Effectiveness of Working Capital Management of Merchandising Industry in Lipa City, Batangas

Arnold Q. Malaluan

Assistant Professor, Batangas State University Lipa City Campus
Brgy. Marawoy, Lipa City, Batangas, Philippines 4217
E-mail: arnoldmalaluan21@gmail.com/ aqmalaluan@batstate-u.edu.ph

Abstract: Working capital management is essential for the long term success of a business. This study aimed to determine the effectiveness of working capital management of 350 owners and managers of merchandising industry in Lipa City, in terms of nature of the business, years of operation, number of employees and type of ownership. Descriptive type of research was utilized in the study. The frequency or percentage, mean and compared means were the statistical treatments used to interpret the results. Findings showed that working capital management of merchandising industry in terms of cash and accounts payable, are highly effective having a mean of 3.61 and 3.50 respectively while inventory and accounts receivable has a result of effective with a mean of 3.09 and 3.45 respectively. Study revealed–they have fairly serious problems such as improper management of cash inflows and outflows, receivables turnover, inventory management and meeting presently and currently maturing obligations. The researchers proposed strategies such as cash apple, counting star, come back home and pay out right to enhance or improve the effectiveness of working capital management among merchandising industry.
Keywords: Working Capital Management, Cash, Accounts Receivable, Inventory, Accounts Payable.

Introduction

Merchandising Industry is one of the most common types of industries people interact with daily. It is a business that purchases finished products and resells them to consumers (Kotler, 2007). Without this industry, the products produced by the manufacturers will not be introduced and sold to market therefore there will be no goods to be acquired and consumed by consumers for their daily living. Moreover, there are lots of merchandising businesses arising in Lipa City, the locale of the study, which would contribute to the economy through an increased collection of business taxes which is a big help in the improvement of the city. It also provides opportunities to people who may not be employed and fitted to work with other industries. Furthermore, buying and selling help money to flow from one hand to another.

The study of Mathai (2009) entitled "The Relationship between Working Capital Management and Profitability of Retail Supermarket Chains in Kenya" and Louw's (2015) entitled "Management of Working Capital by Listed South African Retail Companies" are

literatures related to the present study. However these literatures have its perceived weaknesses wherein these are limited only to small sized population having short time of observation which is not similar to the present study wherein the researchers conducted large number of respondents having enough time to conduct the survey. In addition to this, the study of Odhiambo (2014) entitled "The Effect of Working Capital Management and Profitability of Retail Stores in Migori County Kenya" showed a limitation wherein retail stores in Migori County are not listed, so the researcher found it difficult to get the respondents' statements. This is not similar with the present study wherein the researchers easily got the list of their respondents from the city planning development office in Lipa City.

The researchers believed that effective management of working capital has a great positive impact to merchandising industries. The study used the Cash Conversion Cycle Model as it completely describes the process that will help an entity achieve its desired best operations. The researchers conducted the study because they are interested to know how businesses can effectively manage their working capital and the proper ways to manage cash, accounts receivable, inventory and accounts payable. It also took the researchers' curiosity on how businesses overcome its problems with regard to working capital. Working capital management is essential for the long term success of a business. No business can survive if it cannot meet its day to day obligations. A business must therefore have proper capital management to ensure its existence and operation in the industry. One of the common problems faced by each business is how they will manage their capital, for lack of proper capital management will result to early dissolution of this business. Usually, a business that is good in capital management tends to last and continue its operation. Problems most encountered in working capital management were due to improper management of cash inflows and outflows, receivables turnover, inventory management and meeting presently and currently maturing obligations. In managing the working capital of a business, the shortage of funds needed for growth becomes a problem when future concerns arise.

This study aims to determine the Effectiveness of Working Capital Management of Merchandising Industry in Lipa City, Batangas. Specifically, it attempted to sought to answer the following objectives: first, to determine profile of business in terms of What is the profile of business in terms of nature of merchandising business, years of operations, number of employees, and type of ownership; second, to assess effectiveness of working capital management in terms cash, accounts receivable, inventory and accounts payable; third, determine the effect of working capital management of the merchandising business be compared when grouped according to profile; lastly, recommend or proposed strategies to enhance or improve the effectiveness of working capital management among merchandising industry.

Based on the list given by Lipa City Permits and Licensing Office, the researchers found out that there were 232 merchandising businesses that have been closed as of the year 2016-1017 and that is very alarming for a city especially Lipa City, which is the local of the study where it became already a lone district and the reason was due to improper management of working capital that results to bankruptcy. Wanting to know the reason why they closed, the researchers personally went to the residence of some of those on the list and asked what the problem they encountered and the reason was too much selling of their inventories on credit until it became bad debts. Another problem they encountered was at first, they were selling their inventories beyond their expectation but the time passed by and even their sales were declining, they still ordered the same amount of inventories believing that they can still sell it. Thus, they encountered an overstock and those retained inventories resulted to spoilage.

Research Methodology

This part discusses the methodology linked in the study. It includes research design, research settings, sampling design, data collection and analysis and ethical considerations. These are the methods that the researcher used in order to come up with a good result and recommend an output to lessen the problems incurred by the respondents.

