Journal of Accounting Research & Audit Practice

Volume No. 12

Issue No. 3

September - December 2024

ENRICHED PUBLICATIONS PVT.LTD

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Journal of Accounting Research & Audit Practice

Aims and Scope

The Journal of Accounting Research & Audit Practice is a peer reviewed academic journal. The main focus of our journal is to encourage research from areas of social and environmental critique, exploration and innovation as well as from more traditional areas of accounting, finance, financial planning and banking research. The Journal of Accounting covers a wide variety of topics including:

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Journal of Accounting Research & Audit Practice

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(Volume No. 12, Issue No. 3, September - December 2024)

Contents

Relationship Between Cash Management Practices and Performance of Agency Banking Firms: A Case of Commercial Bank Agency Firms in Imenti-south Sub-county, Kenya.

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A B S T R A C T

Agency banking was introduced in Kenya in May 2010 and by the year 2013; thirteen banks out of 43 had embraced the innovation. The innovation was intended to assist in financial inclusion and reduction of congestion in banks. Agency banking has faced several challenges such as the network failure, insufficient float and insecurity issues. Despite efforts by banks to put in place measures to ensure smooth running of the agency firms most agency firms are still not able to handle large cash transactions due to inability of banking agents to maintain sufficient float. This study therefore sought to determine the relationship between cash management practices and performance of commercial bank agency firms in Imenti-South sub-county. The objectives of the study were to establish the relationship between cash planning, cash control and performance of agency banking firms. A descriptive research design was adopted. The target population was 100 banking agents of Equity, Cooperative and Kenya Commercial Bank in Imenti-South Sub-County. A Sampling model was used to get a sample size of 80 banking agents and stratified random sampling technique was used to select subjects to form the sample. Primary data was collected using questionnaire with both open and closed ended questions. The questionnaire was pretested to enhance the validity and reliability. Split half technique was used to assess the reliability of the research instrument. A reliability coefficient of 0.84 was obtained which indicated a high degree of reliability. Data analysis was facilitated by Statistical Package for Social Sciences version 21.0. Descriptive statistics such as frequencies and percentages were used in data analysis. Hypotheses were tested using chi-square test at 5% significance level. The analysis of the results revealed that cash planning, cash control and service diversification had significant relationship on performance of agency banking firms (p-value <0.05). The findings of the study would be useful to banking agents in designing effective cash management system for sustainable bank agency business operations. This would in turn enhance provision of banking services to the unbanked population, thus improving economic growth of the financial sector.

Keywords: Agency Banking, Bank, Cash management, Finance, Performance.

ABBREVIATIONS AND ACRONYMS

ACH :Automated Clearing House

ARC :Account Receivable Conversion

ATM: Automatic Teller Machine CBA : Commercial Bank Agents CBK :Central Bank of Kenya

CGAP: Certified Government Auditing Professional

EFInA : Enhancing Financial Innovation and Access

GAFIS : Gateway Financial Innovations for Savings KCB : Kenya commercial Bank

NACOSTI : National Commission for Science, Technology and Innovation

RDC : Remote Deposit Capture

SACCOs : Savings and Credit Cooperative Societies

SPSS : Statistical Package for Social Sciences

USA : United States of America

1. INTRODUCTION

1.1 Background of Study

Cash management involves the efficient collection, disbursement and investment of cash while it resides in the firm. Cash management includes management of marketable securities too; in modern terminology money comprises marketable securities and actual cash in hand or in a bank (Khatik&Rashmi, 2009). According to Ranson (2005), cash management is a set of guidelines established by a firm to ensure that it has optimal cash balance at any time. Bort (2004) asserts that cash is the lifeblood of the business. The key to successful cash management lies in proper cash planning, monitoring collections and disbursements, adhering to budgetary parameters and ensuring proper cash control.

Proper cash management practices are vital for the success of any business. In times of economic difficulty, it is even more important to ensure the inflow and outflow of money is carefully and wisely managed. Cash management helps the business people to safeguard financial situation by preventing losses and maximizing the earning potential of every shilling. Businesses need to ensure that they have sufficient levels of cash in hand in order to ensure they meet day-to-day expenses and also be able to take advantage of the available market opportunities (Pandey, 2010). This is possible if they can practice proper cash planning and cash control. This would also help the business to pay its debts as they fall due. However, the business should not hold too much cash since this is an idle asset which could be better invested and generate profit for the business. Most businesses want to keep a minimal amount of cash in hand. Firstly, according to Pandey (2010) firms hold cash to conduct their businesses in the ordinary course, that is, to make payments for purchases, wages and salaries, other operating expenses, taxes and dividends. Secondly, to meet contingencies in the future, that is, providing a cushion or buffer to withstand some unexpected emergency. Thirdly, for investment in profit-making opportunities whenever they arise. 2

The faster a firm collects its receivables the more time it has to pay its own bills (Block &Hirt, 2005). When cash is received in exchange for products or services rendered, many small business owners spend most or all of these funds on growing their business and tamping down debt. But while such priorities are commendable, they should leave room for businesses to absorb lean financial times down the line.

According to Central Bank of Kenya Annual Report (2010) an agent is an entity that has been contracted by an institution and approved by the central bank to provide the services of the institution. A banking agent therefore is an entity that has been contracted by the bank to provide financial services on its behalf. Banking agents can be pharmacies, supermarkets, savings and credit cooperation (SACCOs), lottery outlets, post offices, petrol stations and many more (Kumar et al., 2006). Agency banking was first established in Brazil and Colombia with the aim of providing financial services to low-income households who are not reached by traditional bank networks especially those living in remote and rural areas (CGAP, 2010a). Brazil has the largest agent network in the world. Kenya has experience with both bank based and non-bank based agent banking models. Parliament gave approval for banking legislation to be amended to enable the use of agents in June 2009, and the regulations for agent banking were published by the central bank of Kenya in May 2010 (CBK Report, 2010). Since the introduction of agency banking in Kenya in May, 2010 the number of agents has grown from 8,809 in 2010 to 21,816 in 2013 (CBK Report, 2013).

The banking agents can provide a wide range of financial services such as cash deposit and cash withdrawal, cash repayment of loans, cash payment of bills, cash payment of retirement and social benefits, cash payment of salaries, transfer of funds, balance enquiry, generation and issuance of mini bank statements, collection of documents in relation to account opening, loan application and agent mobile phone banking services. Though the bank agents can provide such a wide range of financial services, they are most often used as cash-in/cash-out points where customers may deposit funds into their account and redeem electronic value for cash (Tarazi& Paul, 2011). According to a survey carried out by Kenya Bankers Association (KBA, 2012), 40.9% of agents' operations are cash deposits while 36% are cash withdrawals 3

The survey also revealed that customers are requesting for additional of services including ATM cards, recommendations for loans and advice on various bank products on offer. This therefore makes service diversification very important for the banking agents to serve their customers effectively.

Agency banking has faced several challenges since its adoption in various countries. According to

(CGAP, 2010 h), in India it is difficult to break even as an agent due to low cash transaction limits which prevent agents from facilitating more profitable transactions. It also takes a long time to increase average account balances and encourage users to transact more frequently. In Brazil, moving and protecting cash is costly, risky and time consuming (CGAP, 2010 b). Also in Brazil, most agents specialize in receiving bill payments, which account for approximately 75% of all agency transactions. Withdrawals and deposits account for 12.6% and are nearly equally divided into savings and current accounts. Only 0.16% of transactions are account opening and 7.3% are government transfers (CGAP, 2010 C). Atandi (2013), studied challenges of agent banking experiences in Kenya, in Pokot County and pointed out the following challenges: Lack of mobile network services, insufficient float, insufficient capital and issues of insecurity. According to a study done by (Ndung'u&Njeru, 2014) on assessment of factors influencing adoption of agency banking in Kenya, agents far from the bank branches had difficulties replenishing their float and those with adequate float had difficulties in balancing their cash at hand and the cash at bank.

According to Pandey (2010) the aim of cash management is to maintain adequate control over cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way. A banking agent needs to be sufficiently liquid in terms of available cash-at-hand and sufficient e-float in order to provide as many daily transactions as possible. This is only feasible if the bank agents effectively manage their cash.

1.2 Statement of the Problem

Agency banking was introduced to enhance financial inclusion among people and as a branch de-congestion strategy. Since its introduction in Kenya in May, 2010 the 4 number of agents has grown from 8,809 in 2010 to 21,816 in 2013 (CBK Report, 2013). The innovation was intended to offer full range of banking services such as account opening, fund transfer, loan repayments, cash deposits and withdrawals, bill payment, tax payments and enquiry handling to banks' customers at the comfort of their neighbourhood. However, according to a survey done by (EFInA, 2011) on evaluation of agent banking models in different countries, bank agents in Kenya provide mainly cash deposit and cash withdrawal services. The survey also found out that the agents had problems keeping sufficient floats to sustain business continuity. Measures taken by commercial banks to ensure smooth running of agency firms include; vetting of agents, training and re-training of agents, monitoring their operations and encouraging them to take insurance cover of their businesses. Despite these measures, the banking agents are still not able to maintain sufficient float. This therefore raises the question as to how the agents manage their cash.

1.3 General Objective

The study sought to achieve the following objectives:

i. The overall objective of the study was to determine the effect of cash management practices on performance of agency banking firms.

ii. To establish the relationship between cash-planning and performance of agency banking firms.

iii. To determine the relationship between cash control and performance of agency banking firms.

1.4 Hypotheses

H01: There is no significant relationship between cash planning and performance of agency banking firms.

H02: There is no significant relationship between cash control and performance of agency banking firms. 5

H03: There is no significant relationship between service diversification and performance of agency banking firms.

1.5 Significance of the Study

Banking agents would be enlightened on the various cash management practices and association with the performance of agency banking firms. This information would assist banking agents in decision making geared towards improvement of their cash management. They would be in a position to increase their number of transactions leading to sustainability of their businesses. As a result commercial banks would increase their market share and hence their profitability. This would in turn improve the country's

economic growth through the financial sector. Finally, the findings of this study would add to the available stock of knowledge in cash management and provide a basis for further research in this field of cash management.

1.6 Scope of the Study

The study covered the area of cash management in relation to performance of commercial banks' agency firms. The study examined the effect of cash management on performance of agency firms by considering cash planning, cash control and service diversification. The study examined the performance of commercial bank agency firms in terms of number of daily transactions. The study targeted the established and active commercial banks' agency firms registered by Central Bank of Kenya. Geographically, the area of study was Imenti-South sub-county which is located in Meru-County, Kenya. The study concentrated on cash management practices by banking agents since their inception in the year 2010 to 2014.

1.7 Limitations of the Study

Some agents were not willing to provide information because of the sensitivity of the financial information that was being sought and fear of possible competition. They only did so after being assured by the researcher that the information would be handled confidentially and was only meant for academic.

2. LITERATURE REVIEW

2.1 Introduction

This chapter covers the review of the available related literature from the global scene and draw comparison with the Kenyan situation. It will also help to identify the gaps that exist that the study tries to fill.

2.2 Operation of Agency Banking

According to Central Bank of Kenya Report (2010) an agent is an entity that has been contracted by an institution and approved by the central bank to provide the services of the institution. A banking agent therefore is an entity that has been contracted by the bank to provide financial services on its behalf. Globally, the entities range from post offices in the Outback of Australia where clients from all banks can conduct their transactions, to rural France where the bank Credit Agricore uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts (Berger &Humprey, 1998).

Many countries permit a wide range of individuals and legal entities to be agents for banks while other countries limit the list of eligible agents on the basis of legal form (Tarazi& Paul, 2011). In Kenya, entity eligible for appointment as agent must be profit-making entity that had been in business for at least eighteen months and can afford a float account. These entities include: Limited liability companies, Sole proprietorships, Partnerships, Societies, Cooperative societies, State corporations, Trusts, Public entities and any other entity which the Central Bank may prescribe (CBK Report, 2010).Agents may be able to play a role in a broad range of services, including account opening, cash-in and cash-out services-including cash disbursement of bank-approved loans and repayment collection, payment and transfer services-including international remittances and person-to-person domestic transfers, and perhaps even credit underwriting (Tarazi& Paul, 2011). Regulation however, often sets limits on the role agents can play in providing financial services, considering reliability, security, and competence of such third parties.

In Kenya, an agent may provide any of the following financial services as may be specifically agreed between an agent and the bank; Cash deposit and cash withdrawal, cash repayment of loans, cash payment of bills, cash payment of retirement and social benefits, cash payment of salaries, transfer of funds, balance enquiry, mobile banking, generation and issuance of mini bank statements, collection of documents in relation to account opening, loan application, credit and debit card application, collection of debit and credit cards, agent mobile phone banking services, cheque book request, cheque book collection by customers, collection of bank mail/correspondence for customers and any other activity as the central bank may prescribe (CBK Report, 2010).

Though the bank agents can provide a wide range of financial services, they are most often used as cash-in/cash-out points where customers may deposit funds into their account and redeem electronic value for cash. According to GAFIS (2013) agents are selected based on their creditworthiness, reputation in community, size/performance of existing business and robust business activity. These agents often operate by first opening and funding their own account with the bank, and all transactions with customers are transacted against this personal agent account. For example, when a customer wishes cash to be credited to her electronic account, the agent accepts the cash and transfers electronic value from the agent's account to the customer's account. Conversely, when a customer wishes to redeem electronic value for cash, the customer transfers electronic value to the agent's account, and the agent gives the customer the corresponding amount from the agent's cash reserves. These agents are sometimes viewed as “cash merchants”, that is, retailers who engage in the business of transferring value between electronic and physical forms. In this regard a commercial bank agent needs to be sufficiently liquid in terms of available cash-in-hand and sufficient float. These cash merchants transact against their own accounts and transactions are typically conducted in real time, permitting the customer to confirm receipt of electronic funds thus reducing the risks involved. To deal with some challenges faced by agency firms such as theft, Mwangi (2013) explains that banks need to equip their agents with secure operating systems capable of carrying out real time transactions generating an audit trail and protecting data confidentiality.

This would improve the operations of agents and also give customers confidence to transact at the agency firms instead of the bank branches. Since there are a broad number of services that are allowed by Central Bank of Kenya, there is need for banks to expand the financial services that can be offered by agents. Most agents deal with deposits, withdrawals, balance check, and account opening. These services are not enough to offer the agents sufficient gain.

2.3 Evolution of Cash Management

The development of cash management backs the late 1920s and early 1930s during the great depression; this is the period when managers first got concerned with liquidity. Before this, they paid more attention to choosing appropriate financing instrument and considering their impact on capital structure. The severe decline in revenues experienced during the 1929-1933 period and the consequent failures of many highly- levered firms showed very clearly the importance of liquidity management. During the late 1930s and early 1940s, firms expanded rapidly in order to fulfill diversified wartime needs and also predictability of cash flows and general liquidity of the firms improved (Lawrence, Edward & Thomas, 1979). Key developments in cash management began in the 1950s with the major question being how to provide adequate cash to meet bill and debt obligations at a minimum cost. During the period from 1950 to present many contributions to cash management have occurred especially in cash balances (Miller & Orr, 1966), and cash planning and budgeting (Stone & Wood, 1972).

