

Cash management practices and business performance of Ready-To-Wear (RTW) shops in Magsaysay and San Jose, Occidental Mindoro

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Abstract

This study investigated the extent of cash management practices and the level of business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro as well as the relationships between the two variables. A descriptive correlational research design was used in this study. The researchers surveyed 15 employees out of the 28 total population, because the other employees were unavailable and had busy schedules, however, the researchers did their best to gather the needed data. Primary data was utilized using self-constructed surveyed questionnaires using a 5-point Likert scale. To understand the extent and the level of two variables weighted mean was implied and to determine the relationship spearman-rho was utilized. Based on the findings of this study, the extent of cash management practices of RTW shops in Magsaysay and San Jose, Occidental Mindoro is very high. This means that RTW shops in the area practice good cash management. Secondly, the level of business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro is high (4.42). This indicates that RTW shops in the area are thriving and earning. Lastly, the correlation coefficient is (.785) and the relationship is statistically significant since the p-value of (.001) is less than (.05). It implies that cash management contributed to the business performance of RTW shops. It is recommended that the RTW shop owners/representatives may continue to improve their cash management practices, minimize expenses, and match the timing of receipts from accounts receivables and payments of accounts payable.

Keywords: cash management practices, business performance, Ready-To-Wear (RTW) shops, descriptive correlational research, Occidental Mindoro

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1. Introduction

Several millennia passed, and people lived in complete nudity without any guilt or shyness, without ever thinking of donning clothes. Subsequently, it was discovered that individuals might wrap themselves in an animal's fur to feel significantly warmer. Essentially, this was the beginning of clothing as we know it today. According to Griebel (2021) wearing fabric clothes began from 100,000 to 500,000 years ago. A lot has transpired since then, and humans no longer wear garments just to be warm. As previously stated, the primary function of clothes was to keep people warm and shield them from the environmental elements. As time passed, clothes began to serve additional functions over time, including rank, gender, and eventually wealth symbol. Not only may clothing serve as a shield during trying times, but it also conveys our identity to the outside world. Whether we like it or not, how we look and what we wear matters when it comes to how others perceive us.

As a result, many entrepreneurs try their luck in selling ready-to-wear (RTW) garments. Thus, NEW & LINGWOOD (n.d.), explained that ready-to-wear is the term used for clothing that is pre-manufactured to standard sizes and sold in finished condition. You just have to buy and put it on without any alterations. In San Jose Occidental Mindoro numerous companies are selling RTW's with a different brand and in Magsaysay, Occidental Mindoro there are also few physical stores selling clothes. However, in recent years the combined effects of inflation and high interest rates have caused a deteriorating effect on businesses including ready-to-wear shops, in such circumstances cash management practices become an increasingly important and complex subject. Like any other business, the right line of business also encounters struggles when it comes to cash flow management. The term cash management refers to the day-to-day administration of managing cash inflows and outflows (Kenton et al., 2023). In essence, effectively managing cash inflows and outflows can meet the business's financial obligations, make plans for future payments, and maintain sufficient financial stability to support its ongoing operations, expansion, and growth. The sale of company assets and cash from operating activities are two major sources of cash inflow. On the other hand, paying off debts and buying inventory are two examples of sources of cash outflows. The purpose of the study is to investigate the relationship between cash management practices and business performance of the RTW shops in Magsaysay and San Jose, Occidental Mindoro. More specifically, the practices that are being performed and practices that are challenging for them to perform. A possible solution would be to enhance their cash management knowledge so that these businesses could be more competent in managing their cash and decision making which will enhance the performance of the business.

1.1 Research Objectives

This study aimed to determine the relationship between cash management practices and the business performance of ready-to-wear (RTW) shops in Magsaysay and San Jose, Occidental Mindoro. The following specific objectives were addressed in this study: (1) To determine the extent of cash management practices of ready-to-wear shops in terms of cash collection, cash disbursement; and cash deposit. (2) To determine the level of business performance of ready-to-wear shops in terms of profitability; expansion; and customer relations. (3) To determine if there is a significant relationship between cash management practices and the business performance of ready-to-wear shops in Magsaysay and San Jose, Occidental Mindoro.

