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Effects of cash flow Management on Financial Performance of Small and Medium Enterprise in Mogadishu Somalia (A case study of bakara market)

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ABSTRACT

An ideal business needs sufficient resources to keep it going and ensures that such resources are maximally utilized to enhance its performance and overall profitability. Cash is the most liquid of assets and it represents the lifeblood for growth and investment and it is essential to survive because of its effects on a firm's performance and risk reduction, and consequently its value (Smith, 1980). This study seeks to investigate the effect of cash flow management on the financial performance of SME's in Mogadishu – Somalia. I want to understand the effect of cash flow management on financial performance and also My Objectives cash planning and cash controlling and liquidity management. The methodology will center on the research techniques adopted and used for this study with the aim of achieving the research objectives. A research design is clear as and generally plan for research undertaking. Research design provides the joint that holds the research project together. Descriptive research design was adopted in this study. The research population is 360 individuals were Owners/managers of selected small and medium enterprises in Mogadishu-Somalia. There are many sectors of small and medium enterprises as, service sector, cosmetics, trade sector. The sampling Technique is descriptive to the strategies and researcher use to select respondents from target population. The respondents will be categorized into different where each group will have homogenous characteristics such as; owners/managers and employees. Since in most SMEs owners and managers can't be separated, one was selected from each business and my sample was 78. The instrument is a survey, questionnaire or tool designed to measure the variable(s), characteristic(s), or information of interest, often a behavioral or psychological characteristic. Research instruments can be helpful tools to your research study,. Because the information needed can be easily and quickly gathered from the respondents, and also it can target respondents in widely dispersed locations, in questionnaire development. Linear Regression analysis is used in this study to figure out the extent that independent variable (cash control, cash planning and liquidity management) can influence the dependent variable (Financial Performance of SME's), while all other factors are constant. The table below shows regression analysis of variables cash flow management and business performance. Multiple regression analysis was performed to assess the relationship between the dependent Variable (Financial Performance of Small media enterprise) and the independent variables (Cash flow management) and to test the research. The regression results presented in above table indicate that cash control, cash planning and liquidity management were significant at 5 percent level. The coefficient of cash control showed 0.232 with a p-value 0.020, which is less than 5%, the coefficient of cash planning was 0.313, with a p-value of 0.003, which is less than 0.05. And the liquidity management was -0.065, with a p-value of 0.602 which is greater than 0.05 so that indicates there was statistically positive relationship between cash control and cash planning on financial performance of small Media Enterprise in Mogadishu and while the remaining variable was negative relationship between Liquidity management on financial performance of SME's and statistical is insignificant.

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1.Introduction

Why all the interest in cash flow management that has developed in the last 25 years or so? This term had a growing importance in the past years and number of factors has brought serious attention to the importance of cash flow management. swing in interest rates on both borrowed and invested funds—short-term interest rates moved fluctuated

from 1960s to 1980s then to 1990s..General economic conditions—from the boom of the 1960s, which tended to get business away from basics and into a go-go mind set with the temptation to make big money through stock issues; to the economic malaise of the 1970s when businesses had to scratch harder to make money.

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Then financial institutions, many troubled by problems in the 1980s, have aggressively marketed cash management services that were previously beneath their dignity or capability. Examples are cash collection lockbox services, electronic (cashless) payment services, online transaction capability, and sophisticated cash investment programs. All the above have made the "cash flow management" very important in business performance. (Peter and Heyler, 2003) In Africa, It has been 15 years since the original Cash flow Management Handbook was written, and much has changed since then. Cash flow management is now a household term with frequent articles in the media about its growth, innovation, and impact. The industry has grown exponentially, in terms of both the number of users as well as its importance. Today there is broad awareness that cash flow management has many and diverse financial service importance.. We know this because effective cash flow management has improved business performance (Ledgerwood 1998).