2.4 Cash Management Cycle

Cash management cycle is the time it takes for the flow of cash from business operations till when surplus cash is invested or cash deficit is borrowed. Pandey (2010) explains that sales generate cash which has to be disbursed out and in case of surplus cash it is invested while if there is deficit it is borrowed. Cash management cycle is what cash management seeks to accomplish at a minimum cost while also seeking to achieve liquidity and control. The aim of cash management is to maintain adequate control over cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way. Abioro (2013) found out that more availability of cash without proper management does not necessarily translate into favourable performance for business. This therefore necessitates need for effective cash management for better performance.

2.5 Motives for Holding Cash

Understanding the reasons why firms have the need to keep cash is essential for a better financial management. Following this reasoning, Pandey (2010) pointed out three reasons why firms hold cash. Firstly, firms hold cash to conduct their business in the ordinary course, that is, make payments for purchases, wages and salaries, other operating expense, taxes and dividends. Secondly, to meet contingencies in the future, that is, cash provides a cushion or buffer to withstand some unexpected emergency. Thirdly, for investing in profit-making opportunities whenever they arise. Ross et al., (2012) also states that firms could also hold cash balances in the banks to compensate for banking services rendered to the firm. A compensating balance is a certain amount of cash the firm is required and agrees to hold on deposit on its current account with the bank (Pinches, 1997).This is backed by Horne and Wachowitz (2009) explaining that firms hold cash for transaction motive, speculative motive and precautionary motive.

The more predictable the inflows and outflows of cash for a firm and ready borrowing power to meet emergency cash drains reduces the need for cash balance for precautionary motive needs. Most firms do not engage in speculations and therefore they concentrate mainly on the transactions and precautionary motives. Firms with greater investment opportunities tend to hold more cash while firms holding liquid assets other than cash, higher capital expenditures and higher dividend pay-out hold less cash (Kim, Kim &Woods, 2011). Firms also keep cash on hand to take advantage of trade discounts. Suppliers often offer their clients the option of discounts for early payment of obligations, which would be easily obtainable if there was extra cash lying on the corporate account (Ehrhardt, 2006). Agency firms hold cash mainly for transaction motive, that is, to have ready cash to serve their customers.

2.6 Cash Management Practices

Cash management practices are the actual measures undertaken by a firm in order to achieve its goals of cash management, that is, in order to maximize liquidity and control cash flows, maximize the value of funds while minimizing the costs of funds.

2.6.1 Cash Planning

This is the technique to plan and control the use of cash (Pandey, 2010). It helps to predict the future cash flows and needs of the firm and reduces the possibility of idle cash balances and cash deficits. Idle cash balances may result to lower profits while cash deficits may cause failure of the firm. This makes cash planning very crucial for any firm since with prediction of cash flows the firm will be in a position to maintain optimum cash balance for a specified period of time thus enhancing the performance of the firm. It protects the financial condition of the firm by developing a cash budget from a forecast of expected cash inflows and outflows for a given period. For Cash planning to be successful, cash budgeting will be done which helps to determine the net cash inflow and outflow so that the firm can manage its cash position and also utilize idle funds in better ways.

In cash budgeting, cash forecasting is done through use of receipt and disbursement or the adjusted net income methods of forecasting. Receipt and disbursement is favoured to keep a close control over cash, in case of companies where each item of income and expense involves flow of cash (http://www.businessdictionary.com). It is a sound tool of managing daily cash operations though it's limited by its failure to highlight movements of the working capital items. Conversely, the adjusted net income method highlights movements of the working capital items and thus helps to keep a control on a firm's working capital (http://www.theglobaltutors.com). It fails to trace cash flows, and therefore its utility in controlling daily cash operations is limited. The importance of cash budgeting cannot be overemphasized when it comes to the operations of a firm.

2.6.2 Cash Collections

Collection process refer to the steps taken by the firm from the time a product or service is sold until the customers cheques are collected and become usable funds for the firm. Collections entail the cash inflows of the firm. Cash inflows may be as a result of cash sales, collections from customers, and sale of old assets, dividend, interest income, borrowing and issuance of securities. Madura (2008) points out that the first goal of a firm in cash management should be to accelerate cash inflows since the more quickly the inflows are received the more quickly they can be invested or used for other purposes. According to, Horne and Wachowitz (2009) collections can be accelerated through; expedite preparing and mailing the invoice, speeding up the mailing of payments from customers to the firm and reducing the time during which payments received by a firm remain uncollected funds. An efficient financial manager can be able to speed up mailing processing and collection float through use of decentralized collection system, lock-box system or earlier billing. According to Malcolm and Harris (2010), Automated clearing houses is one of the options that have made it possible to transact a business to business cash transfer faster.

Decentralized collection system is a system of operating through a number of collection centre centralized at the firm's head office. The firm will have a large number of bank accounts operated in the areas where the firm has its branches. Some of these branches act as the collection centres depending on the volume of billing. After processing, cheques are deposited in the bank. This helps to minimize the lag between the mailing time from customers to the firm and the time when the firm can make use of funds (Pandey, 2010). A lock-box is a post office box to which customers are instructed to send payment (Madura, 2008). In a lock-box system, a firm establishes a number of collection centres, considering customer locations and volume of remittances. At each centre, the firm hires a post office box and instructs its customers to mail their remittances to the box which are later picked by firm's bank. The bank picks up the mail several times a day and deposits the cheques directly into the firm's account where they are recorded and cleared for collection (Horne &Wachowitz, 2009).This helps to eliminate processing float since the cheques are deposited before rather than after any processing and accounting work is done.

Several improvements have been made with the aim of getting faster and cheaper collections methods. In some states like United States of America (USA), the current focus is on making paper-based system more efficient and cost effective. These collection improvements include Account receivable conversion (ARC), Remote deposit capture (RDC) and Check 21 and beyond (Horne &Wachowitz, 2009). Account receivable conversion (ARC) is the process by which paper-cheques are converted into Automated Clearing House (ACH) debit at lock boxes or other collection centres such as Payroll direct deposit and direct payment of mortgage bills. According to Malcolm and Harris (2010), automated clearing houses has made it possible to transact a business to business cash transfer faster by speeding up the collection of funds by eliminating the costly and time consuming physical movement of cheques between financial institutions that occurs during the regular paper-cheque clearing process.

Check 21 and beyond is the US, federal law that facilitates electronic cheque exchange by enabling banks to exchange cheque image files electronically and where necessary, to create legally equivalent paper 'substitute cheque' from images for presentment to banks that have not agreed to accept cheques electronically. Remote Deposit cheque allows a user to scan cheques and transmit the scanned digital cheque images to a bank for posting and clearing. The cheque truncation is done at the firm's location or lock-box provider. In Kenya most firms use cash discounts as a way of encouraging their customers to clear their debts promptly. The firm owners also ensure that the invoices are delivered in good time.

2.6.3 Cash Disbursements

Cash can flow out of the firm through cash purchases, payment of payables, advances to suppliers, wages and salaries, capital expenditure, repayment of loan, interest and tax payments, Ordinary and preference dividend payment and payment of long-term debt. A firm can ensure maximum availability of funds by delaying disbursements. There is no advantage in paying sooner than agreed (Pandey, 2010).To maximize 14 availability of funds a firm can practice playing the float. This refers to reduction of bank balances so that the funds can be invested to earn a positive return.

In order to control disbursements a firm can centralize payables into a single account or reduce the number of accounts. A firm should pay accounts payable at the due date in order to have maximum use of funds, unless there is cash discount. A firm can also set up a Zero balance account. As cheques are presented to the zero-balance account for payment causing a negative balance, funds are automatically transferred in from a central control account thus causing delay in payment (Ross et al., 2012). A firm can also use drafts instead of cheques to make payments. A draft is drawn on the issuer/firm instead of a bank. It helps the firm to keep lower cash balances in its disbursement accounts since cash does not need to be deposited until the drafts are presented for payment.

2.6.4 Investment of Cash

Investment refers to commitment of money in a way intended to gain profit or interest. A firm may invest its surplus cash in capital investment or in marketable securities. Capital investment include investment in assets such as equipment, buildings, land, introduction of a new product, a new distribution system or a new programme for research and development (Horne &Wachowitz, 2009).

According to Sharpe et al., (2010) apart from an investor investing in domestic securities such as bonds, options and stocks, an investor should consider holding foreign securities. Brigham (1995) suggested that capital budgeting might be more important to a smaller firm than its larger counterparts because of the lack of access to the public markets for funding. Tusubira and Arhoona (2011) explain that surplus cash need to be properly invested in order to generate more cash inflows that may lead to business growth as cited in (Ohlson & Jagadison, 2009).A wise decision needs to be done by the owners of firms regarding how to use their surplus cash so that they can reap maximum benefits from their investments. It is important to consider the available cash and type of investment to undertake. 15

2.6.5 Cash Control

Cash control refers to the procedures and processes used by a firm to safeguard its cash. Agents deal with both transactions that increase their e-float and those that reduce their e-float. Therefore it is necessary for them to keep on making deposits in their accounts in order to maintain their e-float, especially after dealing with more deposits transactions from their customers. Keeping proper and accurate accounts by the agents is critical to their survival and performance since this is a way of keeping track of all their financial transactions, including receipts from investments. This gives information which can be relied upon to influence their operations and their future investment decisions. All forms of cash should be stored in locking drawers, cash registers or cash boxes during business hours. During non-business hours; they should be kept in lockable safes or vault, or in a locked room in a lockable drawer or file cabinet.

Petty cash refers to a small fund of cash kept on hand for purchases or reimbursements too small to be worth submitting to the more rigorous purchase and reimbursement procedures of a company or institution (http://www.investopedia.com). Petty cash funds must be safeguarded and documented to ensure that thefts do not occur. Ready money, that is, banknotes and coins that a firm has on hand, as well as money held in a bank account. There is need for agency firms to ensure that cash is accessible to a specific person for accountability purpose.

2.6.6 Agency Banking Service Diversification

Diversification refers to the act of introducing variety, especially in investments or in the variety of goods and services offered. Service diversification is the act of offering variety of services in a firm. When the types of services available across the agency banking firms are limited, liquidity problems are likely to be even more prevalent because agents tend to end up cash rich or cash poor. As service diversity increases, there are more opportunities for retail agents to balance their cash holdings through cash deposits, cash withdrawals, loan repayment, cash transfer and bill payment.

In Afghanistan, M-Paisa agents currently face severe liquidity management challenges since mobile money is mainly used for loan payments (http:/www.gsma.com/mobilefordevelopment). This means that cash withdrawals and deposits are very unbalanced, with the number of customers repaying their microfinance loans far exceeding the number of withdrawals. Thus agents need to keep a significant amount of M-Paisa funds available, requiring them to either tie up a large amount of float in the system or to make frequent trips to the bank. In the coming months, the mobile operator that runs M-Paisa is hoping to address this imbalance by increasing the number of users receiving their salary through M-Paisa as these customers will be withdrawing cash from the agents and will, hopefully, balance the cash deposits for loan repayments.

The Brazilian government gave Caixa responsibility to disburse government benefits, including pensions. Since paying pensions is a cash-out procedure, agents faced the problem of balancing their funds and the bank had cash loading issues, especially in rural areas. Hence, Caixa started offering bill payment services as well to customers. Bill payment solutions serve as a cash-in option for the bank's agents and help in balancing the cash flow.

2.7 Cash Management and Performance of Agency Banking Firms

Performance of agency banking firms refers to the act of providing banking services through a third party. It can be measured by number of transactions handled by the banking agents, volume of transactions or profitability. Arihoona and Tusubira (2011) carried out a research on cash management and growth of small scale businesses in Ntungamo market and observed that those businesses that planned for their cash performed better than those that never planned for their cash.

Uremadu, Egbide and Enyi (2012) carried out a study on working capital management, liquidity and corporate profitability among quoted firms in Nigeria evidence from the productive sector and explain that creditor payment period was very significant in influencing profitability in Nigeria and also recommends that excess cash should be reinvested in short-term securities (assets) to generate profits. Kaddumi and Ramadam (2012) carried out a research to investigate the effect of working capital management on the performance, using a sample of 49 Jordanian Industrial firms listed at Amman Stock Exchange from 2005 to 2009.The results showed that the negative relationship of average collection period, average age of inventory and the positive relationship of average payment period with the profitability implied that keeping lesser inventory and shortening the collection period along with extending the payment period will increase profitability for the Jordanian industrial firms.

Tsamenyi et al., (2005) in their study of a Russian multinational company (RMC) noted that the RMC's management had extreme difficulties in planning and control due to unstable cash flows. To solve these difficulties an international cash management system was established to stabilize cash flows and also provide stable short-term credit necessary to support the company's operations and also to minimize short-term debts. Cotugno and Stefanelli (2012) using a panel dataset comprising 4038 observations relative to Italian banks for the period 2005-2010 found positive relationships between product diversification and bank performance.

2.8 Theoretical Framework

The study hinges on the following theoretical frameworks:

2.8.1 The Baumol Model

One of the first formal models for determining the optimal cash balance a firm must hold was developed by William Baumol (1952). The model analyzes the cost associated with the maintenance of cash balance, that is, holding cost which is the combination of the cost of administration- the costs incurred for keeping track of the cash, and the opportunity cost of cash, which is the cost of not investing the cash elsewhere. The cost of opportunity is determined by the interest that the firm does not receive by not applying the resources elsewhere, and the transaction cost which is the cost of acquiring more cash, either by conversion of investments into cash or borrowing (Ross; Westerfield& Jaffe, 2002). The Baumol model assumes that the net cash flows occur at a constant rate, day-to-day cash needs are funded from current account and buffer cash is held in short-term investment.

2.8.2 The Miller-Orr Model

Under normal circumstances firms do not use their cash balance uniformly nor are they able to predict daily cash inflows and outflows. Subsequently, Miller and Orr (1966) presented a model that allows for daily cash flow variation. Miller- Orr model represents a low risk option with high liquidity. The model sets higher and lower control limits, and a target cash balance. When the cash balance reaches Upper limit, then the difference between upper limit and the target cash balance is used for investment purpose. Similarly, when the cash balance hits lower limit, then the difference between target cash balance and lower limit is transferred from investment to cash. The lower limit is set by management depending upon how much risk of a cash shortfall the firm is willing to accept, and this in turn, depend both on access to borrowing and on the consequences of a cash shortfall (Pandey, 2010).

