The efficiency of cash management practices at government agencies in Malaysia

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ABSTRACT

This study aims to examine the efficiency of cash management practices in government agencies in Melaka, focusing on the Land and District Offices of Melaka Tengah, Alor Gajah, Jasin and the Melaka Land and Mineral Office. Data was collected through a survey using structured questionnaires, with a pilot test conducted to ensure reliability of the instruments. A total of 215 valid responses were obtained from staff directly involved in cash management activities. The data was coded and analyzed using descriptive and inferential statistics. The findings revealed that 97.2% of respondents believed that Green Cash Management (GCM) practices, particularly through the e-SPEKS system, have facilitated top management in monitoring and controlling cash flows. Additionally, 95.4% agreed that the use of Cash in Transit (CIT) reduced time spent on cash transfers. Regarding Physical Cash Management (PCM), 88.3% indicated that service quality improved steadily through these practices. Furthermore, 98.6% of respondents emphasized the importance of talent management in enhancing service quality within government agencies. Overall, the results highlight the critical role of implementing effective cash management practices to ensure efficient handling of funds, improve delivery systems, and strengthen accountability and transparency. The study underscores the need for continuous improvement in cash management strategies to promote efficiency and quality in public sector financial administration in Malaysia.

Contribution/ Originality: This study contributes to the body of knowledge on public sector financial management by providing empirical evidence on the effectiveness of various cash management practices through practical insights. The originality of this study lies in its comprehensive evaluation of cash management practices across multiple government agencies in Melaka.

1. INTRODUCTION

Cash management has various explanations in terms of definition and meaning. Cash management involves maximizing the efficiency of an organization's short-term cash policies. The focus and objective are on minimizing costs (Salas-Molina, Pla-Santamaria, & Rodriguez-Aguilar, 2018). The management of cash involves maintaining the appropriate amount of money in the correct location and situation to meet the government's requirements through an effective method.

The cash management practices, as well as the complexity level within processes in business, differ from unit to unit, which is also affected by the unit amount, geographical location, and the function's originality. Cash

management practices nowadays are extensively enhanced and affected due to the increasing growth in the world of business over the years.

Cash can be assumed as a soul in government agencies. Although cash is the most current asset, it is also the common denominator through which current assets can be decreased. It has been described that liquid asset can be converted to cash, such as receivables, profitable instruments, and inventories.

The main purpose of cash management practice is to determine the most likely stage of cash, the proper category, and quantity for short-term cash investment, as well as to establish a well-organized system for handling cash distributions and collections. It relates to liabilities and liquid assets management, as well as increasing finance to fund an agency. With a larger section engaging in receipt or cash payment in all transactions, management of cash practices is vital to guarantee that the agencies maintain fluidity as much as necessary to meet payment commitments when the time comes. The practices involve managing cash payments and receipts, cash transfers, and cash balances within units or departments at the agencies.

According to Mohamed and Nizath (2020), it was detected that poor management practices restrict business activities in the Information Technology (IT) industry, and some customers are not pleased with the administration's failure to retain due to poor performance. This situation deters business growth. Cash management plays a vital role in worldwide businesses. Liquidity necessities, interest costs, currency risks, and transactional costs are examples of issues and problems related to cash management practices (Wölfing & Moormann, 2018). Some reasons for problems with cash management are inadequate knowledge of the cash flow cycle, lack of understanding between profit and cash, shortage of cash management talents, and poor capital investments (Gherghina, 2021).

Management must know the timing of cash inflows and outflows from the entity, such as when to pay for accounts payable and buying inventory. As an organization makes income, it does not mean it has had cash payments for those profits. Thus, an organization that needs a lot of inventory may be making profits but not having positive cash flows. It is crucial for managers to acquire the necessary skills, such as the ability to optimize and manage working capital. This can include discipline and putting proper frameworks in place to ensure receivables are collected on time and payables are not paid more quickly than needed. Lack of planning, financing, poor management, lack of credit, and the level of education of employees have been listed as major problems facing organizations (Oluoch, 2016). According to the Nasution (2017), with the extensive implementation of the Integrated Financial Management System (IFMIS), there have been significant improvements in all aspects of government cash management. These enhancements have been driven by technological advancements in computerized information databases and telecommunications, which have enabled the government to efficiently handle a large volume of electronic revenue and disbursement transactions across extensive geographical regions.