Cash flow management has become a critical element of many firms' operational strategies (Fisher, 1998; Quinn, 2011). A firm's cash flow policies, which manage working capital in the form of cash receivables from customers, inventory holdings, and

Cash payments to suppliers, are widely linked to improved firm financial performance (Richards & Laughlin, 1980; Stewart, 1995). While industry has broadly accepted effective cash flow management as a performance improvement mechanism, the preponderance of academic investigations into the link between cash flows and performance examines the issue from a static, benchmarking perspective (Ebben & Johnson, 2011; Farris & Hutchinson 2002, 2003; Moss & Stine, 1993). Namely, although previous efforts propose that adjustments to a firm's cash flow will change the financial performance, they support these propositions empirically by comparing and contrasting firms utilizing static snapshot measures of cash flow positions and performance.

No business operation is isolative of cash management. Cash is regarded as the most important current asset for the operation of business (Olowe, 1998). Cash is the basic input required to keep the business running on a continuous basis and it is also the ultimate output expected to be realized by selling the services or products manufactured by the firm (Pandey, 2010). Cash management is imperative in every business organization as cash is said to be the life blood of any business (CIMA, 2002). The essence of cash management is to ensure positive cash flow for smooth business operation. Adetifa (2005) argued that cash management has been professionalized because of the importance of managing corporate cash. The question that will then come to mind will be, how important is cash management to the running of a company or an organization? Or of what importance is cash management in ensuring an effective, reliable and positive fund flow system of a manufacturing company?

In Somalia, many organizations that failed were profitable at the time, and their demise often comes as a surprise to managers and staff who can see that there is a full order book and plenty of satisfied customers. In these circumstances, the reason for the failure is not lack of enough cash, but instead is lack of proper cash flow management such as cash lock-up in unnecessary inventory which often leads to a company not

be able to pay its workers or suppliers even though there are sufficient sales and profit.

It has been discovered that large number of Somali business failures in the past has been blamed on the inability of the financial manager to plan and control the cash flow of their respective firms. These reported inadequacies among financial managers are still practiced today in many organizations in the form of high bad debts, high inventory costs etc., which adversely affect their operating performance and profitability. Again, some managers do neglect the organization's operating cycle thereby having longer debtors' collection period and shorter creditors' payment period.

An ideal business needs sufficient resources to keep it going and ensures that such resources are maximally utilized to enhance its performance and overall profitability. Cash is the most liquid of assets and it represents the lifeblood for growth and investment and it is essential to survive because of its effects on a firm's performance and risk reduction, and consequently its value (Smith, 1980).. For a business to be successful, good cash flow management is crucial. Cash flow is the primary indicator of a business' financial health. It is the measure of your ability to pay your overheads such as rent; ultimately, effective cash flow management is a key business skill and will help protect the financial security of your business. In order to generate cash, we must efficiently and effectively manage the activities that provide cash.

For profit businesses, cash is paid out in return for labor and materials that are used to provide goods and services that can be sold. The revenue received provide cash that can be then used to finance further production and services as well as increasing the organization's economic value. However, it has been discovered that some methods that managers use in practice to make cash flow decisions do not rely on the principles of finance, rather they use imprecise rules of thumb or poorly constructed models (Emery, Finery and Stowe 2004). This, however, makes the managers not to effectively manage the various mix of working capital component which is available to them, and as such, the organization may either be overcapitalized or undercapitalized or worst still, liquidate. In Somalia, many organizations that fail are profitable at the time, and their demise often comes as a surprise to managers and staff who can see that there is a full order book and plenty of satisfied customers. In these circumstances, the reason for the failure is not lack of enough cash, but instead is lack of proper cash flow management such as cash lock-up in unnecessary inventory which often leads to a company not be able to pay its workers or suppliers even though there are sufficient sales and profit. It has been discovered that large number of Somali SMEs failures in the past has been blamed on the inability of the financial manager to plan and control the cash flow of their respective SMEs. These reported inadequacies among financial managers are still practiced today in many organizations in the form of high bad debts, high inventory costs etc., which adversely affect their operating performance and profitability. Again, some managers do neglect the organization's operating cycle thereby having longer debtors' collection period and shorter creditors' payment period.

