



## A Review of the Cashflow Management Process of Bank Al Ahly, Oman

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### ABSTRACT

The business process of regulating and controlling cash as well as employing it for a short-term investment is known as cash flow management. In business, whatever is done financially affects the result; cash is essential for any firm. Every business should have funds on hand or at least connected to cash to pay for the products and services it consumes and, as a result, remain in business. The purpose of this research is to examine the cash flow management system of Bank Al Ahly, the variables influencing this procedure in the bank, and to provide remedies to address these difficulties. The suggestions in this study will serve to enhance the financial system by revealing how to handle the cash flow statement, operating income, and balance sheet. To meet the study's aim, this research employs both primary and secondary research resources. A questionnaire was distributed to Bank Al Ahly team managers to examine cashflow figures. Secondary information was gathered through online resources such as the MEC e-library, journals, books, and websites. The findings resulted that the cash flow played a role in the performance of the bank cashflow in the bank and from the recommendations and solutions shared by the respondents that the bank should know how to manage the inflows and outflows of the bank and check the customer retention to get benefit from the principal player in banks.

Keywords: balance sheet, cashflow statement, cashflow management, financial system, operating income

### **Introduction**

Cash flows are one of the fundamental components that, in today's economic climate, provide the conditions for continuous corporate development, maintain the bank's profitability, and avoid bankruptcy (Plaskova et al., 2020). The issue is cash flow management, which entails keeping track of how much revenue arrives and exits the organization. The goal is to properly handle the business earnings to provide ample money development. The study population comprises employees from the two main branches of the bank, the first branch is Al Khuwair branch which includes 15 staff leaders / managers, and the other branch is Al Seeb branch which has 24; totalling 39.

### **Research Problem**

Many corporate executives do not place a high value on cash flow consistency and flexibility, and they are unfamiliar with its operational oversight (Xiao, 2018). One of the most serious cash flow issues that businesses face is late or incomplete payments. Unpaid invoices, notwithstanding the completion of work, cause a substantial cash flow problem. Because of these factors, the bank may forfeit both the profits and whatever it costs to complete the project. When payments are made electronically, the bank does not always have access to the funds simply because it earned them.

## **Aim of the Study**

This research attempts to examine the bank's various cash flow management systems to accomplish the targets and results. It aims to investigate the issues and factors influencing cash flow management procedures before identifying solutions to those obstacles. The research looks at the cash flow patterns of the bank using various measures to assess if the bank is critical in assisting the cash flow procedure for its clients or not.

## **Research Objectives**

- To identify and evaluate the cashflow management processes of the bank.
- To identify the factors affecting the cashflow management process.
- To investigate the cashflow management process challenges that are facing the bank.
- To recommend strategies for the challenges that face the bank's cashflow.

## **Research Questions**

- What are the cashflow management processes?
- What are the factors affecting the cashflow management process?
- What are the challenges facing the bank's cashflow management process?
- What are the solutions to the challenges facing the bank's cashflow management process?

## **Literature Review**

There is a growing focus on cash management as a critical organisational function, and research suggests that cash managers' roles and duties are extending beyond traditional bounds (Srinivasan & Kim, 2017). Cashflow management has been identified as a critical component of every company entity's immediate and long-term existence (Uwonda et. al., 2016).

### **Cashflow Management Process**

The consequences of cash for corporate success vary depending on the circumstance. Cash may be utilized to adapt to emerging eventualities, but it can also depreciate if it is seized by other parties. To show that cash is more useful for companies functioning in highly competitive industries, Deb et al., (2016) blend arguments from the behavioural philosophy of the corporation, economic views such as agency cost theory, and the valuation versus value-appropriation literature. Since its origin, one of the primary functions of the banking system has been the control and allocation of financial flows in the commercial environment.

### **Factors Affecting the Cashflow Management Process**

The difference between a firm's economic efficiency (earnings, cashflow from activities, and so on) and that of its shareholders is considered to be its cashflow. A bank's future cashflow can be influenced by several factors, including financial, non-financial, and salary growth (Safiq et al., 2020).

### **Challenges Facing Cashflow Management**

Even prosperous businesses might run into cashflow issues. Profit, or net income, is an indicator of the activity value contributed by businesses (Stice et al., 2017). This risk-based investing method places risk dispersion at the centre of the investment decision. This danger planning concept is relevant since it suggests including risk in budgeting decisions to optimise the return produced by budgeting procedures. However, budget utilisation is hampered by a lack of expertise (Kibor & Maina, 2019).