2.8.3 Agency Theory

This theory explains the relationship between principal and agent in business. Agency theory is concerned with settling problems that can exist in agency relationships; that is, between principals and their agents. Agency theory attempts to deal with two problems, that is, The problems that arise when the goals of the principal and agent are in conflict and the agents have the ability to operate in their own self-interest rather than in the best interests of the firm and The problems that arise when the principal and agent have different tolerances for risk. The theory suggests that an agent is more likely to adopt the goals of the principal, and therefore behave in the interest of the principal, when the contract is outcome-based. Also, when the agent is aware of a mechanism in place that allows the principal to verify the behavior of the agent, he is more likely to comply with the goals of the principal.

Agency theory explains the importance of the relationship between the commercial banks and the bank agents. Commercial Banks are responsible for the actions of their agents and thus they supervise and monitor the activities undertaken by agents to ensure that they do not suffer losses, material or reputation due to the actions of their agents. In concurrence with the theory, some unprincipled agents deviate from laid bank procedures for their own interest such as agents who split a single deposit transaction into several transactions in order to increase their commissions. Since customers do not pay for deposits, banks are disfranchised whenever a deposit transaction is multiplied over by an agent as they have to pay from their profits for each of these deposit transactions. To reduce the bank-agent problems proper screening of agents at recruitment should be done to match the culture and values of the banks they represent and rewarding complying agent

2.9 Conceptual Framework

A concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a hypothesized model identifying the concepts under study and their relationship (Mugenda & Mugenda, 2003). It identifies the variables and its purpose is to help the reader to quickly see the proposed relationship.

Independent Variables Intervening Variables Dependent Variable

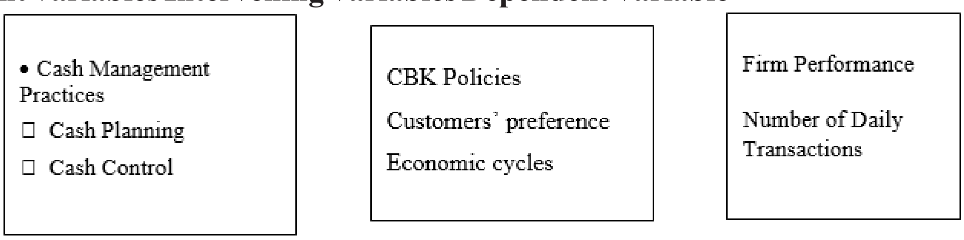

Figure 1: Relationship between Cash Management Practices and Performance of Commercial Bank Agency firms

The independent variables consist of three cash management practices that may be practiced by commercial banks' agents to improve their performance. Cash planning is the management process of forecasting the cash needs of a firm. It involves the estimation of cash receipts and cash disbursements to determine cash availability. This is done through budgeting for Cash receipts, cash disbursements and optimum cash balance. Cash receipts can be as a result of cash generated from operations, proceed from sale of equipment and dividends received. Cash can flow out of the business as a result of paying employees, purchase of assets, income taxes paid, bank loan, transport costs-incurred as the agents go to the bank to balance their accounts and text (SMS) costs. Cash planning helps agency firms to maintain adequate cash to meet their daily cash requirements. This would lead to increased number of transactions.

The purpose of keeping cash is to meet day to day requirements along with sufficient liquidity and adequate profitability. A firm should aim at optimizing its cash holdings without impairing the overall liquidity requirements. This is possible if a firm exercises tight control over cash flow. An agency firm can increase its number of transactions by putting mechanisms in place to safeguard their cash thus ensuring its availability. Agency firms should have control over cash receipts, cash disbursements, petty cash and also their investments.

Agency banking firms need to diversify their services so that they are able to balance their cash. When these firms offer a variety of services, they will be dealing with both services that add cash into the firm and also services that will add electronic value into the firms account thus increasing float. When the cash in hand and electronic value balance, the agent can serve their customers effectively.

The dependent variable is performance of agency firms as measured by the number of daily transactions. The number of transactions refers to the number of instances of doing business of some kind at an agent such as a deposit of cash in a bank account, a withdrawal of cash from a bank account and transfer of cash. However, the above relationship may be affected by some intervening variables such as central bank of Kenya (CBK) policies, customers' preference and economic cycles. CBK is the main regulator of agency banking. It licenses all the commercial banks' agents. It could therefore indirectly affect performance of agency firm by limiting the services that can be offered by agents.

Some customers may prefer to make their transactions at the bank branches rather than at the banks' agency outlets. Others may think that agents lack capacity to handle large transactions of cash and under- spend on security measures. This too may limit the number of transactions made per day.

Economic cycles refer to the natural fluctuation of the economy between periods of growth and recession (http://www.investopedia.com/terms/e/economic-cycle.asp). During recession peoples' purchasing power is reduced and thus they may have lesser banking transactions. This may reduce the number of transactions made at the agency firms. In periods when the economy is doing well, the number of transactions at the agency firms may be higher.

3. METHODOLOGY

3.1 Introduction

This chapter covers the research design, location of the study, population, sampling procedures and sample size, data collection procedures, instruments and data analysis procedures.

3.2 Research Design

The study adopted descriptive research design. This was informed by the need to determine and report things the way they are. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. The descriptive research design was suitable for this study since it explains the state affairs the way it is (Mugenda&Mugenda, 2003).

3.3 Location of the Study

The study was carried out in Imenti-South sub-county. The sub-county was selected because it has several economic activities like buying and selling of bananas in the sub-county. Merucounty is the largest producer of bananas second to Kisii county (http://Meru.go.ke/file/20140114) and therefore requires banking services. However, the area is not well covered in terms of commercial Banks concentration thus it becomes necessary for agency banking services to be brought near them.

3.4 Population

The study targeted a population of 100 commercial banks' agents of the three commercial banks which practiced agency banking in Imenti-South sub-county (Nkubu Banks' Agency Banking Network Report, 2013).

The population comprised three strata as shown in Table 2.

Table 2: Distribution of Commercial Banks' Agents in Imenti-South Sub-county

Imenti-South Sub-county Bank	Number of agents
Equity	50
Co-operative	26
KCB	24
Total	100

Source: Nkubu Banks' Agency Banking Network Report (2013)

3.5 Sampling

There were thirteen banks that were practicing agency banking during the time of study. The researcher purposively selected three banks out of thirteen that were operating agency banking as per the period of study. The three banks formed three strata. The sample size for this study was of 80 banking agents obtained from a model specified by Krejcie and Morgan (1970).

Where:

N = Sample Size

χ^2 = Table Value of Chi-square for 1 degree of freedom (3.841)

N = Population Size

P = Population Proportion (50%)

ME = Desired Margin of Error (5%)

The 80 banking agents were selected from a population of 100 banking agents using proportionate stratified random sampling. The proportionate stratified random sampling was adopted because of mutually exclusive events and internally homogeneous strata of business that were identified. According to Mugenda and Mugenda (2003) the aim of stratified random sampling is to achieve desired representation from various subgroups in the population. The 80 banking agents were selected using table of random numbers.

The sample was proportionate to the number of agents for each bank as shown in Table 3.

Table 3

Sampling Matrix Bank	Number of Agents	Proportion	Sample Size
Equity	50	0.5	40
Co-operative	26	0.26	21
KCB	24	0.24	19
Totals	100	1	80

3.6 Instruments

This study involved collection of primary data. A questionnaire was designed using categorical scale for the study. The questionnaire contained four sections with both open ended and closed ended questions. The first section aimed at collecting agency firm details, the second section had questions relating to cash planning, third section had questions on cash control and finally service diversification. The questionnaires were administered by researcher through visit to various agents.

3.7 Ethics Consideration

Written permission was sought from Meru County Director and the Commercial Banks' chief Executive Officers of the banks whose agents were involved in the study. The researcher sought research permit from NACOSTI to conduct research. Permission from the agents was sought and the agents assured of confidentiality of the information being sought. The researcher also explained the purpose of the study to the banking agents.

3.8 Piloting

The questionnaire was tried out on a small sample of eight agents. A Pretest sample of between 1% and 10% of the study sample is recommended (Mugenda&Mugenda, 2003). Pre-testing helped to check reliability and validity of the instrument. The researcher obtained research license before conducting a pilot study in Embu East sub-county. Embu East sub-county was suitable for the pilot study because it has a lot of similarities with the Imenti South sub-county such as the increase in learning institutions and the relative concentration of agency firms. Agency banking firms that participated for pilot study were those of Co- operative bank, Equity bank and KCB. After pilot- testing study, some questions were added and others deleted. The final instrument was redone and data collection proceeded on.

3.8.1 Reliability

Reliability is a measure of the degree to which a research instrument provides consistent results (Kothari, 2004).Data collected from pilot study was coded, edited, classified and analyzed using the split-half method of assessing reliability. A correlation coefficient of 0.84 was obtained which was considered satisfactory.

3.8.3 Validity

Validity indicates the degree to which an instrument measures what it purports to measure (Kumar, 2005). The questionnaire was tested for both construct and content validity. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study while construct validity is a measure of the degree to which data obtained from an instrument meaningfully and accurately reflects a theoretical concept (Mugenda & Mugenda, 2003). In subjecting the tools to validation, the experts in agency banking and the supervisors of the study scrutinized all the questions in the research instrument to assess its appropriateness in measuring variable concepts.

3.9 Data Collection

The researcher collected primary data using questionnaires. The questionnaires were self-administered by the researcher to the sampled banking agents, who filled them and they were collected by the researcher the same day. Data collection took a period of ten working days with each day being allocated to 7-9 banking agents.

3.10 Data Analysis

Once the questionnaire had been administered, data collected was cleaned which involved identification of incomplete responses and outliers. After data cleaning, the data was coded and entered in the computer using the statistical Package for Social Sciences version 21.0. Data was analyzed using descriptive statistics such as frequencies, mean and percentages. Chi-square was used to make statistical inferences for the variables at 5% level of significance.

Table 4:Data Analysis Matrix

Research hypothesis	Independent Variable	Dependent Variable	Statistics
H01: There is no significant relationship between cash planning and performance of agency banking firms.	Cash planning	Performance of commercial banks' agency firm	Frequency Mean Percentage Chi square
H02: There is no significant relationship between cash control and performance of agency banking firms.	Cash control	Performance of commercial banks' agency firm	Frequency Mean Percentage Chi square

4. RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents and discusses the research findings. The study was on the relationship between cash management practices and performance of agency banking firms in selected banks' agents in Imenti-South sub-county. The findings are presented and discussed based on the research objectives. The results are presented in Tables.

4.2 Preliminary Analysis

Preliminary analysis covered analysis of response rate, distribution of agency firms, gender of respondents, respondents' age distribution, level of education and length of operation in bank agency service.

4.2.1 Response Rate

Eighty questionnaires were issued out and 72 were returned leading to a response rate of 90% that was considered satisfactory. High response rate is important statistically since it raises confidence in the results.

4.2.2 Distribution of Agency Firms

The respondents were asked to indicate the bank with whom a contractual relationship existed for providing banking services. It was necessary to disclose the distribution of agents in Imenti-South Sub-County in order to establish the banks' level of involvement in provision of banking services through agency firm. The results are presented in Table 5.

Table 5: Distribution of Agency Firms

Bank	Frequency	Percent (%)
Equity	35	48.6
KCB	18	25.0
Cooperative	19	26.4
Total	72	100.0

Information in Table 5 indicates the distribution of banks' agents as: 48.6% for Equity bank, 25.0% for KCB bank and 26.4% for Cooperative bank. This indicates that the bank with a wider agency network in Imenti-South sub-county is Equity bank.

4.2.3 Gender of Respondents

The respondents were asked to indicate their gender in order to determine the level of investment in agency banking firms across gender. The results were presented in Table 6.

Table 6 Gender of the Respondents

Gender	Frequency	Percent (%)
Male	44	61.1
Female	28	38.9
Total	72	100.0

4.2.4 Respondents' Age Distribution

The study sought to find out the age distribution of the respondents in Imenti-South Sub-County. It was important for the respondents to state their age since investment in financial services would differ across the age groups. The findings were presented in Table 7.

Table 7 Respondents' Age

Age	Frequency	Percent (%)
18 to 35 Years	26	36.1
36 to 50 Years	40	55.6
Above 50 Years	6	8.3
Total	72	100.0

The results in Table 7 indicate that 36.1% of the respondents were aged between 18 to 35 years, 55.6% were aged between 36 to 50 years while 8.3% respondents were aged above 50 years. This implies that younger and middle aged people have ventured more in agency banking than the older people who are above fifty years old.

4.2.5 Level of Education

The respondents were asked to indicate their highest level of education. Their responses were presented in Table 8.

Table 8 Level of Education of Respondents

Respondents Category	Frequency	Percent (%)
Secondary Level	16	22.2
Tertiary College Level	48	66.7
University Level	8	11.1
Total	72	100.0

According to information in Table 8 indicates that 22.2% of the respondents had attained secondary school education, 66.7% were middle level college graduates, while 11.1% were university graduates. This implies that majority of the agents had at least Tertiary college education which implied that they possessed basic communication skills, computing skills and basic skills of managing cash such as recording cash inflow and outflows and banking excess cash.

4.2.5 Length of Operation in Bank Agency Service

The researcher sought to establish the length of period for which the agents have been offering banking services. It was necessary to indicate the length of operation since firms that have been in operation for longer period may have acquired adequate experience and sufficient resources to enable appropriate cash management practices. Agency firms that have been in operation for longer period may also have an advantage of boosting their operations by accessing loans from banks and other financial institutions since banks may be reluctant to give loans to start ups. The findings were presented in Table 9.

Table 9 Length of Operation in Bank Agency Service

Length of Operation	Frequency	Percent (%)
6 To 12 Months	2	2.8
13 To 24 Months	19	26.4
25 To 36 Months	36	50.0
Over 36 Months	15	20.8
Total	72	100.0

Results in Table 9 show that 2.8% of the respondent firms had served as agents for a period ranging between 6 to 12 months, 26.4% had served for 13 to 24 months, and 51.4% had served for 25 to 36 months, 19. 4% had served for over 36 months. This indicates that majority of bank agents had only been in operation for less than 36 months hence would lack adequate experience and sufficient resources to enable appropriate cash management practices. New firms are risky and have limited ability to expand due to challenges of getting adequate capital. This makes this research important because the findings may help them embrace the best cash management practices that would improve their performance.

4.3 Cash Planning

Cash planning helps to anticipate the future cash flows and needs of the firm and reduces the possibility of idle cash-which lowers firm's profitability and cash deficits which could cause the firm's failure. Firms plan for their cash by preparing cash budget for a given period. Cash planning is a very crucial aspect of cash management and should be taken seriously by firms.

4.3.1 Importance of Cash Planning

Respondents were required to indicate their level of agreement on the aim of cash planning. It was necessary to establish the understanding of bank agents on the aim of cash planning. The results are shown in Table 10.

