

Cash Management Strategies and Profitability: Evidence from MSME Retail Fashion Liga Store ID Makassar

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ARTICLE INFO

A B S T R A C T

Article History:
Received
May 2025

Accepted
July 2025

Keywords
Cash Management;
Profitability; MSME

Unstable cash flows remain a critical constraint on growth and earnings in many micro, small, and medium enterprises (MSMEs), especially in fast moving retail segments. This study examines how cash management strategies shape profitability performance in Liga Store ID Makassar, an MSME retail fashion business in Indonesia. The study objectives are to (1) identify the enterprise's cash management practices, (2) analyze how those practices support liquidity discipline, and (3) interpret their relationship with profitability indicators. A qualitative descriptive design was used. Purposive sampling targeted key financial actors (owner and administrative finance staff). Data were obtained through in depth, semi structured interviews and corroborated with internal financial documents (cash logs, expense records, profit reports). Descriptive references to Return on Assets (ROA) and Return on Equity (ROE) informed interpretation of profitability tendencies. Results indicate that Liga Store ID applies an integrated, low cost cash control bundle: strict petty cash limits, daily Excel based transaction recording, routine monthly cash flow planning, early payment discount capture from suppliers, and spending caps linked to projected inflows. These practices help preserve liquidity, reduce leakage, and support margin improvement—as reflected in observed movements in profitability ratios across review periods. Ongoing constraints include limited digital accounting capability, uneven financial literacy, and customer payment timing gaps that sustain cash flow volatility. The study extends MSME finance literature by demonstrating that context appropriate cash management bundles can reinforce financial resilience and profitability in small retail enterprises, and offers practical guidance for upgrading cash budgeting discipline and digital recordkeeping in similar settings.

1. Introduction

1.1 Background

In today's highly dynamic and competitive business environment, effective financial management is paramount to the survival and growth of enterprises. Among various components of financial management, cash management plays a pivotal role in ensuring operational sustainability. For businesses of all sizes especially Micro, Small, and Medium Enterprises (MSMEs) cash serves as the lifeblood that sustains day to day activities, facilitates investments, and absorbs unexpected shocks. MSMEs, particularly in emerging economies, often operate with constrained financial resources, limited access to credit facilities, and minimal financial buffers. This makes them highly vulnerable to cash flow disruptions. Cash management involves the processes of planning, controlling, and monitoring cash inflows and outflows to ensure that a business maintains adequate liquidity while avoiding

excessive idle cash. Poor cash management can result in delayed payments, missed business opportunities, and ultimately, financial distress. Conversely, well managed cash can increase operational efficiency, support strategic decision making, and enhance profitability.

In this context, Liga Store ID Makassar, a local MSME operating in the retail apparel industry, serves as a pertinent case. The business, though successful in capturing a niche market, struggles with irregular cash flow patterns due to the nature of its operations, reliance on manual financial systems, and limited use of technology. Inconsistent cash inflows, coupled with periodic fixed expenses, often lead to short term liquidity shortages, forcing the business to make reactive financial decisions that compromise long term profitability. These challenges highlight the urgent need for a structured and strategic approach to cash management tailored to the realities of MSMEs like Liga Store ID.

1.2 Problem Statement

Despite its strategic positioning and growth potential, Liga Store ID Makassar lacks a comprehensive and optimized cash management system. The business relies primarily on manual Excel-based accounting and informal procedures, which increases the risk of human error, inefficiencies, and data loss. There is no formal integration between cash planning, monitoring, and utilization strategies, leading to frequent liquidity pressures and missed opportunities for cost savings such as supplier payment discounts. The absence of a digitalized system further hampers the business's ability to respond swiftly to financial contingencies. Therefore, the central problem addressed in this study is the absence of a structured and technology integrated cash management strategy, which negatively impacts the firm's financial stability and profitability.

1.3 Objectives and Scope

The primary objective of this study is to investigate and evaluate the effectiveness of the cash management strategies employed by Liga Store ID Makassar and how these strategies contribute to or hinder profitability. Specifically, the research focuses on four dimensions:

- Cash Planning: How financial inflows and outflows are forecasted and organized.
- Cash Control: The mechanisms used to prevent misappropriation or errors.
- Cash Utilization: The efficiency of cash allocation to business functions.
- Cash Digitalization: The adoption of technology in managing and securing cash records.

