs, and improve the quality of products and by-products provided to final assemblers, intermediate enterprises, foreign importers, and suppliers.

These findings were also in line with the study of Olawale and Garwe (2010) which revealed that the cost can

affect the growth of new SMEs. Rising cost especially the cost of electricity and petroleum can constrain growth. Close monitoring of costs is necessary in order to reduce wastage and determine the most efficient means of production.

These findings were also in conformity with the view of Neu (2013) who states that cost cutting is always important. Properly applied, these types of programs will ensure growth, employment and satisfaction for both management and employees.

Table 3 also shows that both merchandising and service businesses, with a weighted mean of 3.50 and 3.42 respectively, strongly agreed that it provides goods and services according to customers' demands. These findings were in conformity with the view of Levy and Powell (2005) who states that SMEs are driven primarily by the needs of their customers. Customer power is high for many SMEs. They are dependent upon customers who purchase large quantities and these customers are able to influence price.

Table 3 shows that both merchandising and service businesses, with a weighted mean of 3.57 and 3.42 respectively, strongly agreed that it retains regular customers. These findings were in conformity with the view of Bindra (2014) who states that customer retention is the key to a flourishing business or organizational concern. No customer means no business. The hunt for a new customer should not affect the existing customers. A business cannot make and retain new customers if the old customers are unhappy. What makes a customer to do repeat purchases will determine the real strength of your business.

Table 3 shows that both merchandising and service businesses, with a weighted mean of 3.50 and 3.33 respectively, strongly agreed that it is satisfied with its growth rate. These findings were in line with the study of the Bank Development of Canada (2015) which revealed that one-third of respondents who attach relatively little importance to growth report that they are satisfied with the current size of their business, while nearly one out of five (19%) cite the possibility of retiring, or selling or closing their business.

As can be seen in the table, both merchandising and service businesses, with a weighted mean of 3.43 and 3.33 respectively, strongly agreed that it grows by its retained profit. These findings were in line with the study of Tirmizi and Ahmad (2013) who revealed that high retention rate indicates that those firms in Pakistan which have potential investment opportunities are consuming retained capital for growth related activities.

Retention decision is primary to a firm because growth oriented firms prefer to reinvest earnings instead of paying dividends to the shareholders. Firms prefer retained earnings (available liquid assets) as their main source of funds for investment. Second preference was debt and third was external equity financing by the firm.

These findings were also in line with the study of Chen (2008) which concludes that under effective corporate governance system, new US economy firms retained higher levels of cash to fund available growth opportunities.

Table 4. *Mean and Mean Interpretation of Perception on Cash Management Practices - Liquidity*

Practices	Merchandising		Service	
	Weighted Mean	Interpretation	Weighted Mean	Interpretation
1. Develops payment plan	3.36	Strongly Agree	3.25	Agree

Table 4. Continuation

Practices	Merchandising		Service	
	Weighted Mean	Interpretation	Weighted Mean	Interpretation
2. Always maintains cash to meet its short-term obligations	3.79	Strongly Agree	3.50	Strongly Agree
3. Capital greater than debts	3.86	Strongly Agree	3.50	Strongly Agree
4. Liabilities immediately settled	4.00	Strongly Agree	3.33	Strongly Agree
5. Can make excess investments	3.29	Strongly Agree	3.50	Strongly Agree
Overall	**3.66**	Strongly Agree	**3.42**	Strongly Agree

Table 4 shows that both merchandising and service businesses, with a weighted mean of 3.36 and 3.25 respectively, strongly agreed that it develops payment plan.

These findings were also in line with the study of Watson and Head (2010). They 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 is "the process of forecasting, collecting, disbursing, investing, and planning for cash a company needs to operate smoothly."

These were also in line with the study of Abioro (2013), who defines cash management 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.

These were also in line with the study of Festus (2011). Cash as an important current asset that needs critically planned for optimal balance to enable business activities take place smoothly. If cash management is maximally ensured in business ventures, holding other factors positive the business must boom and serve the public as expected reflecting better and improved performance with high growth rates.

Table 4 shows that both merchandising and service businesses, with a weighted mean of 3.79 and 3.50 respectively, strongly agreed that it always maintains cash to meet its short-term obligations. Cash management originally denotes the liquidity of management in order to meet their day-to-day commitment (Collins & Jarvis, 2010).

