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The Usefulness of Cash Budgets in Micro, Very Small and Small Retail Enterprises Operating in the Cape Metropolis

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The concept of Small Medium and Micro Enterprises (SMMEs) were introduced by the South African government by way of the Small Business Act No. 102 of 1996. Here SMMEs are defined as small business entities that are managed by one or more owner(s) while operating in any sector or sub-sector of the national economy. The main roles of SMMEs are to alleviate poverty, reduce unemployment and uplift the South African economy. South African SMMEs are responsible for employing more than half of the national workforce and are believed to contribute up to 34.8% towards the national Gross Domestic Product. Unfortunately an estimated 80% of South African SMMEs fail within their first 5 years of existence; particularly due to the realisation of micro economic factors and macroeconomic factors. Included in micro economics factors which influence SMMEs is the utilisation of formal financial performance measures. For this research study the main objective of this paper was to establish the extent to which cash budgets (a formal financial performance measure) assist SMME leaders to make sound business decisions in the Cape Metropolis. The study was descriptive in nature and quantitative research methods were used to collect data from 51 SMME leaders. All respondents had to adhere to a set of pre-determined delineation criteria. From the analysed data it is evident that SMME leaders (managers and/or owners) regard cash budgets as important to make sound business decisions however, respondents made limited use thereof.

Keywords: *cash budgets, budgets, financial performance measures, SMMEs*

JEL Classification: *M40*

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1. Introduction

Small Medium and Micro Enterprises (SMMEs) were officially introduced by the South African government through means of the Small Business Act No. 102 of 1996 (South Africa, 1996) with the intention to address key socio-economic problems in the country. In this Act, SMMEs are defined as small business entities that are managed by at least one or more owner(s) while operating in any sector and/or sub-sector of the national economy. According to Joubert, et al. (1999) the focus of these entities have always been on reducing unemployment-levels, alleviating poverty and uplifting the South African economy.

The importance of SMMEs, in an international dispensation, is highlighted by the World Bank (2005) when making mention that SMMEs account for between 60% and 70% of the total employment in developing countries across the globe. From a South African perspective, SMMEs employ approximately 53.9% of the total South African workforce while making a significant contribution of up to 34.8% to the national Gross Domestic Product (Ntsika 2001). Therefore it is no surprise that SMMEs are often referred to as the “seeds of big businesses”, the “fuel of national economies”, “national economic engines” and “efficient and fertile job creators” (Abor and Quartey, 2010).

Albeit the importance of SMMEs in a socio-economic standing, prior research shows that South African SMMEs are not attaining their prescribed socio-economic objectives to a great extent. Bizbooks (2008) avers that approximately 80% of South African SMMEs fail within their first 5 years of existence while more recent studies show that close to 75% of newly created South African SMMEs have difficulty existing after 42 months of operation (Fatoki, 2012). The latter phenomenon has dire consequences for the South African economy as the failure of these entities, in turn, results in millions of Rand and possible business opportunities being lost (Van Eeden, et al., 2003).

Through international research it has been established that the major cause for the dismal failure rate of South African SMMEs can be attributable to economic factors. In essence Bruwer (2010) posits that economic factors, more often than not, have an adverse impact on SMMEs, particularly in terms of achieving sustainability (business objectives). This is especially the case since economic factors, if not managed effectively, can ultimately lead to the demise of any organisation. One of these economic factors which influence SMMEs greatly is the effective utilisation of financial performance measures.

According to research done by Du Plooy, et al. (2005) the sustainability (and existence rate) of businesses can be strengthened by utilising financial performance measures. Here it is argued that financial performance measures will indicate any ‘problems’ an organisation has in relation to its profitability, solvency, liquidity and/or efficiency before matters get out of hand (Bruwer and Holtzhausen, 2014). Financial performance measures generally take the form of financial statements (e.g. income statements, cash flow statements, balance sheets, etc.) and other financial instruments (ratio analyses and budgets).

