

**Figure 3 : Cash Collection and Suppliers Payments**  
 Source: Survey of results

**Tight Credit Policy:** Figure 3 shows that, majority of the respondents felt that CAAZ has no tight credit policy. Sixty four percent (64%) (21 out of 33) of the respondents disagreed that CAAZ’s credit policy is tight, twenty four percent (8 out of 33) agreed that credit policy for CAAZ is indeed tight and 1% (5 out of 33) of the respondents were neutral.

**Reminders to Customers:** Figure 3 show that, forty five percent (45%) (15 out of 33) of the respondents agreed that CAAZ uses reminders to its customers to improve on its cash collections. Thirty six percent (36%) (12 out of 33) of the respondents were agreed that reminders are used by cash to its customers, while nineteen percent (19%) (6 out of 33) of the respondents were neutral.

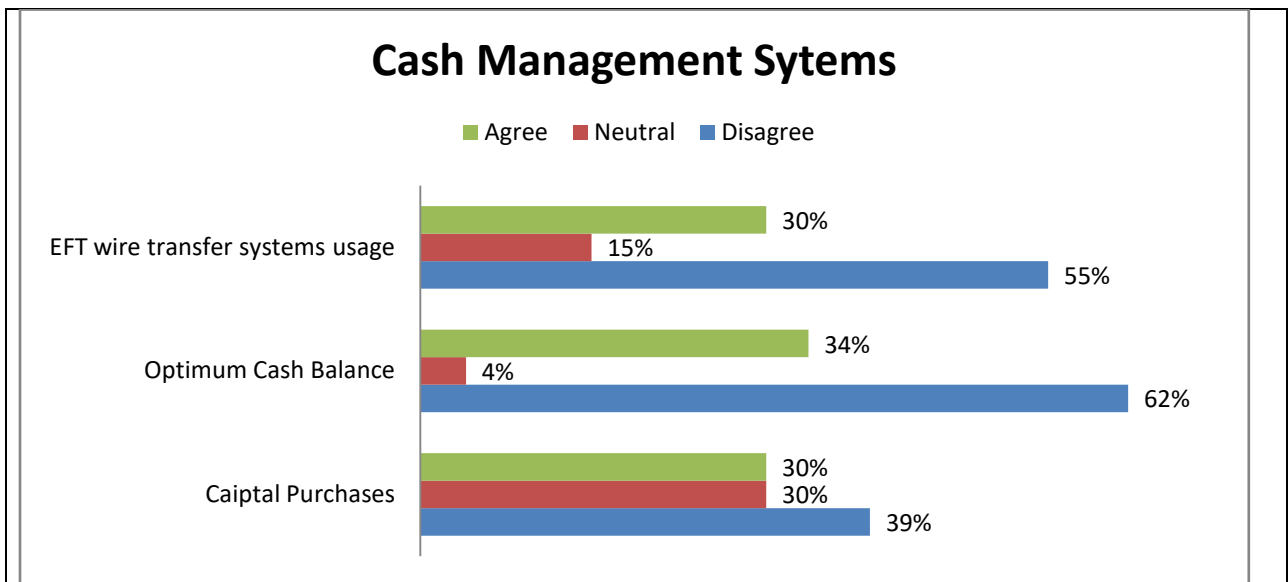
**Invoicing Strategy:** Figure 3 show that, CAAZ invoices its customers on monthly basis, a process that support effective cash collection. All the respondents 100%) agreed that CAAZ invoices its customer on monthly basis. Abioro, (2013) said that other options should be explored as means for short-term financing which offer lower costs for the firm, in contrast to high variation in the use of short-term loans and -investments, least variation is observed with the use of frequent invoicing, suggesting that invoicing practices to customers have remained very stable, very few companies have started to invoice more frequently.

**Delay and Late Payments of Suppliers:** Figure 3 show that, suppliers for CAAZ are paid late and CAAZ is using the delay tactic to manage outflow payments to its suppliers. Sixty four percent 64% (21 out of 33) of the respondents agreed that CAAZ make payments late, after the credit period had lapsed. Thirty three percent (11 out of 33) disagreed, and 6% (2 out of 30) of the respondents were neutral, on whether CAAZ pay late its suppliers. Dolfe & Koritz (1999:48) states that a company’s short-term debt is very much influenced by the cash outflow and the major part of this outflow is made up by accounts payables. Accounts payables have many similarities with receivables and are mostly affected by changing the routines which can offer great savings for the company, usually in the form of interest and a reduction of penalty interest.