Research design

The study used the descriptive research in order to determine the effectiveness of working capital management of merchandising industries in Lipa City, Batangas. Descriptive research is fact-finding with adequate interpretation. It is used to describe characteristics of a population or phenomenon being studied. The descriptive method is something more and beyond just data gathering; the latter is not reflective thinking or research. The true meaning of the data collected should be reported from the point of view of the objectives and the basic assumption (Aquino, 2014).

With the use of descriptive research in the study, the researchers believed that it served as a useful tool which gave factual information and systematic description for the better understanding and easy interpretation of data.

Research Setting

The researcher chose merchandising industry in Lipa City area to its obvious growth and development. As a lone district, Lipa City is a fast growing commercial setting where lots of business entities were established and still establishing. Based on the list from the City Permits and Licensing Office in Lipa City, the total population of merchandising business listed is 3855. With the use of Raosoft, the researcher got the sample size of 350 which were surveyed. In addition to that, the researcher chose managers as respondents because they are the right source of information needed to fulfill the different objectives of the study.

Sampling Design

In order to select the respondents from the population, the researcher used the non-probability sampling, specifically the convenience sampling. There were some owners and respondents who did not allowed the researchers to conduct the survey for time and schedule related matters so the researchers used the said method in selecting respondents. Convenience sampling is a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting units because of their availability or easy access (Sirug, 2011).

Data Collection

The study used primary and secondary data. Primary data were gathered through the use of the survey questionnaires. The questionnaire was composed of two parts. The first part of the questionnaire was composed of the demographic profile of the business which consisted of nature of merchandising business, years of operations, number of employees and type of ownership. The second part was regarding the operation and capital management questions about the business. The researcher constructed the survey questionnaire obtaining ideas from gathered books, articles, electronic data and other studies. The survey questionnaire underwent validation process. It was validated by the thesis adviser, members of the panel, statistician, industry expert and the chairman to proceed with the dry run and eventually with the actual survey. The researcher prepared a letter of request for the target respondents to acquire permission to the management to conduct the survey. After that, they performed the dry-run in Tanauan City to assess the reliability of the questionnaire. The researcher

explained their purpose why they were conducting survey then explained the directions of answering the questionnaire. The researcher then collected the questionnaires after few hours or days. The responses were tallied and submitted to the statistician to acquire the data that would be used to interpret and analyze the responses.

The result in dry-run was 0.842 Cronbach`s alpha and it showed that the researchers can continue the actual survey. The questionnaires distributed for the dry run and for the actual survey were both answered by the owners or managers of merchandising businesses who were willing to participate on the survey. To measure the assessment of the effectiveness of working capital management used by owners/ managers and also the common problems they encountered, the questions were in the form of Likert–type using four point scale–four (4) as the highest and one (1) as the lowest. In terms of the assessment of the effectiveness of working capital management, it was assigned with the following values: 4–always/ highly effective, 3–often/effective, 2–sometimes /least effective and 1 –never/ not effective. The researcher assured that the characteristics of a good questionnaire were attained. The researcher assured that the characteristics of a good questionnaire were attained.

Data Analysis
To arrive at a more efficient and reliable data, various statistical techniques were employed. The questionnaire is designed for statistical analysis of the respondents.

Frequency/Percentage
This was used to describe the profile of the business in terms of nature of merchandising business, years of operation, number of employees and type of ownership.

Weighted Mean
This was used to determine the entrepreneurial leadership style used by the respondents.

Compared Means
This was used to compare the assessment of the respondent's effectiveness of working capital management when grouped according to profile.

Results
1. Demographic Profile of the Business
The succeeding tables present the distribution of the respondents according to the profile variables namely nature of merchandising business, years of operation, number of employees, and type of ownership with their corresponding frequency and percentage.

1.1 Nature of Merchandising Business
The profile variable in terms of the nature of merchandising business pertains to the type merchandising business to which it belongs or to which the business is engaged. It was determined and interpreted using frequency and percentage. Table 1.1 shows the distribution of merchandising business in terms of nature.

Table 1.1 Distribution of Merchandising Industry in Terms of Nature

Nature of Merchandising Business	Frequency	Percent
Retailing	252	72
Wholesaling	39	11
Retailing and Wholesaling	59	17
Total	**350**	**100**

Table 1.1 shows that majority of the business with a frequency of 252 or a percentage of 72 belonged to retailing. However, the business performing both retailing and wholesaling obtained a frequency of 59 or a percentage of 17. Lastly, the business that fall in wholesaling got a frequency of 39 or a percentage of 11. The reason behind why most businesses were engaged in retailing is because owners found it easy to control when, where and how their products are sold. Most retailing businesses were not engaged in large selling operations; owners could easily account their products and could sell it at higher per unit price which in effect is profitable.

According to Parilla (2013) majority of the business owners are engaged in retailing business like convenience store, sari-sari store which fall to a merchandising type of business. It is because it requires minimal machineries and equipment since the main business is just selling the commodities that are produced by manufacturers.