Failure to plan often compromises the objectives of any business and, in turn, can lead to financial adversity. For this reason budgets are regarded as important tools for planning; specifically as they provide business leaders with a clearer lens to look at the future with (Abdurahman, et al. 2012). In fundamental nature Horngren (2002) avers that budgets focus primarily on the forecasting of the financial performance of a business and suggests how best to utilise a company’s resources to attain a certain level of financial performance (Stokes and Wilson, 2006). In addition to the afore-mentioned, Shpak (2014) highlights the fact that there are various types of budgets which can be utilised by business leaders, namely that of: operational budgets, financial budgets, static budgets, master budgets and cash budgets, just to mention but a few. According to Gartenstein (2014) a cash budget’s primary function is to be used by businesses’ decision-makers (management) in order to plan, monitor and control the cash inflows and cash outflows, in an organisation, all with the intent to aid in the attainment of organisational sustainability.

Notwithstanding the above, research conducted by Bruwer (2010) shows that South African SMME leaders do not make effective use of financial performance measures to make sound business decisions. As such, taking all of the above into account, the authors of this paper formulated the perception that South African SMME leaders do not make sound business decisions as they do not make effective use of cash budgets.

2. Literature Review

2.1. Overview of SMMEs

To formalise the concept of SMMEs, the Small Business Act No. 102 of 1996 was officially signed into legislation by the South African government (Bruwer, 2010). In this Act SMMEs are defined as follows:

> "[SMMEs are] *separate and distinct business entities, including co-operative enterprises and non-governmental organisations,* [which are] *managed by one owner or more which is predominantly carried on in any sector or sub sector of the* [national] *economy"* (South Africa, 1996).

In core, SMMEs have been legally imposed upon with the main objectives of reducing the unemployment rate, eradicating poverty and boosting the South African economy as a whole (Joubert, et al. 1999). Furthermore these entities can be demarcated in terms of their respective sizes as either "micro", "very small", "small" or "medium" based on one or more of the following criteria: 1) the number of full-time employees employed, 2) the total annual turnover, 3) the gross asset value excluding fixed property (Watson 2004; South Africa, 1996). In Table 1 below the classification of SMME sizes, in the retail industry, is shown:

Table 1. *Classification of SMME sizes in the retail industry*

Size or class	Total full-time employees employed	Total annual turnover	Total gross asset value (fixed property excluded)
Micro	Between 0 and 5	Less than R150 000	Less than R100 000
Very small	Between 6 and 10	Between R150 000 and R3 000 000	Between R100 000 and R500 000
Small	Between 11 and 50	Between R3 000 001 and R15 000 000	Between R500 001 and R2 500 000
Medium	Between 51 and 100	Between R15 0001 and R30 000 000	Between R2 5001 and R5 000 000

Source: South Africa, 1996

From the table above it is apparent that SMMEs do play a critical role in the advancement of the South African economy to a large extent. This sentiment is validated by Tshabalala and Rankhumise (2011) who express the view that more than 80% of all South African businesses that exist are regarded as SMMEs, while Rootman and Kruger (2010) are of the opinion that approximately 91% of all South African businesses in existence can be viewed as SMMEs. The latter is placed in perspective by Swart (2011) who estimates that SMMEs provide 80% of all local employment opportunities in South Africa while simultaneously contributing roughly 30% to the national Gross Domestic Product. In layman's terms South African SMMEs are believed to be responsible for contributing close to R1.21 trillion[†] to the South African Gross Domestic Product.

Regardless of the aforementioned Bisseker (2014) points out that 76% of SMMEs fail within their first 2 years of existence despite receiving substantial assistance in the form of government grants and numerous government support programmes (e.g. Small Enterprise Development Agency, Khula Enterprise, Ntsika Programme, etc.). The latter view is further substantiated by Fatoki and Smit (2011) when mentioning that an estimated 75% of South African SMMEs have had to 'close shop' after being in existence for 42 months. In core Van Scheers (2010) avers that in South Africa, on average, it is a common phenomenon that between 70% and 80% of retail SMMEs fail after being in operation for 3 years (Olawale and Garwe, 2010). Even more disconcerting is the research conducted by Uwonda, et al. (2013) which shows that more that 96% of SMMEs will never grow to become medium or large businesses.).