The same figure 3 shows that CAAZ uses the delay tactic to manage the payment of its suppliers as a strategy to manage its cash. Seventy six percent (25 out of 33) agreed that CAAZ delay payment to its suppliers. Twenty four percent (8 out of 33) were neutral.

**Optimum Cash Balances and Electronic Funds Transfers**

Figure 4 below shows that CAAZ is partially using electronic system to manage its cash management system, it also shows that CAAZ poorly manage and determine its optimum cash balances as well poorly manage the use of cash for its capital purchases.



**Figure 4: Optimum Cash Balance and ETF Management**

Source: Survey of results

**Electronic and Funds Transfer Wire Transfers (ETF)**

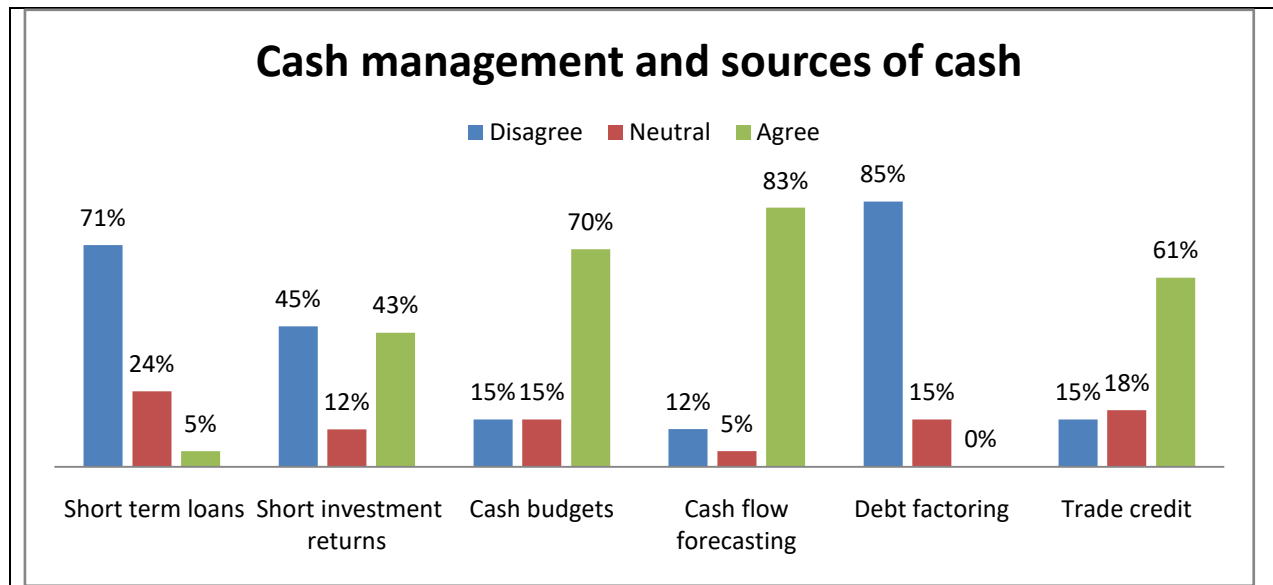
Figure 4 shows that, Fifty five percent 55% (18 out of 33) of the respondents disagreed that CAAZ uses EFT effectively to manage its cash management, and 30% (10 out of 33) of the respondents agreed that CAAZ offers discounts to customers, while 15% remained neutral, they did not agree or disagree. Electronic fund Transfer - Electronic transfer is another method of effectively managing the collection of cash. Electronic transfer of cash takes few minutes and the cash becomes available to the company upon receipt of transfer notice (Brealey et al, 2004).