1.2 Years of Operation
This profile variable determines the distinction of businesses in terms of the years of operation. It pertains to how long or how many years the business had been operating. It was determined and interpreted using frequency and percentage. Table .1.2 shows the distribution of merchandising business in terms of years of operation.

Table 1.2. Distribution of Merchandising Industry in Terms of Years of Operation

Years of Operation	Frequency	Percent
3 years and below	152	44
4 - 6 years	81	23
7 - 9 years	28	8
10 years and above	89	25
Total	**350**	**100**

As presented in table 1.2, this study revealed that majority are operating their business for 3 years and below with a frequency of 152 or a percentage of 44. It is followed by 10 years and above with the frequency of 89 or a percentage of 25 followed by 4-6 years with a frequency of 81 or a percentage of 23. Lastly, the business with 7 to 9 years of operation obtained the lowest count of frequency which is 22 or a percentage of 6. Most of the merchandising businesses are newly formed or at its establishment stage. It is because owners are interested and wanted to try a new way to earn money other than earning compensation from work. Businesses are very vulnerable at this time. Both external and internal environmental factors can have a great effect on the future of the business. The aim is to get the business onto a stable foundation of profitable sales and a consistent cash flow. Detailed planning during this stage can greatly increase the chances of success.

Hernandez *et al.,* (2012) stated that the number of years of operation of a business should be largely considered in determining the degree of its stability. The length of time an establishment has been operating is just an implication of the effectiveness of the management and application of strategies in the operation of the business. However, short years in operations denote newly engaged establishments in the field of business; new foundations are emerging due to workers' attempt to have new source of income.

1.3 Number of Employees
This profile variable represents the terms of count or number of employees. This pertains to the number of persons who work in the business. It was determined and interpreted using

frequency and percentage. Table 1.3 shows the distribution of merchandising business in terms of number of employees.

Table 1.3. Distribution of Merchandising Industry in Terms of Number of Employees

Number of Employees	Frequency	Percent
1 – 3	203	58
4 – 6	31	9
7 – 9	68	19
10 and above	48	14
Total	**350**	**100**

Table 1.3 illustrates that the highest frequency of 203 or a percentage of 58 is represented by the business with 1 to 3 numbers of employees. This is followed by a representation of the business with a frequency of 68 or a percentage of 19 with 7 to 9 employees; 10 and above employees with a frequency of 48 or a percentage of 14. The business with the lowest count of frequency which is 31 or a percentage of 9 is represented by 4 to 6 employees.

Most of micro merchandising businesses has fewer employees because due to small scale operations, only few workers are needed to perform the job. The scope of this kind of business is not broad therefore 1-3 employees are enough to give support and ideas for the betterment and success of operations. Based also on the result in the number of years of operation, 3 years and below got the highest frequency and percentage which means that most businesses are newly formed. Moreover, the profit is not stable yet to support or provide large amount of wage expense if they hire many employees. According to Peavler (2011), a business that has no more than 10 employees has advantages of simplicity of record keeping and organizational cost and the management advantage of ease and decision-making. As added by (Thibodeaux, 2014), when the level of manpower in a company is adequate, the business has more options in how it operates. Additionally, the company has more employees who can give their own ideas and perspectives.

1.4 Type of Ownership
The profile variable that pertains to the type of ownership the business is engaged in such sole proprietorship, partnership and corporation. It was determined and interpreted using frequency and percentage. Table 1.4 shows the distribution of merchandising business in terms of type of ownership.

Table 1.4. Distribution of Merchandising Industry in Terms of Type of Ownership

Type of Ownership	Frequency	Percent
Sole Proprietorship	254	72
Partnership	55	16
Corporation	41	12
Total	**350**	**100**

As shown in table 1.4, majority of the business with a frequency of 254 or a percentage of 72 belonged to sole proprietorship. However, the business performing partnership obtained a frequency of 55 or a percentage of 16 of the total number of business. Lastly, the business that falls in corporation got a frequency of 41 or a percentage of 12. It can be explained that a greater percentage of businesses are operated by sole proprietors. The sole proprietor maintains control over all aspects of the business. He has the freedom to determine operating

hours, what services or goods to provide, where it operates, and what contracts to enter into without a need to consult another party. For this reason, the proprietor probably finds it easy and less complicated if only one person will manage the inner performance of the business due to confidentiality. Moreover, businesses prefer to operate it as a sole proprietorship for the reason that all profits are direct income for the proprietor with no profit sharing needed. Since no other individual can lay claim to the profits, the proprietor has the potential to regain the full initial investment quickly. The amount of profit earned depends entirely on the success of the business.

According to Truex (2008), the most common, simplest and least expensive way to form a business is sole proprietorship. An individual proprietor receives all profits and every asset of the business is owned by him/ her. However, he/she is also personally responsible for all debts and liabilities incurred by the business. A sole proprietor can own the business for any duration of time and sell it when he or she sees fit.