2.2. Factors Influencing SMMEs

More often than not the astronomical failure-rate of South African SMMEs is blamed on economic factors. Mohr and Fourie (2004) explain that economic factors are those factors which stem from economic events and can be demarcated into two categories, namely that of micro economic factors and macro economic factors:

- **Macro economic factors:** Those economic factors over which business leaders have little/no control over as they stem from outside a business. Examples of macro economic factors include: crime, exchange rates, fluctuating market conditions, political changes, taxation, legislative changes, inflation rates and interest rates, among other.
- **Micro economic factors**: Those factors over which business leaders have some/complete control over as they stem from inside a business. Examples of micro economic factors include: skills of management, skills of employees, access to information for decision making, access to finance and overhead costs, just to mention a few.

[†] The national Gross Domestic Product of South Africa was estimated at R4.064 trillion (Indexmundi, 2015)

Notwithstanding the above Brink, et al. (2003) are of the opinion that a major micro economic factor which has a direct influence on the overall existence of SMMEs include the utilisation of financial performance measures (Bruwer and Watkins, 2010)

2.3. Financial Performance Measures

The term "financial performance measures" can be deemed as a collection of financial 'tools' which provide SMME leaders with insight as to how their respective businesses are performing in terms of profitability, solvency, liquidity and/or efficiency (Bruwer, 2010). According to Bruwer and Holtzhausen (2014) financial performance measures take the form of financial statements (e.g. income statements, cash flow statements, balance sheets, etc.) and other financial instruments (ratio analyses and budgets).

Despite the usefulness of financial performance measures, research conducted by Bruwer (2010) found that the accounting resources (of which financial performance measures are part of) of SMMEs are ineffectively and inefficiently used by SMME leaders. The latter phenomenon is re-affirmed by Fisher (2009) who avers that SMME leaders are perceived to be 'ignorant' when trying to grasp the reasons behind their respective businesses' financial performance.

For this very reason Nordmeyer (2013) expresses the view that cash management practices (e.g. bank statements, cash flow statements and cash budgets, etc.), are believed to be the core of SMME decision making, even if it is not optimally utilised. As such SMMEs are believed to be at risk to cash flow problems due to poor cash management initiatives; ultimately stemming from the lack of planning (Uwonda, et al. 2013).

2.4. Cash Budgets and SMMEs

In order to assist with financial planning inside any organisation, budgets are used. In a commercial dispensation, budgets are deemed as foundations of business plans which need to be regularly reviewed, updated and maintained to aid respective businesses to become sustainable (Macleod and Terblanche, 2004). This view is expanded on by Zions Business Resource Centre (2005) when raising the point that budgets serve as 'roadmaps' for business leaders to plan ahead and track businesses' performance from one period to the next. Since the majority of SMME leaders largely prefer cash management initiatives as key financial performance measures, it is no surprise that most SMME leaders deem cash management initiatives as 'lifelines' for their respective businesses to remain in existence (Nordmeyer, 2013; Bobitan and Mioc, 2011).

One cash management initiative which can be implemented by SMMEs is that of a cash budget. In essence, a cash budget can be viewed as the plan of a business' decision makers as to how the 'cash on hand situation' of the particular business should appear throughout a given financial period (Mungal and Garbharran, 2014). Furthermore, according to Gartenstein (2014), cash budgets places decision makers in the position of thinking about their respective businesses' financial position and financial performance, while also providing decision makers with power to control and monitor the cash flow of their respective businesses. Albeit the vitality of cash budgets, it should be noted that they do not provide a permanent outlook on the financial situation of a business, but rather provide insight in the form of a 'flexible blueprint' which is available to assist in the tracking and limiting of the spending of funds (Gartenstein, 2014).

