A cross-sectional, qualitative study using the Pecking Order Theory to describe the importance of cash flow management on the sustainability of SMEs in Durban.

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Abstract

The engine room of a modern economy requires that small businesses, an integral part of the economy, function optimally in order to support the overall health of the economy. The South African context of a developing economy and severe resource limitations means, small businesses provide a significant and tangible impact on the general economic conditions and well-being of our society. The purpose of this cross-sectional qualitative study was to gain an in-depth understanding of the importance of cash flow management in small and medium-sized businesses, as well as how this would impact the sustainability of these businesses. This study critically examines Myer and Maljuf's (1984) Pecking Order theory and evaluates its application in terms of SME's sources of funding preferences. This research examined the importance of financial management in small businesses and how cash management practices would impact these businesses. This research seeks to advance the body of knowledge related financial management and may assist SME owners/managers in improving the sustainability of their businesses. Any improvement in the sustainability of the small business sector of South Africa will have a positive impact on the country's general economic conditions.

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1. Introduction

This study will describe the importance of cash management practices and the sustainability of SMEs in Durban. Given the issue of cash flow management in SMEs, it is necessary to provide an understanding of the impact of cash flow management on the sustainability of SMEs for both, the support of SMEs as well as the development of the economy. This research will examine Meyer and Maljuf's (1984) Pecking Order Theory which is related to a firm's capital structure and the proportions of debt and equity utilized by an organization to finance its operations and development (Tuovila, 2020). This study will also focus on four major themes which consist of financial management and sustainability, the impact of SMEs on the South African economy, sustainable management of liquidity, and cash management practices of SMEs.

1.1 Contextualization

Small and medium-sized businesses are essential to the growth of the South African economy. They help alleviate the demand for jobs, reduce poverty,, and contribute significantly to the South African GDP (Ahmad, 2016). According to the Deputy Minister of Trade and Industry, South Africa's 2.8 million SMEs contribute up to 57% to the country's GDP and 60% to employment (Groepe, 2015). However, the estimated failure rate of South African SMEs is as high as 80%, this results in job losses and reduces the potential for economic growth (Sibindi & Aren, 2015).

According to Drever and Hartcher (2003, cited in Sibindi and Aren, 2015), most SME failures are related to an organisation's poor management of cash. Cash is a necessity to continue a business's operations, however, SMEs may find difficulty in generating and holding cash. This is a result of acquiring debt as well as needing cash to fund operations and repay debts. This emphasizes the importance of cash in a business, regardless of its level of profitability (Carlson, 2019b).

1.2 Rationale and Relevance

Poor cash flow management practices may result in the failure of SMEs regardless of whether the organisation is making a profit (Carlson, 2019b). Therefore, any mitigation of these practices will result in a successful and sustainable SME and hence will increase the success rate of SMEs in South Africa. This will allow for increased contributions to the growth of the South African economy ((SEDA), 2016). This research will therefore highlight the importance as well as the challenges of cash management practices in SMEs.

SMEs are a source of relief for the growing South African economy as it alleviates the demand for employment. SMEs are also essential to the future success of the South African economy as it accounts for 52% and 57% of the South African GDP in the formal and informal sectors, respectively (SEDA, 2016). This study places an emphasis on the cash management practices of SMEs, which is directly relevant to the field of financial management. The importance of financial management is specifically meaningful to SMEs when compared with large organisations (Ang, 1991). The significance of this study is based on the actual practices of owners/managers of SMEs and the impact this has on the sustainable achievement of strategic plans of these SMEs. The relationship between actual practices in comparison with the proposed management practices of SMEs may provide a roadmap by identifying the potential perils of ignoring these practices. This may improve the cash management practices of SMEs in Durban which will in turn improve the success rates of SMEs and allow for increased economic development.

1.3 Problem statement

SMEs are a key component of the South African economy. The failure of SMEs are contributing to the inability of South Africa to grow sustainably (Leboea, 2017). In South Africa approximately 80% of small businesses fail within their first year, this results in a loss of jobs and reduces the potential of new job opportunities being created. Many small businesses have expressed dire concerns of cash flow. This shows a clear link between small business failure and poor cash flow management practices (Sibindi & Aren, 2015).

Constraints experienced by SMEs include improper financing and a lack of access to credit (Oluoch, 2016). This emphasizes the importance of cash in SMEs as business' may be profitable but still fail due to poor cash flow management (Carlson, 2019b).This highlights the importance of focusing on the financial management of SMEs and the significant impact it may have on the sustainability of small businesses.

1.4 Purpose statement

The purpose of this qualitative study is to describe the relationship that exists between SME failure and poor management of cash flow within those SMEs. It is intended to describe challenges and provide a framework of solutions addressing businesses' failure in relation to poor cash management practices. This understanding can lead to the formulation of strategies and practices that could have a positive impact on cash management practices and thus improve the sustainability of SMEs. This study aims to use Meyer and Maljuf's (1984) Pecking Order theory in the examination of the financial management practices of SMEs. This study will contribute additional information to an existing body of knowledge related to the cash management practices and sustainability of SMEs in Durban.

This study will provide a deeper understanding of the issue so that SMEs may execute their cash management practices in a more effective manner and thus improve the sustainability of their business.

1.5 Research questions

1.5.1 Primary Question

What kind of relationship exists between poor cash flow management and failure of SMEs in Durban?

1.5.2 Secondary Questions

• What statistics are there to prove that poor cash flow management results in the failure of SMEs?

• What are the specific behaviours that result in poor cash management?

• How do SMEs carry out effective cash flow forecasts and budgets?

1.6 Research Objectives

1.6.1 Primary objective

To investigate the kind of relationship that exists between poor cash flow management and the failure of SMEs in Durban.

1.6.2 Secondary objectives

• To identify the statistics that prove that poor cash flow management results in the failure of SMEs.

• To investigate what specific behaviours result in poor cash management.

• To determine how SMEs carry out effective cash flow forecasts and budgets.

2. Literature Review

2.1 Theoretical Foundation

The Pecking Order Theory

The theory selected for this study is Meyer and Maljuf's (1984) Pecking Order Theory. The theory was initially developed by Donaldson but was later modified by Myer and Maljuf, and gained popularity in 1984 (Borad, 2020). This theory is related to an organisation's capital structure which refers to proportions of debt and equity used by a firm to finance its operations and development (Tuovila, 2020). The Pecking Order theory is based on a manager's order of preference when sourcing funds for investment opportunities. Here the preferred order selects the use of internal funds first, this comprises of funds from the organisation's retained income. Once this is depleted, the next source of funding is debt funding, which is followed by the final source of funding which is equity financing (Tarver, 2020).

The Pecking order theory is a result of asymmetric information which means one party holds greater information than another party in an economic transaction (Bloomenthal, 2020). In terms of a firm, a manager possesses greater information regarding the well-being of their firm than external investors. Retained earnings is the cheapest source of funding and reduces information asymmetry as it is sourced directly from the company. This means there is no participation from external investors therefore information asymmetry is irrelevant as the manager holds information about the business and makes decisions related to its sourcing of funds. External funding such as debt and equity are more expensive as higher returns are demanded by creditors due to their lack of information regarding the firm (CFI Education Inc, 2020b).

The Pecking order theory is relevant as it exhibits a negative relationship between the debt ratio and cash flow. This means that, as the level of debt increases, the level of cash on hand decreases. This is important as the high levels of debt in SMEs negatively affect the cash flow of businesses which in turn affect the operations of a business and reduces the level of sustainability of the organisation. The Pecking order theory suggests that the need for capital either external or internal reflects a cumulative need. Profitable organisations with slower growth prospects would naturally need low debt ratios as the organisation's retained profit may provide a good platform for internal funding and will therefore use a low debt ratio since debt increases the cost of capital. These businesses will operate below the industry average in terms of the debt ratios (Matemilola, Ahmad, Kareem, Mautin & Sakiru, 2015).