Table 10 Perception on Importance of Cash Planning

Importance	Frequency	Mean	Standard Deviation
Optimal Cash balance	72	4.028	0.98
Control	72	3.528	1.39
Evaluation	72	4.028	0.98
Forecasting	72	3.333	1.34

According to information in Table 10, most banking agents agreed that cash planning is aimed at maintaining optimal cash balance and evaluation of performance as indicated by mean of 4.028 and a standard deviation of 0.98. The findings also indicate that several banking agents somehow agreed that cash planning is aimed at forecasting cash needs as indicated by mean of 3.333 and a standard deviation of 1.34, while a mean of 3.52 and a standard deviation of 1.39 shows that some agents agreed that cash planning is aimed at controlling cash. The findings indicate that there is need for more education and training on importance of cash planning.

4.3.2 Cash Budget Preparation

A cash budget is a summary statement of the firm's expected receipts and payments over a projected time period. It is a tool for cash planning. It helps a firm to ascertain its cash level, whether favourable or unfavourable. The researcher sought to establish whether or not the agents prepared cash budget.The responses are shown in Table 11.

Table 11 Preparation of Cash Budget

Response Category	Frequency	Percent (%)
No	31	43.1
Yes	41	56.9
Total	72	100.0

Information in Table 11 shows that 56.9 % of the respondents prepare cash budgets while 43.1 % do not prepare it. It is observed that still a significant proportion (43.1%) are yet to embrace the idea of preparing cash budget. This shows that there is a great need for agents to be enlightened on the importance of preparing a cash budget.

4.3.3 Frequency of Cash Budget Preparation

The researcher sought to establish the frequency of preparation of cash budget. Frequency of cash budget preparation is essential for determining cash liquidity requirements. The responses are shown in Table 12.

Table 12 Frequency of Cash Budget Preparation

Category	Frequency	Percent (%)
1 to 3 times	15	36.6
4 to 6 times	22	53.7
Above 6	4	9.8
Total	41	100.0

Results in Table 12 indicate that most of the firms (53.7%) prepare cash budget 4 to 6 times per month, 36.6% prepare cash budget 1 to 3 times per month while only 9.8% prepare cash budget more than six times per month. This contravenes the theoretical principles of cash management. According to Pandey (2010), small firms should prepare cash budgets at least once per month since their cash flow does not show extreme fluctuations.

4.3.4 Preparation of Cash Budget and Performance of Agency Banking Firms

Preparation of cash budget was compared with performance of agency banking firms. Descriptive statistics was used to give summary of the findings. In addition chi-square test was also used at 5% level of significance to analyze the relationship between cash budget preparation and performance of agency banking firms. The results were presented in Table 13.

Table 13 Cash Budget Preparation

Response Category	Number of Daily Transactions							
	10 and below		11 to 30		Above 30		Total	
	F	%	F	%	F	%	F	%
Yes	0	0.0	28	68.3	13	31.7	41	100
No	14	45.2	13	41.9	4	12.9	31	100
Total	14	19.4	41	56.9	17	23.6	72	100

Chi-square =23.456, df= 2, p-value=0.000

Results in Table 13 shows that majority of the firms that prepare cash budgets, 68.3% have daily transactions ranging between 11 and 30 while the firms that do not prepare cash budgets have majority of transactions, 45.2% 10 and below.The computed chi-square ($\chi 2$ =23.456) at 2 degrees of freedom indicates that there is a significant relationship between preparation of cash budget and performance of agency banking firms since the p- value (0.000) is less than 0.05 at 95% confidence level. The study therefore established that there is a relationship between cash budget and performance of agency banking firms. According to Ross, Westerfield and Jordan (1998) a cash budget is important for a firm since it helps a manager to explore the need for short-term borrowing.

4.3.5 Frequency of Cash Budget Preparation and Performance of Agency Banking Firms

Preparation of cash budget is essential for determining cash liquidity requirements for an agency banking firm. This enables the firms to meet their daily cash requirements and source cash needs. Large firms are likely to prepare cash budgets on regular basis than small firms. A comparison was made between frequency of cash budget preparation and performance of agency banking firms. Cross tabulation was used to give the summary and in addition chi-square test was also used to analyze the relationship between frequency of cash budget preparation and performance of agency banking at 5% significance level.

The findings were presented in Table 14.

Table 14 Frequency of Cash Budget Preparation

Number of Daily Transactions						
	10 and below		11 to 30		Above 30	
	F	%	F	%	F	%
1 to 3 times	0	0.0	14	93.3	1	6.7
4 to 6 times	0	0.0	11	50.0	11	50.0
Above 6 times	0	0.0	3	75.0	1	25.0
Total	0	0.0		0.0		

Chi-square =9.654, df =4, p-value=0.047

Results in Table 14 indicate that none of firms that prepare cash budget have 10 and below transactions and majority of those that prepare cash budgets have daily transactions ranging from 11 to 30. The study tested whether there was any significant relationship between frequency of cash budget preparation and performance of agency banking. From the computed chi-square value ($\chi 2$ =9.654) at 4 degrees of freedom, there is significant relationship between frequency of cash budget preparation and performance of agency banking firms since the p-value (0.047) was less than 0.05 at 95% confidence level.

4.3.6 Relationship between Cash Planning and Performance of Agency Banking Firms

The researcher sought to establish the relationship between cash planning and performance of agency banking firms. This was made possible by associating preparation of cash budget and number of daily transactions of the agency firms.

The results are presented in Table 15.

Table 15 Chi-square Tests

	Chi-square Tests Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.456a	2	.000
Likelihood Ratio	28.832	2	.000
Linear-by-Linear Association	13.662	1	.000
N of Valid Cases		72	

The computed chi-square ($\chi 2$ =23.456) with a p-value of 0.000 is less than 0.05.Thus the null hypothesis was rejected .The conclusion is that there is a statistically significant relationship between cash planning and performance of agency banking firms at 5% significance level.

4.4 Cash Control

Cash control refers to the procedures and processes used by a firm to safeguard its cash. The agents need to ensure that their cash is secure by ensuring the following; Receipts are deposited in bank account, reconciliation of float account, recording of receipts from investments, firm's cash disbursements are known and petty cash use and receipts are closely monitored.

4.4.1 Importance of Cash Control

Cash control is an important aspect in the performance of agency banking firms. Firms should therefore device methods of controlling their cash to ensure smooth running of their operations. The study sought to establish the importance attached by the agency banking agents to cash control.

The results were summarized in Table 16.

Table 16 Importance of Cash Control

Response	Frequency	Percent (%)
Extremely	57	79.2
Important	5	6.9
Fairly Important	7	9.7
Not Sure	3	4.2
Total	72	100.0

Information in Table 16 indicates that 79.2% of the respondents view cash control as extremely important while 4.2% were not sure whether cash control is important. This implies that the need for cash control is extremely important in the management of agency banking firms.

4.4.2 Cash Control Techniques

Cash can be controlled by depositing of receipts in bank account, reconciliation of float account, recording of receipts from investments, ensuring that firm's cash disbursements are known, giving authority to access cash to a specific person and monitoring of petty cash usage and receipts. The study sought to establish the extent to which the bank agents practiced cash control. It was necessary to establish the various techniques used by agents to control their cash due to the fact that cash is main stock in agency banking business and lack of adequate cash may interfere with provision of agency banking services. It is therefore important for firms to put in place adequate resources for controlling their cash.

Table 17 shows tabulation of respondent ratings on the extent of application of cash control techniques by agency firms.

Table 17Application of Cash Control Techniques

Cash Control Techniques	Frequency	Mean	Standard Deviation
Deposit of Receipts	72	1.42	0.60
Reconciliation of float account	72	1.72	0.71
Recording of receipts from investment	72	2.68	0.53
Monitoring of petty cash use	72	1.29	0.46
Disbursement	72	1.32	0.50
Safeguarding of cash	72	1.50	0.69
Authority to cash accessibility	72	1.19	0.49

Results in Table 17 indicate that most bank agents monitored petty cash use and receipts, were aware of their monthly cash disbursement, deposited their receipts and authorized a specific person to access cash to a great extent as indicated by mean of 1.29, 1.32, 1.19 and standard deviation of 0.46, 0.50, and 0.49 respectively. The results also show that firms also controlled their cash through reconciliation of float account and safeguarding of cash as indicated by mean of 1.72 and 1.50 respectively and standard deviation of 0.72 and 0.69 respectively. A few firms record receipts from investment to no extent as indicated by mean of 2.68 and standard deviation of 0.53.

4.4.3 Frequency of Deposits of Receipts and Performance of Agency Banking

The extent to which receipts are deposited in bank account was compared with the number of transactions. Descriptive statistic of cross tabulation was used to give the summary and in addition chi-square test was also used to analyze the relationship between receipts deposits in bank accounts and performance of agency banking at 5% significance level.

The findings were presented in Table 18.

Table 18 Frequency of Deposits of Receipts and Performance of Agency Banking

Extent of Deposit	10 and Below		11 to 30		Above 30		Total	
	F	%	F	%	F	%	F	%
To a great Extent	6	13	25	54.3	15	32.6	46	100
To moderate Extent	4	18.2	16	72.7	2	9.1	22	100
To no extent	4	100	0	0.0	0	0	4	100
Total	14	19.4	54	75	4	5.6	72	100

Chi-square =22.361, df= 4, p-value=0.001

The findings in Table 18 indicate that the proportion of firms that make daily deposits to a great extent and had 10 and below transactions were 13.0% as compared to 32.6% who had transactions above 30. Majority of firms (54.3%) that make daily deposits to a great extent had transactions between 11 and 30.Firms that made daily deposits to a moderate extent and had 10 and below transactions accounted for 18.2% while 72.7% had between 11 and 30.All firms that didn't make daily deposit for their receipt had transactions below 10.This implies that there would be more transactions for the agency banking firms if they deposit their receipts to a great extent while total failure to deposit receipts in bank account would reduce the number of transactions significantly. The study tested whether there was any significant relationship between frequency of receipts deposits and performance of agency banking in terms of number of daily transactions. From the computed chi-square value ($\chi 2$ =22.361) at 4 degrees of freedom, there is significant relationship between cash control and performance of agency banking firms since the P-value (0.001) was less than 0.05 at 95% confidence level. This therefore means that receipts deposits affect the performance of agency banking firms.

4.4.4 Recording of Receipts from Investments and Performance of Agency Banking Firms

Keeping proper and accurate accounts by the agents is critical to their survival and performance since this is a way of keeping track of all their financial transactions, including receipts from investments.

This gives information which can be relied upon to influence their operations and their future investment decisions. A comparison was made to determine whether recording of receipts from investments is associated with performance of agency banking firms. Descriptive statistic of cross tabulation was usedto give the summary and in addition chi-square test was also used to analyze the relationship between recording of receipts from investments and performance of agency banking at 5% significance level.

The summary of results is indicated in Table 19.

Table 19 Recording of Receipts from Investments

Number of Daily Transactions								
	10 and below		11 to 30		Above 30		Total	
	F	%	F	%	F	%	F	%
To great Extent	0	0.0	2	100	0	100	2	100
To moderate	1	5.3	17	89.3	1	5.3	19	100
To no extent	13	25.5	35	68.6	3	5.9	51	100
Total	14	19.4	54	75	54	5.6	72	100

Chi-square =7.860, df =4, p-value=0.447

The results in Table 19 show that 100.0% of firms that recorded receipts from investments to a great extent had transactions between 11 and 30. Majority (89.3%) of firms that recorded their receipts from investments to a moderate extent had transactions between 11 and 30.Firms that didn't record receipts from investments majority (68.6%) also had transactions between 11 and 30.

The study tested whether there was any significant relationship between recording of receipts from investments and performance of agency banking in terms of number of daily transactions. From the computed chi square value ($\chi2$ =7.860) at 4 degrees of freedom, there is no significant relationship between cash control an d performance of agency banking firms since the P-value (0.447) is greater than 0.05 at 95% confidence level. This therefore means that recording of receipts from investments has no effect on the performance of agency banking firms.

4.4.5 Cash Disbursements and Performance of Agency Banking Firms

Cash disbursements refer to the amount of cash that flows out of the firm. The extent to which banking agents are aware of their cash disbursements was compared with the number of daily transactions and the results were presented in Table 20.

Table 20 Cash Disbursements

Number of Daily Transactions								
	10 and below		11 to 30		Above 30		Total	
Extent of Cash Disbursements	F	%	F	%	F	%	F	%
To great Extent	4	8.0	48	84.0	4	8.0	50	100
To moderate extent	9	42.9	12	57.2	0	0.0	21	100
To no extent	1	100.0	0	0.0	0	0.0	1	100
Total	14	19.4	54	75.0	4	5.6	72	100

Chi-square =16.574, df =4, p-value=0.035

Results in Table 20 indicate that firms that are aware of their cash disbursements to a great extent, have majority (84.0%) of their transactions between 11 and 30 and 8.0% had transactions above 30. Firms that are aware of their cash disbursements to a moderate extent also have majority (57.2%) of theirtransactions between 11 and 30 while 100.0% of the firms that are not aware of their transactions have 10 and below transactions.

The study tested whether there was any significant relationship between cash control and performance of agency banking in terms of number of daily transactions. From the computed chi-square value ($\chi2$ =16.574) at 4 degrees of freedom, there is significant relationship between cash disbursements and performance of agency banking firms since the P-value (0.035) is less than 0.05 at 95% confidence level. This therefore means that cash disbursements affect the performance of agency banking firms.

4.4.6 Safeguarding of Cash and Performance of Agency Banking Firms

All forms of cash should be stored in lockable drawers, cash registers or cash boxes during business hours. During non-business hours; they should be kept in lockable safes or vault, or in a locked room in a lockable drawer or file cabinet. The extent to which cash is safeguarded was compared with the number of daily transactions and the results were presented in Table 21.

Table 21 Safeguarding Cash

Response Category	Number of Daily Transactions							
	10 and below		11 to 30		Above 30		Total	
	F	%	F	%	F	%	F	%
To a great Extent	1	2.3	40	90.9	2	6.8	43	100
To Moderate	9	45.0	10	50.0	1	5.0	20	100
To no extent	4	50.0	4	50.0	0	0.0	9	100
Total	14	19.4	54	75.0	4	5.6	72	100

Chi-square =23.103, d f =4, p-value=0.003

Information in Table 21 shows that firms that safeguard their cash to a great extent, have majority (90.9%) of their transactions between 11 and 30 as compared to those firms which do not safeguard their cash whose majority (50.0%) of the transactions are below 10. The study further tested whether there was any significant relationship between safeguarding of cash by keeping cash in lockable safes and performance of agency banking in terms of number of daily transactions. From the computed chi-square value ($\chi2$ =23.103) at 4 degrees of freedom, there is significant relationship between safeguarding of cash and performance of agency banking firms since the p-value (0.003) is less than 0.05 at 95% confidence level.

4.4.7 Monitoring of Petty Cash Usage and Receipts and Performance of Agency Banking Firms

Petty cash refers to small fund of cash kept on hand for purchases or reimbursements too small to be worth submitting to the more rigorous purchase and reimbursement procedures of a company or institution.