2. LITERATURE REVIEW

2.1. Cash Management Practices

Management is a standard word that is subject to various understandings. A few different ideas are attributed to the meaning of management and to the work of a manager. Management is essential in all areas of life. It allows operations of all types to be conducted effectively, smoothly, and efficiently. It is the core body of modern institutions. This is to say that the performance and existence of any institution depend on management. It is crucial to note that about ninety percent (90%) of what makes a business successful or failed comes from management. Nevertheless, management is established on how organizations are managed or specifically how the manager(s) can assist other employees of the organization to prepare and accomplish a cycle of goals and objectives.

Management of cash can be described as "a practice in predicting, collecting, distributing, investing, as well as organizing the cash an organization requires to manage efficiently". It is also considered the ability to control an

organization's short-term funds to maintain its operations, organize resources, and raise cash flow. The highly essential aspects are:

i. The effective consumption of present assets and present obligations of an organization throughout every stage in the operating cycle of the operation.

ii. The organized preparation, supervision, and oversight of the organization's collections, expenditures, and account balances.

iii. The collecting and controlling of data to effectively utilize existing resources as well as discover threats.

2.2. Efficiency in Cash Management Practices

Efficient cash management ensures the timely provision of cash funds required to support the organization's operations. With the use of basic cash management tools and procedures, cash becomes a corporate asset that directly contributes to the bottom line. Whether an organization is loaded with cash or experiencing a deficit of funds, good cash management is critical to the success of every organization (Oluoch, 2016).

Cash management is a financial discipline that uses the same philosophies, irrespective of the type of business, size, or age of an organization. Cash management is not an accounting function. The accountant records and reports transactions historically, while the cash manager plans and implements these financial transactions. Cash managers use techniques, products, and services to efficiently manage cash resources and reasonably resolve cash shortages or surpluses (Oluoch, 2016).

2.3. The Importance of Cash Management Practices

Cash management practices are important for expanding cost-effectiveness, sustainability, and future planning. They are crucial in explaining the inflow and outflow of cash related to the process of obtaining cash to the disbursement cycle (Ahmad, 2016). On the other hand, poor cash management can turn out to be difficult when it is utilized to sustain the talent and expertise among employees (Ahmad, 2016).

Additionally, appropriate cash management can enhance the profitability and sustainability of the organization. The efficiency of cash management practices is essential for the growth of the organization. Generally, the cash management practices of the organization can be difficult when the organization deals with clients that are hard to track. These difficulties can be prevented if the practices of cash management are arranged accordingly.

2.4. Issues in Cash Management Practices

Internal control plays an important role in cash management practices. However, only a few organizations practice internal control and are aware of its significance (Ahmad, 2016). Those organizations that handle cash through the online system, transfer real money received via counter using CIT service provider, and handle the physical cash distribution to the public must have appropriate internal controls within the organization.

Therefore, to improve internal control, the organization may implement a separation of duties in managing cash. This requires the organization to have talent management for their staff to strengthen and improve their capabilities in cash management practices for individuals as staff and the organization. In addition, internal control can help the organization identify its strengths and opportunities within the organization (Justin, 2020).

The research done in South Africa and Uganda proved that cash management practices are poor (Ahmad, 2016). A few organizations are being managed without an appropriate strategy and with poor skills in cash management. The efficiency of an organization in managing cash may influence the growth of business operations. Failure to do so can affect organizational operations, as the relevancy of organizational operations can come to a halt.
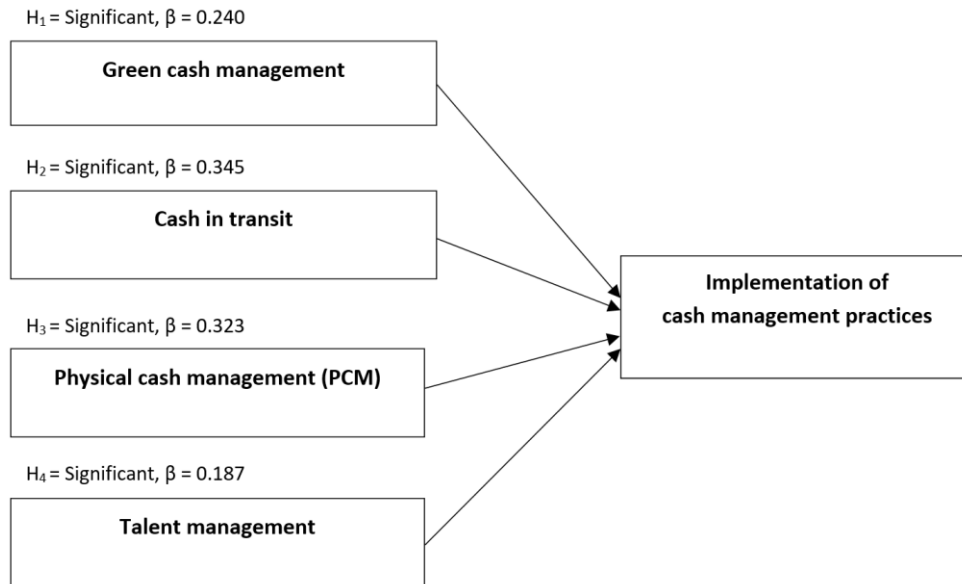
H₁ = Significant, β = 0.240