2.2 Literature Review

The purpose of this literature review is to highlight the importance of financial management and cash management practices in SMEs. It will also help to develop a deeper understanding of how the effective management of these practices can impact the sustainability of small businesses. This will be achieved by reviewing literature in relation to four main themes which include Financial management and sustainability, the impact of SMEs on the South African economy, sustainable management of liquidity, and cash management practices in SMEs. These themes allow for a well-rounded understanding of the topic of cash management and sustainability in small businesses.

2.2.1 Financial management and sustainability:

The success of any business is related to the quality of management of its finances relative to the strategy of the business, however, this is particularly important in SMEs as one of the primary causes of business failure in these organisations can be attributed to poor financial management practices (Karadag, 2015). Financial management supports an organisation's decision-making, as it attempts to create a view of the company using the information available at a specific time and this in turn is used to support the decision-making process. It is important to note that decisions are made using the best information available at that time and not necessarily the perfect knowledge of a future event, which emphasises the importance of financial management. The ultimate objective of financial management is to support decisions that maximise shareholder value. The focus of financial management is on expected return and perceived risk. Risk- management becomes particularly important in terms of the King III guidelines of corporate governance (Correia, Flynn, Uliana, Wormald &Dillon, 2015).

It is critical that financial management is conducted in a manner conducive to the defined strategy of the business. This is particularly relevant to SME's that operate in high risk or uncertain environments, where the organisation has limited resources. SME owner/managers generally regard production, service, or marketing functions as a priority, particularly in the early stages of new ventures. This eventually results in poor financial management, and in most cases failure of business (Karadag, 2015). Ang (1991) explains that circumstances and problems defined by financial statements are different when comparing SMEs with large corporations, these differences are also extended to the decision-making process of small and large firms (Ang, 1991).

In the context of small businesses, financial management is often an integral part and sometimes inseparable from other management systems such as strategic management and marketing management. This is largely a factor of the limited resources and overall control by the entrepreneur. (Meredith, 1986, cited in Karadag, 2015). The consequence of ineffectiveness and inefficiencies in financial conduct are amplified, with potential detrimental effects on the sustainability of these enterprises. The impact of poor financial planning is further exemplified in the works of Salazar, Soto and Mosqueda (2012, cited in Karadag, 2015) where this is regarded as the main cause of business failure.

2.2.2The impact of SMEs on the South African economy:

The National Small Business Act 102, 1996 sets out that micro-enterprises have less than 5 employees, very small enterprises have less than 10 employees, small enterprises have less than 50 employees and medium enterprises have less than 200 employees(National Small Business Act 102, 1996). The Banking Association of South Africa states that small and medium-sized enterprises are recognised as significant contributors to the economic growth and development of South Africa. This can be attributed to SMEs comprising of 91% of formalised business as well as their contribution of up to 60% to the South African labour force. The Banking Association of South Africa further explains that SMEs increase the level of diversification in the economy through the creation of new sectors as well as the creation of platforms for local growth by small and medium technology-based firms. This occurrence is specific to the economies of Brazil, Russia, India, China, and South Africa (BRICS) (The Banking Association of South Africa, 2019). Abor and Quartey explained that in terms of economic growth, SMEs are not merely suppliers, they are also significant contributors to economic development in their capacity as consumers. This is noteworthy, as an SME that is able to achieve purchasing power in an industry will stimulate their suppliers' activities through their demand for consumer goods (Abor & Quartey, 2010).

Francois Groepe, Deputy Governor of the South African Reserve Bank explained that the need for SMEs to be versatile and innovative is crucial to their survival, this is largely due to SMEs seldomly operating as monopolies. This innovation and versatility results in SMEs experiencing intense competition with limited opportunities. This encourages SMEs to operate at their best which in turn promotes economic development and benefits the economy (Groepe, 2015).

The above information provides a framework to contextualise SMEs within the South African context and creates a perspective of their importance to the general economy as well as the importance afforded to this sector by government institutions, which becomes relevant when funding models are being considered.

2.2.3 Sustainable Management of liquidity:

Cash management is a significant factor for SMEs as they generally have limited capital and liquidity resources. The need to manage cash on hand or the availability of cash to cover debt becomes crucial as this can become a point of failure even for businesses that are profitable in the long term (Ahmad, 2016). One of the primary contributors to poor cash flow is the issue of slow-moving stock, extended credit terms, wasted expenditure, and diluted income from unprofitable products (Uwonda & Okello, 2015).

Although cash flows are not always an accurate reflection of the profitability of a firm, profit is a function of the firms accounting policies whilst finance is focused on cash flows. The Companies Act of 2008 imposes a duty on directors to apply solvency and liquidity tests in respect of transactions involved in the disbursement of funds (Correia, et al., 2015). It is also important to note that Cash provides the linkage between all financial aspects of the firm (Hamza, Mutala, Antwi, 2015).

Studies reveal that cash flow management concerns cash balances and the movement of cash, (generally into, within, and out of the firm). The surplus cash must be saved, held, or invested while deficits must be covered by sources of funds from outside of the defined cash cycle. The task of managing cash is therefore intrinsic to the overall task of financial management. Primarily management of cash concerns itself with optimisation of the cycle to achieve the objectives of the organisation at a minimum cost. The secondary priority is based on the maintenance of sufficient liquidity to meet the operational requirements while profitably managing the excess. Liquid cash tends to be unproductive by nature, (assets remaining idle, waiting to be used), unlike fixed assets or inventories which are actively employed in the value creation of a saleable product. Therefore, the planning around unproductive cash assumes great importance by virtue of the wasted opportunity costs of holding cash in hand. The third reason for careful management of cash flows is dictated by the uncertainty of inflows of cash. There is no matching of dates for inflows and outflows of cash and although this is planned, the timing is often uncertain. Cash management can be described as the basic tool of running a business whereas a cash forecast can be considered the basic tool for managing cash flows (Oladejo, et al., 2017).

Cash is more than just a single factor of working capital; it is a medium of exchange and a store of value. Cash flow management tends to provide the framework that links the short-term and long-term financial decisions of an organisation. The plan also integrates into investment in fixed assets or working capital. A Company's most liquid assets are considered to be cash and marketable securities. Cash is loosely defined as currency held at the company as well as the cash balance held in cheque or savings account that can be instantly accessed. Cash provides the mechanism of exchange that allows management to execute the various functions of the organisation (Hamza, et al., 2015).

2.2.4 Cash management practices in SME's

There is limited literature available in this area of study since most of the research has focused on large firms as opposed to SME's (Oluoch, 2016). It is, therefore, crucial for entrepreneurs to have a basic understanding of cash flow management. This should include processes that support financial management, such as, cash flow planning, monitoring, and controlling. To become sustainable, it is necessary for a firm to implement an effective cash management process to achieve the organisation's main objectives and strategy. Good internal controls support efficient implementation and control of these plans (Myeni, 2018).

During a cash crisis, three primary contributors to poor cash flow need to be prioritised. These contributors are the largest elements of the working capital and consist of accounts receivable, accounts payable, and inventory. These three factors are often referred to as, “The Big Three of Cash Management” (Sibindi & Aren, 2015).

Kwame (2007) explained that prudent cash budgeting suggests a positive cash balance approach to planning our finances. The principle of cash budgeting ensures that the shortfalls and surpluses are planned for and managed, as will positively influence the financial performance of the organisation. Kwame further explained that when reducing the time taken for cash to be cycled through the operation of the business and become cash again, there is an increase in the number of times the same cash is used in generating profit, which in turn increases the return on our investment. This cycle emphasises the importance of implementing efficient cash management practices and the positive impact this has on the performance of an organisation (Agyei-Menash, 2010).