2. Assessment on the effectiveness of working capital management
The series of tables presented below shows the working capital management of the business with regard to their cash, inventory, accounts receivable and accounts payable.

2.1 Cash
This variable is one of the factors to determine the effectiveness of working capital management of merchandising industry. Table 2.1 presents the working capital management of the business in terms of cash.

Table 2.1. Assessment on the Effectiveness of Working Capital Management of Merchandising Industry in Terms of Cash

	Weighted Mean	Verbal Interpretation
1. Allocating cash for useful business expenditures to maintain the average financial level of cash	3.62	Highly Effective
2. Observing or monitoring cash balance on a daily basis to avoid deficiency.	3.71	Highly Effective
3. Ensuring the security of cash, hires trustworthy employees and places cash in a cash register to prevent theft or loss.	3.60	Highly Effective
4. Preparing cash budget of planned cash receipts, cash payment and cash balances on a yearly basis.	3.55	Highly Effective
5. Quickly resolving the issue whenever there is an occurrence of unbalanced account.	3.60	Highly Effective
6. Saving money in the bank for future operation and for the event of crisis.	3.57	Highly Effective
7. Issuing cash receipt to customers as a proof of valid purchase.	3.61	Highly Effective
8. Merchandiser principally holds and manages the money used in business operations.	3.61	Highly Effective
Composite Mean	**3.61**	Highly Effective

It can be viewed from table 2.1 that in terms of cash management, it showed that it has a composite mean of 3.61 which means that merchandising business owners or managers are highly effective with regard to cash management. The statement "observing or monitoring cash balance on a daily basis to avoid deficiency" got a weighted mean of 3.71. This means that the entity daily ensures the right or appropriate balance of cash, whether in coins or bills.

The statement "allocating cash for useful business expenditures to maintain the average financial level of cash" got a weighted mean of 3.62. This means that the management consumes its cash in worthy expenditures. The statement "issuing cash receipt to customers as a proof of valid purchase" and "merchandiser principally holds and manages the money used in business operations" both got a weighted mean of 3.61. This means that managerial level is the ones who's responsible in keeping cash and that they issue receipts for every transaction. The statement "preparing cash budget of planned cash receipts, cash payment and cash balances on a yearly basis" got the lowest weighted mean of 3.55. This means that the entity less considers the preparation of periodic budgets.

The result showed that merchandising business owners or managers are highly effective with regard to cash management. It is because they considered that planning, budgeting, controlling and monitoring the cash inflows and outflows are very important tasks in maintaining the business' average financial level.

Budgeting is a very important but challenging task in cash management. Challenge starts the moment the management monitors their cash and predicts what future holds for the internal business and external factors such as business competitors, market conditions and many more. The result can be explained that the respondents' prediction process and monitoring of cash become successful.

According to Mauchi and Nzaro (2011), the key to successful cash management lies in monitoring collections and disbursements, establishing effective billing and collection measures, and adhering to budgetary parameters. Creating several smaller budgets, can help managers determine which operations use more cash and struggle to stay on the projected budget amounts. Therefore, cash budgeting is another aid to an effective cash management.

2.2 Inventory
This variable is one of the factors to determine the effectiveness of working capital management of merchandising industry. Table 2.2 presents the working capital management of the business in terms of inventory.

Table 2.2. Assessment on the Effectiveness of Working Capital Management of Merchandising Industry in Terms of Inventory

	Weighted Mean	Verbal Interpretation
1. Ensuring right quality of supplies at reasonable prices.	3.87	Highly Effective
2. Setting appropriate number of inventory for its respective industry to meet the demand of its customers.	3.57	Highly Effective
3. Conducting periodic inventory count on a monthly basis to match the number of sold and remaining inventory over the total number of	3.34	Effective

inventory.		
4. Making a complete and updated checklist of inventories.	3.59	Highly Effective
5. Monitoring the expiration date and gives promos to minimize spoilage.	3.17	Effective
6. Observing the schedule of purchases to prevent a case of overstock.	3.55	Highly Effective
7. Using computerized inventory control system to prevent running out of stock.	2.83	Effective
8. Assuring purchase of high quality products to prevent purchase return from its customers.	3.70	Highly Effective
Composite Mean	**3.45**	Effective

It can be viewed from table 2.2 that in terms of inventory management, it showed that it has a composite mean of 3.45 which means that merchandising business owners or managers are effective with regard to inventory management. The statement "ensuring right quality of supplies at reasonable prices" got a weighted mean of 3.87.

The management ensures the welfare of its customers that's why they provide high quality products. The statement "assuring purchase of high quality products to prevent purchase return from its customers" got a weighted mean of 3.70. Assuring high quality products encourages more customers. The statement "making a complete and updated checklist of inventories" got a weighted mean of 3.59.

This is to ensure that the entity has a complete stock of merchandise to avoid shortages. The statement "using computerized inventory control system to prevent running out of stocks" got the lowest weighted mean of 2.83. This is because establishing and maintaining computerized inventory systems are costly. The result showed that merchandising business owners or managers are effective with regard to inventory management.

