

An Examination of Cash Management Practices among Retail Businesses in Ghana

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Abstract

Retail businesses have played a major role in the economies of most developing countries such as Ghana, but empirical evidence on the financial performance of retail businesses generally has been poor. The nature of retail businesses require the proper management of cash as it is easy to make cash disappear than to make a plant disappear in the firm. Hence, the need to gain empirical understanding of the cash management practices of retail businesses in Ghana.

Using a survey methodology, both open and close ended questionnaires were administered to 100 retail firms in Ghana. The analysis was done using the framework of Baumol and Miller-Orr models. The study revealed that most retail firms do not invest their excess cash into marketable securities which could yield returns. Cash is largely held for transactional purposes and precautionary motives. The study also revealed widespread lapses in the internal controls and accounting systems for handling cash.

Generally, the outcome of the study did not support empirical and theoretical models for cash management.

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