The creation of any cash budget would require that the businesses start with a forecast of the incoming and outgoing funds. This can be deduced from the forecasted sales revenue, which ultimately reflects the primary incoming cash. The sales budget will then inform the production planning such as materials and labour requirements, together with other expenses associated with creating value. With the addition of overhead cost structures to this cash forecast a clear view of the projected cash flow is presented, both incoming and outgoing, for the business. The purpose of the cash budget is to ensure that sufficient cash is available to support cash outflows, in the generation of value, sales, and ultimately the profit of an organisation. The uncertainty and circumstances of the business will provide the basis for determining the level of excess reserves that need to be available (Hamza, et al., 2015).

The above review has highlighted a dearth of academic literature surrounding financial management in relation to SMEs (Oluoch, 2016). This is even more limited when considering SMEs in the South African context. The Pecking order theory and the related hierarchy of sources of funding was defined as the fundamental theory related to this research. Since these organisations are operating under severe resource limitations and decisions are generally driven by desperation, the model cannot be applied without considering the circumstances of the SME. The cost of capital in South Africa is relatively high, therefore, the source of funding would start with the option of internal funding first. The concept of a cash budget offers SME's the opportunity to constantly measure performance against a plan. This in turn allows organisations to monitor the company's progress relative to its strategic plan. This constant performance management of the organisation will improve the organisation's prospects of success and sustainability.

2.3 Conceptualisation of key terms

2.3.1 Cash flow management

This refers to a process by which the inflow and outflow of funds in an organisation are controlled. Here the aim is to secure a cash surplus for the organisation by ensuring the inflow of funds are larger than the outflow of funds. (Myeni, 2018) This process holds great importance in a firm as it preserves the circulation of cash which in turn supports the critical operations of a firm (Borad, 2020). This is relevant as the efficient management of cash flows may significantly improve the financial management of an SME and in turn, promote sustainability of the organisation.

2.3.2 SMEs

The National Small Business Act refers to an SME as a "small business" and defines it as a separate business entity, managed by one or more owners which includes its branches and subsidiaries and operates in any sector or sub-sector of the economy. In the National Small Business Act, small and medium-sized businesses are both classified as small businesses (The Parliament of the Republic of South Africa, 1996).

2.3.3 Cash flow forecasts

This is a process that predicts an organisation's future financial position, based on the firms expected payments and receivables. The purpose of cash flow forecasting is to assist a firm in the management of its liquidity and to ensure that the necessary quantity of cash is available to fund its operations (Gillespie, 2016). This is relevant as the use of cash flow forecasts can improve the overall management of cash in an organisation which in turn may improve the sustainability of SMEs.

2.3.4 Cash budgets

This is a plan of a firm's expected cash payments and receipts over a specific period. The purpose of a cash budget is to provide an estimation of cash inflows and outflows for an organisation to evaluate how cash will be affected during this time (Bragg, 2019). Similar to cash flow forecasts, the relevance of a cash budget is based on the improvement it may bring to the management of cash in SMEs which contributes significantly to the sustainability of firms.

2.3.5 Debt ratio

This is a solvency ratio that is used to measure the percentage of a firm's overall liabilities in terms of its total assets. The purpose of the debt ratio is to determine whether a firm has the capacity to pay off its liabilities with its total assets (Correia, et al., 2015).

2.3.6 Cost of capital

This is referred to as the price of acquiring capital or the cost of an organisation's funds. Cost of capital is the rate experienced by an organisation for the use of capital or funds. This is a measurement of the minimum rate of return that an organisation needs to achieve on its investment (Ibrahim & Ibrahim, 2015). The purpose of cost of capital is to determine whether a capital project is worth the organisation's resource expenditure or whether the return on investment is worth the comparative risk (Correia, et al., 2015).

2.3.7 Cash Conversion Cycle

The Cash conversion cycle (CCC) or cash cycle is used to measure the time taken by a firm to convert its inventory (investments) into cash (CFI Education Inc, 2020a). A positive cash conversion cycle reveals the number of days a firm will need to borrow capital while waiting for customers to make payments. However, a negative cash conversion cycle reveals the number of days a firm has collected cash before it needs to make payments to its suppliers (Oluoch, 2016). This is relevant to this study as it is important for SMEs to know when they will have access to working capital. This is necessary as this cash may be used to pay staff, order inventory, or to take advantage of investment opportunities (Correia, et al., 2015).

2.3.8 Equity

This refers to the value of an individual's ownership stake in an organisation, such as securities or stock. In terms of an organisation this can be defined as the sum of retained earnings, inventory, and other assets, minus the liabilities of an organisation. This can be found on an organisation's balance sheet and is relevant to the topic of cash flow management through the Pecking order theory (Carlson, 2019a).

2.3 .9 Working capital

This concept may also be known as net working capital. This is used to determine the difference between an organisation's current assets and its current liabilities. Here current liabilities consist of accounts payable and current assets which consist of cash, accounts receivable, finished products, and raw material inventories. This is relevant as the use of working capital for investments or expansion projects may reduce the flow of cash, however, cash may also be reduced if there is a decrease in sales or the collection of cash is too slow. This means that the efficient use of working capital can allow organisations to extend payment dates to creditors and reduce the period of collection of payment from debtors (Correia, et al., 2015). This may allow for more efficient management of cash flow and can improve the sustainability of SMEs.

3. Research Design and Methodology

3.1 Paradigm

The paradigm selected for this research was interpretivism. This highlights an individual's capacity to create context or meaning. The basis of this paradigm is that people and objects are fundamentally different, therefore, they cannot be studied in the same manner. The most significant difference is that people are constantly changing and are continually influenced by their surrounding environments (du Plooy-Cilliers, Davis, and Bezuidenhout, 2014). It is also important to note that interpretivism is strongly influenced by phenomenology and hermeneutics (Creswell, Ebersohn, Eloff, Ferreira, Ivankova, Jansen, Niewenhuis, Pietersen and Plano Clark, 2020).

This research was based on interpretivism as it is qualitative and aimed to gain a deeper understanding of the impact of cash flow management on the sustainability of SMEs. The epistemological position of interpretivism refers to the idea that common sense guides the daily lives of people, which is crucial to the understanding of people.

Interpretivists believe that facts are dependent on context and the interpretation given to it by people and are therefore not objective. Here there is no desire to generalize results, which leads to research methodology being specific to the different contexts being studied (du Plooy-Cilliers, et al., 2014). In this study, the epistemological position was to interpret the practices and behaviours of entrepreneurs and managers that have contributed to the increased failures of SMEs in South Africa. Here the idea is that changes to systems, practices, and guidelines can redirect these behaviours and will ultimately improve the sustainability of SMEs in Durban.

The ontological position of interpretivism refers to the study of reality and existence, this involves assumptions related to a specific experience or phenomena. Interpretivists believe that reality depends on the context and meaning people attribute to their own experiences with other people and thus believe it is a social construct (du Plooy-Cilliers, et al., 2014). In this study, interpretation was made in the specific context of each SME and entrepreneur/manager in terms of their initial investment, investment by the entrepreneur, number of employees, equity, technological expertise, administrative structure, and financial management tools. This means that each respondent was examined carefully to identify the context of their business.

The metatheoretical position of interpretivism refers to the theoretical basis used to provide an understanding of the research. Interpretivists prefer inductive approaches when formulating theories, this means that information is collected and analysed, and a theory is then formulated based on the collected data rather than formulating a theory first and then testing the theory in terms of a hypothesis (du Plooy-Cilliers, et al., 2014). In this study, the focus was on financial management theories, processes and practices, and the implementation of such practices in the context of SMEs in Durban. This study was based on the Pecking order theory as it is directly relevant to the management of cash flows as executed by SMEs.