However, According to my knowledge and searches within the existing literature, no author has studied "the effect of Somali SMEs inability of cash flow management". And this and all the above constitute the problem of the investigation, hence, the need to study the effects of proper cash flow

management on the performance of Somali businesses. This study will try to provide an understanding of how SMEs can manage their cash in an “optimal way”.

This optimal way is defined in this study as the most profitable way, so the most optimal way of managing cash flow in this study is leading to the highest performance of SMEs .

Study Objectives

- 1.To determine whether cash Control effect on financial performance of small media enterprise in Mogadishu.
- 2.To assess how cash planning effect on financial performance of small media enterprise in Mogadishu.
- 3.To establish whether liquidity Management affect on financial performance of small media enterprise in Mogadishu.

2. Related Literature

Baumol model

Jarrad (2000) explaining the treatment of cash management problem by Baumol in 1952, noted that Baumol treated cash management problem as an inventory management problem where he applied techniques developed for inventory optimization to the problem of covering transactions demand for cash. Having optimal cash balance basically involves a tradeoff between the opportunity costs of holding too much cash and the transaction costs of holding too little cash. Ross et al (1991) stated that the Baumol model can be used to determine the target cash balance that a firm should hold at any given time. The optimal (target) cash balance is found where the opportunity costs equal the trading costs. The working of this model is comparable to the Economic Order Quantity (EOQ) model in stock control.

Baumol (1959) developed the “Revenue Maximization Hypothesis”. This theory stated that after a minimum amount of profits have been reached firms that operate in an oligopolistic market will aim for sales revenue maximization and not profit maximization. This means that the firm will produce beyond the profit maximizing level of output. This can be tested by looking at the number of S which have a minimum profit constraint.

Baumol suggested that firms are more interested in sales for various reasons. Falling sales may make it difficult to raise finance and may offer a negative impression of the firm to potential buyers and distributors. Executive pay is often linked more closely to sales than to profits. Baumol was not suggesting that firms attempted to maximize sales because it may lead to greater market share and profits in the long run. In this model sales maximization was the ultimate objective. Baumol (1959) developed his model to include advertising and his model predicts that a sales revenue maximizing firm will advertise, no less than, and most likely more than, a profit maximizing firm – as additional money spent on advertising will lead to more sales – the only constraint is one of minimum profit. Baumol makes no attempt to test this assumption empirically and offers no support for the validity of the hypothesis.

The model was developed from a profit maximizing frame; price and output were determined by the intersection of the marginal revenue and marginal costs curves. Total costs increase as the managers waste money, therefore, the profits left to be paid, as dividends to shareholders, are less than they would be under profit maximization. Baumol model of cash management trades off between opportunity cost or carrying cost or holding cost & the transaction cost. As such firm attempts to minimize the sum of the holding cash & the cost of

converting marketable security. Baumol model of cash management helps in determining a firm's optimum cash balance under certainty. It is extensively used and highly useful for the purpose of cash management. As per the model, cash and inventory management problems are one and the same.

William J. Baumol developed a model (The transactions Demand for Cash: An Inventory Theoretic Approach) which is usually used in Inventory management & cash management.

Miller-Orr Model

Pandey (2010) stressed that Miller Orr model overcame the shorting comings of Baumol model as it allows for daily cash flow fluctuation and assumes that net cash flow are normally distributed .Unlike the Baumol Model, this model allows for uncertainty cash flows and safety stocks (precautionary balance). According to Marsh (2009), “The Miller-Orr model imposes upper and lower limits which trigger buy/sell actions in order to bring cash balances back to an optimal ‘return point’ ”. In doing this, it constrains the upward and downward movements of cash to within ‘acceptable limits’. The model allows the company to set the lower control limit while the model determines the higher control limit and the average cash balance.