These were in line with the study of Hamilton (2011), that an oblivious intention of an organization is to govern and control its management of cash in a way that preserves balances of cash to a minimal stage and put extra available cash in income earing investments. Petty cash control, charges ought to be included in budgets, meaning petty cash reconciliation by an independent and impartial person. The levels and cash floats location need to be established according to organization needs.

These were also in line with the study of Thangavelu (2015). A company has to generate an adequate cash flow

from its business in order to survive. In addition to generating cash from its activities, a business also needs to manage its cash situation so that it holds the right amount of cash to meet its immediate and long-term needs.

Table 4 shows that both merchandising and service businesses, with a weighted mean of 3.86 and 3.50 respectively, strongly agreed that its capital is greater than debts.

These findings were in line with the study of Patel (2010). A large number of businesses fail due to the absence of cash rather than the absence of profits. It is also indicated that cash flow management is vitally important for the business because cash flow management will assist businesses plan for the unforeseen eventualities that almost all businesses encounter and indicated that all businesses should aim at a collecting cash receipts and making payments efficiently to maintain a net balance of a surplus. If these receipts and payments collections are synchronized, a business will encounter this surplus net balance which is re-garded as a business profit.

These findings, however, were contradictory to the study of Denver (2015) which stated that according to recent studies, they found that small businesses have poor cash management attention.

According to Davidson, et al. (2012), 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.

Table 4 shows that both merchandising and service businesses, with a weighted mean of 4.00 and 3.33 respectively, strongly agreed that its liabilities are immediately settled.

These findings were in line with the study of Anderson, Fornell, & Rust (2011). A variety of studies find that higher levels of customer satisfaction lead to greater customer loyalty. Through increasing loyalty, it is argued, customer satisfaction helps to secure future revenues and reduce costs of future transactions.

According to Shim and Siegel (2010), accounting liquidity is the company's capacity to liquidate maturing short-term debt (within one year). Maintaining adequate liquidity is much more than a corporate goal is a condition without which it could not be reached the continuity of a business. Solvency and liquidity are two concepts that are closely related and reflect upon the actions of company's working capital policy. A low liquidity level may lead to increasing financial costs and result in the incapacity to pay its obligations (Maness & Zietlow, 2010).

Table 4 shows that both merchandising and service businesses, with a weighted mean of 3.29 and 3.50 respectively, strongly agreed that it can make excess investments.

These were also in line with the study of Longenecker, Moole, and Petty (2011). Longenecker, Moole, and Petty (2011) believed that the cash budget is most important to a small business. The cash budget is used to

foresee and overcome cash flow difficulties when there is little cash available or to indicate that there is excess cash inflow available to make investments.

According to Uwuigbe, et al. (2012), in another period, cash inflows might exceed cash outflows thereby creating excessive liquidity and idle cash. If this excess cash is not wisely invested, a company will lose profits on this idle cash. Thus cash management mitigates lack of harmonization of cash receipts and cash payments and thus enhances profitability.

Table 5. *Paired Samples Statistics - Profitability*

Profitability	Mean	N	Std. Deviation	Std. Error Mean
Merchandising	3.4840	5	.22109	.09887
Service	3.4180	5	.25956	.11608

Table 6. *Paired Samples Test - Profitability*

Profitability	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Merchandising Service	.06600	.31801	.14222	.32886	.46086	.464	4	.667

A paired-samples t-test was conducted to compare the perceived cash management practices of merchandising and service industries in terms of profitability. As presented in tables 3.1 and 3.2, there is no significant difference in the perception for merchandising (M=3.484, SD=0.22109) and service (M=3.418, SD=0.25956) industries; t(4)=0.464, p =

0.667. These results suggest that the type of industry may have no significant effect on a business's cash management practices with regards to its profitability.

These results are consistent with Ingram's statement. According to Ingram (n.d.), merchandising business focuses on managing cost of goods sold to boost profitability over time, while a service business, focuses on waste reduction on the front line to boost net income on the income statement. Therefore, income is likely to be similar for both merchandising and service businesses.