## **Research Methodology**

Convenience sampling was utilized in collecting data from the 2 branches of Bank Al Ahly which are Bawshar and Al Seeb. The research investigated the main findings and results from the respondents to classify the data analysis using both primary and secondary data, primarily presented in the form of a questionnaire and secondary data in the form of websites and journals articles. The research presented four objectives which specifically focused on how the

bank is managing the cashflow and whether the bank has put strategies to solve the challenges facing the bank's cash flow.

### Research Methods / Research Instruments

The samples of the study were 35 employees of Bank Al Ahly, among whom were the managers of the two branches. The study used the questionnaire to ask how the cash flow is managed in Bank Al Ahly by posing the challenges and risks and collecting suggestions from the respondents. The total number of number respondents reached 35 from the two branches mentioned, Bawshar and Al Seeb branches, where the data was collected. Many questions were posed to understand how the respondents see the status of the bank. The first question asked was about the purpose of cashflow management in Bank Al Ahly and how it affects the bank. The second question was about the factors affecting the bank composed of investment opportunities, communication system, free market economy, and monetary policy.

### Population and Sampling Size

The population involved in this study are 39 bank managers and representatives, and their viewpoints on the bank's cashflow management procedures are compiled through a survey to analyze the cashflow management, recognize the difficulties involved, and suggest solutions to deal with them. The reserach sampling size is 35.

### Sampling Technique

The study used a random sampling technique; and as the name implies, the respondents were randomly selected from among the leaders / managers. Simple random samples were used to derive broad generalizations about individuals in general. The representative samples belonged to various categories in terms of age, demographics, geography, income, occupation, or other characteristics. The survey has a lot of leeway in building the representative sample if the questionnaire is located by sufficient questionnaire participants to obtain statistically meaningful findings.

### Pilot Test

The questions are tested on a smaller sample of actual respondents to refine the questionnaire by finding and removing any flaws. All parts of the questionnaire, including questionnaire design, structure, language, sequencing, format and design, directions, and question difficulty were tested. This process guarantees that the respondent's pretest is identical to those who are questioned later. The pilot test targeted the first five respondents to evaluate the reliability and validity of the survey, to examine current execution techniques and determine whether the concept is viable for investigation.

### Data Analysis Techniques

The data analysis techniques used in the research are descriptive statistics, frequency anaqlsysis, regression and correlation analyses. The descriptive statistics involved summarizing and characterizing the dataset's properties which are the mean, median, mode, and standard deviation. On the other hand, regression analysis is the connection between the predictor variables and one or more random parameters. Finally, the correlation analysis examined the relationship between the two variables. The correlation coefficients range from -1 to 1, with values closer to -1 indicating that a strong negative relationship of values closer to 1 indicated a strong positive relationship; values closer to 0 indicate that there is no relationship.

## Demographic Analysis

### Gender

Table 1.0. Gender of the Respondents

Gender	Frequency	Percentage
Male	17	51%
Female	18	49%
Sum	35	100%

The gender of the participants, the number of males is more than females. There were 18 male participants with a percentage of 51.4, in contrast, the number of females was 17 with a percentage of 48.6. The survey findings were designed to consider gender as the aim of the research includes investigating how gender affects the decisions that respondents make.

### Age

Table 2.0 Age of the Respondents

Age	Frequency	Percentage
Under 25	6	17%
From 26 to 335	13	37%
From 36 to 45	13	37%
Above 45	3	9%
Sum	35	100%

The age of the respondent determined his or her expertise and experiences with the topic of the survey. The graph shows the age scale from 25 to above 45, the statistics prove that the ages 36 to 45 and 26 to 35 are the trending age of respondents with 37%, followed by the age of under 25 which reached 17% of the total age metrics, with only 9% of the respondents representing the age group above 45 years.

### Cashflow Management

Table 3.0. The recurring expenses or debts that Bank Al Ahly is currently paid.

The recurring expenses	Frequency	Percentage
Strongly disagree	2	6%
Disagree	4	11%
Neutral	5	14%
Agree	10	29%
Strongly agree	14	40%
Sum	35	100%

The question was regarding the payment of recurring expenses or debts of the cashflow statement. 11 respondents or 20% on average strongly disagreed, similarly, 20 % disagreed, and 16 respondents or 29% were neutral about the question on the cash flow statement in Bank Al Ahly. The other 16 participants, or 29 per cent, agreed that the recurring expenses and debts have been paid.

Table 4.0. Are the Bank’s cashflow and profit different?

Difference between profit and cash flow	Frequency	Percentage
Strongly disagree	7	20%
Disagree	9	26%
Neutral	3	8%
Agree	13	37%
Strongly agree	3	9%
Sum	35	100%

The question was whether the bank’s cashflow and profit are different. From the data analyzed, 7 respondents strongly disagreed with the question, and 9 participants (26%) disagreed. 3 participants were neutral. 13 of the respondents agreed with the statement average of 37%, followed by people who strongly agreed at approximately 9% which means that 3 participants strongly agreed.