Marsh further explained that an organization will either buy or sell securities for cash to return its cash balance to a normal return point. When the cash balance reaches the upper limit, an organization will buy securities in order to lower the cash balance to the return point. Likewise also, when the cash balance reaches the lower limit, an organization will sell securities to have the cash balance back at the return point. Jarrad (2000) also explained that the approach of Miller and Orr in 1966 was to assume that the underlying problem facing the manager is to keep enough cash on hand to meet daily transactions demand, while minimizing the opportunity cost of not holding a return yielding asset. He further explained that Miller and Orr focused their model on maintaining two boundaries; the upper and lower boundaries. If the upper boundary is crossed, it will trigger a transfer out of cash into an interest bearing asset and if the lower boundary is crossed, it will trigger a transfer into the cash account.

2.1 Conceptual framework

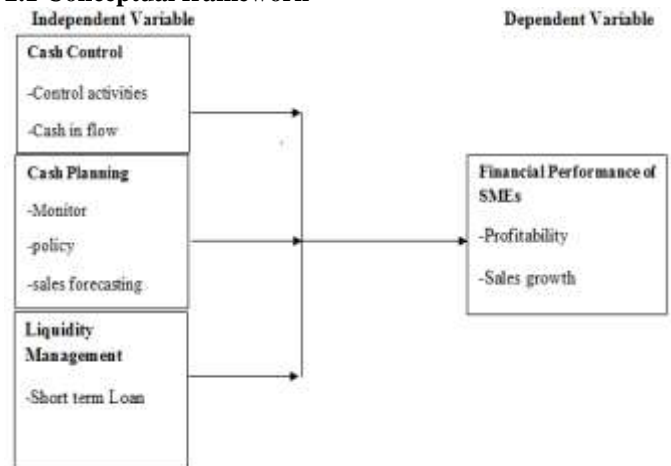


Figure 1. Conceptual Framework.

2.1.1 Cash Control

Maysami and McCall ion (2009) all agree that by speeding up inflows and delaying out flows as possible, cash flow controls could improve on the credit policies of SMEs while still meeting its obligations. Cash flow Controls help an enterprise maintain adequate monies at hand to meet the daily

cash requirements of the business while maximizing the amount available for investment and obtain the maximum earnings on invested funds while ensuring their safety.

Gustafson (2012) also agreed that cash flow controls in SMEs could improve the business's cash flow for example, by gaining more business from current clients or by acquiring new business.

Control activities usually involve two elements: a policy establishing what should be done and procedures to affect the policy. All policies must be implemented thoughtfully, conscientiously and consistently (Anduuru, 2005).

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. (Whittington and Pany, 2001).

Anduuru (2005) points out the importance of cash control. He notes that the external auditors find it difficult to rely on Cash control of small and medium scale enterprises. This is so because such business entities have not established elaborate systems of internal controls, there is no adequate segregation of duties and there are no assurances as to the completeness of recording business transactions. Ongoing monitoring activities of small entities are more likely to be informal and typically performed as part of the overall management of the entity's operations (Wamae, 2005). Management's close involvement in operations often will identify significant variances from expectations and inaccuracies in financial data leading to corrective action to the controls. Internal cash control systems operate at different levels of effectiveness. Determining whether a particular internal control system is effective is a judgment resulting from an assessment of whether the five components - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring - are present and functioning. Effective controls provide reasonable assurance regarding the accomplishment of established objectives. For the purpose of this study, I will limit the components of ICS to three; control environment, control activities and monitoring of controls (Anduuru, 2005).

2.2.2 Cash Plan

Frank (2010) comprehensive cash plan is a document that helps you get a clear understanding of your financial position now and on into the future. According to Stoner (2003), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg & Anderson (1995) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process (EFQM, 1999). Hitt, et al (1996) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris (Roll, 1986) or

overvaluation of managerial capability in the acquisition process.

The external and internal factors provide managers with the foundation to create a Budget, which works in tandem with cash planning.

Small business owners can use cash planning and budgeting to obtain external financing from investors or banks. Many small businesses need some external financing for growing operations. Because small businesses may not have a strong financial history, financial planning and budgeting helps investors or banks thoroughly review the business (Beith and Goldreich 2000). Financial planning is required to monitor and indicate the financial capability of a firm over time (Beith and Goldreich 2000) in order to most profitably operate the

Organization. Owners seek to maximize profits.