**Optimum Cash Balance Management:** Figure 4 show that, CAAZ is not determining effectively its optimum and minimum cash balances. Sixty two percent 62% (21 out of 33) of the respondents disagreed that CAAZ determines its optimum and minimum cash balances. Thirty four percent (34%) (12 out33) agreed that CAAZ determines its optimum cash balances and 4% were neutral. The researcher observed that CAAZ rely only on the budget and the bank balances to determine its cash levels. According to Pandey (2010) quoted by Abioro (2013) one of the primary responsibilities of a financial manager is to maintain a sound liquidity of the firm so that dues may be settled in time. He should be able to determine the appropriate amount of cash balance to be held by the company. Such a decision is influenced trade-off between risk and returns. Ndiragu (2014) opined that cash management involves a trade-off between the need for liquidity and desire for profitability.

**Capital Expenditure Management:** Figure 4 shows forty percent 40% (12 out of 30) of the respondents agreed that CAAZ offers cash back to its customers, while forty seven percent were disagreed, and thirteen percent (13%) (4 out of 30) of the respondents were neutral.

**Cash Management and Sources of Cash**

Figure 5 below shows that cash management practices, which can be used by an organization.



**Figure 5: Cash Management and Sources of Cash**

Source: Survey of results

**Short Term Loans:** Results on figure 5 show that CAAZ does not use short term loans. Seventy one percent (71%) (8 out of 30) of the respondents disagreed that CAAZ uses short term loans to boost its cash, only 5% agreed that CAAZ uses short term loans while 24% were neutral. The researcher observed during the interviews that CAAZ uses short term loans like overdraft to finance salaries when they are due. Short-term loans are one of the most common ways for treasurers to finance a firms working capital needs, this type of loan is generally unsecured debt. Short-term loans are one of the most common ways for treasurers to finance a firms working capital needs. Usually it is used to finance build-ups of inventory and receivables. This type of loan is generally unsecured debt and has a maturity of 90 days (Abioro, 2013).

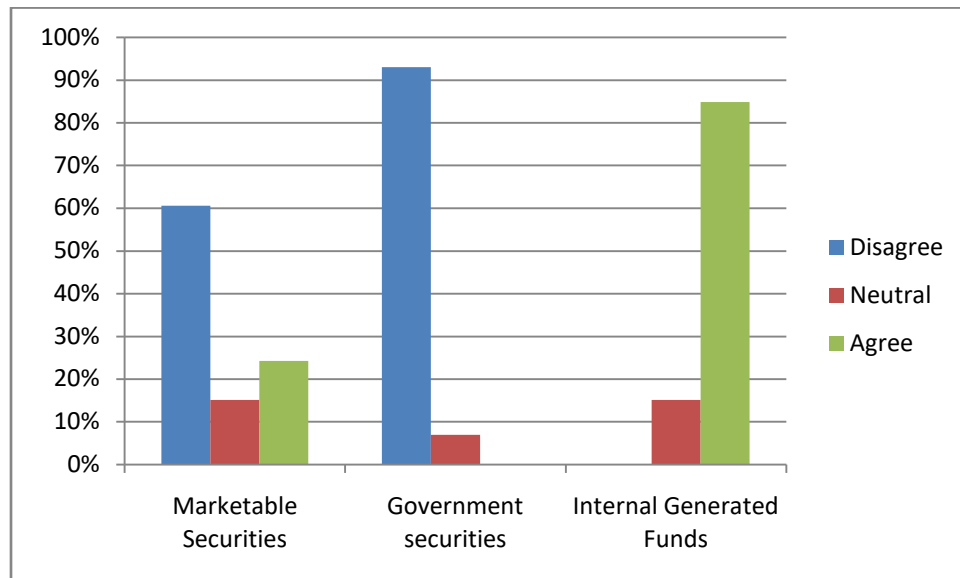
**Cash Budgeting and Forecasting:** Figure 5 show seventy percent (23 out of 33) of the respondents agreed, 15% (5 out of 33) disagreed and 15% (5 out of 33) were neutral that CAAZ uses cash budgets and cash forecasts as technique to manage its cash resources. According to Allman-Ward et al. (2003), Cash forecasting and budget are used to estimate the liquidity position of the company for periods ranging from the current day up to one year.’’ Hassen, (2014) said that the short term forecast helps in determining the cash requirements for a predetermined period to run a business, if the cash requirements are not determined,