Petty cash funds must be safeguarded and documented to ensure that theft does not occur (http://www.investopedia.com/terms/p/pettycash.asp#ixzz3XJM5GB00). The respondents were asked to state whether petty cash use and receipts are closely monitored. Monitoring of petty cash use and receipts was compared with the number of transactions. Descriptive statistic of cross tabulation was used to give the summary and in addition chi-square test was also used to analyze the relationship between monitoring of petty cash use and receipts on performance of agency banking at 5% significance level. The results were presented in Table 22.

Table 22 Monitoring of Petty Cash

Response Category	Number of Daily Transactions							
	10 and Below		11 to 30		Above 30		Total	
	F	%	F	%	F	%	F	%
To a great extent	3	5.9	44	86.3	4	7.9	51	100
To moderate extent	11	52.4	10	47.6	0	0.0	21	100
Total	14	19.4	41	56.9	17	23.6	72	100

Chi-square = 21.232, df = 4, p-value = 0.000

Results in Table 22 indicate that firms that monitor petty cash use and receipts to a great extent, had 2.3% of their transactions below 11, that between 11 and 30 was 90.9% and that above 30 was 6.8% Firms that monitor petty cash use and receipts to moderate extent, had 45.0% of their transactions below10, that between 11 and 30 was 50.0% and that above 30 was 5.0%. Firms that monitor petty cash use and receipts to no extent, their number of transactions below10 was 50.0%%, that between 11 and 30 was 50.0% and that above 30 was 0.0%.

The study tested whether there was any significant relationship between monitoring of petty cash use and receipts and performance of agency banking in terms of number of daily transactions. From the computed chi-square value ($\chi 2$ =21.232) at 4 degrees of freedom, there is significant relationship between cash disbursements and performance of agency banking firms since the P-value (0.000) is less than 0.05 at 95% confidence level.

4.4.8 Accessibility to Cash and Performance of Agency Banking Firms

Accessibility to Cash refers to the authority given to a specific person to access the firm's cash. The extent to which firms authorize a specific person to access its cash was compared with the number of daily transactions and the results were presented in Table 23.

none above 30.Firms that do not reconcile their float account at all, also have majority (45.4%) of their transactions between 11 and 30 but a significantly large percentage(36.4%) had 10 and below transactions.

The study tested whether there was any significant relationship between reconciliation of float account and performance of agency banking firms. From the computed chi-square value ($\chi2$ =18.378) at 4 degrees of freedom, there is significant association between reconciliation of float account and performance of agency banking firms since the P-value (0.019) is less than 0.05 at 95% confidence level. This therefore means that reconciliation of float account affects the performance of agency banking firms.

4.4.10 Cash Control and Performance of Agency Banking Firm

The researcher sought to establish the relationship between cash control and performance of agency banking firms. This was achieved through association of all cash control techniques and the corresponding number of daily transactions of the agency firms. The results are presented in Table 25.

Table 25 Chi-Square Tests

Chi-Square Tests		df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.619a	12	0.023
Likelihood Ratio		20.97	

4 cells (19.0%) have expected count less than 5. The minimum expected count is 1.72.

The computed chi-square ($\chi2$ =23.619) with a p-value of 0.023 is less than 0.05.Thus the null hypothesis was rejected .The conclusion is that there is a statistically significant relationship between cash control and performance of agency banking firms at 5% significance level.

4.5. Agency Banking Service Diversification

Diversification refers to the act of introducing variety, especially in investments or in the variety of goods and services offered. Service diversification is the act of offering variety of services in a firm. When the types of services available across the agency banking firms are limited, liquidity problems are likely to be even more prevalent because agents tend to end up cash rich or cash poor. As variety of services increases, there are more opportunities for retail agents to balance their cash holdings through cash deposits, cash withdrawals, loan repayment, cash transfer and bill payment. The results are summarized in Table 26.

Table 26 Service Diversification Levels

	Diversification levels							
Number of Transactions	**Deposits**		**Withdrawals**		**Utility**		**Mobile**	
	%	**F**	**F**	**%**	**F**	**%**	**F**	**%**
5 to 10	33	45.8	26	36.1	18	25	10	13.9
Above 10	27	37.5	14	19.4	0	0.0	0.0	0.0
Below 5	12	16.7	32	44.4	54	75	62	86.1

The results in Table 26 indicate that 16.7% of the firms had deposits below 5, 45.8% had deposits ranging between 5 and 10 while 37.5% had deposits above 10, 44.4% of 47 the firms had withdrawals below 5, 36.1% had withdrawals ranging between 5 and 10 while 19.4% had withdrawals above 10. Majority (75.0%) of the respondents had utility transactions below 5 while for mobile banking majority (86.1%) also had transactions below 5. These results indicate that the agency firms mostly deal with provision of deposit and withdrawal transactions.

4.5.1 Cash Deposits and Performance of Agency Banking Firms

A cash deposit refers to the act of adding funds to a bank account. Cash deposits were compared with performance of agency banking firms. Descriptive statistic of cross tabulation was used to give the summary and in addition chi-square was also used to analyze the relationship of cash deposits and performance of agency banking firms at 5% significance level. The findings were summarized in Table 27.

Table 27 Daily Cash Deposits

	Number of Daily Transactions					
	10 and below		**11 to 30**		**Above 30**	
Scale	**%**	**F**	**F**	**%**	**F**	**%**
Above 10	0	0.0	18	66.7	9	33.3
5 to 10	8	24.2	19	57.6	6	18.2
Below 5	6	50.0	4	33.3	2	16.7
Total	14	19.4	41	56.9	17	23.6

Chi-square =16.224, d f=4, p-value=0.013

The results in Table 27 indicate that majority (66.7%) of the firms that have daily deposits above 10, have transactions between 11 and 30.While majority (50.0%) of the firms with deposits below 5 had 10 and below transactions below.

The study tested whether there was any significant relationship between cash deposits and performance of agency banking. From the computed chi-square value ($\chi2$ =16.224) at 4 degrees of freedom, there is significant relationship between cash deposits and performance of agency banking firms since the P-value (0.013) is less than 0.05 at 95% confidence level.

4.5.2 Cash Withdrawal and Performance of Agency Banking Firms.

Cash withdrawal refers to the act of taking funds out of a bank account. Cash withdrawals were compared with performance of agency banking firms. Cross tabulation was used to give the summary and in addition chi-square was also used to analyze the relationship between cash withdrawal and performance of agency banking firms at 5% significance level. The results are presented in Table 28.

Table 28 Daily Cash Withdrawals

Number of Daily Transactions						
	10 and below		11 to 30		Above 30	
Scale	F	%	F	%	F	%
Above 10	0	0.0	3	21.4	11	78.6
5 to 10	1	3.8	22	84.6	3	11.5
Below 5	13	40.6	16	50.0	3	9.4
Total	14	19.4	41	56.9	17	23.6

Chi-square =43.000, d f=4, p-value=0.000

Results in Table 28 show that more than three quarters (78.6%) of the firms that have withdrawals above 10, have transactions above 30. Half (50.0%) of the firms with withdrawals below 5 had transactions between 11 and 30. The study further tested whether there was any significant relationship between cash withdrawals and performance of agency banking. From the computed chi-square value ($\chi 2$ =43.000) at 4 degrees of freedom, there is significant relationship between cash withdrawals and performance of agency banking firms since the P-value (0.000) is less than 0.05 at 95% confidence level.

4.5.3 Utility Payment and Performance of Agency Banking Firms

Cash utility payments were compared with performance of agency banking firms. Cross tabulation was used to give the summary and in addition chi-square was also used to analyze the relationship of utility payment and performance of agency banking firms at 5% significance level. The results are presented in Table 29.

Table 29 Daily Utility Payment

Number of Daily Transactions						
	10 and below		11 to 30		Above 30	
Scale	**F**	**%**	**F**	**%**	**F**	**%**
Above 10	0	0.0	0	0.0	0	0.0
5 to 10	3	16.7	11	61.1	4	22.3
Below 5	11	20.4	30	55.6	13	24.1
Total	14	19.4	41	56.9	17	23.6

Chi-square =11.549, d f=4, p-value=0.009

Results in Table 29 indicate that no firm had utility payment above 10. Majority (61.1%) of the firms that had utility payments between 5 and 10 had transactions between 11 and 30.While majority (55.6%) of the firms that had utility payments below 5 also had transactions between 11 and 30.

The study tested whether there was any significant relationship between utility payment and performance of agency banking. From the computed chi-square value (11.549) at 4 degrees of freedom, there is significant relationship between utility payment and performance of agency banking firms since the P-value (0.009) is less than 0.05 at 95% confidence level.

4.5.4 Mobile Banking and Performance of Agency Banking Firms

Mobile banking refers to act of carrying out a financial transaction on a mobile device such as a cell phone or a tablet. Mobile banking was compared with performance of agency banking firms. Cross tabulation was used to give the summary and in addition chi-square was used to analyze the relationship of mobile banking and performance of agency banking firms at 5% significance level.

The findings were summarized in Table 30.

Table 30 Number of Daily Mobile Banking Services

Number of Daily Transactions						
	10 and below		11 - 30		Above 30	
Scale	F	%	F	%	F	%
Above 10	0	0.0	0	0.0	0	0.0
5 to 10	5	50.0	4	40.0	1	1
Below 5	9	14.5	37	59.7	16	16
Total	14	19.4	41	56.9	17	17

Chi-square =9.368, d f=4, p-value=0.025

Table 30 shows that none of the firms had number of daily mobile banking services above 10.Majority (59.7%) of the firms that had number of daily mobile banking services below 5 had transactions between 11 and 30. The study tested whether there was any significant relationship between number of daily mobile banking services and performance of agency banking. From the computed chi-square value (9.368) at 4 degrees of freedom, there is significant relationship between number of daily mobile banking services and performance of agency banking firms since the P-value (0.025) is less than 0.05 at 95% confidence level.

4.5.5 Relationship between Service Diversification and Performance of Agency Banking Firms

The researcher sought to establish the relationship between service diversification and performance of agency banking firms. This was achieved through association of all agency banking services and their corresponding number of daily transactions. The results are presented in Table 31.

Table 31 Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.205a	6	0.04
Likelihood Ratio	13.585	6	0.035

0 cells (0.0%) have expected count less than 5. The minimum expected count is 11.00.

The computed chi-square ($\chi2$ =13.205) with a p-value of 0.040 is less than 0.05.Thus the null hypothesis was rejected .The conclusion is that there is a statistically significant relationship between service diversification and performance of agency banking firms at 5% significance level. This is consistent with (Cotugno and Stefanelli, 2012) findings that found a positive relationship between product diversification and bank performance on 4038 observations relative to Italian banks for the period 2005- 2010.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations arising from the findings on effect of cash management practices on performance of agency banking firms.

5.2 Summary of the Research Findings

The research sought to analyze the relationship between cash management practices and performance of agency banking firms. The objectives of the study were; to establish the relationship between cash planning and performance of agency banking firms, to determine the relationship between cash control and performance of agency banking firms and to determine the relationship between service diversification and performance of agency banking firms. The study found a significant relationship between preparation of cash budget ($\chi2$ = 23.456, P-value=0.000) and frequency of cash budget preparation ($\chi2$ = 9.654, P-value=0.047). However, there was no significant relationship between techniques of cash budget preparation and performance of agency banking firms ($\chi2$ = 4.654, P-value=0.588). The study found a significant relationship between frequency of deposits of receipts ($\chi2$ = 22.468, p-value=0.004), safeguarding of cash ($\chi2$ = 23.103, P-value=0.003),awareness of cash disbursements ($\chi2$=16.574, P-value=0.035),monitoring of petty cash usage and receipts ($\chi2$ =21.232, P- value=0.000),accessibility of cash to a specific person ($\chi2$ =24.957,P-value=0.002), n of float account ($\chi2$ =18.378, P-value=0.019) and performance of agency banking firms. However, there was no significant relationship between recording of receipts from investment and performance of agency banking firms ($\chi2$ =7.860, P-value=0.447). The study found a significant relationship between cash deposits ($\chi2$ =16.224, P-value=0.013), cash withdrawals ($\chi2$ =43.000, P-value=0.000), utility payment ($\chi2$ =11.549, P- value=0.000) mobile payment ($\chi2$ =9.368, P-value=0.025) and performance of agency banking firms.

5.3 Conclusions

The study found a significant relationship between cash planning and the performance of agency banking firms at 5% significance level since the obtained Pearson chi-square value ($\chi2$ =23.456) had a p- value of 0.000 was less than the significance value of 0.05.The Null hypothesis was therefore rejected.This means that firms that prepare cash budgets and prepare them frequently are likely to post better performance.

The study also found a significant relationship between cash control and the performance of agency banking firms since the obtained Pearson chi-square value ($\chi2$ =23.619) had a p-value of 0.023<0.05.The Null hypothesis was therefore rejected. This implies that firms that control their cash are likely to perform better than those that don't.

Finally the study found a significant relationship between service diversification and the performance of agency banking firms since the obtained Pearson chi-square value ($\chi2$ =13.205) had a p-value of 0.40 was less than the significant value of 0.05. The Null hypothesis was therefore rejected. This implies that variety of services offered by agents is key to successful performance of agency firms.

5.4 Recommendations

In light of the above findings, the following recommendations were made:

I. Commercial banks should emphasize the need for agents to prepare cash budget as a tool for cash planning.

ii. Banking agents should be exposed to various Cash control techniques.

iii. There is need for Commercial banks to roll out a wide range of agency banking services that are already authorized by the Central Bank of Kenya

5.5 Suggestion for Further Research

From the findings of the study, the following areas are suggested for further studies:

I. The impact of agency banking on growth of commercial banks.

ii. The effect of cash management on profitability of agency banking firms.

iii.The impact of cash management by agency banking firms on the operating risk of commercial banks.

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A Study on Performance Assessment of Mutual Fund with Reliance Mutual Fund Schemes in India

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A B S T R A C T

In this paper the researcher tried to evaluate the performance of Reliance open-ended equity schemes with growth option. The period of the study spans from 1st April 2008 to 31st March 2017.To evaluate the performance of the selected mutual fund schemes, monthly returns are compared with Benchmark BSE National 100 and SENSEX returns.

Keywords: Equity Schemes; Performance Assessment, Reliance Mutual Fund and Other Mutual Fund Schemes, BSE 100.

INTRODUCTION:

Many of the financial instruments mutual funds is one of the most attractive financial investment instrument that plays a vital role in the economy of a country. Mutual fund schemes provide new opportunities for investors. Mutual fund Industry was introduced in India 1963 with the formation of Unit Trust of India. During the last few years many extraordinary and rapid changes have been seen in the Mutual fund industry. Therefore, due to the changed environment it becomes important to investigate the mutual fund performance. The need for evaluating the performance of mutual fund schemes in India is to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make out a strong case for investment. The present paper investigates the performance of open-ended, growth-oriented equity schemes. Open-ended mutual fund schemes are those which don't have a fixed maturity, not listed in the stock exchange and these schemes offer new unit for sale and ready to buy any time. The success of any scheme depends upon the competence of the management and its soundness.