1.2 Significance of the Study

This study gives importance to the following beneficiaries: RTW shop owners, will receive cash management advice to enhance their entrepreneurial capabilities. Further, improve their existing cash

management knowledge that may help them establish a great competitive advantage over their competitors. To the teachers, this study will contribute to the understanding of issues about managing cash flow in businesses that may be used in residential facilities for their students. To aspiring entrepreneurs, this will give them a head start on the difficulties they might face in cash management practices and how to handle them. This will provide them with a competitive edge and make it easier for them to navigate the market. To the community, this research also aims to offer suggestions to interested parties regarding the most effective ways to manage cash. And lastly, to future researchers, this research will serve as their reference in this field of study.

1.3 Scope and Delimitation of the Study

This case study is limited to the RTW line of business in Magsaysay and San Jose, Occidental Mindoro area. This study addresses cash management practices used by RTW shop owners to tackle business performance problems. The researchers put all their efforts into finishing this study despite limitations on the amount of time available. In addition, other factors that hindered the completion of the study were the few respondents who were not willing to participate in the study.

2. Methodology

Research Design - A descriptive correlation study was used by the researchers to undertake this research to describe the association between variables. This research investigates on the extent of cash management, and the level of business performance of the ready-to-wear shops in Magsaysay and San Jose, Occidental Mindoro.

Respondents of the Study - The respondents were randomly selected from small RTW shops with 3 to 5 employees excluding the owner of the business. The total population is twenty-eight (28) RTW shops, eight (8) from Magsaysay, and the other twenty (20) came from San Jose, Occidental Mindoro. However, only fifteen (15) respondents were covered by the researchers, and they were selected at random to act as a representative sample of the total population.

Research Instrument - The researcher used a self-constructed survey questionnaire to gather data for the study. The questionnaire was checked and validated by the research professor and the instrument was tabled ranged; from strongly agree, agree, disagree, and strongly disagree. The survey questionnaire is divided into two parts. The first part includes items about cash management information of the business and the second part is all about the business performance based on the ready-to-wear shops.

Data Gathering Procedure - The researchers planned and constructed a set of questionnaires to determine the relationship between cash management and the business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro. After making the questionnaires, the researchers consulted their adviser as well as the expert to critique and evaluate the set of prepared survey questionnaires used in gathering data. Right after the questionnaires were approved, the researchers started conducting the survey. The respondents were informed about the aim of the study. The researchers were also available during the completion of the questionnaire to assist with any difficulties or if further explanations were needed. The various data gathered were combined, categorized, analyzed statistically, and interpreted using the most appropriate tools to determine the relationship of the cash management practices and the business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro.

Statistical Treatment of the Data - In this study, weighted mean analysis was used to determine the extent of cash management practices and the level of business performance of RTW shops, moreover, Spearman Rho was used to determine the association between variables.

3. Results and Discussions

Table 1 shows that the extent of cash management practices of RTW shops in Magsaysay and San Jose,

Occidental Mindoro is very high (4.60), in terms of cash collection (4.63), cash disbursement (4.71) the highest mean among other indicators, and cash deposit (4.44). The item with the highest mean in cash collection is “The owner/representative accomplished cash collection slip at the end of the day” (4.80), it shows that RTW shops are watchful when it comes to their cash collection.