**Debt Factoring:** Figure 5 show eighty five percent 85% (28 out of 33) of the respondents disagreed and 15% were neutral that CAAZ uses debt factoring as a tool to manage its cash. Receivables can tie up a significant share of a company’s working capital and a company can sell a flow of receivables and receive a credit up to 70-80%, including VAT, of the receivables value and in this way improve their liquidity. The finance company can also provide companies with an administrative service and when doing this they provide the company with an extensive service. They manage all the accounts receivables, accounts payables, collections and supply information for budget planning and so on (Abioro, 2013). The advantages for companies using these services are usually shorter credit times, better liquidity, savings in administration and fewer bad debts. The researcher observed that bad debt is huge in CAAZ all the past six years used in this research.

**Trade Credit:** Figure 5 show sixty one percent 61% (20 out of 33) of the respondents agreed and 18% were neutral while 15% disagreed that CAAZ uses trade credit as a tool for its cash management. Companies in need of additional working capital can use a trade credit that can serve as a liquidity reserve (Abioro, 2013).

**INVESTMENT OF IDLE CASH**

Figure 6 below shows that CAAZ is not investing idle cash into either marketable securities or governments securities.



**Figure 6: Investment of cash**  
Source: Survey of results

Figure 6 show sixty one percent (20 out of 33) of the respondents disagreed, 24% (8 out of 33) disagreed and 15% (5 out of 33) were neutral that CAAZ uses invest idle cash into marketable securities. Ninety three percent (31 out of 33) of the respondents disagreed, and only 7% (2 out of 33) were neutral that CAAZ invest idle cash into government securities.

### INTERVIEW ANALYSIS

The first interview question meant to establish the information system processes that are available on CAAZ's cash management. The interviewed team from CAAZ emphasized that the CAAZ used SAGE Pastel as a tool to manage its cash systems. Budgets, receipts and all the general ledger accounts are maintained through this system. The company operates transparently in terms of information availability and safe keeping. There are policies and procedures but some the procedures do not indicate how frequent they are going to be reviewed. Some of the key accounting policies have not been approved though they are used. The interviewed team also expressed some corner on non-availability of payment platforms such as Eco-Cash systems. CAAZ customers are airline operators that all over the world, it was also highlighted that there is need to implement an internet based system that enable customer interaction and communication to their ledger accounts rather than waiting to send them through email or through posting.

#### ● Explain the cash management strategies used by CAAZ?

The research participants explained that there are a lot of strategies that are being pursued that include revenue collection strategies. CAAZ invoices the customers on monthly basis and they are sent to the customer on or before 15<sup>th</sup> of the following month. The customers are expected to make the payment by the 30<sup>th</sup> of the following month from the date of the invoice. It was also pointed that CAAZ was affected when its finances were being sanctioned and confiscated as a government company and had to close the some bank accounts and pull out of IATA which collect all the aviation funds on airline behalf and promptly disburse them every month end. CAAZ is now relying on one on one customer management as a result its debtors list is huge because it is using a costly revenue collection model. The researcher also found out that CAAZ can now renew its IATA membership to easy business and payment collections from its airlines. This strategy of using IATA as a collection agent is supported by Abioro, (2013:183) who said that a company can use bank / cash concentration which is similar to lock boxes with the exception that different local banks are appointed as collection centres. It refers to the practice of moving cash from multiple banks into the firm's main account. Pandey (2010) described this as a system of operating through a number of collection centres instead of a single collection centre centralized at the firm's Head office.

**Banking system utilization:** All cash is banked and there is a policy that all cash collected must be banked and this policy is seriously adhered to. The Accountant also controls the cash by ensuring bank reconciliations are timeously done. The bank accounts and POS machine transaction are linked to Accountants responsible for managing revenue collection, and this is done promptly through email communication.

● **Explain how cash management has influenced CAAZ performance?**

This question sought to assess the how cash management has impacted on CAAZ business performance. There were mixed feeling from the interviews. They indicated that the way cash is being managed in CAAZ is affecting the operations. The company has a lot of equipment that yet to be replaced and there is no cash. Government has stopped financing parastatals and they are expected to raise their own capital funds. CAAZ had set Aviation Infrastructural Development Fund (AIDEF) which is charged to all passengers that pass through the airports but this is insufficient to finance all the capital expenditures required for the company. It was also pointed out that in terms of the Civil Aviation Act CAAZ has the mandate to ensure smooth movement of passengers and airlines into and out of Zimbabwe, but when the cash requirements exceed the available cash then the company will face some facilitation challenges.