H₂ = Significant, β = 0.345

H₃ = Significant, β = 0.323

H₄ = Significant, β = 0.187

Figure 1. Framework.

3. METHODOLOGY

The initial stage to obtain the primary data was to collect a questionnaire using a Google form from the respondents. Then, I proceeded to gather the secondary data from the respondents, with all questions derived from the primary data for scrutiny. Because the total number of respondents who participated in this research was not large, the link to the questionnaires was sent to respondents via e-mail and WhatsApp. Upon receiving the link, respondents were required to fill out the questionnaires within seven days. After three days, follow-up was conducted to contact respondents who had not yet answered the questionnaire. As we can see from Figure 1 illustrates the framework of cash management practices in government agencies in Melaka. There are four factors to consider in the implementation of cash management practices.

In this study, the form of the questionnaire will be used as the survey instrument. This questionnaire is created using English and Malay versions to accommodate respondents to better understand the terms used, according to their preferred language. For this research, primary data will be collected using a questionnaire adapted from a modified survey. The questionnaire set consists of seven (7) sections with a total of 30 items, which include the demographics or particulars of the respondent, the benefits of green cash management practices, the efficiency of cash in transit (CIT) services, the efficiency of physical cash management, the needs of talent management, suggestions to improve cash management practices, and the benefits of implementing cash management practices. The questions were adopted from (Ahmad, 2016).

On the other hand, Table 1 presents the weightage of each factor considered in the implementation of cash management practices at government agencies in Melaka is as follows:

Table 1. Construct of the Questionnaire.

Sections	Questions	Items
A	Demographics	9
B	The benefits of green cash management (GCM) practices	4
C	The efficiency of cash in transit (CIT) services	4
D	The efficiency of physical cash management (PCM)	4
E	The needs of talent management (TM)	4
F	Suggestion to improve cash management practices	1
G	The benefits of implementing cash management practices (ICM)	4
Total		**30**

Table 2. Determination of sample size.

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	52	360	186	2600	335
70	55	380	191	2800	338
75	59	400	196	3000	341
80	63	420	201	3200	343
85	66	440	205	3500	346
90	70	460	210	4000	351
95	73	480	214	4500	354
100	76	500	217	5000	357
110	82	550	226	6000	361
120	88	600	234	7000	364
130	92	650	242	8000	366
140	97	700	248	9000	368
150	100	750	254	10000	370
160	103	800	260	15000	375
170	108	850	265	20000	377
180	113	900	269	30000	379
190	118	950	273	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Notes: N= Population size, S= Sample size.
Source: Morgan (1970).

This research collected relevant information from three (3) District and Land Offices in Melaka and the Melaka Land and Mineral Office. The target respondents are staff whose daily routines or job scopes are related to cash management practices. Table 2 presents the determination of the sample size of respondents involved in this study.

Table 3. Number of employees in four (4) agencies.

Agencies	Numbers of details
Melaka Tengah District and Land Office	142
Alor Gajah District and Land Office	110
Jasin District and Land Office	111
Melaka's Land and Mineral Office	109
Total	**472**

Note: *Data as of March 2020.

The type of descriptive research design and testing of hypotheses were used in the research. The method of data collection was through primary and secondary data. The primary data was obtained via questionnaires circulated to about 472 respondents. Cronbach's alpha and factor analysis were computed to verify the validity and reliability of the information. Furthermore, the information was evaluated through descriptive and correlation analysis to obtain the findings and explain the data. Table 3 portrays the number of employees in four (4) agencies in Melaka, with Melaka Tengah District and Land Office showing the highest total of employees involved in this study as respondents.