The study is scoped within the operational context of Liga Store ID Makassar and seeks to propose applicable recommendations that reflect both theoretical foundations and practical realities of MSMEs in Indonesia.

2. Literature Review

2.1 Related Work

The concept of cash management has been widely studied in the context of corporate finance, yet its application in MSMEs remains underexplored. Existing studies underscore the importance of efficient cash planning and utilization to enhance liquidity and profitability.

- Amini et al. (2021) emphasized the role of cash forecasting in improving the productive use of assets within MSMEs. Their study revealed that businesses with robust cash projection models were better positioned to manage short term obligations without sacrificing investment opportunities.
- Hidayat et al. (2024) analyzed the influence of cash management and credit policies on the profitability of MSMEs in Bandung. Their findings indicated that firms that imposed structured credit terms and maintained sufficient cash reserves experienced more stable growth and higher profit margins.
- Luckieta et al. (2025) focused on the role of financial digitalization in improving financial

literacy and control among small businesses. Their research suggested that MSMEs adopting digital tools for budgeting and reporting performed better in managing liquidity risks.

- Akbar et al. (2024) explored the integration of budgeting, accounting software, and recordkeeping. They concluded that such integration leads to better control over cash disbursement and improved decision-making capabilities in small enterprises.
- Kamal et al. (2024) studied the optimization of working capital, specifically focusing on the cash conversion cycle and its impact on Return on Assets (ROA). Their analysis confirmed that shorter cash cycles correlate positively with financial performance.

These studies collectively provide a foundational understanding of how cash management strategies can support business stability and growth. However, they are mostly conducted in generalized settings without a strong focus on the operational realities of small, localized MSMEs.

2.2 Research Gap

While the aforementioned research offers valuable insights, a significant gap remains in the contextual application of these strategies, especially for retail based MSMEs operating in semi digital environments. Most studies emphasize quantitative models or large-scale enterprise environments, making it difficult to extrapolate their findings to smaller entities with informal or manual financial systems.

Moreover, the intersection between low digital maturity and strategic cash practices is rarely discussed in existing literature. For example, petty cash restrictions, manual Excel tracking, and supplier discount exploitation common strategies in micro businesses are often overlooked in academic discussions, despite their substantial influence on daily liquidity and profitability.

This study addresses this gap by providing a grounded analysis of cash management practices in a real world MSME context, highlighting the unique challenges and strategies adopted by Liga Store ID Makassar. The research aims to contribute practical knowledge to both academia and practitioners seeking to strengthen MSME financial resilience in similar environments.

3. Methodology

This research utilized a qualitative descriptive approach to explore the cash management strategies implemented by Liga Store ID Makassar, an MSME operating in the local retail apparel industry. The qualitative method was selected to capture in depth, contextual insights that would not be easily quantified but are crucial to understanding the practical application of financial strategies in small enterprises.

The sampling technique used was purposive sampling, targeting informants who have direct involvement in the financial operations of the business. The primary respondents included the business owner and the finance administrator, both of whom possess detailed knowledge of the firm's cash planning, control mechanisms, and overall financial performance.

3.1 Data Collection

Data were collected through a triangulated method, which included:

- Interviews: Semi structured interviews were conducted with the owner and finance admin to gather firsthand insights on cash management practices, challenges, and strategic decisions.
- Documentation Review: Internal financial records such as cash flow statements, income statements, and daily transaction logs were examined to validate interview data and to

observe patterns in financial behavior over time.

- **Field Observation:** The researchers conducted direct observations of daily cash handling procedures, including how petty cash is disbursed and recorded, how sales are deposited, and how expenses are approved and tracked.

3.2 Analysis Techniques

To support qualitative findings with empirical evidence, basic financial ratios were calculated based on available internal data:

- **Return on Assets (ROA):** Used to measure the efficiency of asset utilization in generating profits.
- **Return on Equity (ROE):** Indicates the level of profitability in relation to the owner's equity.