There were also some sentiments from failure to collect cash from the quasi-government organizations and the government department operating at airports especially on the utility services such as water and electricity. The overall comment from the interviewers was that cash management in CAAZ is fairly managed and is supporting the performance of the organization positively.

**CASH MANAGEMENT AND BUSINESS PERFORMANCE**

**Cash Flow and Profitability**

Table 1: Cash Balance and Profitability 2011-2017

| Year | Cash Balance  | Profitability/(Loss) |
|------|---------------|----------------------|
| 2011 | 2,453,646.00  | (39,561,018.00)      |
| 2012 | 7,295,228.00  | (12,553,606.00)      |
| 2013 | 12,717,194.00 | (10,747,527.00)      |
| 2014 | 15,150,030.00 | (18,160,393.00)      |
| 2015 | 26,017,999.00 | (9,124,293.00)       |
| 2016 | 9,975,935.00  | (2,201,866.00)       |
| 2017 | 19,187,125.00 | (6,935,373.00)       |

Source: CAAZ Audited Annual Financial Statements 2012-2017

The correlation between Cash balance (liquidity) and Return on Assets is 0.57, and R<sup>2</sup> squared is 0.32 (32%). The coefficient of correlation (R= 0.57) shows that there is positive relation between cash balance and Return on Assets. Since R<sup>2</sup> is 32% this implies that up 32% of variation in profitability of CAAZ is influenced by changes in cash balance levels. R-squared is always between 0 and 100%: and when R<sup>2</sup> is equal zero it means the model does not explain any of the variation in the response variable around its mean. R<sup>2</sup> is called coefficient of determination (Mugo, 2013). The mean of the dependent variable predicts the dependent variable as well as the regression model. When R<sup>2</sup> is equal to 100% this represents a model that explains all of the variation in the response variable around its mean. Mauchi, et.al (2011:1304) examined the impact of cash management on the overall company performance at Hunyani Flexible Products, determining the efficiency of the cash management policy, used cross sectional review of the company end of year cash flow statement and end of year accounts to assess the relationship between profitability and cash flow. It was concluded that shows that as the level of cash flow increase from 10-40 also profitability increases by the same amount.

**Cash Balance and Total Assets**

Table 2: Cash Balance and Total Assets 2011-2017

| Year | Cash Balance (\$) | Total Assets (\$) |
|------|-------------------|-------------------|
| 2011 | 2,453,646.00      | 171,775,692.00    |
| 2012 | 7,295,228.00      | 194,321,379.00    |
| 2013 | 12,717,194.00     | 260,724,313.00    |
| 2014 | 15,150,030.00     | 453,822,720.00    |

|      |               |                |
|------|---------------|----------------|
| 2015 | 26,017,999.00 | 481,282,918.00 |
| 2016 | 9,975,935.00  | 481,875,735.00 |
| 2017 | 19,187,125.00 | 482,633,466.00 |

Source: CAAZ Audited Annual Financial Statements 2012-2017

The correlation between Cash balance (liquidity) and Return on Assets is 0.76. and  $R^2$  squared is 0.57 (57%). The coefficient of correlation ( $R= 0.76$ ) shows that there is positive relation between cash balance and Return on Assets. Since  $R^2$  is 57% this implies that up 57% of variation in Total Assets of CAAZ is influenced by changes in cash balance.