Albeit the afore-motioned Perry (2007) makes mention that many SMME leaders have limited knowledge of cash budgets and, as a result, they do not take into consideration plausible changes in the market which may directly impact their overall financial situation. In addition Mong (2011) makes mention that, in an international dispensation; only 28% of SMMEs make use of cash budgets. Nyamao, et al. (2012) affirms the latter when stating that SMME leaders, generally speaking, rarely prepare cash budgets and do not embrace cash budgeting as a tool to plan and control cash flows of their businesses.

3. Research Methodology and Design

According to Collis and Hussey (2009) any research study can be classified in terms of its purpose, process, logic and outcome. The research design for this research study took the following stance:

- **Purpose**: This research study was descriptive in nature as the main aim thereof was to describe a particular phenomenon at hand, while providing recommendations to help mitigate and/solve it.
- **Process**: This research study was regarded as quantitative research as quantitative techniques were deployed to collect data to solve and/or mitigate the identified research problem. The nature of the data collected was numerical and analysed by means of descriptive statistics. The data collected fell within the positivistic paradigm of research and data were collected through means of a questionnaire-tool comprising of mostly closed-ended questions.

- **Logic**: The authors made use of deductive reasoning as existing literature was consulted to formulate an initial perception in relation to the identified research problem. Subsequently this initial perception was tested by means of empirical observation to shift the focus of the research from a general understanding to a specific understanding.
- **Outcome**: This research study was regarded as applied research as the main intention of the authors was to solve and/or mitigate the identified research problem.

Moreover, the methodology used in this research study was that of a large-scale survey research as a questionnaire-tool was disseminated to a representative sample size of a particular population, from where responses were analysed. The authors wanted to obtain rich data for this research study and, as such, a total of 70 respondents (SMME leaders) were selected through means of non-random sampling; specifically that of purposive sampling.

In addition, all respondents who participated in this research study had to adhere to strict delineation criteria:

- All respondents had to be the leaders (owners and/or managers) of their respective SMMEs.
- All respondents should have been actively involved in the daily operational processes of their SMMEs.
- All SMMEs should have been regarded as sole traders or partnerships.
- All SMMEs should have adhered to the Small Business Act No. 102 of 1996.
- All SMMEs should have been situated in Cape Metropolis.
- All SMMEs should have been in operation for at least 1 year.
- All SMMEs should have operated in retail industry.
- All SMMEs should have employed between 0 and 24 employees
- All SMMEs should have been regarded as non-franchised enterprises.
- All SMME leaders should have had at least 1 year experience in their respective positions.

After matching respondents' responses to the delineation criteria it was found that only 51 responses could be used for this research study.

4. Ethical Considerations

Relevant ethical considerations were taken into account for this research study:

- Respondents were informed that their participation in this research study was completely voluntarily in nature.
- Respondents were informed that they may withdraw from this research study at any given time without any negative consequences.
- Respondents were informed that all information provided by them would be treated with the highest levels of confidentiality.
- Respondents were assured anonymity if they chose to participate in this research study.
- Respondents were thoroughly informed about what the research study entailed, prior to their agreed participation.
- The intentions of the authors were disclosed to respondents in the sense that all information provided by them would solely be used for this research purpose.

In core, all respondents were treated justly, were not to be exploited and were not to be misled regarding this research study.

5. Findings and Discussions

The data collected was analysed accordingly through means of a statistical programme, and are coved under the following headings: 1) delineation of respondents, 2) the utilisation of financial performance measures, 3) the usefulness of cash budgets as a decision making tool.