REVIEW OF LITRATURE:

Despite the existing of a mutual fund industry for over four and half decades in India, there have been only a few studies, which examined the performance of Indian mutual fund using standard methodology a brief review of this studies is now presented below:

Kumar Vikas [2010] evaluated the performance of 20 mutual funds schemes managed by five mutual funds using monthly NAV for period between 1st Jan 2000 to 31 st Dec 2009 for 10 year i.e. 120 months. The rate of return was compared with the BSE National 100 index over the period. The performance was evaluated in the term of rate of return, total risk (i.e. S.D.), systematic risk (i.e. Beta), coefficient of determination and risk adjusted performance suggested by Sharpe (1966), Treynor (1965) and Jensen (1968). The outcome shows that out of 20 schemes selected equity schemes shows better return as compared to debt and balanced schemes.

Singh and Singh [2005] have highlighted the fact that mutual funds have not attained equal status as their counterparts in USA, UK and other developed countries. It has emphasized on the gradual but slow growth of mutual funds in India giving an exclusive attention to the UTI as it was through to be the pioneers in this field. The private, money market funds, offshore mutual funds has been critically analyzed.

G. Sethu [2001] used weekly NAV data for 18 open-ended growth schemes in India for the period April 1995-July 1999. His study used three alternatives indices for equity market viz. NSE Nifty, BSE Sensitive Index and S&P CNX 500. The 91-day treasury auction rate was used as the risk free rate. He concluded that the fund portfolios are not adequately diversified; the excess returns after adjusting for systematic risk is zero and the portfolios do not show any market timing.

Gupta[2000]study was conducted with the primary objective to evaluate the performance of selected mutual funds schemes and to apply test for analyzing timing abilities of the mutual funds managers during the period April 1, 1994 to march 31, 1999 it also examines the growth and development of the mutual fund industry in India during the period 1987 to September 1999. However, No conclusive evidence was available which could warrant the study to accept its performance as superior.

Mishra [1999] evaluated performance over a period, April 1992 to December 1996. The sample size was 24 public sector sponsored mutual funds. The performance was evaluated in terms of rate of return, Treynor, Sharpe and Jenson's measures of performance. The study also addressed beta's instability issues. The study concluded dismal performance of PSU mutual funds in India, in general, during the period, 1992-1996.

SIGNIFICANCE OF THE STUDY:

The need for evaluating the performance of mutual fund schemes in India is to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make out a strong case for investment. The present paper investigates the performance of open-ended, growth-oriented equity schemes. Open-ended mutual fund schemes are those which don't have a fixed maturity, not listed in the stock exchange and these schemes offer new unit for sale and ready to buy any time. The success of any scheme depends upon the competence of the management and its soundness. Evaluating historical performance of mutual funds is important both for investors as well as portfolio managers. It enables an investor to access as to how much return has been generated by the portfolio manager and what risk level has been assumed in generating such returns. The various constituents of the society have been deprived of the detailed knowledge about the mutual fund's operations, management, regulations, growth and performance, relations with capital market and risk and return involved. This study is expected to fill this gap. The present research work is supposed to be useful especially to present and potential investors, managers of mutual funds, agents of mutual funds, academicians, present and future research scholars and also government and regulated bodies. This study will guide the investors in planning and effecting their investments in mutual funds. It will also act as a guide for beginning investors.

OBJECTIVES OF THE STUDY

1. To Evaluate the Performance of sample schemes.
2. To compare schemes return and risk with benchmark i.e. BSE 100. To compare schemes return and risk with benchmark i.e. SENSEX.

RESEARCH METHODOLOGY:

Benchmark Index- For this study, broad-100 shared base BSE National Index and SENSEX has been used as a proxy for market index. Hence it would cover the majority percentage of different scheme portfolios and therefore is expected to provide better performance benchmark.

Risk Free Rate- Risk free rate of return refers to that minimum return on investment that has no risk of losing the investment over which it is earned. For the present study, it has been taken as Public Provident Fund (PPF) on the average rate from 2006 to 2015 marked as 8.0111% per annum or 0.006676 per month.

Period Of Study- The growth oriented schemes, which have been floated by the Reliance Mutual Funds during the period 1st April. 2008 to 31st March 2017 have been considered for the purpose of the study. Monthly Net Asset Value (NAV) has declared by the relevant mutual funds from the 1st April. 2008 to 31st March 2017 has been used for the purpose.

Data- Study examines six open-ended equity schemes with growth option being launched by Reliance Mutual Funds. These schemes have been selected on the basis of regular data availability during the period of 1st April 2008 to 31st March 2017. Monthly Net Asset Value (NAV) data has been used and the period.

ANALYSIS AND INTERPRETATION:

Table 1:List of Mutual Funds Schemes Studied Name of the Equity Scheme Selected

Reliance Banking Fund
Reliance Diversified Power Sector Fund
Reliance Equity Opportunities Fund
Reliance focused Large Cap Fund
Reliance Growth Fund
Reliance Media and Entertainment Fund
Reliance NRI Equity Fund
Reliance Pharma Fund
Reliance Regular Savings Fund
Reliance Vision Fund

Different scheme launch in different dates therefore, for the purpose performance assessment the period covers 1st April, 2008 to 31st March, 2017.

Table 2 shows the average return earned by the various schemes. For calculation of average return earned by the schemes Growth in the value for each month over the previous month has been divided by the value of the previous month. Then the average of the full series has been taken. In schemes all the sample schemes had shown the highest return earners as against BSE 100 return (0.011384) except one i.e. Reliance Focused Large Cap Fund which has shown the worst performance as against BSE 100 return and Sensex, also all the schemes shows better return as against Sensex (0.01091) except Reliance Focused Large Cap Fund. Reliance Pharma Fund (0.020369) has shown the best return followed by Reliance Banking Fund (0.020055) and Reliance Regular Savings Fund (0.016969).

Table 2:Average Monthly Return Earned By the Schemes

Schemes	Return
Reliance Pharma Fund	0.020369
Reliance Banking Fund	0.020055
Reliance Regular Savings Fund	0.016969
Reliance Equity Opportunities Fund	0.015703
Reliance NRI Equity Fund	0.014465
Reliance Growth Fund	0.014353
Reliance Media and Entertainment Fund	0.012664
Reliance Vision Fund	0.012521
Reliance Diversified Power Sector Fund	0.012184
Reliance Focused Large Cap Fund	0.009889

Table 3:Standard Deviation

Schemes	SD
Reliance Focused Large Cap Fund	0.063929
Reliance Pharma Fund	0.072496
Reliance NRI Equity Fund	0.072758
Reliance Equity Opportunities Fund	0.074776
Reliance Vision Fund	0.075706
Reliance Growth Fund	0.076667
Reliance Regular Savings Fund	0.083384
Reliance Media and Entertainment Fund	0.083707
Reliance Diversified Power Sector Fund	0.089196
Reliance Banking Fund	0.092936

Table 3 shows the standard deviation of selected schemes. It is the most common expression to measure risk of the fund return. Higher the value of standard deviation of the fund returns, greater will be the total risk carried by the fund. It is observed that the maximum deviation of funds return is shown by Reliance Banking Fund (0.092936) whereas Reliance Focused Large Cap Fund was least risky scheme with lowest standard deviation (0.063929) on the other hand Standard Deviation of benchmark BSE 100 National Index is (0.075408) and Sensex (0.070924). It could be seen here that four out of selected schemes selected for study shows less standard deviation then BSE 100 Index and one out of the sample shows less risky than Sensex.

RISK - RETURN CLASSIFICATION OF SAMPLE SCHEMES:

In order to undertake further analysis, sample schemes have been classified into the following four categories on the basis of their return and risk characteristics:

1. Low Return and Low Risk: This category consists of schemes whose average returns are less than the average market return and their standard deviations are also lower than that of the market.

2. High Return and Low Risk: This category comprises those schemes whose returns are more that the market but their standard deviations are lower than that of the market.

3. High Return and High Risk: This category includes all those schemes whose returns as well as standard deviations are higher than that of the market.

4. Low return and High Risk: The final category includes all those schemes whose returns have been found to be lower than that of the market but their standards deviations are higher than that of the market.

5. Categorizations of Schemes: Table 4 presents the risk return grid of Mutual Funds schemes fromBSE100. After classification of the sample schemes in to risk return category 1 scheme fall in category ^{1st} i.e. Low Return Low Risk. Further 3 schemes fall in 2^{nd} category i.e. High return and low risk. These 5 schemes fulfill one basic objective of Mutual Fund i.e. High Return and Low Risk compared to the capital market. Only 6 schemes fall in 3rd category i.e. High Return and High Risk and no schemes falls in 4th category i.e. Low Return and High Risk. After classification of the sample schemes in to risk return category 1 scheme fall in category 1st i.e. Low Return Low Risk. Further no schemes fall in 2nd category i.e. High return and low risk. Rest all schemes fall in 3rd category i.e. High Return and High Risk and no schemes falls in 4th category i.e. Low Return and High Risk.

Table 4: Average Ranking Of Selected Mutual Funds Schemes According To Different Measures

Schemes	Average rank
Reliance Pharma Fund	1
Reliance Banking Fund	2
Reliance Regular Savings Fund	3
Reliance Equity Opportunities Fund	4
Reliance NRI Equity Fund	5
Reliance Growth Fund	6
Reliance Media and Entertainment Fund	7
Reliance Vision Fund	8
Reliance Diversified Power Sector Fund	9
Reliance Focused Large Cap Fund	10

CONCLUSION:

Out of the total schemes studied, all schemes showed an average return higher than in comparison to the market return i.e. BSE 100 and SENSEX except one i.e. Reliance Focused Large Cap Fund. Mutual funds are supposed to protect small investors against vagaries of stock market and the fund managers of these schemes have done well to protect them, based on both benchmarks Reliance Pharma Fund, Reliance NRI Equity Fund, Reliance Focused Large Cap Fund and Reliance Equity Opportunities Fund in BSE 100 and Reliance Focused Large Cap Fund in Sensex has performed better than the other schemes in comparison of risk and return which Indicates that investors who invested in these schemes to form well diversified portfolio did receive adequate return per unit of total risk & systematic risk undertaking.

LIMITATIONS OF THE STUDY:

For the purpose of performance assessment, those schemes have been selected which are in operation since last 9 years i.e. 1st April 2008 to 31st March 2017. Only open ended equity schemes have been considered for this purpose. The schemes having only growth options are being taken into consideration. The series schemes and the plan schemes were not taken as a part of sample as it lacks uniformity. Performance assessment of all schemes was not possible due to unavailability of data.

SCOPE FOR FURTHER RESEARCH:

- As evaluating the performance of Mutual Fund is an ongoing process and a never ending task. This study has taken only open-ended schemes for its consideration and thus, a similar study can be done on Close-ended schemes. As in the present study an attempt has been made to compare the selected schemes with two benchmarks i.e. BSE 100 and Sensex, so same can be made with various other benchmarks and different Risk free return which is taken as Public Provident Fund in the present study. The number of sample schemes too can be increased, which might provide some more variations in the result. Also many private sector mutual fund exist in the industry, in the present study only Reliance Mutual Fund was taken, many are yet to be evaluated. A study can be made also for the assessment of Bank Sponsored Mutual Fund or Institution along with the comparative study.

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GST in INDIA: The Impact on Indian Tax Scenario

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ABSTRACT

GST is one of the most crucial tax reforms in India which has been long pending. It was supposed to be implemented from April 2010, but due to political issues and conflicting interests of various stakeholders it is still pending. It is a comprehensive tax system that will subsume all indirect taxes of states and central governments and unified economy into a seamless national market. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. This paper presents an overview of GST concept and explains its salient features. The paper is more focused on the impact of GST (Goods and Services Tax) will be on Indian Tax Scenario.

Keywords: Goods and Service Tax (GST), Indian Tax Scenario.

INTRODUCTION

The proposed GST is likely to change the whole scenario of current indirect tax system. It is considered as biggest tax reform since 1947. Currently, in India complicated indirect tax system is followed with imbrications of taxes imposed by union and states separately. GST will unify all the indirect taxes under an umbrella and will create a smooth national market. Experts say that GST will help the economy to grow in more efficient manner by improving the tax collection as it will disrupt all the tax barriers between states and integrate country via single tax rate. GST was first introduced by France in 1954 and now it is followed by 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also dual system of GST is proposed including CGST and SGST.

LITERATURE REVIEW

Agogo Mawuli (May 2014) studied, "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R. Vasanthagopal (2011) studied,"GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

OBJECTIVE OF STUDY

The study has following objectives:

1) To cognize the concept of GST.

2) To study the salient features of GST model.

3) To study the impact of GST on Indian tax scenario.

RESEARCH METHODOLOGY

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study.

CONCEPT

GST is an indirect tax which will subsume almost all the indirect taxes of central government and states governments into a unified tax. As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and states goods and service tax (SGST). CGST will subsume central indirect taxes like central excise duty, central sales tax, service tax, special additional duty on customs, counter veiling duties whereas indirect taxes of state governments like state vat, purchase tax, luxury tax, octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of GST. It is not an additional tax but it is a system to examine the interstate transactions of goods and services and to further assure that the tax should be received by the importer state as GST is a destination based tax.

SALIENT FEATURES OF PROPOSED GST MODEL

- Harmonized system of nomenclature (HSN) to be applied for goods.
- Uniform return & collection procedure for central and state GST.
- PAN based Common TIN registration.
- Turnover criteria to be prescribed for registration under both central goods and services tax (CGST) and state goods and services tax (SGST).
- TINXSYS to track transactions.

- Tax Payment will be by exporting dealer to the account of receiving state.
- Credit will be allowed to the buying dealer by receiving state on verification.
- Submission of declaration form is likely to be discontinued.
- Area based exemptions will continue up to legitimate expiry time both for the Centre and the States.
- Product based exemptions to be converted into cash refund.
- Limited flexibility to be given to Centre and States for exceptions like natural disasters etc.
- Simplified structure to reduce transaction cost.
- Separate rules and procedures for the administration of CGST and SGST.
- Specific provisions for issues of dispute resolution and advance ruling.

IMPACT OF GOODS AND SERVICE TAX

1. Food Industry

The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

2. Housing and Construction Industry

In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

3. FMCG Sector

Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to $25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry's size to $95 Billion.

4. Rail Sector

There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter state transportation of goods can be tracked through the proposed Information technology (IT) network.

5. Financial Services

In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

6. Logistics

Warehousing and transportation plays a vital roll in timely distribution of products as well as in determining their cost which are born by costumer. Different taxes are layed down in different states of our country which extremely increase the cost , GST(the single tax in whole nation) will be the great solution of this accute problem.