According to Kotler (1992), strong performing firms are those that can stay in business for a good number of years. Dwivedi (2002) also found out that, the ability of a firm to survive in business in an indicator of good financial performance.

2.1.3 Liquidity Management

According to Shim and Siegel (2000, pp.46-47) a 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. Another common assertion is that high liquidity is as undesirable as a low liquidity, meaning financial mismanagement. According to Matarazzo (2003, p.55), high liquidity is not always a sign of financial mismanagement. If there is high current ratio during low current liabilities, it may be a sign of a wise administration, which avoids financial costs of bank loans, or even a strategy to get good discounts with suppliers for cash payments.

Liquidity, especially after recent financial crisis, is one of the most commonly used financial concepts. Although the rationale seems rather intuitive and easy to grasp, there is still no clear definition for the term as of yet. He described liquidity of a financial asset as the time it takes to close buy or sell deal with associated transaction costs. More recent works, like Madhavan & Cheng (1997) or O'Hara (2004), attribute liquidity to trading volume – liquid markets should be able to absorb trade and liquid assets could be sold in high volumes without no or very little impact on assets price. Most recent and probably the most complete definition is proposed by Alzahrani (2011): "A market is considered perfectly liquid if a participant can trade at observed prices irrespective to the quantity, time and order type (buy or sell) desired. It is defined as the ability to buy or sell significant quantities of a security quickly, anonymously and with little price impact".

Liquidity plays a significant role in the successful functioning of a business firm. A firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term compulsions. A study of liquidity is of major importance to both the internal and the external analysts because of its close relationship with day-to-day operations of a business (Bhunja, 2010). Dilemma in liquidity management is to achieve desired trade off between liquidity and profitability (Raheman et al, 2007).

Liquidity has many criteria, that one of its not to be able to criteria all the dimensions (Robin, 2007). In general, liquidity is a very wide and crucial characteristic of financial

markets and assets, and therefore it is very important to understand, quantify and measure liquidity and its risk. Liquidity is a multidimensional concept and every dimension has its own measure (explained Alzahrani, 2011).

2.1.4 Financial Performance of SME'S

Financial performance is a widely used concept in many areas. Usually, performance is a measure of how well a mechanism/process achieves its purpose. In enterprise management, Moullin (2003) defines an organization's performance as "how well the organization is managed" and "the value the organization delivers for customers and other stakeholders." For the purposes of this research, 'performance' is related to achieving stockholder /investor interest.

Measuring performance is a multi-dimensional concept. Effectiveness and efficiency are the two fundamental dimensions of performance; this is emphasized by Neely, Adams et al. (2002): "Effectiveness refers to the extent to which stakeholder requirements are met, while efficiency is a measure of how economically the firm's resources are utilized when providing a given level of stakeholder satisfaction". Vijayakumar(2011) observed link between liquidity and performance is one of the areas of performance of corporate enterprise. Empirical outcomes of the studies found a strong but negative correlation between performance and Accounts Receivable Period (ARP).

The life span and survival of small business is linked to necessity entrepreneurship including sophistication level as opposed to opportunity driven that is linked to long term survival (lighelm, Herrington & Kew, 2009). Herrington & Kew argue that economies dominated by opportunity driven entrepreneurs have a lower rate of business failure than countries with higher proportions of necessity-driven entrepreneurship. In this study two dimensions were examined to measure SMEs performance such as; profitability and sales growth.

Profitability was defined as the excess of income which can be expressed by ratios of Gross profit margin, net profit and return on equity (David, 2010). Kesseven Padachi (2006) added that profitability is the excess revenue over expenses, which can be seen by the ratios like gross profit margin and pre-tax profit margin. It is expressed in terms of firm's financial position (Pedro MS, 2007).