It is because they assured the level of stock in order to minimize the cost of ordering and holding the inventory. Aside from that, they made sure that the products they are selling are in good quality to make sure that customers will keep on buying. Based also in the result, it was concluded that effective and efficient inventory management techniques are important in a business to increase the level of profits and cash flows.

The level of inventory should be kept at a level where it is neither too high nor too low; it should be kept in balance to meet consumer demands and cope with changing trend and a sudden decline in demand.

According to Asor (2009), for effective working capital management, inventory needs to be managed effectively. The level of inventory should be such that the total cost of ordering and holding inventory is the least. Business, therefore, should fix the minimum safety stock level, re-order level and ordering quantity so that the inventory cost is reduced and its management becomes efficient.

2.3 Accounts Receivable
This variable is one of the factors to determine the effectiveness of working capital management of merchandising industry. Table 2.3 presents the working capital management of the business in terms of accounts receivable.

Table 2.3. Assessment on the Effectiveness of Working Capital Management of Merchandising Industry in Terms of Accounts Receivable

	Weighted Mean	Verbal Interpretation
1. Updating regularly the status of accounts receivable and the payment schedules of the customers to avoid delayed payments.	3.58	Highly Effective
2. Collecting outstanding accounts receivable on a shorter time.	3.30	Effective
3. Carefully selecting customers before approving sales on a credit basis to ensure a 100% collectivity.	3.32	Effective
4. Applying late charges to overdue accounts receivable to strengthen collection.	2.64	Effective
5. Giving term discounts to customers who avail bulk and expensive products so that they will pay immediately.	3.33	Effective
6. Assigning a team who is responsible in observing the credit balances of customer to avoid bad debts.	2.93	Effective
7. Consulting legal counsel to give demand letter to a delinquent person.	2.55	Effective
Composite Mean	**3.09**	Effective

It can be viewed from table 2.3 that in terms of accounts receivable management, it showed that it has a composite mean of 3.09 which means that merchandising business owners or managers are effective with regard to accounts receivable management. The statement "updating regularly the status of accounts receivable and payment schedules of the customers to avoid delayed payments" got a weighted mean of 3.58. This means that the entity monitors regularly the payment of its debtors and updates their balances on their corresponding account. The statement "giving term discounts to customers who avail bulk and expensive products so that they will pay immediately" got a weighted mean of 3.33. This means that the entity offers discount to encourage more customers and timely payments. The statement "carefully selecting customers before approving sales to ensure 100% collections" got a weighted mean of 3.32. This means that the management sceptically selects the customers which they will offer great credits to avoid bad debts. The statement "consulting a legal council to give demand letter to a delinquent person" got the lowest mean of 2.55. This means that the management less considers asking for judicial actions in cases of non-payments.

The result showed that merchandising business owners or managers are effective with regard to accounts receivable management. Merchandising businesses cannot avoid selling their product or merchandise on credit as this will also constitute sales. It was concluded that periodic review of accounts receivable is important as well as the monitoring of frequency of the payments together with proper follow up methods, so that the dues may be collected timely and regularly; because if the dues from the customers or clients are not received on time, the situation may lead to insolvency. Also, there is a need for setting up policies in relation to accounts receivables including credit terms so that receivables may be managed efficiently. According to Asor (2009), in certain circumstances, a business may deliberately

extend credit as a strategy of increasing sales. However, a business should continuously try to monitor the credit days and see the average credit offered to clients is not crossing the budgeted period. Otherwise, the requirement of investment in the working capital would increase and, as a result, activities may get squeezed.

2.4 Accounts Payable

This variable is one of the factors to determine the effectiveness of working capital management of merchandising industry. Table 2.4 presents the working capital management of the business in terms of accounts payable.

Table 2.4. Assessment on the Effectiveness of Working Capital Management of Merchandising Industry in Terms of Accounts Payable

	Weighted Mean	Verbal Interpretation
1. Monitoring all outstanding payables to avoid delayed payments.	3.70	Highly Effective
2. Availing instalment payments so as to pay the debt partially.	2.99	Effective
3. Monitoring payments made to suppliers to avoid accidental overpayment.	3.54	Highly Effective
4. Paying its debts earlier than its due date in order to avail discounts.	3.36	Effective
5. Keeping record of payments to suppliers to identify if debt has already been paid or not.	3.70	Highly Effective
6. Monitoring the expenditures of the business with full control by listing all the expenses.	3.69	Highly Effective
Composite Mean	**3.50**	Highly Effective

It can be viewed from table 2.4 that in terms of accounts payable management, it showed that it has a composite mean of 3.50 which means that merchandising business owners or managers are effective with regard to accounts payable management. The statement "monitoring all outstanding payables to avoid delayed payments" and "keeping record of payments to suppliers to identify if debt has already been paid or not" both got a weighted mean of 3.70. This means that the management gives importance on the monitoring and record keeping of their payables to avoid late charges. The statement "monitoring the expenditures of the business with full control by listing all the expenses" got a weighted mean of 3.69. The statement "availing instalment payments so as to pay the debt partially" got the lowest weighted mean of 2.99.