The methodological position of interpretivism is dependent on qualitative research as it is the goal of interpretivists to attain a deeper understanding of various realities. Here interpretivists intend to examine reality subjectively and therefore use approaches that are considered sensitive to the specific context (du Plooy-Cilliers, et al., 2014). This qualitative research used semi-structured interviews as a data collection method. This allowed the researcher to gain a deeper understanding of the participants' views and opinions of a specific phenomenon, in this study the researcher gained a deeper understanding of the participants' views surrounding the issue of cash flow management in SMEs. Semi-structured interviews were used in this study to give the researcher an opportunity to ask participants to clarify points or to provide more detailed answers (du Plooy-Cilliers, et al., 2014).

The axiological position of interpretivism refers to values and provides an understanding of what is valued in a specific paradigm. Here interpretivists do not encourage value-free research and appreciate the complex understandings of various realities (du Plooy-Cilliers, et al., 2014). The axiological position of interpretivism in this study was to understand the specific cash flow challenges experienced by each SME in their individual contexts and how this affects the sustainability of their business. It is important to understand the challenges from the perspective of each entrepreneur/manager in terms of their individual businesses.

3.2 Research Design

3.2.1 Approach

This qualitative study was be based on interpretivism and was cross-sectional. Qualitative research is based on the underlying qualities of subjective experiences and the meaning and understanding associated with specific phenomena. This research was qualitative as it described the poor cash flow practices of SMEs in Durban. This allowed for a deeper understanding of the relationship between poor cash management practices and the impact of this on the sustainability of SMEs.

3.2.2. Timeframe

This study is cross-sectional as it was observational and provided an understanding of results from participants at a certain point in time (Setia, 2016).

3.2.3 Reasoning

The reasoning of this study was deductive as this research is based on understanding and applying an existing theory (Bradford, 2017). This research was based on Meyer and Maljuf's (1984) Pecking order theory to obtain a deeper understanding of the issue of poor cash management in SMEs.

3.2.3 Design

Research design refers to the strategy that moves from the philosophical assumptions of the research to the selection of participants, data collection methods, and data analysis methods (Cresswel, et al., 2020). This research was non-experimental and interactive as semi-structured interviews were carried out in order to ask participants questions. This was used to gain a deeper understanding of participants' experiences associated with cash management practices in SMEs.

The focus was phenomenology and aimed to understand the essence of small business owners'/managers' experiences with cash flow management.

3.3 Population

The population of a study is the total group of individuals or entities from which data is gathered (du Plooy-Cilliers, et al., 2014). The population selected for this study was owners/managers of small and medium-sized businesses.

3.3.1 Target population

The target population refers to all the individuals that meet the population parameters of the study (du Plooy-Cilliers, et al., 2014), the target population in this study was owners and managers of SMEs in Durban.

3.3.2 Accessible population

The accessible population refers to a group from the target population that can be contacted or accessed to allow participation in the study. In this study, the accessible population was 4 owners/managers of SMEs in Durban. This research selected 4 owners/managers to participate in the interviews, as this allowed the researcher to gain a deeper understanding of various individuals' experiences related to cash flow management in SMEs.

3.3.3 Population parameters

Population parameters refer to shared and unique characteristics of the population. The shared characteristics of this population were:

• Owners/ managers of SMEs that are based in Durban.

• Owners/ managers of SMEs with employee numbers ranging from 11 to 250 (Government Gazette, 2019).
• Owners/ managers of SMEs with annual turnovers ranging between R5 million and R220 million (Government Gazette, 2019).

3.4 Sampling

Sampling is a process of refining the accessible population to a smaller subset of the population that will represent the population (du Plooy-Cilliers, et al., 2014). The nature of the population in this study was based on researching people and their behaviours regarding cash management practices. The population consisted only of SME owners/managers in Durban as they are in a good position to provide the best information relating to the financial management of their firm.

This study analysed 4 SME owners/managers through the process of semi-structured interviews. These interviews were aimed at gaining a deeper understanding of the participants' behaviours regarding cash management practices as well as how the SME owners believed this would impact the sustainability of their firms.

3.4.1 Unit of analysis

The unit of analysis is defined as the object or person from which the researcher collects their data. It refers to 'who' and 'what' is being researched (Kumar, 2018). The unit of analysis of this study was individuals and included analysing the responses of 4 SME owners/managers in Durban. This unit of analysis was selected as it allowed the researcher to gain a better understanding of the various individuals' experiences related to the phenomenon.

3.4.2 Sampling Method

This study made use of purposive sampling, where the sample set was defined by the geographical region, employee numbers, and turnover values. This method of sampling was selected as it provided the researcher with a broader perspective of local SMEs' experiences with cash flow management.

Probability sampling refers to each unit of the population having an equal opportunity to be included in the sample. This uses a random and systematic approach and is often used in quantitative studies. This research made use of non-probability sampling, which is used when it is difficult to determine or access a whole population and is more suited to qualitative studies. Non-probability sampling is used when the sample is suited to the population parameters, where not all individuals are easily accessible and where the aim is not to generalise findings to the larger population (du Plooy-Cilliers, et al., 2014). This study made use of Non-probability sampling as it allowed the researcher to gain a deeper understanding of various participants' views and experiences with cash flow management in SMEs.

Considering the wide context covered by the term SME, it was challenging to define the total population, particularly in the South African context where there are a larger number of small enterprises that operate in the informal sector of the economy (Small Business Institute in South Africa, 2018). The unavailability of a framework for the total population made it difficult to form a sample set that was representative of the total population. The sample set in this instance was determined by the researcher and was therefore not be considered a random selection (du Plooy-Cilliers, et al., 2014).

3.4.3 Sample size

The sample size of this qualitative research was 4 small business owners or managers, due to the narrow geographical area in which the research was being conducted and the restrictions imposed by both the population characteristics and the Covid 19 Pandemic.

This research also made use of a heterogenous sample which means that members of the sample are different and have contrasting characteristics. In this study, the members of the sample vary in age, experience, areas of business, and location.

3.5 Data Collection method and application

Data collection is a process of gathering and collecting information or data in a systematic manner to evaluate outcomes and answer research questions (Kabir, 2016). A Qualitative data collection method was used, and semi-structured interviews were conducted. An interview is where an interviewer will ask the participant questions with the purpose of collecting data on the ideas and behaviours of the participant. In this study, a semi-structured interview was conducted for the purpose of collecting data on the participant's behaviour in relation to cash management practices. This qualitative, non-experimental approach was used to allow the researcher to obtain a thick and detailed description of the phenomena around the cash flow management of SMEs in Durban. The focus of this research was phenomenology which is aimed at understanding various individuals' experiences in relation to a specific phenomenon. This research design was selected as it informed the data collection method and assisted the researcher in understanding the essence of small business owners'/managers' experiences with cash flow management.

Semi-structured interviews were selected as a data collection method as this gave the researcher an opportunity to probe and ask the participant to clarify certain points. In an instance where the participant got side-tracked on issues unrelated to the research topic, this data collection method allowed the interviewer to guide the participant back to the focal points of the interview. This data collection method was also selected as it allowed for the development of detailed questions prior to the interview. This interview presented questions regarding the topic in the broader sense and then presented questions with a narrow focus. The interviewer also took care to ask open-ended questions rather than leading questions, which ensured that the participant had the opportunity to provide varied responses that were not influenced by the interviewer.

The researcher asked objective questions and took care in not changing the words of participants (Cresswel, et al., 2020). The questions presented by this interview were not double-barrelled and were clear and simple, to ensure that the participant understood exactly what was expected of them (du Plooy-Cilliers, et al., 2014). With the aim of answering the primary question of this research, the researcher based these interview questions on the theoretical foundation of the study (Cresswel, et al., 2020). The researcher developed the questions based on Myer and Maljuf's (1984) Pecking Order Theory. This provided the researcher with an opportunity to gain an in-depth understanding of the problem of cash flow management in SMEs.