Sales Growth is a key indicator of a firm's competitiveness in the market in terms of profit and sales growth. Losses in market share can signal serious long-term problems that require strategic adjustments. Firms with market shares below certain level may not be viable, Harvey, c.r. (2001).

2.4 Empirical Review

Cash management is a broad term that refers to the collection, concentration, and disbursement of cash. It encompasses a business's level of liquidity, its management of cash balance, and its short-term investment strategies (Cardaralla:toni,2010). In some ways, managing cash flow is the most important job of business managers. If at any time a business fails to pay an obligation when it is due because of the lack of cash, the business is insolvent. Insolvency is the primary reason firms go bankrupt. Obviously, the prospect of such a direct consequence should compel businesses to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed (Davidson: Charles, 2008).

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 superior product to its customers, and enjoys a real reputation in its industry (Hill: William, 2004). Businesses 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. Finally, poor cash flow makes it difficult to hire and retain good employees and finally retard growth.

The external and internal factors provide managers with the foundation to create a Budget, which works in tandem with cash planning. Small media enterprise owners can use financial planning and budgeting to obtain external financing from investors or banks. Many small businesses need some external financing for growing operations. Because small businesses may not have a strong financial history, cash planning and budgeting helps investors or banks thoroughly review the business (Beith and Goldreich 2000).

3. Research Methodology

Descriptive research design was adopted in this study. The descriptive design was selected in this study because it would let the researcher to gather numerical and descriptive data to evaluate the link between the cash flow management and financial performance of small media enterprise Cooper (2003). The researcher targeted a population of 360 business owners /managers from which they sampled 78 business owners/managers for the study due to the available resources and time.

4. Research Findings

4.1 Descriptive statistics

The first objective of this study was to determine the level of cash flow management which is independent variable. The goal was to find out whether firms under study do manage their cash flow efficiently. As measurement tools, cash flow management has been broken down into components that are indicators or measures of this variable. These components are: cash control, cash planning and liquidity management. All these indicators were separately presented and analyzed to scrutinize each component and then measure the whole Cash Flow management.

4.1.1 Effect of Cash Control on financial performance of SME's

Table 4.1. Effect of Cash Control on financial performance of SME's.

Item	Mean	SD	
Cash receipt is sufficiently documented.	1.81	.954	
The department does not have unauthorized bank accounts or charge accounts.	1.75	.871	
Daily collections are held in secure manner.	1.89	.981	
The company has policy for cash control.	1.77	.879	
Receipt vouchers are made on a daily for cash control.	1.79	1.031	

The table 4.1 shows that the respondents agreed that their daily collections are held in secure manner with mean (1.89) and cash receipt is sufficiently documented mean of (1.81) they also agreed receipt vouchers are made on a daily for cash control (1.79). Respondents also showed their positive attitude toward that their organizations control their cash flow movements tightly the company has policy for cash control having mean (1.77). On the other hand majority of the respondents subjected to the question that their companies balance their cash in and out flows portrayed their negative

feelings about this scenario by disagreeing with this statement. The average mean (1.802) of the responses shows that the level of cash control in the organizations studied is high. This reveals that SMEs in Mogadishu do manage cash asset which is paramount for businesses to function in acceptable manner, they agreed that cash flow controls in SMEs could improve the business's cash flow for example, by gaining more business from current clients or by acquiring new business Gustafson (2012).

4.1.2 Effect of financial planning on financial performance of SME's

Table 4.2. Effect of Cash planning on financial performance of SME's

Item	Mean	SD
Our firm has a good cash Planning policy	1.83	.906
The planning team considers employees' idea when Planning the company's future.	1.65	.780
Our company makes sales forecast in order to decide the level of inventory to be maintained	1.85	.940
The business prepares cash flow, income and balance sheet statements.	1.69	.788
The SMEs prepares cash flow projections	1.84	.901

As presented in table 4.2, majority of the respondents who are subjected to questions related to cash planning showed positive attitudes, and they agreed with the statements that the SMEs prepares cash flow projections with mean (1.84), they also agreed that Our firm has a good cash Planning policy (1.83), majority of the respondents also stood positive side that the company makes sales forecast in order to decide the level of inventory to be maintained with mean (1.85). The average mean (1.77) of responses shows that the level of cash planning in small and medium enterprises under study is high. This means those businesses give effort to wisely manage their cash planning, Dwivedi (2002) also found out that, the ability of a firm to survive in small media enterprise in an indicator of good financial performance.