The result showed that merchandising business owners or managers are highly effective with regard to accounts payable management It is because owners or managers gave importance on monitoring their payables so as to avoid delayed payments. Accuracy on keeping records of payment was also considered to avoid confusion with suppliers to identify if debt has already been paid or not. Effective monitoring practices not only ensure that payments are made to vendors in complete and timely days, but also serve to protect the business against accidental overpayment. Keeping payables in balanced also has a positive impact in a business to perform in an effective manner. With these practices, the business will continue experiencing its success in the long run. According to Tagoe (2008) management of payables

is an important factor in an SME's working capital management, and a key indicator of overall operational effectiveness. If it's too high, the SME may soon have trouble paying bills on time, leading to costly penalties; if it's too low, the SME could unwisely be paying bills early, rather than enjoying the full grace period and investing any surplus cash into the business. In managing payables, timeliness and accuracy are critical. They create continuity and consistency, and builds trust with vendors and stakeholders, while enabling the organization to function properly.

Results and Discussions

The table 3 represents the summary of the Composite Mean on the Assessment of Effectiveness of Working Capital Management.

Table 3. Summary Table of Composite Mean on the Assessment of Effectiveness of Working Capital Management

Variable	Composite Mean	Verbal Interpretation
Cash	3.61	Highly Effective
Accounts Receivable	3.45	Effective
Inventory	3.09	Effective
Accounts Payable	3.50	Highly Effective
Grand Composite Mean	3.41	Effective

Table 3 shows that the Effectiveness of Working Capital Management of Merchandising Industry is effective having a grand composite mean of 3.41. The overall result for both cash and accounts payable showed a verbal interpretation of highly effective with a composite mean of 3.61 and 3.50 respectively. This means that the management in terms of cash, considered the importance of monitoring the cash flows and allocating cash for useful business expenditures. While in terms of accounts payable, accuracy on keeping records of payment was considered to avoid confusion, delayed payments and accidental overpayments. Moreover, the results in inventory and accounts receivable both showed a verbal interpretation of Effective with composite mean of 3.45 and 3.09 respectively. This means that the management in terms of inventory, assured a balanced stock level to meet customer demands and prevent a case of overstock. While in terms of accounts receivable, the management gave importance in the periodic review and monitoring of receivable so that the dues may be collected timely and regularly. The table represents the summary of the Comparison of the Respondents' Assessment on the Effectiveness of Working Capital Management when Grouped According to Nature of Merchandising Business.

Table 4. Comparison of the Respondents' Assessment on the Effectiveness of Working Capital Management when Grouped According to Nature of Merchandising Business

Working Capital Management	Nature of Merchandising Business					
	Retailing		Wholesaling		Retailing and Wholesaling	
	Mean	VI	Mean	VI	Mean	VI
Cash	3.58	HE	3.61	HE	3.71	HE
Accounts Receivable	3.04	E	3.27	E	3.18	E
Inventory	3.43	E	3.51	HE	3.50	HE
Accounts Payable	3.46	E	3.50	HE	3.63	HE
Total	3.38	E	3.47	E	3.51	HE

Legend: HE= Highly Effective, E= Effective

It can be gleaned from table 4 that the assessment on the effectiveness of working capital management in terms of cash and accounts payable when respondents are grouped according to merchandising business, retailing and wholesaling obtained the highest means of 3.71 and 3.63; respectively. Both means have verbal interpretation of always. In terms of accounts receivable and inventory, wholesaling got the highest means corresponding to 3.27 and 3.50 in which the first is interpreted as often while the latter is always.

On the other hand, the assessment on the effectiveness of working capital management in terms of cash, accounts receivable, inventory and accounts payable when respondents are grouped according to merchandising business, retailing got the lowest means ranging from 3.04 to 3.58. Such means are interpreted from effective to highly effective. Moreover, among the three nature of merchandising business stated, retailing and wholesaling has the highest total when cash, accounts receivable, inventory and accounts payable are combined which shows that it is highly effective in working capital management.

The table also shows that in terms of nature of merchandising business, in cash, retailing and wholesaling has the highest mean of 3.71, followed by wholesaling with a mean of 3.61 and retailing has the lowest mean of 3.58. The study concluded that when it comes to cash management, a business that is both engaged in retailing and wholesaling is more advantageous because once it cannot sell its products in wholesale form, the retailing strategy can be applied. It simply means that a business can have a greater income than other businesses which are wholesaling or retailing alone. Selling directly to customers gives them control of pricing and also let them keep the prices lower where it can really affect the cash circulating in the business. According to Harrison (2016) whenever a product is sold wholesale to retail, a price mark-up is applied so the wholesaler can cover costs while getting some profits. The larger the quantity being purchased the lower the mark-up that is why many large quantity buying retailers are preferred in many cases. After the retailer gets the product they mark it up again to cover their own costs and profits.

Table 5 illustrates the comparison of the respondents' assessment on the effectiveness of working capital management in terms of nature of years of operation.