### Liquidity and Return on Assets

Table 3.Liquidity and Return on Assets 2011-2017

|      | Current Ratio | ROA     |
|------|---------------|---------|
| 2012 | 0.0937        | -0.0646 |
| 2013 | 0.1230        | -0.0412 |
| 2014 | 0.0960        | -0.0400 |
| 2015 | 0.1625        | -0.0190 |
| 2016 | 0.0979        | -0.0046 |
| 2017 | 0.1550        | -0.0144 |

Source: CAAZ Audited Annual Financial Statements 2012-2017

The researchers examined and analyzed the impact of cash using the liquidity ratio to return on assets. The liquidity ratio (Current Ratio) results ranged from 1:0.09 to 1:0.16 which is far too below the recommended 1:2 ratio (Roussow, et.al. 1996). The correlation between liquidity and Return on Assets is 0.46, and coefficient of determination,  $R^2$  is 0.21 (21%). The coefficient of correlation ( $R= 0.46$ ) shows that there is weak relationship between liquidity and Return on Assets. Since  $R^2$  is 21% this implies that up 21% of variation in Return on Assets for CAAZ is influenced by changes in liquidity levels of the firm.

One of the most common and also the oldest measure of corporate liquidity is current ratio. It was developed at the end of the 19th century in order to evaluate the credit-worthiness of the companies. In its simplicity it expresses the liquid resources available when current liabilities are met and is calculated as follows Maness & Zietlow (2005:27) has expressed that historically a current ratio of 2.0 has been a norm, meaning that company has approximately twice as much current assets as coverage for short term creditors.

### Cash Conversion Cycle

Table 4: Cash Conversion Cycle per Year

| YEAR  | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       |
|---|------------|------------|------------|------------|------------|------------|
|   | Days       | Days       | Days       | Days       | Days       | Days       |
| Receivable (Debtors) Turnover (A)           | 353        | 332        | 368        | 407        | 374        | 403        |
| Inventory Days (B)                          | 5          | 9          | 7          | 11         | 7          | 7          |
| <b>Operating Cycle (A+B)</b>                | <b>358</b> | <b>341</b> | <b>375</b> | <b>418</b> | <b>382</b> | <b>409</b> |
| Creditors Payments Days (C)                 | 192        | 225        | 165        | 238        | 129        | 210        |
| <b>Cash Conversion Cycle (Days) (A+B-C)</b> | <b>166</b> | <b>116</b> | <b>210</b> | <b>179</b> | <b>253</b> | <b>199</b> |

Source: Analysis of Audited Annual Financial Statements 2012-2017

The cash conversion cycle for CAAZ measured in days for the period 2012 to 2017 was 166 days in year 2012, 116 days in year 2013, 210 days in year 2014, 179 days in year 2015, 253 days in year 2016 and 199 days in year 2017. CAAZ is taking an average of not less than three month to covert its operational activities into cash. The study by Ebben and Johnson (2011) investigated the relationship between cash conversion cycle and levels of liquidity, invested capital, and performance over time, concluded that cash conversion cycle is found to be significantly related to levels of liquidity, invested capital, and performance.

## CONCLUSION AND RECOMMENDATIONS

### Conclusions

- The study focused on cash management strategies and the business performance for CAAZ. Data was analyzed by applying descriptive statistics for the time period of year 2011 to 2017. Cash is considered to be the most significant asset of the business. The cash management strategies were explored and it has been concluded that CAAZ should improve on its cash management strategies so that its business performance improves too.
- It can be concluded that the research was a success as it was able to answer all the research questions and covered all the research objectives. The research evaluated the impact of cash management techniques on business performance for parastatals using CAAZ as the case study. The recommendations below were based on the findings obtained from the research.

### Recommendations

- The organization should tighten its credit policy implementation and ensure cash collection improves to shorten the cash conversion cycle. CAAZ should adopt cash management strategies that enable it to improve on receivable collections because the level of cash conversion cycle is too high and may not be sustainable in the long run.
- CAAZ should implement cash management strategies (for example shortening the invoicing period, debt factoring, optimum cash balance identification, and short term investments) so that it improves the business performance which continuously reporting losses since year 2011 to year, 2018.
- CAAZ should invest into electronic e-commerce business platforms that allow its customers to access their ledger accounts from wherever they are, as long as they have internet access rather than relying on manual delivery of invoices, sending of invoices and statements via email only.
- CAAZ should implement systems that determine the optimum cash balances and plans to invest the excess cash.
- The study further recommends for future research, that there is need to make an in depth analysis impact cash management strategies using cash management models and business performance for companies involved in serving airport business. These companies include the handling companies and the airport authorities.

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