4.1.3 of Liquidity Management on Financial performance of SME's

Table 4.3. Effect of Liquidity Management on Financial performance of SME's

Item	Mean	SD
Our firm keeps cash balance to capture sudden business opportunities.	1.57	.550
Our profit levels have increased over the last two years	1.59	.660
Our firm has a capacity to service its obligations as they fall due.	1.56	.663
Our company has firm policy towards collecting receivables.	1.72	.708

Table 4.3 postulates that majority of the respondents who are subjected to the questions related to cash flow management agreed the statements saying that; the company has firm policy towards collecting receivables, with a mean (1.72) and the profit levels have increased over the last two years (1.59), also respondents agreed that their Our firm keeps cash balance to capture sudden business opportunities (1.57). Almost of the respondents also took positive attitude that their good collection policy (1.72). Liquidity plays a significant role in the successful functioning of a business firm. A firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term compulsions. A study of liquidity is of major importance to both the internal and the external analysts because of its close relationship with day-to-day operations of a business (Bhunina, 2010).

4.1.4 Financial Performance of small MEDIA enterprise

The second objective of the research involved determining the level of financial performance of small business in selected SMEs. Constructs such as profitability and sales growth were separately analyzed and interpreted to measure the overall performance of SMEs under study.

Table 4.4 Effect of performance on financial performance Of SME's

Item	Mean	SD
Our profit levels have increased over the last two year.	1.67	.704
Our firm uses its profits as internal sources of financing.	1.59	.767
Our sales have increased for the last two years.	1.56	.802
We make adequate sales daily.	1.72	.854

As shown in table 4.4, Almost of the respondents we make adequate sales daily with mean (1.72), respondents also our profit levels have increased over the last two years with mean (1.67) which is high, majority of the respondents also strongly agreed that their business organizations have an outstanding relationship with their customers (1.72) Therefore the average mean of the responses (1.63) indicate that sales growth and profitability of these businesses studied are high. It means mostly small and medium enterprises in Mogadishu have enough Profitability as shown in the analysis.

4.2 Regression analysis

Linear Regression analysis is used in this study to figure out the extent that independent variable (cash flow management) can influence the dependent variable (Financial Performance on small media enterprise), while all other factors are constant. The table below shows regression analysis of variables cash flow management and financial performance on small media enterprise.

4.2.1 Regression Model

Table 4.5 Regression Model

Regression Model				
Mod el	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557 ^a	.310	.281	.31925

From the above model R square ($R^2 = 0.310$) reveals that financial performance was influenced by some factors or constants out of which 31.0% was from cash control, cash planning and liquidity management. The adjusted coefficient of multiple determinations (adj. R^2) indicates that about 28.1% of the changes in financial performance are explained by other factors other than the independent variable (cash flow management)

4.2.2 Analysis of Variance

Table 4.6 ANOVA

Model	Sum of squares	df	Mean Square	F	Sig.
Regression	3.259	3	1.086	10.657	.000
Residual	7.236	71	.102		
Total	10.495	74			

From the ANOVA table 4.6, it is clear that the overall standard multiple regression Model (Cash control, cash planning and liquidity management is significant in predicting how cash flow management on financial performance of small media enterprise in Mogadishu. The regression model achieves some degree of fit as reflected by an R^2 of 0.310 ($F = 10.657$; $P = 0.001 < 0.05$).

So f critical (value =2.73, P <0.05) it shows that over all modal was significance since it less than the bench marking Sig =0.05

4.2.3 Multiple Regression analysis

Multiple regression analysis was performed to assess the relationship between the dependent Variable (financial Performance of SMEs) and the common independent variables (Cash control, cash planning and liquidity management) and to test the research. Standard multiple regression analysis in order to establish the best combination of independent variables would be to predict the dependent variable and to establish the best model of the study (Cooper & Schindler, 2013).