Table 7. *Paired Samples Statistics – Growth*

Growth	Mean	N	Std. Deviation	Std. Error Mean
Merchandising	3.5000	5	.04950	.02214
Service	3.4000	5	.07176	.03209

Table 8. *Paired Samples Test - Growth*

Growth	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Merchandising Service	.10000	.06671	.02983	.01717	.18283	3.352	4	.029

A paired-samples t-test was also conducted to compare the perceived cash management practices of merchandising and service industries in terms of growth. As presented in tables 3.3 and 3.4, the results show that there is a significant difference in the perception for merchandising (M=3.5000, SD=0.04950) and service (M=3.4000, SD=0.07176) industries; t(4)=3.352, p = 0.029. These results

suggest that the type of industry may have a significant effect on a business's cash management practices with regards to its growth. Moreover, the results specifically suggest that merchandising industries perform more cash management practices aimed at business growth compared to a service industry,

These results are consistent with the article by Juneja (2015). It states that one factor which distinguishes product retailing from service retailing is standardization. Standardization is possible in case of product retailing but not possible in case of service retailing due to the human element involved in the delivery of services. Standardization provides an opportunity for growth by strengthening the relationship between the customers and retailers.

Francis (2019) also stated that the main difference between a merchandising company and a service industry company is that the merchandising company must stock inventory. Cost of Goods Sold is needed for a business that sells merchandise, but not necessarily for a business that offers services. As such, merchandising companies may incur more costs compared to a service company.

Table 9. *Paired Samples Statistics - Liquidity*

Liquidity	Mean	N	Std. Deviation	Std. Error Mean
Merchandising	3.6600	5	.31599	.14132
Service	3.4160	5	.11845	.05297

Table 10. *Paired Samples Test - Liquidity*

Liquidity	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Merchandising Service	.24400	.32447	.14511	.15888	.64688	1.682	4	.168

A paired-samples t-test was also conducted to compare the perceived cash management practices of merchandising and service industries in terms of liquidity. As presented in tables 3.5 and 3.6, the results show that there is no significant difference in the perception for merchandising (M=3.6600, SD=0.31599) and service (M=3.4160, SD=0.11845) industries; t(4)=1.682, p = 0.168. These results suggest that the type of industry may have no significant effect on a business's cash management practices with regards to its liquidity.

These results are, however, contradictory to Ingram's statement that merchandising companies are less liquid. According to Ingram (n.d.), a merchandising company's balance sheets include inventory as a large percentage of the assets category. As a result, they tend to have less cash on hand than service businesses, since their capital is tied up in relatively illiquid assets. Service businesses' assets are more likely to be weighted toward accounts receivable.

Conclusion

The study aimed at finding out how SMEs in Baliwag, Bulacan perceive cash management practices of merchandising and service industries and whether there is a

significant difference between these perceptions. From this study, we can conclude that there is no significant difference on the perceived cash management practices in terms of profitability and liquidity of merchandising and service industries. Profitability is perceived by both as having net inflow, having control over it to achieve the optimum or ideal level of cash. In terms of liquidity, it is being able to settle or meet its short term obligations.

However, in terms of cash management practices aimed towards business growth, we can conclude that there is a significant difference between the merchandising and service industries' cash management practices. Therefore, it may be concluded that a business's industry type may have an effect on its cash management practices performed. Such difference, however, may be considered insignificant in terms of the business's overall financial performance.

Recommendations

Based on these findings, it can be implied that SMEs, regardless of the industry type, whether merchandising or service, perform cash management practices in order to improve their overall financial performance.

It is recommended that the respondents must continue to improve their cash management practices, because a failure to implement cash management practices may have an effect in the business financial management. However the findings show that the respondents agree that cash management practices should be performed in order to achieve desirable outcomes. Regarding the negative effects that they can encounter, it is inevitable especially in running a business and cash management, it is recommended that they prepare better for the problems that they may encounter in the future.

For the future researchers it is recommended to conduct further study on several areas in Bulacan that was not covered by our research. Future study may also deal with other topics such as the perception on cash management practices of other industry types. They may also further the investigation on cash management practices by covering large-scale enterprises instead of SMEs and use financial statements instead of a survey questionnaire. This would help to confirm, and possibly to quantify the other factors that can be affected by a business's cash management practices.

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