4. RESULTS AND ANALYSIS

Because the total respondents who participated in this research were not numerous, the link to the questionnaires was sent to respondents via an online platform by e-mail and WhatsApp application. A total of 215 data points were collected at the end of the data collection process. Frequency analysis was used to analyze the demographic and other particulars of the respondents. The demographic profile presents the general viewpoint of the respondents' backgrounds. The profile is designed to provide background information for the category of respondents.

There are nine (9) items and pieces of information, which include the working department, position, gender, age, education level, years of service, the status of the position, level of authority, and location of work. They are distributed across four (4) agencies in Ayer Keroh, Melaka Tengah, Alor Gajah, and Jasin.

4.1. Working Departments of the Respondents

As shown in Table 4, many working departments are from the Service Management Department, which represents 118 staff (54.9%). The second is from the District Development Department, with 54 staff (25.1%). The results also reveal that the Land Management Department has the least participation in this research, with 43 staff (20.0%). This indicates that, in this survey, most staff from the Service Management Department have the highest participation rate and prefer to participate in this survey.

Table 4. Working department of the respondents.

Department / Unit	Frequency	Percent	Valid percent	Cumulative percent
Service management	118	54.9	54.9	54.9
Land management	43	20.0	20.0	74.9
District development	54	25.1	25.1	100.0
Total	**215**	**100.0**	**100.0**	
n = 215 Mean = 1.70 Standard deviation = 0.845				

4.2. Location of Works of the Respondents

As indicated in Table 5, most of the respondents' locations of work are from Melaka Tengah District and Land Office, with 81 respondents (37.7%). The second most common location is from Alor Gajah District and Land Office, with 56 respondents (26.1%). The third and fourth locations are from Jasin District and Land Office and Melaka Land and Mineral Office, each with 39 respondents (18.1%).

Table 5. Location of works of the respondents.

Location of Works	Frequency	Percent	Valid percent	Cumulative percent
Melaka land and mineral office	38	17.7	17.7	17.7
Melaka Tengah District and land office	82	38.1	38.1	55.8
Alor Gajah district and land office	54	25.1	25.1	80.9
Jasin district and land office	41	19.1	19.1	100.0
Total	**215**	**100.0**	**100.0**	
n = 215 Mean = 2.46 Standard deviation = 0.994				

4.3. Descriptive Analysis for Independent Variables

Descriptive statistics are used to analyze and demonstrate how the dimensions in the variables are examined. The values of the mean and standard deviation indicate how broadly the statistics are dispersed around the mean value.

4.3.1. The Benefits of Green Cash Management Practices to Organization

As displayed in Table 6, it shows the results from descriptive analysis for green cash management practices. The mean for all items ranges from 3.2279 to 3.4930. From the mean value, it can be concluded that most respondents agree with the items in the green cash management practices, and the interpretation is high.

Table 6. Descriptive analysis for green cash management practices.

Items	Mean	Std. deviation
B-i. Reductions in using paper and printed documents with the use of e-SPEKS system	3.395	0.639
B-ii. Better and more precise information processing related to cash management with the use of the e-SPEKS system.	3.451	0.623
B-iii. Ease of monitoring and controlling the financials by top management with the use of the e-SPEKS system.	3.493	0.587
B-iv. Less staffing needed to handle cash management processes with the use of the e-SPEKS system.	3.227	0.689

5. DISCUSSION OF FINDINGS

The results indicate that green cash management, cash in transit, physical cash management, and talent management have benefited the practices of cash management at government agencies in Melaka. The results, as shown in hypothesis testing, demonstrate a high association between these factors and the implementation of cash management practices. The hypotheses testing results are acceptable and meaningful, confirming the significance of these elements in enhancing cash management efficiency.

H₁: Green Cash Management (GCM) has a positive effect on the implementation of cash management practices in government agencies.