7. Information Technology enabled services

To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellectual Property and regarded as a service. And If the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T.

8. Impact on Small Enterprises

There will be three categories of Small Enterprises in the GST regime.

- Those below threshold need not register for the GST
- Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime.
- Those above threshold limit will need to be within framework of GST Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired.

In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions of excise upto Rs.1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

CONCLUSION

- The enumeration of benefits casts a welcome setting for GST
- Proving GST as a superior and sufficient system depends upon the structure it is designed into and the manner of implementation.
- While it serves to be beneficial set up for the Industry as well as Consumers it would
- also lead to increase in revenue to Government. The volume of direct taxes shall also increase manifold as the system shall be capable in detecting the tax shirkers.
- It will increase the overseas investments in the country as the taxation system shall be simplified and become unanimous throughout the country.

The Application of IFRS Between The Accounting Professionals in The Republic of Benin and Nigeria Using The Concept of Uncertainty Avoidance

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ABSTRACT

The incomparability of financial statements around the world is an obstacle to the effective and efficient running of the integrated global financial markets. This study examined cultural difference in the application of the IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance. The study surveyed accounting professionals in the Republic of Benin and Nigeria to obtain their perception of application of IFRS using the concept of uncertainty avoidance. The population covers accounting professionals that have skills and expertise needed to prepare and present financial statements. The sample size of two hundred (200) respondents, 100 each was randomly selected from accounting professionals in both Republic of Benin and Nigeria. The data collected by structured questionnaires were analyzed using descriptive statistics, while two sample t-Test were employed as statistical tools to test the hypothesis. At 0.05 significant level and 198 degree of freedom, the estimated t-value was 10.97. Thus, there was a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of power distance. The research findings implied that the accounting professionals with similar cultural values apply IFRS similarly, while those differ in cultural values apply IFRS differently. The research findings also indicated that the chosen countries' former colonial masters' cultural values influenced the accounting professionals' decision making process. Implications of the study were discussed. Recommendations for future research were provided.

Keywords: Accounting, Professionals, International Financial Reporting Standards, African Countries

INTRODUCTION

The pervasiveness of national culture in all activities of individual countries, including accounting and financial reporting systems, has intensified the calls and the need for more cross-cultural study in accounting (Chanchani & MacGregor, 1999; Doupnik & Tsakumis, 2004).It is a fact that the globalization of economy and integration of global financial markets are evolving, and these changes are here to stay (Boerner, 2007). The wave of changes in the global stage is removing a lot of obstacles among countries (Boerner, 2007; Gray & Roberts, 1991). Despite these changes, the differences in the various countries' cultural values (power distance, uncertainty avoidance, individualism and masculinity) continue to prevent consistencies in the application of the accounting rules even among more than 100 countries that have adopted IFRS (Nobes & Zeff, 2008). Uncertainty avoidance is an indicator of how much members of a society are comfortable in uncomfortable or unknown situations. The adoption of IFRS is expected to provide a solution to the inconsistencies in the application of accounting rules, yet there remained discrepancies in the quality of information in financial statements or financial information around the world.

Researchers have identified accounting and financial reporting system of a country as culture specific. The accounting and financial reporting system of a country would very much reflect the cultural values held in such a country (Askary, 2006; Doupnik& Richter, 2004; Gray, 1988; Marremo & Brinker, 2007; Nobes&Zeff, 2008; Robinson &Venieris, 1996; Zarzeski, 1996). Researchers have also found that application of the accounting rules IFRS by the professional accountants in various countries is not free from the societal values held by those accounting professionals (Doupnik & Richter, 2004; Gray, 1988). In other words, the societal values held by the professional accountants in various countries influence their application of the accounting rules. This has led to inconsistencies in the treatment of the same accounting issues and has made it impossible to have comparable financial statements around the world.

Researchers have also shown that the national culture and uncertainty avoidance have a great influence on the interpretations and the applications of the provisions of the IFRS. This has resulted in different interpretations and applications for the same provision of the IFRS in various countries (Doupnik & Richter, 2004; Tsakumis, 2007; Tsakumis, Campbell, & Doupnik, 2009). Uncertainty avoidance is an indicator of how much members of a society are comfortable in uncomfortable or unknown situations. For scoring purposes, a country with a high score in uncertainty avoidance indicates a strong uncertainty avoidance society. On the other hand, a country with a low score in uncertainty avoidance is a weak uncertainty society (Hofstede, 1983). A strong uncertainty avoidance society does not feel comfortable with unknown circumstances. This society believes that future unforeseen or unknown circumstances should be guarded against.

These have been a major obstacle for the IASB to achieve its mission of providing quality uniform international accounting standards that can produce comparable financial statements around the world (Choi & Meek, 2008; Fritz &Lammle, 2003). That is, the same accounting issues would be treated differently in those countries even when IFRS is employed in preparing financial statements, due to the influence of national culture.

The issue of incomparability of financial statements around the world due to the influence of national culture has been recognized for many decades. But this issue is still very much alive in today's global business environment. How long this issue has been recognized as a problem to global business community depends on the person you ask. Newman (2009) argues that the issue of different accounting standards that leads to inconsistencies in financial information around the world has been known since 1960s. He indicates that for the first time in 1967, the U.S. Securities and Exchange Commission (SEC) paid special attention to and treated the issue of inconsistencies in financial statements being prepared under foreign accounting standards. He argues that the SEC recognized and believed at that time that something needed to be done about the inconsistencies in the financial statements around the world.

The adoption of IFRS has not delivered its anticipated results. The inconsistencies in the application of IFRS in the countries that have adopted it, due to the influence of national culture, may prevent the realization of the comparability of financial statements around the world. The task before the IASB is a difficult one. The IASB is the accounting standards-setter for the global constituents, but it has no power to force any country to use its accounting pronouncements or rules. Even in the countries that use IFRS, it has no power to check for compliance. It has to work with the accounting professionals in various countries to carry out its mission of minimizing, if not eliminating, the diversity in the accounting and financial reporting systems around the world. Despite the fact that more than 100 countries have adopted IFRS and more are deliberating about its adoption, including the U.S. The issue of cultural influence on the accounting and financial systems around the world is still relevant.

The adoption of IFRS in more than 100 countries does not guaranty its consistent application by professional accountants in those countries (Tsakumis et al., 2009). That is, the same accounting issues would be treated differently in those countries even when IFRS is employed in preparing financial statements, due to the influence of national culture. The countries using IFRS standards have had their culture established before the introduction of the IFRS, and they will still have their culture if the internationalization of the accounting and financial reporting system does not work. Then the issue of the influence of the national culture on the interpretation and application of the provisions of IFRS will remain relevant in the present cross-cultural study in accounting. Accordingly, this present research examined the cultural difference in the interpretation and application of the IFRS by accounting professionals in two nations. The accounting professionals in the Republic of Benin and Nigeria were the participants in this study.

STATEMENT OF THE PROBLEM

The quality of the information in financial statements would determine the quality of the decisions made by the users of such financial statements (Mueller & Walker, 1976; Zarb, 2006).The confidence that the users of financial statements have in those financial statements would then later reflect in the effectiveness and efficiency of the global financial markets and globalization of economic transaction. Thus researchers have shown that running efficient and effective global financial markets greatly depends on the quality of financial statements (Boerner, 2007; Radig & Loudermilk, 1998). Given the fact that national culture has been identified as an influential environmental factor on accounting and financial reporting systems of a country, then the application of accounting rules IFRS is expected to vary among various countries (Tsakumiset al., 2009; Zarzeski, 1996).

The inconsistencies in the application of the IFRS worldwide would result in different treatments for the same accounting issue in various countries. This would prevent the comparability of financial statements worldwide (Tsakumis et al., 2009). The incomparability of financial statements worldwide is a problem to the participants creditors, investors, stock exchanges, and others in the global financial markets and globalization of economy. This is a problem because the incomparability of financial statements worldwide would prevent cross-border investors and other participants in the global financial markets from employing accurate information from such financial statements in making business and other decisions (Tsakumis et al., 2009).

Despite the good intention of the IFRS and its adoption in more than 100 countries, the goal of comparable and consistent financial statements is not close to reality. The different interpretations and applications of the provisions of the IFRS due to the influence of the national culture are obstacles to the achievement of consistent and comparable financial statements that can be accepted globally (Choi & Meek, 2008; Fritz &Lammle, 2003; Tsakumis et al., 2009). The influence of national culture on the interpretation and application of the provisions of the IFRS makes it difficult, if not impossible, the preparation and presentation of the financial statements that are consistent, comparable, and reliable around the world For example, this problem is making it impossible to compare financial statements prepared in the U.K. under IFRS as prescribed by IASB to the ones prepared in France in accordance with the IFRS as prescribed by the IASB. Despite the fact that these two countries used the same provisions of the IFRS as prescribed by the IASB, the comparability of financial statements in these two countries would not produce useful information due to the influence of the national culture on the interpretation and application of the provisions of the IFRS by the accounting professionals in these countries. In this type of situation when one is comparing the financial statements from these two countries, it would be like comparing apples to oranges rather than comparing apples to apples.

In addition, the researchers have not provided evidence to support those within the IFRS who indicated that its adoption would be a solution to the incomparability of financial statements around the world. Instead, researchers have provided evidence that differences exist even among the countries that adopted IFRS, due to the influence of culture on its application (Doupnik&Tsakumis, 2004; Nabar&Boonlert-U-Thai, 2007; Tsakumis et al., 2009).This study presents the understanding of cultural difference in the interpretations and applications of the provisions of the IFRS by the accounting professionals in these countries.

Therefore, understanding and acknowledgment of differences in various countries' cultural values and how these cultural values affect the application of the provisions of the IFRS by accounting professionals worldwide is the most realistic way to enhance the quality of financial statements. Knowing the cultural differences in the application of IFRS between the accounting professionals' interpretation and application of IFRS from various countries enhances the understanding of the financial statements as well as helping their users in making informed business and other decisions worldwide.

OBJECTIVE OF THE STUDY

The objective of the study was to examine the cultural difference in application of IFRS between accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance.

RESEARCH QUESTION

Research question for this study is: What is the cultural difference the interpretation and application of the International Financial Reporting Standards (IFRS) using the concept of uncertainty avoidance?

HYPOTHESIS

H_0: There is no significant cultural difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance.

2. LITERATURE REVIEW

The financial statements play a significant role in the effective and efficient running of global financial markets (Boerner, 2007; Moustafa, Slaubaugh, & Wang, 2008; Tsakumis et al., 2009). Financial statements serve as communication links between the organization and its stakeholders. Organizational stakeholders such as investors, creditors, employees, suppliers, governmental agencies, and others get their information from financial statements. The advancement in technologies (especially communication and internet technologies), the expansion of international trade, and the globalization of economic ventures have made it possible for the integration of global financial markets. Given the differences in the accounting systems in various countries, which result in different financial statements, comparability of financial statements would be difficult, if not impossible. Researchers have proven that a country's cultural values influence its accounting and financial reporting systems, accounting values, accounting professions, and accounting professionals (Gray, 1988; Tsakumis, 2007; Tsakumis et al., 2009). Since each individual country's culture is unique, then various countries' accounting and financial reporting systems differ.

To minimize differences in various countries' accounting and financial reporting systems, internationalization of accounting and financial reporting systems was proposed.

The proponents of the internationalization of accounting argue that it would produce quality accounting standards that would produce quality financial statements that are consistent, reliable, useful, and comparable around the world. They argue that it would facilitate the process of globalization of economy and financial markets, though others disagree. One thing is for sure, globalization of economy and financial market is evolving. The obstacle imposed on the globalization of economy and financial markets by various countries' national borders has been replaced by those countries' cultural values (Moustafa, Slaubaugh, & Wang, 2008; Nabar & Boonlert-U-Thai, 2007).

Uncertainty avoidance is an indicator of how much members of a society are comfortable in uncertain or unknown situations. The future is full of uncertain circumstances, and human beings have established ways to manage these uncertainties. How a society manages its unknown future depends on its level on this cultural dimension and uncertainty avoidance. This society believes that future unforeseen or unknown circumstances should be guarded against and also this society does not like surprises, as a result, it has established rules and regulations that members of the society must follow (Soetan, 2011). This society believes in sincerely and honestly following the established rules and regulations in its organizations and institutions. Deviation from the established rules and regulations is not encouraged or accepted. This society worries about unknown circumstances, as they regard this as a threat to their security. It does not encourage its members to take risks. This society does not like failure. Its members take failures personally as they believe they should have done more to prevent such circumstances (Hofstede, 1983; Richardson, 2007).

A low uncertainty avoidance society worries less about unknown circumstances. This society believes that unknown circumstances are parts of life. The managers and subordinates believe that unknown circumstances are normal parts of business activities. Therefore, they should be dealt with as they occur. This society encourages its members to take risks in finding solutions to job- related problems. Its members can deviate from the established rules and regulations in order to find solutions to job-related problems. That is, the rules and regulations in this society are flexible, not rigid. The managers and subordinates in this society take risks. This society allows the managers to design compensation packages to reflect level of risks undertaken by the individual employees (Hodgetts&Luthans, 1993; Hofstede, 1980).

2.1 Uncertainty Avoidance in Nigeria and West African Countries

The uncertainty avoidance dimension points for West African countries are 54. These points grouped West African countries into a strong uncertainty avoidance society. Based on these points, West Africa society is not expected to feel comfortable with unknown or unforeseen circumstances. This society is expected to have the belief that future unforeseen or unknown circumstances should be guarded against. West African society does not expect to like surprises. As a result, in West African society, managers and subordinates are expected to have established rules and regulations they must follow. This society is expected to believe in sincerely and honestly following the established rules and regulations in its organizations and institutions. Deviation from the established rules and regulations is not expected to be encouraged or accepted.

2.2 Gray's Framework of Accounting Subculture

Gray (1988) theorizes that national culture influences the individual countries' accounting systems and values, and he is the first known researcher to do so. He employs Hofstede's (1980) cultural variables to develop a framework indicating that cultural values influence national accounting values and, accounting values influence financial reporting. The framework linked Hofstede's (1980) cultural dimensions power distance, uncertainty avoidance, individualism, and masculinity with Gray's (1988) accounting values professionalism, uniformity, conservatism, and secrecy. Gray's (1988) accounting values include (a) professionalism, indicating a preference for individual judgment as well as self-regulation; (b) uniformity, indicating a preference for uniform accounting practices; (c) conservatism, indicating accounting professionals' willingness to take cautious approach in recognizing items that would increase assets and incomes; and (d) secrecy, indicating the accounting professionals' preference for confidentiality and willingness to disclose the information to a third party or an outsider only on a need-to-know basis. He argues that information sharing is low in large power distance societies. He argues that the values of a society would affect its accounting directly and indirectly through its institutional characteristics such as the type of capital markets, legal systems, and corporate ownership structure. Gray (1988) indicates that because societal values influence accounting values, then, “the value systems or attitudes of accountants may be expected to be related to and derived from societal values with special reference to work-related values" (Gray, 1988, p. 5).