This research also made use of research tools during the data collection process. These tools consisted of; a recorder for the purpose of recording the audio of the interview, a pen, and paper which were used to take notes during the interview, a computer, and Microsoft word to transcribe data once it had been collected. The researcher recorded the interview using both a recorder and the facilities available on the Zoom platform so that a backup recording would be available should one of them get lost or deleted. This research also made use of a coding sheet to allow for easier identification of themes within the data.

The interview questions were pre-tested by asking one SME owner/ manager these questions to ensure that they were suitable and that the participants of the study would understand these questions and what was expected of them. This was done as it allowed the researcher to identify and address any limitations or areas of confusion.
The selected participants were accessed by contacting various local SMEs. Rather than being face to face, the interviews were conducted via Zoom due to the current social distancing requirements of the Covid 19 Pandemic. The interview was recorded so that data from participants could be analysed at a later stage. The researcher also ensured that participants were aware that the interview was going to be recorded, and that the data obtained from this would be stored in a safe and secure manner.

All participants were provided with an explanatory sheet and consent forms to ensure that they understood the purpose of the study and were participating voluntarily. The researcher also explained the confidentiality of their participation and the option to withdraw from participating at any time. The researcher explained the expectations and purpose of the study. The researcher also informed the participants that the data collected could assist participants in their position as owners/managers of SMEs and could benefit the financial management within the organisation by providing insight on the importance of cash flow management on the sustainability of SMEs.

While the interview was being conducted the researcher took down notes and recorded the call. The data obtained from this process was then transcribed and stored in a safe and secure manner, through the use of the cloud and a password protected file.

3.6 Data Analysis method

Data analysis is defined by LeCompte and Schensul (1999, cited in Kawulich, 2004) as a process of reducing data to its interpretation to make sense of it. Qualitative data analysis is based on interpretive philosophy and is used to determine how participants develop the meaning of a specific phenomenon by analysing their attitudes, understanding, knowledge, and experiences of the phenomenon (Cresswel, et al., 2020). Qualitative data analysis was used in this study as it provided structure to the large quantity of data acquired. This was also selected as the data analysis method as it allowed the researcher to closely interpret the data to find patterns which in turn allowed for the data to be transformed into findings (du Plooy-Cilliers, et al., 2014). This non-experimental, interactive study was based on phenomenology which allowed the researcher to gain an understanding of the experiences of participants surrounding the phenomenon.

This study made use of deductive reasoning which argues from a general claim, to a narrow claim, to a specific conclusion, and was based on the application of an existing theory (Cresswel, et al., 2020). The reasoning argued in this study was based on Myer and Maljuf's (1984) Pecking Order Theory. This research also used triangulation, which refers to the assumption of a fixed point that may be triangulated (Creswell, et al., 2020). In this research, the fixed point was the relationship between poor cash management practices and its impact on the sustainability of SMEs.

The data was recorded, transcribed, and coded. The researcher played back recordings and transcribed the data into notes. The data and participant transcriptions obtained through the interview were stored on the researcher's computer in a password-protected file. This transcription together with the notes written during the interview were coded.

Coding refers to analysing the data to identify relevant and meaningful sections. These sections were underlined by descriptive words or codes. This research made use of thematic content analysis, which can be defined as a process of reducing data through the identification of themes (Cresswel, et al., 2020). The selected method of analysis provided the researcher with valid evidence relating to the importance of cash flow management on the sustainability of SMEs.

3.6.1 Application of data analysis method

Thematic analysis is a process that consists of 6 phases, which are used to identify the complexities and meanings of the collected data. The first phase of this analysis is to become familiar with the collected data (Braun & Clarke, 2006). The researcher became familiar with the data by transcribing the data from a recording of the audio. This phase assisted the researcher in gaining an understanding of the respondent's answers and their perspective in relation to the questions. The understanding of the owner's experience helps in understanding the context of the answers provided. During this phase, the researcher began to see some similarities amongst the respondents.

The second phase of thematic analysis is to generate initial codes (Braun & Clarke, 2006). The researcher developed initial codes by identifying meaningful segments and repeated patterns within the data.

The third phase of this process is searching for themes. These themes assist the researcher in establishing patterns that may be prevalent in the various responses. These themes allowed the researcher to sort responses into some form of meaningful order even though the responses appeared to be different from each other. (Braun & Clarke, 2006). The researcher analysed and sorted the various codes into themes.

The fourth stage of this analysis is reviewing themes (Braun & Clarke, 2006). This phase allowed the researcher to determine which themes are supported by the data and which themes do not suit the data.

The fifth phase of the process is where the identified themes are named and defined (Braun & Clarke, 2006). In this stage, the researcher ensured that the different themes did not overlap too much and considered how the themes fit into the broader 'story' of the study.

The final phase of the process is producing the report, which provides meaningful contributions in answering the research questions. At this stage, the researcher compiled the final report, using data extracts to exhibit the prevalence of specific themes.

The process of thematic analysis was selected for this study as it allowed the researcher to develop thick and detailed descriptions of the data, thus providing a better understanding of the phenomenon (Braun & Clarke, 2006).

4. Findings and Interpretation

The findings of this research have been obtained through the process of interviewing 4 participants who met the population characteristics of this study. The identity of these SME owners has been protected due to ethical reasons. The researcher identified the relationship between cash flow management and the sustainability of SMEs. Four themes have been identified from the thematic analysis, these are formal accounting processes, the importance of cash flow budget frequency, the positive impact of working capital management on debtor's days, and sources of funding preferences. These themes will be defined and interpreted in terms of cash flow management in SMEs as well as Myer and Maljuf's (1984) Pecking Order Theory. This interpretation will also address the research problem, questions, and objectives of this study.

4.1 Theme 1: Formal accounting processes: improved management of negative cash flows

This theme sought to identify a relationship between cash flow management and professional accounting support within the business. Here, professional accounting support will assist with formal planning processes in terms of cash management. According to Ayuketang Nso, Cash is not the only factor that influences the profitability and sustainability of a firm, other factors such as effective procurement, quality of staff, and management also play a role in this (Nso, 2018). The quality of staff in relation to accounting processes will be informed by the individual's level of expertise and training. The following responses support this theme.

Participant 1:	*"Yes, our bookkeeper is a professional accountant. […] prepares everything from the raw data and then hands it over to the external auditor."*
Participant 3:	*"professional article clark, professional accountant registered with SAICA."*
Participant 4:	*"I have an accountant. […] He has got a BCom degree and about 5 years of experience."*

In this research three of the four participants had professional accounting support in their businesses and therefore had formal accounting processes in place regarding working capital. While one of the three participants admitted to difficult circumstances and ascribed their coping with the regular budgeting and review process (which were largely undertaken by the professional accountants), two of these participants followed strict accounting processes and did not experience any difficulties.

Participant 2:	“well, our bookkeeper has just done Sage training. She did not come with actual qualifications”

This participant did not have professional accounting support but did make use of professional accounting systems such as Sage, however, the account support person did have training in the use of the software. This participant admitted to having cash flow difficulties but was still able to cope.

The pattern of responses suggests that these organisations are able to cope with negative financial circumstances as a direct result of their planning and monitoring processes.

4.2 Theme 2: Importance of cash flow budget frequency

This theme is based on the frequency of implementing cash flow budgets and the impact of this on cash flow management. Kwame (2007) suggests that careful cash budgeting will encourage a positive cash balance as a result of planning for shortfalls and surpluses, which can then be managed appropriately. This is particularly important to small and medium-sized businesses (Agyei-Mensah, 2010).