Table 5. Comparison of the Respondents' Assessment on the Effectiveness of Working Capital Management when Grouped According to Years of Operation

Working Capital Management	Years of Operation							
	3 years and below		4-6 years		7-9 years		10 years and above	
	Mean	VI	Mean	VI	Mean	VI	Mean	VI
Cash	3.54	HE	3.62	HE	3.73	HE	3.66	HE
Accounts Receivable	2.99	E	3.11	E	3.39	E	3.13	E
Inventory	3.42	E	3.48	E	3.56	HE	3.44	E
Accounts Payable	3.38	E	3.56	HE	3.67	HE	3.57	HE
Total	**3.33**	**E**	**3.44**	**E**	**3.59**	**HE**	**3.45**	**E**

Results revealed that the assessment on the effectiveness of working capital management in terms of cash, accounts receivable, inventory and accounts payable when respondents are grouped according to years of operation, 7-9 years of operation got the highest means ranging from 3.3975 to 3.7343. The mean for accounts receivable is interpreted as often while the means for cash, inventory and accounts payable are interpreted as always.

However, the assessment on the effectiveness of working capital management in terms of cash, accounts receivable, inventory and accounts payable when respondents are grouped according to years of operation, 3 years of operation and below obtained the lowest means ranging from 2.9967 to 3.5461. The mean for cash is interpreted as always while the means for accounts receivable, inventory, and accounts payable are interpreted as often. Moreover, among the years of operation stated, 7-9 years has the highest total when cash, accounts receivable, inventory and accounts payable are combined which shows that it is highly effective in working capital management.

The table shows that in terms of years of operation, in cash, 7-9 years has the highest mean of 3.73, followed by 10 years and above with a mean of 3.66 then 4-6 with a mean of 3.62 and 3 years and below has the lowest mean of 3.54. The merchandising industry which operates within 7-9 years got the highest mean probably because they are well acquainted with what to do when it comes to cash management. And because of the duration of their operation, they already know how to use their cash. They know exactly when and where to allocate cash. Keeping in balance and consistently allocating cash for only useful expenditures will result in positive cash flows to the business. According to Kofi (2014), when a company renders a service or sells its goods and does not receive cash for it, the company is said to have granted trade credit to clients or customer and the efficient management of accounts receivable increases sales, reduces cost associated with bad debt, and also increases the profitability of the company. The failure of customers to pay back their credit was found to affect profitability.

Table 6 illustrates the comparison of the respondents' assessment on the effectiveness of working capital management in terms of number of employees.

Table 6. Comparison of the Respondents' Assessment on the Effectiveness of Working Capital Management when Grouped According to Number of Employees

Working Capital Management	Number of Employees							
	1-3		4-6		7-9		10 and above	
	Mean	VI	Mean	VI	Mean	VI	Mean	VI
Cash	3.51	HE	3.59	HE	3.80	HE	3.75	HE
Accounts Receivable	3.02	E	2.87	E	3.25	E	3.28	E
Inventory	3.43	E	3.32	E	3.49	E	3.56	HE
Accounts Payable	3.44	E	3.40	E	3.66	HE	3.57	HE
Total	3.35	E	3.30	E	3.55	HE	3.54	HE

It can be gleaned from table 4 that the assessment on the effectiveness of working capital management in terms of cash and accounts payable when respondents are grouped according to number of employees, merchandising business with 7-9 employees obtained the highest means of 3.8009 and 3.6641; respectively. Both means have verbal interpretation of always. In terms of accounts receivable and inventory, merchandising business with 10 employees and above got the highest means corresponding to 3.2858 and 3.5612 in which the first is interpreted as often while the latter is always.

On the other hand, the assessment on the effectiveness of working capital management in terms of cash when respondents are grouped according to number of employees, merchandising business with 10 employees and above got the lowest mean of 3.5142 and verbally interpreted as always. For accounts receivable, inventory and accounts payable; merchandising business with 4-6 employees obtained the lowest means ranging from 2.8755

to 3.4090. Such means are often. Moreover, among the number of employees stated, business that has 7-9 employees has the highest total when cash, accounts receivable, inventory and accounts payable are combined which shows that it is highly effective in working capital management. The table shows that in terms of number of employees, in cash, 7-9 has the highest mean of 3.80, followed by 10 and above with a mean of 3.75 then 4-6 with a mean of 3.59 and 1-3 has the lowest mean of 3.51. Merchandising industry especially those which are already successful needs enough employees who can give ideas and perspective to have a better business. The skills and knowledge of every employee are very important and needed since their business depends on the number of customers they can accommodate and satisfy.

According Baysa *et al.,* (2007) accounts receivable is an amount collectible from customers and others, most frequently arising from sale of merchandising, claims for money lent on the performance of services. A company with more employees who can give their own ideas and perspective can suggest having a longer collection period as a strategy to at least collect the customers' payment. The business has more options on how to operate when the level of manpower in a company is adequate. In contrast to this, according to Ray (2014) business owners have the ultimate responsibility to oversee the inventory and ensure orders are placed appropriately and regular audits are performed.