Table 1

Mean Extent of Cash Management Practices of Ready-to-Wear (RTW) Shops

Indicators	Weighted Mean	Verbal Description
Cash Collection		
The owner/representative accomplished the cash collection slip at the end of the day.	4.80	Very High
The owner/representative acknowledged all cash collections with pre-numbered official receipts.	4.47	High
The owner/representative used the point of sale for cash collection.	4.47	High
The owner/representative counts cash with the clerk.	4.73	Very High
The owner/representative finds cause for any cash overage/shortages.	4.67	Very High
Overall	4.63	Very High
Cash Disbursement		
The owner/representative do cash payments based on corresponding vouchers.	4.60	Very High
The owner/representative do cash vouchers with corresponding required documents.	4.87	Very High
The owner/representative required authorization if direct payment to payee is not possible.	4.60	Very High
The owner/representative records all cash payments in the proper financial records.	4.80	Very High
The owner/representative properly utilized budget for cash payment.	4.67	Very High
Overall	4.71	Very High
Cash Deposit		
The owner/representative opens bank account for the business.	4.53	Very High
The owner/representative deposit collections to the bank not later than the following day.	4.33	High
The owner/representative authorized designated personnel in depositing cash.	4.20	High
The owner/representative deposits all collections in the bank.	4.67	High
The owner/representative does bank reconciliation monthly.	4.47	High
Overall	4.44	High
Cash Management Practices General Weighted Mean		
	4.60	Very High

Scale: 1-1.50 Very Low 1.51-2.50 Low 2.51-3.50 Moderate 3.51-4.50 High 4.51-5.00 Very High

Enright (2021) noted that the cash received must be reconciled to the cash register or to the pre-numbered receipts at the end of the day or at the end of the shift. It is necessary to complete the entire needed document after receiving any cash to monitor the everyday inflow of cash and measure if how much money entered in the business within the day. In cash deposit the item with the highest mean is “The owner/representative deposits all cash collection in the bank” (4.67). The findings of the study are supported by Allen (2020) and said that cash is seen as the lifeblood of every business organization, so cash must always be secured. It refers to all businesses including RTW shops, it implies that RTW business in Magsaysay and San Jose, Occidental Mindoro stored their cash in a safe and secured place like a bank until it is withdrawn for future use. In addition, the item with the highest mean in cash disbursement is “The owner/representative do cash vouchers with corresponding required documents” (4.87) which is similar to Accounting Corner (n.d.) that defines the cash voucher as the document that serves as evidence of a financial transaction involving cash payments or receipts. These vouchers are countersigned by an authorized signatory. The moment it is signed, it is entered into the books of accounts. A cash payment voucher needs to be filled out first with the needed information such as the date, the amount, whether is it cash or check, pay to whom, etc. with the complete signature. This document is prepared to keep a record of various cash payments relating to business. This result shows that RTW shops in Magsaysay and San Jose, Occidental Mindoro are conscious when it comes to their cash outflow

Table 2 shows that the level of business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro is high (4.42), in terms of profitability (4.31), expansion (4.36), and in customer relations is (4.59) the highest mean among other indicators. The item with the highest mean in profitability is “The owner/representative lessens expenses” (4.60). When it comes to individuals, minimizing expenses can lead to big savings over time, so it goes to the business; cost reduction causes a definite increase in profit. According to Smith (2021), an increase in any type of business expense lowers profit. Your total sales or the quantity of cash

you have in your bank is not the actual profit you gain from your business. You can only calculate the profit after subtracting all the expenses (Profit = sales – expenses). This study reveals that labor costs and other expenses of the RTW shops in Magsaysay and San Jose, Occidental Mindoro are minimized so it leads to maximized profitability. In terms of expansion, the item with the highest mean is “The owner/representative gradually increases the number of products that we sell” (4.67). It shows that RTW shops in Magsaysay and San Jose, Occidental Mindoro are positive when it comes to their sales.

The findings are supported by a previous study by Suttle (2023) reveals that an increase in the volume of product sales inevitably leads to greater profits. An increase in sales has relevant benefits such as maximizing the owner’s income, good CSR if they have any, or benefits for their employees. Most importantly it will lead to the diversification of products or services they are selling and if more fortunate it will open the door of expansion or establishing new branches in other places. In customer relations, the item with the highest mean is “The owner/representative addressed immediately the concerns of our customers” (4.93). It indicates that RTW shops in Magsaysay and San Jose, Occidental Mindoro value and build good relationships with their clients. The findings agreed by Silva (2020) that customers are the backbone of your business; other researchers like Walker (2023) found it as a real fact. The best way to ensure success is through your customers. You can’t build and prosper as a firm without them. Aside from having skillful management/employees to run the business, having huge and repeat customers is a big help and one of the most important subjects for a successful business.