2.3 Empirical Evidences

Hofstede (1980) carried out a cross-cultural study and produced supporting evidence to group 40 countries into four cultural dimensions or variables power distance, uncertainty avoidance, individualism, and masculinity. Gray (1988) indicates that uniformity can be connected to uncertainty avoidance and individualism dimensions. He indicates that a strong uncertainty avoidance society preference for established rules and regulations is in line with conformity. This would allow accounting standards to be applied universally. He also identified connection between conservatism and uncertainty avoidance. Conservative measurements of profit and items that increase assets are in line with strong uncertainty-avoidance society's preference for security and a cautious approach to manage unforeseen future events.

Gray (1988) extended Hofstede's (1980) study and theorized that national culture influences the individual countries' accounting systems and values. He was apparently the first researcher to do so. He employed Hofstede's cultural variables to develop a framework indicating that cultural values influence national accounting values and, furthermore, that accounting values influence financial reporting. The framework linked Hofstede's cultural dimensions power distance, uncertainty avoidance, individualism, and masculinity with Gray's (1988) accounting values professionalism, uniformity, conservatism, and secrecy.

Gray (1988) connected professionalism with individualism and uncertainty avoidance. He indicates that professionalism's preference for professional judgment and independent attitudes of accounting professional around the world are in line with high individualism society's preference for individual independence, decisions, and performance. He also indicates that a weak uncertainty-avoidance society's preference for fewer rules and regulations, and where professional judgments would more likely be welcomed, may make the accounting value of professionalism acceptable in a weak uncertainty avoidance society.

Noravesh, Dilami, &Bazaz (2007) examined the associations between Hofstede's (1980) cultural values and Gray's (1988) accounting values in Iran. They collected financial information for a period of 10 years from 247 firms listed in the Tehran Stock Exchange. The sources for the data include an economics magazine, the Iran statistical yearbook, financial statements, and auditors' reports of firms listed in Tehran Stock Exchange.

They used confirmatory factor analysis (CFA) to test the measurement model in linear structural relationship (LISREL). Their results indicated that there is negative significant association between uncertainty avoidance and professionalism, negative significant association between uncertainty avoidance and conservatism, negative significant association between uncertainty avoidance and uniformity.

Gray (1988) connected secrecy with uncertainty avoidance, power distance, and individualism dimensions. He indicates that preference for secrecy is in line with strong uncertainty avoidance for restriction of information disclosures in order to prevent conflict and competition, as well as to maintain security. Nabar and Boonlert-U-Thai's (2007) examination of samples from 30 countries indicates that national culture has an influence on accounting and financial reporting systems in various countries. They indicate that the international accounting standards setter and those who will be enforcing IFRS should consider the influence of national culture on the choice of accounting. The results of their study found strong support for investor protection in common-law countries, which operate equity market systems, and weak investor protection in code-law countries, where debt-market systems exist.

Ding, Jeanjean and Stolowy (2004) indicate that "divergence is significantly positively correlated with individualism, negatively correlated with power distance, and positively correlated with uncertainty avoidance". But the results of their study also indicate that national cultural dimensions cannot satisfactorily explain certain instances where the IAS had accounting treatments for certain accounting issues, and the national GAAP did not have accounting treatments for such accounting issues. They argue that this situation is more likely to be linked with economic development and capital market issues. Ding et al. (2004) employed a quantitative research method in their study. They used data from a study conducted by several international accounting firms in 2001 known as GAAP. They used correlation and regression statistics in analyzing the results of their research.

Zarzeski (1996) employed descriptive statistics and regression model to examine 256 corporate annual reports in seven countries—France, Germany, Hong Kong, Japan, Norway, U.K., and U.S. in order to determine the effects of culture and market forces on accounting disclosure practices. The findings of her study indicate that disclosure practices of the companies that operate locally are in accordance with the local accounting rules and regulations. On the other hand, disclosure practices of the companies that operate both nationally and internationally deviate from those of the companies that operate locally. She attributed these findings to deviations based on the source of funds. She argues that to conform to the same international standards, companies that operate at the global market would be forced to adopt disclosure practices that differ from the local disclosure practices. She indicates that companies that want to raise funds in the international markets would have to provide more information in their financial statements. She then concludes that culture and market forces both affect accounting disclosure practices.

METHODOLOGY

Design: The study employed a survey research design. A field survey research design normally employs self-administered questionnaires to collect data from the respondents. A researcher is not required to be present during the data collection period. Also, since this researcher cannot be present during the data collection period, and it may not be possible to gain permission to manipulate the independent variables in the real-life settings, survey research design is appropriate for this study.

Population: A population, according to Kothari (2008) is considered to be any group of people, events, or items that are of interest to the researchers that they wish to investigate. Borg and Gall (2009) described the target population as a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The population for this study is the accounting professionals in the Republic of Benin and Nigeria. The targeted population was accounting professionals that have skills and expertise needed to prepare and present financial statements. The accounting professionals without the skills and expertise needed to prepare and present financial statements were excluded from participating in this study. The participants are working in different organizations such as multinational companies (MNCs), national corporations, regional corporations, large companies, medium and small-sized companies, and different sizes of accounting firms; 200 respondents participated in the study. Of these, 100 survey questionnaires were delivered to the accounting professionals in Republic of Benin, and 100 survey questionnaires were delivered to the accounting professionals in Nigeria.

Instrumentation: The instrument for data collection was a questionnaire constructed by the researchers. Two categories of questionnaire were used together, the English version as well as the French version. The English version of the questionnaire was sent to accounting professionals in Nigeria and the French version of the questionnaire was sent to accounting professionals in the Republic of Benin. The English version of the research instrument was translated into the French language. The English-French translation was performed by a linguistic professor and a chairperson over a university department of humanities whose native language is French. The content validity was verified by the linguistic experts in both English and French. This ensures that the contents in both versions are the same. A five-point Likert-type scale (with 1 = very unlikely and 5 = very likely) was used to solicit respondents' information. This researcher sent preliminary or pre-notice letters to accounting professionals in the Republic of Benin and Nigeria seeking their help to participate in the study. Survey questionnaires were delivered by hand to the participants in the Republic of Benin and Nigeria 1 week after pre-notice letters were sent.

Pre-test of Instrument: To assess the research instrument used in this study, a Cronbach's alpha statistic was calculated. The result of reliability testing produced Cronbach's alpha value of 0.73, which supports the reliability of the research instrument used in this study. Cronbach's alpha values of 0.70 or higher are considered to indicate acceptable reliability for research instruments.

In other words, the Cronbach's alpha value of 0.73 for this instrument means a reliable research instrument was used to collect data for this study.

Operationalization: Hofstede's (1980) cross-cultural study has made it easier to operationalize culture in cross-cultural studies. The independent variables in this study were Hofstede's (1980) scores of cultural dimensions power distance. In other words, the cultural scores allocated to West Africa by Hofstede's study were operationalized as independent variables in this study.

Data Analysis Procedure: In order to test the hypothesis for each of Hofstede's cultural dimension, this study examined the difference between Republic of Benin and Nigerian participants' responses to questions designed for each of the Hofstede's cultural dimension of power distance. That is, the answers collected from the Republic of Benin and Nigerian participants about their decisions on their application of IFRS for the question designed for power distance were examined to see if any significant difference exists between the two countries' scores. Descriptive statistics and t-test were employed in analyzing the research data and Statistical Package for the Social Sciences (SPSS® Version 17.0) was used to calculate the statistics. The t-test was chosen for this study because it is the statistic needed to examine whether significant difference exists between two variables. This study examines whether significant cultural difference exists between the Republic of Benin and Nigerian participants' decisions on how to apply IFRS. The alpha for the test was set at $p = .05$.

RESULTS AND DISCUSSION

Descriptive Analysis of Participants' Bio-data

Table 1: Percentage Distribution of Respondents Personal Characteristics

S/N	*Personal Characteristics*	*Frequency*	*Percentage (%)*
	Republic of Benin		
1	**Sex**		
	Female	33	33
	Male	67	67
2	**Age**		
	25-35 years	24	24
	36-45 years	30	30
	46+ years	46	46
3	**Position**		
	Director	26	26
	Partner	24	24
	Manager	19	19
	Senior Staff	31	31
	Others	-	-
4	**Years of Experience**		
	4-8 years	44	44
	9+ years	56	56
	Nigeria		
1	**Sex**		
	Female	41	41
	Male	59	59
2	**Age**		
	25-35 years	29	29
	36-45 years	44	44
	46+ years	27	27
3	**Position**		
	Director	11	11
	Partner	14	14
	Manager	31	31
	Senior Staff	41	41
	Others	3	3
4	**Years of Experience**		
	4-8 years	46	46
	9+ years	54	54

Source: Field survey (2018)

ANALYSIS OF RESEARCH QUESTION

Question: If you are 90% convinced that you should disclose the pending litigation in the notes to the financial statements, how likely is your superior preference will influence your decision?

Table 2: Distribution of Responses on the Survey Answer for Republic of Benin Participants

Responses	*Frequency*	*Percent*	*Cumulative Percent*
Very unlikely	8	8.00	8.00
Unlikely	8	8.00	16.00
Undecided	4	4.00	20.22
Likely	28	28.00	48.00
Very likely	52	52.00	100.00

Source: Field survey (2018)

Table 2 indicates 16 (16%) of the Republic of Benin participants decided that it is very unlikely 8(8%) or unlikely 8(8%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to the financial statements, 80 (80%) believed that it is likely 28 (28%) or very likely 52 (52%) that their superior's preference would influence their decisions on disclosing a pending lawsuit in the notes to the financial statements, and 4 (4%) were undecided whether their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to the financial statements. Most Republic of Benin participants 80 (80%) believed that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements.

Table 3: Distribution of Responses on the Survey Answer for Nigerian Participants

Responses	*Frequency*	*Percent*	*Cumulative Percent*
Very unlikely	40	40.00	40.00
Unlikely	33	33.00	73.00
Undecided	6	6.00	79.00
Likely	16	16.00	95.00
Very likely	5	5.00	100.00

Source: Field Survey (2018)

Table 3 indicates 73 (73%) of the Nigerian participants believed that it is very unlikely 40 (40%) or unlikely 33 (33%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements, 21 (21%) believed it is likely 16 (16%) or very likely 5 (5%) that their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements, and 6 (6%) were undecided whether their superior's preference would influence their decisions on disclosing pending lawsuit in the notes to financial statements. Most Nigerian participants, 73 (73%), believed their superior's preference would notinfluence their decisions on disclosing pending lawsuit in the notes to financial statements. This is contrary to the Republic of Benin participants' perception, as 80 (80%) of them believed their superior's preference would influence their decisions.

HYPOTHESIS TESTING AND INTERPRETATION OF RESULTS

The hypothesis states that there is no significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance. Data collected for the study was analyzed using inferential statistics of t-test to test the only hypothesis stated for the study and was tested for significance at the 0.05 level of significance.

Table 4: Two Sample t-Test difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria

Nationality	N	Mean (*M*)	Std. Deviation (*SD*)	Degree of freedom (*df*)	Test statistic (t)	*P*-value (2-tailed)
Republic of Benin	100	4.03	1.12	198	9.23	.000
Nigeria	100	2.37	1.41			

Source: Field Survey (2018)

The table 4 shows that the hypothesis two that hypothesized no significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria was not supported, since the t-stat(198) = 9.23, p = 0.00 i.e the (P<5%). This indicates that there is a significance difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria.

For Republic of Benin participants, Mean = 4.03, SD = 1.12; for Nigerian participants, M = 2.37, SD = 1.41. This result infers that the H0will not be acceptable.

DISCUSSION OF FINDINGS

The hypothesis two was designed to test Hofstede's (1980) cultural dimension of uncertainty avoidance. Therefore, the answer to survey question two was used to test hypothesis two. Result of hypothesis two, t-stat (198) = 9.23, p = 0.00, indicated that there is a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance. Most Republic of Benin participants (71%) believed their company policy would influence their decisions on disclosing a pending lawsuit in the notes to financial statements. But most (63%) Nigerian participants believed their company policy would not influence their decisions on disclosing a pending lawsuit in the notes to financial statements. The participants in both countries did not agree regarding the application of IFRS using the concept of cultural dimension of uncertainty avoidance.

Hosfstede's (1980) uncertainty avoidance scores allocated to West African countries, including the Republic of Benin and Nigeria, were 54. This puts West African countries a bit above the mean for uncertainty avoidance, as the mean for this cultural dimension of uncertainty avoidance in Hofstede's study is 50. Since 54 is more than the mean score, the West Africa countries can be classified as strong uncertainty avoidance. Hofstede (1980) allocated uncertainty avoidance scores of 35 and 86 to the U.K. and France, respectively. This classifies U.K. as a weak uncertainty avoidance society and France as a strong uncertainty avoidance society, respectively. The result of the hypothesis in this study is consistence with the results of Guan et al.'s (2005) study which indicate that national culture has influence on the accounting professionals' choice in applying accounting rules for earnings management.

CONCLUSION

According to the findings of this paper, there is a significant difference in the application of IFRS between the accounting professionals in the Republic of Benin and Nigeria using the concept of uncertainty avoidance. The results of this study provide supporting evidence indicating that culture variable like uncertainty avoidance is a determining factor in the application of accounting rules IFRS in various countries. This means the accounting professionals in various countries will treat the same accounting issues differently, due to cultural dimensions of uncertainty avoidance. The result indicates that participants in both countries were on the opposite side regarding the application of IFRS using the concept of cultural dimension of power distance. In other words, the paper findings indicate that countries with different cultural values will treat the same accounting issues differently. Treating the same accounting issues differently in various countries will produce incomparable financial statements. This works against the aims of the IASB, which is trying to prescribe international accounting rules IFRS that can produce comparable financial statements around the world.

RECOMMENDATIONS

Following the findings of this study, the below recommendations were made:

- The IASB can present the findings of this study to the accounting professionals among its constituents in order to garner support for the establishment of a compliance committee. This committee would monitor the compliance of the accounting professionals regarding the application of the IFRS worldwide. In addition, this committee can also have an enforcement subcommittee. The compliance committee would refer any issues of non-compliance to the enforcement subcommittee.
- IASB can use the results of this study to garner support for the development of educational programs aimed at reducing inconsistencies in the application of IFRS worldwide. The educational program would be in form of de-educating and re-educating accounting professionals worldwide. Application of accounting rules IFRS is about making sound and consistent decisions by the accounting professionals. Therefore, de-educating accounting professionals worldwide would focus on how the accounting professionals worldwide can change their present way of reasoning when applying accounting rules.

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