5.1. Delineation of Respondents

From the responses received it was evident that of all 51 SMME leaders, 50.98% of respondents were regarded as owners, 27.45% of respondents were regarded as managers, and 21.57% of respondents were regarded as owner-managers. Moreover, from the findings, it was clear that all respondents were actively involved in the operation of their respective enterprises. When respondents were asked how long they have been in their respective positions, the following dispensation emerged in Table 2:

Table 2. *The experience of respondents (in years) in their respective positions in their SMMEs*

Value	Frequency	Percent	Valid Percent	Cum Percent
1	5	9.80	9.80	9.80
2	9	17.65	17.65	27.45
3	6	11.76	11.76	39.22
4	4	7.84	7.84	47.06
5	2	3.92	3.92	50.98
6	2	3.92	3.92	54.90
7	3	5.88	5.88	60.78
8	3	5.88	5.88	66.67
9	1	1.96	1.96	68.63
10	2	3.92	3.92	72.55
11	1	1.96	1.96	74.51
12	1	1.96	1.96	76.47
14	2	3.92	3.92	80.39
15	1	1.96	1.96	82.35
16	1	1.96	1.96	84.31
17	2	3.92	3.92	88.24
20	4	7.84	7.84	96.08
27	1	1.96	1.96	98.04
38	1	1.96	1.96	100.00
Total	51	100.0	100.0	

Source: Authors' fieldwork, 2015

From the table above it can be deduced that, on average, respondents have been fulfilling their respective role(s) as SMME leaders for 8.11 years with the minimum number of years of experience being 1 and the maximum number of experience, in years, being 38.

Respondents were also asked to provide insight as to how long their SMMEs have been in existence. From the data analysed it was found that a total of 25.49% of SMMEs have been in existence for 1 – 4 years, 37.24% of SMMEs have been in existence for 5 – 10 years, and 22.75% of SMMEs have been in existence for more than 10 years. Furthermore all enterprises belonging to respondents were classified as non-franchised, while a total of 34.92% of SMMEs were based in the Southern suburbs, 53.97% of SMMEs were based in the Northern suburbs and 11.11% of SMMEs were based in the Cape Business District.

Then, in order to test whether SMMEs adhered to the definition of the Small Business Act No. 102 of 1996 and to determine the actual size of enterprises that were operated by respondents, the following question was asked: "How many employees does your business employ on a full-time basis". The analysed data, for this question, are shown in Table 3 below:

Table 3. *The number of employees employed by SMMEs*

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Micro	0	3	5.88	5.88	5.88
Micro	1	6	11.76	11.76	17.65
Micro	2	8	15.69	15.69	33.33
Micro	3	9	17.65	17.65	50.98
Micro	4	5	9.80	9.80	60.78
Micro	5	5	9.80	9.80	70.59
Very small	6	3	5.88	5.88	76.47
Very small	8	4	7.84	7.84	84.31
Very small	10	1	1.96	1.96	86.27
Small	12	1	1.96	1.96	88.24
Small	13	1	1.96	1.96	90.20
Small	16	1	1.96	1.96	92.16
Small	17	1	1.96	1.96	94.12
Small	20	1	1.96	1.96	96.08
Small	21	1	1.96	1.96	98.04

Small	24	1	1.96	1.96	100.00
Total		51	100.0	100.0	

Source: Authors' fieldwork, 2015

From the table above one can presume that, on average, SMMEs employed 5.43 employees; rendering majority of these businesses as either "micro" or "very small" in nature. The latter presumption is validated by the cumulative percentages which show that 70.59% of SMMEs were regarded as "micro enterprises" in size, 15.68% of SMMEs were regarded as "very small enterprises", and 13.73% of SMMEs were regarded as "small enterprises".

Stemming from the above, the analogy can be drawn that the average respondent was a non-franchised retail micro enterprise owner with 8.11 years of experience, while his/her respective business employed 5.43 employees; existing for 10.74 years and operating in the Northern suburbs.