Participant 1:	*“our business is extremely cash-intensive. So, we have been with our clients with their shipments coming in left, right and centre on a weekly basis. So, we review our cash budget every Monday.”*
Participant 2:	*“Every year in November, for the next financial year which starts in February, we do a cash flow projection for 12 months and we have it in our budget pack.”*
Participant 3:	*“Quarterly”*
Participant 4:	*“Every month around the 21st”*

All four respondents budgeted for cash flow. The participant that budgeted for cash flow annually seemed to have the greatest difficulty in terms of cash flow. Participant 1, who operated in a cash sensitive environment of clearing and forwarding, had difficulties but reviewed their cash flows weekly and were able to cope. This shows that organisations that operated in the most cash intensive business needed to review their cash flows most frequently. This respondent ascribes his ability to survive as a direct function of this frequency of review and adjustments of the plan. Respondents 3 and 4, operate in the logistics industry where the average payment term is 30 days from statement. These participants are aware of their payment commitments 30 days in advance as opposed to the clearing agent whose average payment could change from 2 weeks to 1 week.

This shows a relationship between the frequency of the cash flow budget period and the sensitivity to the cash flow within the industry. The more sensitive and intensive the cash flow is within the business, the more frequent one needs to review the budget.

4.3 Theme 3: The positive impact of working capital management on debtor's days

Debt management (both creditors and debtors) underpins the efficiency of cash flows. The researcher set out to understand the impact of formal processes around the management of debt and the cash flows of SMEs.

Participant 1:	*"The current account [debt collection period], our standard for that is 15 days after the due date because we understand clients collect money from other people. "*

This respondent built in a 15-day safety period into the cash flow budget. This gives the company flexibility in dealing with short term cash flow imbalances. This highlights the importance of formal working capital management and its impact on the cash flow cycles of the business.

Participant 2:	*"In theory, the debt collection period is 60 days depending on when they get their statement."*

This respondent is careful to manage communications so that customers are always aware of their debt commitments. This formal process realises a collection of approximately 85% of all their outstanding debt within 60 days from invoice. This respondent has built the 60-day payment cycle and the 15% shortfall into their budgeting process. This means that the respondent is planning to short collect by 15% on average and expects that this shortfall can extend to 35% at some stages. Building these shortfalls into the plan means that the business is able to cope with the non-payment of a debtor's account, this is an example of the impact of careful debt management on the cash flow of the business.

All respondents have formal processes for the monitoring and collection of debtor's accounts. In one instance the business caters for shortfalls by using a 15-day extended period in their budgeting and in the other instance the business caters for shortfalls by budgeting a collection of only 85% of outstanding debt. This shows that careful management of debtors and cash flow budgets provide the business with the necessary tools to cope with shortfalls.

4.4 Theme 4: Sources of funding preferences: Internal funding > External funding

This theme sets out to identify the hierarchy that SME owners use when financing their business's operations and development. This is based on Myer and Maljuf's (1984) Pecking Order Theory, which states that the preferred order is internal funding (retained income), followed by debt funding and equity financing (Tarver, 2020).

Participant 1:	*"Directors have to put in their personal monies into the business for a temporary period. […] we literally revolve on our overdraft and whatever cash inflows."*

This respondent also monitored cash flow budgets on a weekly basis. This response suggests that the participant uses external sources of funding before internal sources, this may be a result of the very frequent changes in the cash flow cycle and internal funding is reserved for a very quick turnaround on funding requirements. This participant uses external funding as part of their business model and reverts to internal funding to cover shortfalls within this model.

Participant 2:	*"It is normally self-funding within the business."*

This suggests that the business uses retained income as a primary source of funding and reverts to overdraft facilities if required.

Participant 3:	*"In-house funding"*

This respondent also operates other businesses and uses retained income from various entities within the group to support cash flow as required. This is not strictly internal funding, but a use of the owner's equity from associated companies as a source of funding.

Participant 4:	*"I have not withdrawn my dividends. I have kept the money as cash flow to use within the company"*

This participant uses internal funding to cope with cash flow deficits.

In summary three participants use internal funding to cater for cash flow deficits. One participant uses their overdraft facility before internal funds however, this can be explained by the fact that their overdraft facility is considered a normal component of their working capital and often have to use personal funds as well. These findings support Myers and Maljuf's (1984) Pecking order theory, where managers will select internal sources of funding before external sources of funding.

4.2 Trustworthiness

4.2.1 Credibility

After the initial research and questions have been answered, there was a short secondary interaction with the participant to share the participants' and researcher's views of the research and to determine participants' views on corrections of the research. The researcher ensured detailed observations regarding the facts of each participant, in the hopes of providing an objective description of the phenomenon of cash management in SMEs (Creswell, et al., 2020).

4.2.2 Transferability

Considering that the sample size of this study was small and localised, it is unlikely that the data collected can be generalised. Care was therefore taken to present data in a manner that allows it to be transferable. The intention was to provide the phenomena observed as a possible perspective, to allow readers the opportunity to compare this with their own set of phenomena and 'reality'. One method was to provide thick descriptions and a full and purposeful context so that the reader may understand the context of this qualitative response and extrapolate relevant information as required (Creswell, et al., 2020).

4.2.3 Dependability

Dependability is an extension of the demonstration of credibility. Therefore, the researcher ensured a detailed journal of the thought processes undertaken during the data collection process. This data collection process closely followed the details of the research design. The memos were referred to during the data analysis process to further strengthen the argument being presented and to increase the dependability of the findings (Creswell, et al., 2020).

4.2.4 Confirmability

Confirmability is described by Lincoln and Guba (1985) as a degree of neutrality and the extent to which the study is shaped by researcher bias (motivation or interest). In this study, the researcher reduced this bias by limiting the amount of time spent with the participant prior to the interview being conducted. Care was also taken to spend the same amount of time with each participant to ensure that the relationship bias was neutralised. A record of the interaction with each participant was maintained. Strategies of confirmability include triangulation, therefore, before each interview, the researcher documented their predisposition to ensure responses were not clouded by the participant (Creswell, et al., 2020).

5. Conclusion

The aim of this study was to determine the impact of cash flow management on the sustainability of SMEs in Durban. This study used Myer and Maljuf's (1984) Pecking Order Theory to gain a deeper understanding of how SME owners/managers fund their businesses.

All the participants of this study had formal systems in place and did not have cash flow issues. This supports the positive view of such a relationship. Responses that demonstrated a negative relationship were not evident and could therefore not conclusively prove such a relationship. The respondents, however, showed that they were capable of managing cash flows during difficult conditions of the Covid 19 Pandemic as a direct result of their proactive planning around working capital and cash flow. This positive relationship suggests that the adoption of formal processes in the management of working capital and cash flow budgets, which are frequently reviewed, improves an organisation's ability to cope with difficult circumstances and potential negative cash flow crises, and thus improves the level of sustainability of these small businesses. This focus on financial management can drastically improve the life span of SMEs in Durban and thus have a significant positive impact on the economy.

5.1 Problem statement and research question addressed

The existing link between poor cash flow management and the failure of many SMEs is a clear problem within the South African context. This research was undertaken to evaluate the importance of financial management, specifically cash flow management, and its impact on the sustainability of SMEs. This is based on the fact that formal accounting management processes will lead to better planning and a more systematic and proactive management of the cash flow, hence improving the performance and sustainability of the organisation.

Cash flow management refers to the process of controlling the inflow and outflow of funds within an organisation. This process is aimed at securing a cash surplus by ensuring the inflow of cash is larger than the outflow of cash (Myeni, 2018). This process of cash management is particularly important in SMEs as it improves the firm's financial management and therefore promotes sustainability.

This data collected allowed the researcher to answer the primary research question which was, what kind of relationship exists between poor cash flow management and failed SMEs in Durban? A positive relationship exists between cash flow management and the sustainability of small and medium-sized businesses. This means that as the cash flow management of the business increases, so will the sustainability of the business. This is evident in the data of this research as all the respondents have attributed the ability to cope with difficult financial periods to proper accounting processes and cash management.