Table 2

Mean Level of Business Performance of Ready-to-Wear (RTW) Shops

Indicators	WM	Description
Profitability		
The owner/representative set a profit target at the end of the year.	4.13	High
The owner/representative sets sales targets for the employees.	4.47	High
The owner/representative lessens expenses.	4.60	Very High
The owner/representative compared performance with that of the previous year and any variance is explained.	4.33	High
The owner/representative makes sure that the salary of the employees is comparable with those of other establishments.	4.00	High
Overall	4.31	High
Expansion		
The owner/representative gradually increases the quantity of products that we sell.	4.67	High
The owner/representative gradually increases the variety of products that we offer.	4.60	High
The owner/representative considered opening branches/outlets in other areas.	4.00	High
The owner/representative saved a portion of the profit for business expansion.	4.20	High
The owner/representative makes other efforts for business expansion.	4.33	High
Overall	4.36	High
Customer Relations		
The owner/representative gives a discount to the regular customers.	4.60	Very High
The owner/representative addressed immediately the concerns of our customers.	4.93	Very High
The owner/representative gives priority service to our regular customers.	4.40	High
The owner/representative gathered and considered feedback from customers.	4.60	Very High
The owner/representative replaces defective products.	4.40	High
Overall	4.59	Very High
Business Performance of the RTW Shops Overall Weighted Mean	4.22	High

Scale: 1-1.50 Very Low 1.51-2.50 Low 2.51-3.50 Moderate 3.51-4.50 High 4.51-5.00 Very High

Table 3 indicates that there is a strong significant relationship between the cash management practices and business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro. The correlation coefficient is (.785) and the relationship is statistically significant since the p-value of (.001) is less than (.05). It is in line with the study of Houston (2023) that proper cash flow management can significantly impact your business’s growth and profitability. By ensuring positive cash flow, you can avoid the risk of running out of money and improve your chances of success. Cash management practices are an increasing trend in the RTW shops due to the benefits associated with it. The result shows that to attain an excellent business performance it is required to pay attention to the cash management of the enterprise.

Table 3*Correlation between Cash Management Practices and Business Performance of the RTW Shops*

Problems Encountered	Level of Performance	Correlation Coefficient	p-value (Sig)	Interpretation
Cash Collection	Profitability	.795	.000	High Significant
	Expansion	.776	.001	Significant
	Customer Relations	.630	.012	Significant
Cash Disbursement	Profitability	.185	.277	Not Significant
	Expansion	.300	.799	Not Significant
	Customer Relations	.072	.001	Significant
Cash Management	RTW Shops Business Performance	.785	.001	Significant

**Significant at $p < 0.05$

4. Conclusions

Based on the study the following conclusions are drawn; The extent of cash management practices of RTW shops in Magsaysay and San Jose, Occidental Mindoro is “very high” which means that RTW shops in the area practice good cash management. The level of business performance of RTW shops in Magsaysay and San Jose, Occidental Mindoro is “high” which means that RTW shops in the area are thriving and earning. The extent of cash management practices has a significant relationship to the level of business performance of the RTW shops which means that cash management contributed to the business performance of RTW shops.

4.1 Recommendations

On account of the conclusions, the following are recommended. The Local Government Unit (LGU) or other concerned government agencies like the Department of Trade and Industry (DTI) may conduct more seminars and training for the owners of RTW shops or other businesses regarding the importance and strategies in managing cash effectively. The RTW shop owners/representatives should continue to improve their cash management practices, minimize expenses, and match the timing of receipts from accounts receivable and payments of accounts payable. This would minimize the need for short-term borrowing and the associated interest payments thereby improving business performance. The RTW shop owners should conduct free training for their financial work-related employees on how to improve their knowledge about the proper recording of every financial and other related transaction so that an undisputed audit trail exists. This will improve accountability and ensure that cash is safe, not idle, and available when needed.

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