5.2. The Utilisation of Financial Performance Measures

In order to determine the type(s) of financial performance measures respondents made use of, the following question was asked: "How frequently do you make use of the following financial performance measures?" In order to answer this question, respondents had to choose an option, for each listed financial performance measure, from a 7 point likert scale. The likert scale options were as follows: 0 = never, 1 = daily, 2 = weekly, 3 = monthly, 4 = quarterly, 5 = bi-anually, 6 = annually. The analysed data for each financial performance measure is collaborated in Table 4 below:

***Table 4**. The frequency of use of financial performance measures by respondents*

Financial performance measure	Never	Daily	Weekly	Monthly	Quarterly	Bi-annually	Yearly	St Dev.
Balance Sheet	35.29%	5.88%	3.92%	21.57%	9.8%	9.8%	13.74%	2.2012
Bank Reconciliation Statement	9.8%	5.88%	27.45%	45.1%	5.88%	5.89%	-	1.405
Capital Budget	56.86%	5.88%	5.88%	13.73%	9.8%	3.92%	3.93%	1.881
Cash Budget	49.02%	15.69%	7.84%	17.65%	3.92%	5.88%	-	1.631
Cash Flow Budget	49.02%	13.73%	15.69%	9.8%	3.92%	3.92%	3.92%	1.802
Cash Flow Statement	43.14%	7.84%	9.8%	25.49%	7.84%	5.89%	-	1.6449
Cost of Sales Budget	50.98%	13.73%	9.8%	17.65%	5.88%	1.96%	-	1.527
Current Ratio	66.67%	3.93%	1.96%	9.8%	7.84%	3.92%	5.88%	1.84
Days Receivable Ratio	70.59%	7.85%	1.96%	9.8%	5.88%	1.96%	1.96%	1.455
Debt Ratio	72.55%	1.96%	1.96%	13.73%	3.92%	3.92%	1.96%	1.552
Financial Budget	54.9%	7.84%	5.88%	13.73%	9.8%	5.88%	1.97%	1.891
Gross Profit Ratio	66.67%	-	1.96%	13.73%	9.8%	5.88%	1.96%	1.777
Income Statement	39.22%	1.96%	13.73%	27.45%	7.84%	7.84%	1.96%	1.803
Inventory Budget	35.29%	9.81%	23.53%	19.61%	1.96%	1.96%	7.84%	1.845
Inventory Turnover	76.48%	-	3.92%	9.8%	5.88%	-	3.92%	1.522
Liquidity Ratio	72.55%	1.97%	3.92%	11.76%	3.92%	3.92%	1.96%	1.534
Net Profit Ratio	68.64%	1.96%	-	11.76%	9.8%	5.88%	1.96%	1.76
Operating Budget	50.98%	11.76%	9.8%	11.76%	9.8%	1.96%	3.94%	1.827
Overhead Budget	50.98%	9.8%	9.8%	15.69%	11.76%	1.97%	-	1.642
Quick ratio	78.44%	3.92%	3.92%	3.92%	5.88%	1.96%	1.96%	1.377
Return on Assets	72.55%	3.93%	3.92%	7.84%	3.92%	5.88%	1.96%	1.576
Sales Budget	50.98%	7.84%	9.8%	19.62%	7.84%	1.96%	1.96%	1.715
Solvency Ratio	72.55%	1.97%	1.96%	7.84%	9.8%	1.96%	3.92%	1.68
Static Budget	60.78%	5.88%	7.85%	11.77%	7.84%	5.88%	-	1.698
Trial Balance	47.07%	5.88%	3.92%	23.53%	11.76%	3.92%	3.92%	1.848

Source: Authors' fieldwork, 2015

From the table above it is apparent that the top eight financial performance measures that were most used were the: 1) bank reconciliation statement – used by 90.2% of respondents, 2) balance sheet – used by 64.71% of respondents, 3) inventory budget – used by 64.71% of respondents, 4) income statement – used by 60.78% of respondents, 5) cash flow statement – used by 56.86% of respondents, 6) trial balance – used by 52.93% of respondents, 7) cash budget – used by 50.98% of respondents, and 8) cash flow budget – used by

50.98% of respondents. Moreover, it is also clear that all remaining financial performance measures were used by less than 50% of respondents. The latter statistics also leads to the assumption that the bank statement is widely used by respondents - supported by the utilisation rate of the bank reconciliation statement.