This data further allowed the researcher to answer the main objective of this study which was, to determine the relationship that exists between poor cash management and failed SMEs in Durban. The researcher was able to meet the objective of this study by using Myer and Maljuf's (1984) Pecking Order Theory, which provided a deeper understanding of the experiences of owners/managers of SMEs. The researcher understood that proper financial management and cash flow management results in an increased level of sustainability in small businesses as it allows them to be more prepared for complicated financial periods.

The collected data also answered the secondary questions and met the secondary objectives of this study. These questions were: what are the specific behaviours that result in poor cash management, as well as how do SMEs carry out effective cash flow forecasts and budgets? This analysis showed that low frequency of cash flow budgets result in poor cash management as businesses will not be able to manage unexpected and short-term changes to their cash flows. Therefore, the regular implementation of cash budgets and forecasts will allow SMEs to plan and manage normal cash flows more effectively and be more prepared for unexpected cash flow issues.

5.2 Anticipated contribution

This research will provide a deeper understanding of the relationship between poor cash flow practices and the sustainability of SMEs. This study will contribute qualitative insights to the existing body of knowledge related to cash management and associated practices within SMEs in Durban. The understanding of potential contributors to failure or factors that reduce sustainability may help SMEs improve their practice of financial management, which in turn could improve the level of sustainability of SMEs.

The information proposed by this study could be helpful to the owners of emerging or established organisations, as the success of any business is dependent on effective cash management and financial sustainability. This study aims to contribute additional information to this area of knowledge and fill the gap as there is limited literature surrounding the issue of cash management practices in small businesses (Ahmad, 2016).

5.3 Ethical considerations

5.3.1 Researcher

This research is low risk and was conducted in a manner to avoid any bias. The researcher avoided bias by spending limited time with participants before and after the interviews were conducted and attempted to spend the same amount of time with all participants. The researcher acted with integrity and ensured that the research was conducted in a manner that is consistent with professional standards as well as the IIE's Honours Ethics Checklist. Interviews were not conducted on pregnant women, children, victims of crime, or mentally impaired, and avoided sensitive topics.

To ensure that there was no misuse of information, all information obtained by these interviews were not shared with other parties and were only be used for the purpose of the study. To account for the issue of ethics regarding technology, the researcher ensured the protection and correct storing of information obtained from participants. The researcher achieved this by storing in and working with information from 'the cloud'. This allowed for 'data confidentiality' and 'data integrity' which means the data was stored in the correct manner and will only be able to be accessed by those authorised to do so (Creswell, et al., 2020). The researcher also ensured end to end encryption when working with the cloud, and back-ups when storing data to reduce accessibility and ensure security of the data. The researcher also took care in using strong passwords and ensured the security of the devices being used to work with and store the data.

5.3.2 Participant

The researcher ensured low-risk research, voluntary participation, written consent, and confidentiality regarding all research participants. Before consent was obtained, all participants were provided with a consent form which included information regarding the purpose of the research, what the participant would be asked to do, how long participation will take, a description of possible risks arising from participation, and what steps will be taken to minimise this. The researcher ensured that all participants were aware that they were participating in the study and being recorded and that they fully understood what the research was about. Participants were also made aware of their option to withdraw at any time.

The rights of all participants were protected, and consent was required from all participants before interviews were conducted and recorded. The researcher also ensured that the participants understood how their contributed information would be protected and stored. The researcher stored the information on the cloud which allowed for the participants' information to be kept secure and confidential (Creswell, et al., 2020).

No photographs were taken of the participants during these interviews. All participants were provided with a research explanatory information sheet and an informed consent form prior to the interview being conducted.

5.4 Limitations

a. The social distancing restrictions of the current Covid 19 pandemic prevents face to face interaction during interviews and does not allow the interviewer to develop any ideas of the business environment and structure, outside of responses from the participant. This limitation was overcome by asking questions that helped develop an understanding of the environment surrounding the entity. The pandemic and social distancing required that interviews be conducted on Zoom or similar digital platforms.

b. This qualitative study only interviewed 4 participants; this small sample prevents the data from being generalisable to the greater population. This small sample also limited the range of answers received and therefore some factors could not be mentioned, which in turn reduced the reliability and lowered the rate of accuracy of the data. However, this limitation was reduced by asking participants detailed questions or by asking participants to clarify points.

c. Entrepreneurs/ managers may be biased and in the process of trying to prove that their entrepreneurial decisions were correct, they may have provided responses that make their firm's circumstances look attractive rather than factual. To reduce this limitation the interview questions, encouraged responses to be factual. Therefore, instead of asking questions such as, do you have a cash flow budget? The researcher asked questions such as how often is the firm's cash flow budget updated? Or who manages the regular measurement of performance against the budget?

d. Considering that SMEs may not have professional financial managers, entrepreneurs may have a limited grasp of financial theory. This was managed by constructing questions with simple terms and by limiting the use of financial terms or abbreviations.

e. Geographical restrictions prevented the selection of SMEs of the same size and from within the same sector. This limitation was reduced by selecting SMEs of similar sizes and similar levels of operational activity.

5.5 Heuristic Value

The purpose of this qualitative study was to determine the importance of formal accounting systems and the impact of this on the sustainability of small and medium-sized businesses in Durban. Academic literature has identified the failure of small businesses as a result of poor financial management systems and practices. This research attempted to identify the potential points of failure of cash flow management specifically, within the broader context of financial management in small to medium-sized enterprises in Durban.

The researcher believes that creating a systematic focus on cash flow management, (cash flow budgets and forecasts), will ultimately yield an improvement in the sustainability of SMEs, as these organisations take a pro-active view on cash flow. The underlying Pecking Order Theory and management of resources within this context will also contribute to improved sustainability and chances of achieving strategic goals.

In the instance where similar research studies are conducted in the future, the researcher recommends using a mixed method approach that could also yield quantitative data sets as this could improve the acceptability of the collected data. Proven relationships between behaviour and outcomes can then yield a body of knowledge that could be used to formulate robust systematic cash flow management systems and practices. The researcher also recognised that the limited sample set and geographical spread could not provide the necessary data to create a generalised framework resulting from this work. Therefore, the researcher would recommend a wider sample set and more detailed interview questions in order to generate data around specific behaviour patterns related to cash flow management.

Financial management is a crucial component to the success of small and medium-sized businesses. This qualitative study used Myer and Maljuf's (1984) Pecking Order Theory to gain a deeper understanding on the relationship between poor cash management practices and the failure of SMEs. In this study, purposive sampling and semi-structured interviews were used to obtain the necessary data to answer the research question. This allowed the researcher to identify the importance of financial management on the sustainability of SMEs and the impact of this on the South African economy.

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Annexure A: PROPOSAL UPDATED CONCEPT DOCUMENT TABLE

TITLE: A cross sectional, qualitative study describing the impact of cash flow management on the sustainability of SMEs in Durban.