While the study did not employ statistical testing, these indicators were used to highlight the relationship between specific cash management practices and profitability performance.

Comparison Table of ROA and ROE – UMKM Liga Store ID Makassar

Month (2025)	Net Income (Rp)	Total Assets (Rp)	ROA (%)	Equity (Rp)	ROE (%)
February	720,744	185,362,656	0.39%	185,362,656	0.39%
March	15,485,505	202,838,161	7.63%	200,868,161	7.71%
April	5,511,979	208,350,140	2.65%	206,380,140	2.67%
May	6,203,332	214,553,472	2.89%	212,583,472	2.92%

The financial performance analysis of Liga Store ID Makassar from February to May 2025, as illustrated in the table above, highlights significant fluctuations in profitability measured by Return on Assets (ROA) and Return on Equity (ROE). In February 2025, the company recorded a very low ROA and ROE of 0.39%, indicating that both the total assets and equity had not yet been optimally utilized to generate net income. This relatively weak performance reflects inefficiencies in cash utilization and low operational productivity at the beginning of the period. However, a remarkable improvement occurred in March 2025, where the ROA surged to 7.63% and ROE to 7.71%, driven by a sharp increase in net income amounting to Rp15,485,505. This positive growth can be attributed to effective cash flow planning, better cost control, and the ability to take advantage of supplier payment discounts, which collectively enhanced operational efficiency.

Moving into April 2025, the company experienced a decline in performance, with ROA dropping to 2.65% and ROE to 2.67%, despite an increase in total assets and equity. This decrease suggests that additional resources or capital were not fully optimized to generate proportional profits. In May 2025, there was a slight recovery, with ROA improving to 2.89% and ROE to 2.92%, along with a net income of Rp6,203,332. Although this figure indicates an improvement compared to April, it remained below the March peak, implying that the company needs to maintain consistent strategies for cash management and cost efficiency to achieve sustainable profitability.

Overall, the data demonstrates that fluctuations in profitability are closely related to the effectiveness of cash management practices. Months with strong cash planning and strict control over expenditures, such as March, yielded significantly better ROA and ROE. Conversely, months with weaker execution or increased idle resources led to declining profitability. This reinforces the critical role of integrated cash management strategies including petty cash control, accurate cash flow forecasting, and digital financial recording in ensuring stable returns and supporting long-term financial growth for Liga Store ID Makassar.

3.3 Validation

The analysis applied a descriptive analytical technique, wherein collected data were organized into thematic categories corresponding to the cash management dimensions: planning, control, utilization, and digitalization. The relationship between observed practices and the resulting financial performance was interpreted through logical reasoning, supported by both empirical data and theoretical frameworks.

4. Results and Discussion

4.1 Key Findings

The study identified four main cash management strategies implemented at Liga Store ID Makassar:

- **Petty Cash Restriction:** A daily spending cap of Rp 300,000 and a monthly maximum of Rp 1,000,000 were enforced to control unplanned expenditures and ensure better budgeting discipline.
- **Excel based Manual Recording:** While not utilizing modern accounting software, the business maintains a consistent and updated Excel based accounting system for recording income, expenses, and monthly reconciliations.
- **Monthly Cash Flow Planning:** The business actively forecasts monthly income and expenditure to anticipate liquidity gaps. This proactive approach has helped minimize cash shortfalls during operational periods.
- **Supplier Discount Optimization:** The firm routinely pays suppliers early to access

discounts, which not only reduces input costs but also builds stronger supplier relationships and enhances trust.

These measures have collectively contributed to improving the firm's liquidity position, reducing unnecessary expenses, and fostering financial discipline.

4.2 Interpretation of Results

The implementation of structured and proactive cash strategies has significantly enhanced the profitability of Liga Store ID Makassar. Discount exploitation directly impacts cost savings, while cash flow planning reduces reliance on emergency funding or debt. The findings indicate a positive correlation between disciplined cash management and the business's net profit margins.

However, the company's reliance on manual processes using Excel spreadsheets introduces a degree of operational risk. Issues such as human error, data loss, and limited accessibility impede the scalability and efficiency of financial operations. Furthermore, the lack of an integrated system reduces the firm's ability to perform real time financial analysis or automate routine tasks.