When emphasis was placed on the top five utilised financial performance measures that were used the most, in relation to the corresponding Likert scale options, the following was found in Table 5 below:

Table 5. *The top five frequently utilised financial performance measures per frequency*

DAILY UTILISATION		
Position	**Financial performance measure**	**Used by percentage of respondents**
#1	Cash Budget	15.69%
#2	Cash Flow Budget	13.73%
#3	Cost of Sales Budget	13.73%
#4	Operating Budget	11.76%
#5	Inventory Budget	9.81%
WEEKLY UTILISATION		
Position	**Financial performance measure**	**Used by percentage of respondents**
#1	Bank Reconciliation Statements	27.45%
#2	Inventory Budget	23.53%
#3	Cash Flow Budget	15.69%
#4	Income Statement	13.73%
#5	Cost of Sales Budget	9.8%
MONTHLY UTILISATION		
Position	Financial performance measure	Used by percentage of respondents
#1	Bank Reconciliation Statements	45.1%
#2	Income Statement	27.45%
#3	Cash Flow Statement	25.49%
#4	Trial Balance	23.53%
#5	Balance Sheet	21.57%
QUARTERLY UTILISATION		
Position	**Financial performance measure**	**Used by percentage of respondents**
#1	Trial Balance	11.76%
#2	Overhead Budget	11.76%
#3	Balance Sheet	9.8%
#4	Financial Budget	9.8%
#5	Capital Budget	9.8%
BI-ANNUAL UTILISATION		
Position	**Financial performance measure**	**Used by percentage of respondents**
#1	Balance Sheet	9.8%
#2	Income Statement	7.84%
#3	Cash Flow Statement	5.89%
#4	Bank Reconciliation Statements	5.89%
#5	Financial Budget	5.88%
YEARLY UTILISATION		
Position	**Financial performance measure**	**Used by percentage of respondents**
#1	Balance Sheet	13.74%
#2	Inventory Budget	7.84%
#3	Current Ratio	5.88%
#4	Operating Budget	3.94%
#5	Capital Budget	3.93%

Source: Authors' fieldwork, 2015

Stemming from the table above, one can deduce that key financial performance measures, on average, are mostly utilised on a monthly basis or on a weekly basis. What is interesting to note is that though literature points out the importance of financial performance measures, the analysed data show that financial performance measures which measure the 'cash on hand' situation of a business are only used on a daily basis by an average of 12.94% of respondents.

With the afore-mentioned in mind, respondents were asked to rate the following statement with options on a five point Likert scale: "In my personal opinion, the financial performance measures which I use help greatly with business decision making". The 5 options from which respondents could choose were as follows: 1 = strongly agree, 2 = agree, 3 = neither agree nor disagree, 4 = disagree, 5 = strongly disagree. A total of 37.25% of respondents strongly agreed to the latter statement, while 33.33% of respondents agreed to the latter statement (70.59% agreement). Also, 27.45% of respondents did not agree nor disagree with the statement, while only 1.96% of respondents disagreed with the statement.

5.3. The Usefulness of Cash Budgets as Decision Making Tools

Even though the cash budgets were only used by 50.98% of respondents, respondents were adamant that the financial performance measures which they use are of great assistance in relation to business decision making. As such, the authors wanted to ascertain the usefulness of cash budgets in terms of business decisions being made.