Research Purpose/ Objective	**Primary Research Question**	**Research Rationale**	**Seminal Authors/ Sources Literature**	**Literature Review – Conceptual Framework**	**Paradigm**	**Approach**	**Data Collection Method(s)**	**Ethics**	**Key Findings**	**Recommendations**
The purpose of this study is to describe the relationship between poor cash management practices and the failure of SMEs.	What kind of relationship exists between poor cash flow management and failed SMEs in Durban?	Poor cash management results in failed SMEs, therefore, a change in practices will allow sustainability.	Meyer and Maljuf (1984)	**Theme1:** Financial management and sustainability **Theme 2:** The impact of SMEs on the South African economy **Theme 3:** Sustainable management of liquidity **Theme 4:** Cash management practices of SMEs	Interpretivism Epistemology: The cash flow practices and challenges experienced by SMEs. Ontology: perception of cash management differs between banker and entrepreneur Metatheory: The Pecking order theory Methodology: semi-structured interviews Axiology: How do cash flow challenges affect the sustainability of SMEs.	Qualitative to understand cash flow practices of SMEs. **Population** SME owners/ managers in Durban.	Qualitative data collection method and semi-structured interviews.	**Researcher** Research will be low risk and will avoid bias. **Participant** Consent will be required from all participants.	SMEs need to implement proper cash management practices to cope with difficult financial periods and increase sustainability.	1. The researcher recommends using a mixed method approach rather than a qualitative approach. 2.The researcher recommends using a larger sample set to allow the results to be generalisable to the greater population.
Research Problem	**Objectives**	**Key Concepts**	**Key Theories**			**Sampling**	**Data Analysis Method(s)**	**Limitations**	**Key Contributions**	
Failed SMEs contribute to S. A's inability to grow sustainably. SMEs have expressed cash flow concerns. This shows a link between SME failure and poor cash management.	1.To investigate what behaviours result in poor cash management. 2.To determine how SMEs carry out effective cash budgets.	1.Smes 2.Cash flow 3.Cash flow budgets 4.Cash flow forecasts 5.working capital 6. Debt ratio 7. Cost of capital 8. Equity	Myer and Maljuf's (1984) Pecking Order Theory			**Probability or non-probability** Non-probability sampling **Method** Purposive sampling **Size** 4 SME owners/ managers	Qualitative data analysis. **Unit of analysis:** 4 individuals. The data was recorded, transcribed and coded.	1.Bias of participants. 2. Academic ability of participant in terms of financial management 3.Covid 19 limits face to face interaction.	Provided a deeper understanding of the effect of poor cash practices on the sustainability of SMEs, which may help SMEs improve their financial management.	

Annexure B:

EXPLANATORY INFORMATION SHEET

EXPLANATORY INFORMATION SHEET

To whom it may concern,

My name is Vidya Dharshini Naicker and I am a student at IIE Varsity College, Westville campus. I am currently conducting research under the supervision of Kathryn Young about the impact of cash management practices on the sustainability of SMEs. **I hope that this research will enhance our understanding of the relationship that exists between cash management practices and SME failure as well as improve our understanding of the field of financial management.**

I would like to invite you to participate in my study. In order to explain to you what your participation in my study will involve, I have formulated questions that I will try to fully answer so that you can make an informed decision about whether or not to participate. If you have any additional questions that you feel are not addressed or explained in this information sheet, please do not hesitate to ask me for more information. Once you have read and understood all the information contained in this sheet and are willing to participate, please complete and sign the consent form below.

What will I be doing if I participate in your study?

I would like to invite you to participate in this research because I found that your company could provide valuable insights into organisations of your size. If you decide to participate in this research, I would like to ask you a series of questions related to the financial management of your organisation.

You can decide whether or not to participate in this research. If you decide to participate, you can choose to withdraw at any time or to decide not to answer particular interview questions.

Are there any risks/ or discomforts involved in participating in this study?

Whether or not you decide to participate in this research, there will be no negative impact on you. There are no direct risks or benefits to you if you participate in this study. You might, however, indirectly find that it is helpful to talk about your cash management practices and challenges. If you find at any stage that you are not comfortable with the line of questioning, you may withdraw or refrain from participating.

Do I have to participate in the study?

- Your inclusion in this study is completely voluntary;
- If you do not wish to participate in this study, you have every right not to do so.
- Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.

Will my identity be protected?

I promise to protect your identity. I will not use your name in any research summaries to come out of this research and I will also make sure that any other details are disguised so that nobody will be able to identify you. I would like to ask your permission to record the interviews, but only my supervisor, I and possibly a professional transcriber (who will sign a confidentiality agreement) will have access to these recordings. Nobody else, including anybody at The IIE Varsity College, will have access to your interview information. I would like to use quotes when I discuss the findings of the research, but I will not use any recognisable information in these quotes that can be linked to you.

What will happen to the information that participants provide?

Once I have finished all interviews, I will write summaries to be included in my research report, which is a requirement to complete my Bachelor of Commerce Honours. You may ask me to send you a summary of the research if you are interested in the final outcome of the study.

What happens if I have more questions about the study?

Please feel free to contact me or my supervisor should you have any questions or concerns about this research, or if there is anything you need to know before you decide whether or not to participate.

You should not agree to participate unless you are completely comfortable with the procedures followed.

My contact details are as follows:
Vidya Naicker
[redacted]

The contact details of my supervisor are as follows:
Kathryn young
[redacted]

Annexure C:

CONSENT FORM

Consent form for participants	
I, _______________________________________, agree to participate in the research conducted by Vidya Dharshini Naicker about the importance of cash flow management practices on the sustainability of SMES in Durban. This research has been explained to me and I understand what participation in this research will involve. I understand that: • I agree to be interviewed for this research. • My confidentiality will be ensured. My name and personal details will be kept private. • My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research. • I may choose not to answer any of the questions that are asked during the research interview. • I may be quoted directly when the research is published, but my identity will be protected.	
Signature	**Date**

Annexure D:

CONSENT FORM FOR AUDIO OR VIDEO RECORDING

Consent form for participants	
I, ____, agree to allow Vidya Dharshini Naicker to audio record my interviews as part of the research about the impact of cash flow management practices on the sustainability of SMES in Durban. This research has been explained to me and I understand what participation in this research will involve. I understand that: • My confidentiality will be ensured. My name and personal details will be kept private. • The recordings will be stored in a password-protected file on the researcher's computer. • Only the researcher, the researcher's supervisor and possibly a transcriber (who will sign a confidentiality agreement) will have access to these recordings.	
Signature	**Date**

HONOURS ETHICAL CLEARANCE LETTER

THE INDEPENDENT INSTITUTE OF EDUCATION

18 August 2020

Student name: Vidya Naicker
Student number: 17599727
Campus: Varsity College, Westville

Re: Approval of Bachelor of Commerce Honours in Management Proposal and Ethics Clearance

HONOURS ETHICAL CLEARANCE LETTER

Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.

Your research proposal posed no significant ethical concerns and your supporting documents and instruments are in order to proceed. We hereby provide you with permission to proceed with your research.

In the event of you deciding to change your research methodology in any way, kindly consult your supervisor to ensure all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued.

GENERAL CONDITIONS TO BE FULFILLED IN RELATION TO RESEARCH

Permission is granted to proceed with the above study subject to the conditions listed below being met and may be withdrawn should any of these conditions be flouted.

Please note: The panel has not considered the merits, accuracy or ethical soundness of the research. The only merits examined are the use of The IIE as a sample.

Permission is granted subject to the following conditions:

1. The researcher(s) will need to obtain informed consent in writing from all of the participants in his/her sample if the study is not anonymous.
2. The researcher(s) may only use the data collected for research purposes and in no other way.
3. Photographs of human subjects may only be taken if relevant to the research, informed consent was obtained, and even with informed consent, the photographs may not be published on any online platforms.
4. The researcher is responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.

[redacted]

5. No names or identifying information of participants may be used within the research and the research must be voluntary.
6. Please make it clear that the information will not be used punitively in any way and participants may in no way be counselled/advised based on this.

Supervisor:

Kathryn Young

[redacted]

Campus Postgraduate Coordinator (CPC):

Mr Siva Moodley

[redacted]

Annexure F: Interview Questions

1. Can you describe the qualification or experience of the bookkeeper?
2. What was the original start-up capital for the business?
3. Can you describe the organisation's documented plan to manage working capital?
4. Can you describe the organisation's debt collection procedures?
5. How often is a surplus of debt experienced?
6. How will you manage debt that is in excess of the forecast?
7. How often do you review a cash flow budget?
8. How do you manage variations from planned cash flows?
9. Can you describe the source of funding for working capital?
10. Can you describe the sources of new equity or cash flows?
11. Describe how the organisations plans to grow will be funded.