Table 5.0. The factors affecting the cashflow management of Bank Al Ahly, Oman

Factors affecting the cashflow in the bank	Frequency	Percentage
Strongly disagree	6	17%
Disagree	6	17%
Neutral	5	15%
Agree	12	34%
Strongly agree	6	17%

Sum	35	100%
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The above table shows the effectiveness of the factors affecting the cashflow management in Bank Al Ahly, Oman. Six of the participants strongly agreed that there are many factors affecting the cashflow management in the bank, followed by around 12 people who agreed that the factors are affecting the bank. Five respondents were neutral. Six people disagreed which means that they aren't seeing any factors affecting Bank Al Ahly. Equally, six strongly disagreed.

Table 6.0. Effectiveness of the cashflow management method used in Bank Al Ahly, Oman

Methods used by the bank	Frequency	Percentage
Strongly disagree	6	17%
Disagree	7	20%
Neutral	11	11%
Agree	3	9%
Strongly agree	15	43%
Sum	35	100%

One of the two accounting techniques used to construct the cashflow statement is the direct method. From the data analysis, the statement of cashflows method employs real cash inflows and outflows from the bank's activities, and 15 participants (43%) strongly agreed with the effectiveness of the methods used by the Bank. 17% Agreed with the methods used to manage the resources in the Bank. 4 were neutral. 20% disagreed with the methods adopted by the bank towards cash flow management. 17% strongly disagreed with the statement.

Table 7.0. The challenges facing cashflow management in Bank Al Ahly, Oman negatively affects the processes.

Challenges facing the cashflow in the bank	Frequency	Percentage
Strongly disagree	2	6%
Disagree	5	14%
Neutral	1	3%
Agree	12	34%
Strongly agree	15	43%
Sum	35	100%

There are many challenges facing Bank Al Ahly, Oman which negatively affect the cashflow process. From the point of view of respondents, there are challenges faced by Bank Al Ahly and 43% of respondents strongly agreed on the negative impact of these challenges to the overall cashflow process. 34% of the participants agreed. Alternatively, 3% were neutral. 14% disagreed with the statement and see that there are no challenges impact faced by the Bank during past decades. 6% Strongly disagreed with the negative impact of the challenges faced by the bank.

Table 8.0. There are risks incurring in the cashflow management of the bank.

Risks incurred by the bank	Frequency	Percentage
Strongly disagree	2	5%
Disagree	1	3%
Neutral	1	3%
Agree	15	43%
Strongly agree	16	46%
Sum	35	100%

There are many risks incurred by the bank that is presented by 46% strongly agreeing that there are many risks affecting the cashflow management of the bank. 43% Agreed but 3% were neutral. Similarly, 3% disagreed that there are risks facing the bank. Finally, 5% strongly disagreed.

Table 9.0. The cashflow management techniques were well structured.

Cashflow techniques used by the bank was structured.	Frequency	Percentage
Strongly disagree	3	9%

Disagree	7	20%
Neutral	5	14%
Agree	11	31%
Strongly agree	9	26%
Sum	35	100%

There are different techniques used to structure the cashflow management process. As per the questionnaire results, 3 people strongly disagreed that the Bank is using a well structured cash flow techniques. 7 of the 35 people provided the answer that they disagreed with the techniques used by the bank were well structured. 5 were neutral and 11 agreed that the bank's management techniques were well structured. 9 of the population strongly agreed.

## Conclusion and Recommendation

In conclusion, this study demonstrated that this theory was popular and that knowledge of cash management was a key factor in the performance of the bank. The investigation found that business management with basic cash management expertise was much more productive and had enough cash to undertake business activities. The survey also offered ample proof that the bank section of shareholders is operating with regular bank documents and without any higher certification on cashflow management. The study also indicated that the bank is just less certain to be successful and stable in the future if effective cash management practices are not in operation. Cash management is critical since it is the foundation of every successful firm. The often-used phrase "cash is king" cannot be disputed since its veracity is more widespread in this research study. More focus should be made on the effect of efficient cash management on the bank. Because comprehensive and accurate cash management is an essential component of any successful organization, the findings of this study might be valuable to prospective, emerging, and existing solutions to all sorts of difficulties.

## Limitations

There are significant limitations to this study which are:

- I. The inadequate sample size for quantitative analysis: Statistical tests often demand a bigger sample size to verify that the sample is reflective of the study and that the statistical conclusion can be extended to a wider population.
- II. Restricted data access: the study entails polling certain persons, so the study encounters the issue of limited access to these populations. Because of this limited access, modifying and restructuring the study will be hard.
- III. Geographical challenges: It is difficult to collect data from a sample population that is spread across various geographical locations.

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