Table 7 illustrates the comparison of the respondents' assessment on the effectiveness of working capital management in terms of type of ownership.

Table 7. Comparison of the Respondents' Assessment on the Effectiveness of Working Capital Management when Grouped According to Type of Ownership

Working Capital Management	Nature of Merchandising Business					
	Sole Proprietorship		Partnership		Corporation	
	Mean	VI	Mean	VI	Mean	VI
Cash	3.54	HE	3.74	HE	3.82	HE
Accounts Receivable	3.01	E	3.25	E	3.32	E
Inventory	3.43	E	3.38	E	3.69	HE
Accounts Payable	3.46	E	3.52	HE	3.63	HE
Total	3.36	E	3.47	E	3.62	HE

Results revealed that the assessment on the effectiveness of working capital management in terms of cash, accounts receivable, inventory and accounts payable when respondents are grouped according to type of ownership, corporation got the highest means ranging from 3.3246 to 3.8215. The mean for accounts receivable is interpreted as often while the means for cash, inventory and accounts payable are interpreted as always.

On the other hand, the assessment on the effectiveness of working capital management in terms of inventory when respondents are grouped according to type of ownership, partnership got the lowest mean of 3.3815 and verbally interpreted as often. For cash, accounts receivable and accounts payable; sole proprietorship obtained the lowest means ranging from 3.0178 to 3.5450. Such means are interpreted from often to always. Moreover, among the type of ownership stated, corporation has the highest total when cash, accounts receivable, inventory and accounts payable are combined which shows that it is highly effective in working capital management. Table 5 shows that in terms of type of ownership, in cash, corporation has the highest mean of 3.82, followed by partnership with a mean of 3.74 and the sole proprietorship

has the lowest mean of 3.54. Corporations tend to give higher importance and management in cash than sole proprietorship and partnership. It is because corporations have higher percentage need of cash due to large scale of operations and obligations to be paid and divided among its shareholders.

According to Kannadhasan (2011) the objective of credit sales is to promote sales and thereby achieving more profits. However, increase in receivables will increase the investments and also increases chances of bad debts. Hence, if the receivable is managed effectively, monitored efficiently, planned properly and reviewed periodically at regular intervals the company can earn maximum profits and increase its turnover.

Summary and Conclusions

From the information obtained and analyzed, the study revealed the following findings:

1. Business profiles of the merchandising industry were identified and analyzed showed that the highest number of merchandising industry's was in the form of retailing with a frequency of 252 or 72 percent operating at 3 years and below with a frequency of 152 or 44 percent. The study also found out that most of merchandising industry has 1-3 number of employees with a frequency of 203 or 58 percent. In addition, the study revealed that most merchandising industry are owned by sole proprietor having a frequency of 254 or 72 percent.

2. Variables such as cash, accounts receivable, inventory and accounts payable were utilized to assess the effectiveness of working capital management of merchandising industry. Cash was verbally interpreted as highly effective with a composite mean of 3.61. Inventory was interpreted verbally as effective with a composite mean of 3.45 as well as account receivable with a composite mean of 3.09 while accounts payable was verbally interpreted as highly effective with a composite mean of 3.50

3. The study showed that the nature of merchandising business engaged both in retailing and wholesaling with a total of 3.51 are highly effective in capital management compared to retailing or wholesaling alone. Businesses operating from 7-9 years with a total of 3.59 having 7-9 employees with a total of 3.55 scored consistently and highly effective in capital management. Moreover, in the type of ownership, corporation with a total of 3.62 showed that they are highly effective in capital management compared to sole proprietorship and partnership.

4. Based on findings and results of the study, the researchers proposed strategies to merchandising industries to enhance or improve their working capital management.

Conclusions

1. Most of the merchandising industry's nature of business were retailing operating 3 years and below with a number of 1-3 employees owned by a sole proprietor.

2. The effectiveness of working capital management of merchandising industry in cash and accounts payable was highly effective. On the other hand, management of inventory and accounts receivable was effective.

3. The study found out that those merchandising businesses in the form of both retailing and wholesaling operating 7-9 years having 7-9 employees are highly effective in capital management. In addition, corporation revealed that compared to sole proprietorship and partnership, it performs highly effective in capital management.

4. The researchers proposed strategies to enhance or improve the effectiveness of working capital management among merchandising industry.

Recommendations

Based on the conclusions revealed by the study, the following recommendations were given:

1. Selling high quality of merchandise to ensure that customers will still buy the product and limiting the expense of the business by focusing on worthy expenditures.
2. Owners or managers are recommended to use computerized inventory system or technology to easily monitor the in and out of products, also to make their work easier and faster.
3. They are encouraged to take advantage of paying the business' liabilities in advance to avail discount from suppliers and to prevent incurring late charges.
4. Business owners of merchandising business may seek help from local government to provide financial assistance or support some business venture seminars and trainings about managing businesses. This could help business owners to improve and enhance their skills on how they will manage their business towards business profitability.
5. Future researchers may conduct a similar study to affirm or update the findings of the present study.

Acknowledgement

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