Table 4.7 coefficient

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.852	.241		3.543	.001
	cash control	.232	.098	.277	2.372	.020
	Cash planning	.313	.102	.368	3.060	.003
	Liquidity mgt	-.065	.125	-.053	-.524	.602

Dependent variable: Financial performance of SMEs

$$Y = \beta_0 + \beta_1 + \beta_2 + \beta_3 + \varepsilon$$

$$Y = 0.852 + 0.232 + 0.313 - 0.065 + \varepsilon$$

From the above regression equation it was revealed that holding Cash control, cash planning and liquidity management to a constant (0.852), financial performance of small media and enterprise in Mogadishu would be at 0.852. A unit change to cash control would direct to increase in the financial performance of SMEs in Mogadishu by a factor of 0.232. A unit adds to cash planning would direct to increase in the financial performance of small media and enterprise in Mogadishu by a factor of 0.313 and a unit add to liquidity management would direct to increase in the financial performance of small media enterprise in Mogadishu by a factor of -0.065.

The regression results presented in above table indicate that cash control, financial planning and liquidity management were significant at 5 percent level. The coefficient of cash control showed 0.232 with a p-value 0.020, which is less than 5%, the coefficient of cash planning was 0.313, with a p-value of 0.003 which is less than 0.05. And the coefficient of the Liquidity management was -0.065, with a p-value of 0.602 which is greater than 0.05 so that indicates there was statistically positive relationship between cash control and Cash planning on financial performance of small Media Enterprise in Mogadishu and while the remaining variable was negative relationship between Liquidity management on financial performance of SME's and statistical is insignificant.

5. Conclusion

The general objective of study was to figure out the relationship between Cash flow management and financial performance of selected SMEs in Mogadishu-Somalia. Many indicators under Cash flow and financial performance were analyzed to reach the specific objectives of the study. Results of the study show that level of Cash Flow management is high in the selected SMEs studied. This implies that these small media and enterprise do manage their Cash assets in an acceptable it was further concluded that participants of the

study have taken positive attitude toward financial performance of their organizations. However, there is relationship between Cash flow management and financial performance and conclude that the relationship exist with (R=0.557) which shows positive and significant relationship. This implies that change in some variables of Cash flow management can influence on financial performance in small media enterprise in Mogadishu.

6. Recommendations

With reference to findings of research objectives, the study suggested the following recommendations:

1. Figure heads of those SMEs under study are recommended to insure that effective cash management procedure is in place. It means balancing cash in and out flows, and at the same time avoiding idle cash that need to be used in business opportunities. It is also necessary to shorten cash conversion cycle. This involves the time it takes to convert all near cash assets into form of cash.
2. Cash controls - the small business should be trained on cash control that is linked to their policies, procedures and management tools for efficient control of the cash flow. A Quality Management System (QMS) approached should provide guidance on efficient operations, controls and management systems.
3. Cash planning – the small business operator should be trained on how to prepare a Business plan and revise it annually. This will assist them to have a long term plan for operating their business efficiently. Their accumulated skills will enable them to understand and implement long term strategy for business sustenance.
4. Lastly, this study suggests that Owners/Managers of small & medium enterprises in Mogadishu are required to manage their cash assets effectively. It is paramount for those SMEs to consider those components of cash flow such as cash control, cash planning and liquidities managements.

7. Areas For Further Research

The general objective of this study was to investigate the effect cash flow management on financial performance of small media and enterprise in Mogadishu. Specifically, this study investigated the effects of cash control, cash planning, and Liquidity management on financial performance of small media and enterprise in Mogadishu. Managerial skills and profitability of Small & Medium enterprises Innovation and business growth of small and medium enterprises. Further studies need to be carried out to identify SME's based challenges that these can face in the market and how best these challenges can be addressed to enhance growth and financial performance of the SME's.

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