According to Thunnissen and Buttiens (2017), the stakeholders are responsible in terms of policies, digital payment facilities, as well as the mindsets of people. The government needs to ensure that promoting green cash management through digital payments will be more acceptable. The results indicate that green cash management is positively significant for the implementation of cash management practices. The result is similar to the study by Boopathy (2020), Justin (2020), Kumari, Chaudhari, Bhaiya, and Mirgal (2018), and Sveriges (2017). The future range of digital payment is wide-ranging, contributing to developing countries' socio-economic relationships between enterprises, organizations, and end users, moving towards paperless and cashless transactions.

H₂: Cash in Transit (CIT) has a positive effect on the implementation of cash management practices in government agencies.

According to Justin (2019), the reason for implementing the CIT services is due to the increase in crime rates, which influence the outsourcing of cash handling services to specialist service providers capable of implementing safer processes. The outcome indicates that cash in transit has a positively significant relationship with the implementation of cash management practices. The result is aligned with the research of Beroe Inc. (2018), CIT Market Analysis (Justin, 2020), and Hardyns, Cools, and Maes (2020). Since the transactions normally involve a large amount of money, the agencies must consider the best solution to move the cash from the office to the bank.

H₃: Physical Cash Management (PCM) has a positive effect on the implementation of cash management practices in government agencies.

Physical cash management includes the process of cash collection, supervision of cash, and its function in investment activities. This is one of the main factors for guaranteeing financial strength and wealth (Hansen, 2015). From the analysis, it indicates that physical cash management is positively significant to the implementation of cash management practices. The results from this study are similar to those of previous authors such as Wölfing and Moormann (2018); Mungal and Garbharran (2014); Kenton (2017); Nasution (2017); Uwonda, Okello, and Okello (2013) and Costa et al. (2014).

H₄: Talent Management (TM) has a positive effect on the implementation of cash management practices in government agencies.

In managerial concern, the most crucial aspect for this decade is to find talented people (Uwonda et al., 2013). The outcome of this research reveals that talent management is positively significant to the implementation of cash management practices. It is similar to previous authors Swailes, Downs, and Orr (2014), where TM is handled as the acknowledgment and acceptance that all employees have talent, jointly with the ongoing assessment and placement of employees in positions that provide the best fit and prospects through involvement for employees to utilize those talents.

6. CONCLUSION

Based on the outcomes, 97.2% of the respondents believed that green cash management practices with the use of the e-SPEKS system have eased top management in monitoring and controlling financial activities. The system also facilitates easier tracking and monitoring of procurement document status. This is supported by Thunnissen and Buttiens (2017), who state that stakeholders are responsible in terms of policies, digital payment facilities, and the mindsets of people.

The government needs to ensure that promoting green cash management through digital payments will be more acceptable. The information technology accessible today is capable of handling the relocation and storage of procurement data in a digital structure. Compared to earlier conventional methods, the procurement process requires regular updates and produces a larger quantity of hard copy documentation. In conclusion, the benefits of green cash management, including the efficiency of cash in transit, the effectiveness of physical cash management, and the need for talent management, will enhance service performance in the implementation of cash management practices.

The data analysis demonstrates a positive relationship between variables, supporting the research on the efficiency of cash management practices in government agencies in Melaka.

The recommendation for physical cash management has been aligned with the study by Uwonda et al. (2013) that claims cash management mechanization involves bringing the necessary cautionary processes to ensure that ample cash levels are retained in the government so that the working obligations can be met. While on talent management, it has been proved by the existing TM literature that it mostly highlights economic organizational objectives such as flexibility, efficiency, and competitive advantage, according to Thunnissen and Buttiens (2017) even though some scholars emphasize the significance of a less independent view on TM goals and practices, according to Collings (2014) and Farndale, Pai, Sparrow, and Scullion (2014).

This research will also indicate whether it can meet the organization's mission to enhance service performance and the delivery system. Thus, the scope can be broader, and large data findings will make the research more significant. There is also a suggestion to develop new systems to improve cash management within the organization and reduce the use of paper, instead shifting to electronic payments (e-Pay) and cashless options such as e-wallet, Boost, and 'DuitNow,' as well as improving workflow and documentation. Another valuable suggestion is that the online cash management system currently implemented in the organization is more efficient than physical methods because it can reduce bureaucracy and costs while increasing transparency. This research has limitations due to circumstances.

One of these is time restrictions, which are beyond my control because, as a part-time student, I need to focus and commit to my job, especially during normal working hours. Additionally, I have events, programs, and seminars to manage or attend during after-office hours and weekends. There is also a family commitment that needs to be considered in my daily schedule.

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