To achieve the above-mentioned, respondents were asked the following question: "How useful do you consider cash budgets to be when making business-related decisions?" Respondents had to choose one of 5 options on a Likert scale which were as follows: 1 = very useful, 2 = useful, 3 = undecided, 4 = useless, 5 = very useless. The summary of the responses are shown in Table 6 below:

Table 6. *The usefulness of cash budgets in terms of business-related decision making*

Usefulness	Responses	Mean	St Dev.
Very useful	33.33%	2.1	1.02
Useful	33.33%		
Undecided	27.45%		
Useless	1.96%		
Very useless	3.92%		

Source: Authors' fieldwork, 2015

Majority of respondents (66.66%) indicated that cash budgets were quite useful when having to make business decisions, while only a minority (5.88%) of respondents indicated that cash budgets were useless. The remaining 27.45% of respondents were undecided on the usefulness of cash budgets in relation to business-related decision making.

Lastly, to understand exactly for what reason cash budgets are used, respondents were asked to rate four statements on a 5 point Likert scale, starting with the following sentence: "In my business, cash budgets are useful in making business decisions relating to …?" The options from which respondents could choose from were as follows: 1 = strongly agree, 2 = agree, 3 = neither agree nor disagree, 4 = disagree, 5 = strongly disagree. Below in Table 7, a collaboration of the findings made is shown:

Table 7. *The specific reason(s) as to why cash budgets are useful to respondents*

Reason	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Mean	St Dev.
Efficiency	17.65%	13.73%	37.25%	13.73%	17.65%	3	1.31
Liquidity	21.57%	11.76%	33.33%	17.65%	15.69%	2.94	1.35
Profitability	17.65%	17.65%	33.33%	21.57%	9.8%	2.88	1.23
Solvency	13.73%	25.49%	37.25%	13.73%	9.8%	2.8	1.15

Source: Authors' fieldwork, 2015

From the table above it is apparent that respondents do not really make use of cash budgets to measure their respective businesses' solvency (mean of 2.80), profitability (mean of 2.88) and liquidity (mean of 2.94). The one aspect for which the cash budget may or may not be used is to measure business efficiency (mean of 3). The cash budget, in fundamental nature, should be used by business leaders to help plan, control and monitor liquidity. Hence, the above statistics suggest one of two things: 1) the cash budget of respondents does not contain enough information to assist in the adequate measurement of financial performance and/or financial position, or 2) respondents are not equipped with the skills to effectively utilise cash budgets. The authors are of the opinion that latter is the most adequate deduction to make.

6. Recommendations

After conducting this research study the authors strongly recommend that future research should be conducted in relation to ways in which to equip SMME leaders with relevant skills to help draw up, maintain and interpret cash budgets. If the afore-mentioned is attained, it will most likely result in better business-related decisions being made; pushing SMMEs towards the achievement of sustainability. In addition, the authors also recommend that national government strongly consider the prospect of investing in financial skill development programmes to equip SMME leaders with relevant financial skills to improve their businesses' overall sustainability; ultimately enhancing the economy of South Africa.

7. Conclusion

According to popular literature, it is imperative for any business to make use of financial performance measures to obtain a better 'overview' of what is happening in and around the organisation, from a financial stance. From the research conducted it is plainly evident that not all financial performance measures are considered to be important to all respondents; nor do all respondents make use of financial performance measures which are directly available to them.

Ultimately in the world of commerce 'cash is king'. The latter saying has been taken so seriously that prior research revealed that SMME leaders make use of bank statements (as issued by banks) as sole documents to make sound business decisions on. Stemming from the research conducted, the latter was confirmed with over 90% of respondents making us of bank reconciliation statements (a complimentary statement that goes hand in hand with the bank statement).

As SMMEs mostly make use of cash, this research study placed emphasis on understanding the usefulness of cash budgets when making business-related decisions. This was especially the case since cash budgets, in theory, at least, allow SMME leaders to plan, manage and control business cash flows. Unfortunately it was found that the cash budget was not effectively used by respondents, particularly due to respondents' lack of interpretation, understanding and utilisation of cash budgets.

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