1. Discussion

5.1 Comparison with Prior Research

The results of this study align with earlier findings in financial management literature:

- Gitman & Zutter (2015) emphasized that robust cash flow planning enhances financial stability, a conclusion consistent with this study's observation of Liga Store ID's proactive financial forecasting.
- Van Horne & Wachowicz (2015) argue that efficient cash management systems contribute to profitability by improving liquidity and reducing idle funds. The practice of early payment to suppliers, as seen in Liga Store ID, exemplifies this principle.

However, this study provides added depth through real-world observation in a local MSME setting, addressing operational nuances that are often not captured in large scale, generalized research. The combination of practical experience and strategic intent demonstrated by Liga Store ID is a key contribution to the literature on MSME financial resilience.

5.2 Limitations

This research is limited by its single case study design, which restricts the generalizability of its findings. The focus on one business provides in depth insight but may not represent broader trends among Indonesian MSMEs.

Furthermore, the study is qualitative in nature, relying heavily on narrative data and descriptive financial indicators. It does not employ advanced statistical models, which could have enhanced the analytical rigor of the study.

5.3 Future Research

Future studies should consider conducting comparative analyses across multiple MSMEs in different industries to validate the proposed relationships between cash strategies and profitability. There is also significant value in exploring financial technology (fintech) adoption among small businesses, especially with regard to mobile based budgeting apps, cloud accounting platforms, and AI assisted cash forecasting tools.

6. Conclusion

The findings of this study demonstrate that even in the absence of advanced systems, structured and intentional cash management strategies can have a substantial impact on the financial performance of MSMEs. Liga Store ID Makassar's use of petty cash restrictions, cash flow planning, Excel based tracking, and discount optimization has allowed it to maintain liquidity, control costs, and enhance profitability.

Nonetheless, the reliance on manual methods and limited digital integration presents challenges that could hinder long-term sustainability. Moving forward, it is crucial for the company to embrace financial digitalization, invest in staff training, and adopt technology driven solutions that can improve accuracy, transparency, and decision making speed.

Such improvements will not only strengthen internal controls but also position the business to scale its operations and weather future financial uncertainties. Ultimately, the case of Liga Store ID offers valuable lessons for other MSMEs seeking to optimize their financial strategies with limited resources.

7. Recommendation

This study has explored the cash management practices of Liga Store ID Makassar, a micro, small, and medium sized enterprise (MSME) operating in the retail sector in Indonesia. The research was motivated by a critical operational issue namely, the lack of a structured and technology driven cash management system, which posed risks to the firm's profitability and financial stability.

Employing a qualitative descriptive methodology, the study collected data through interviews, internal documentation, and direct observations. The approach allowed the researchers to capture rich, real-world insights into how cash is managed at the operational level. Supplementary financial indicators such as Return on Assets (ROA) and Return on Equity (ROE) were also used to support the analysis.

The findings revealed that practical and disciplined cash strategies, such as petty cash restrictions, monthly cash flow planning, Excel-based financial records, and early payment to suppliers for discount benefits, have contributed to greater financial control and increased profitability. However, the absence of digital tools and reliance on manual processes expose the business to inefficiencies and operational risks.

In light of these insights, the following recommendations are proposed:

- **Digital Transformation:**
MSMEs should adopt affordable financial software or cloud-based accounting tools to enhance accuracy, reduce the risk of data loss, and enable real-time financial decision making.
- **Financial Literacy and Training:**
Business owners and finance staff should receive ongoing training in financial management practices and the use of digital tools to improve competency and confidence in handling cash operations.
- **Integration of Cash Strategy with Business Planning:**
Cash management should not operate in isolation but be integrated with broader business strategies such as inventory management, supplier relations, and marketing to optimize financial outcomes.
- **Policy Formalization and Internal Controls:**
MSMEs should establish clear policies regarding cash handling, documentation, and reporting to mitigate fraud and ensure compliance with good governance standards.
- **Further Research and Benchmarking:**
Comparative studies across various MSMEs and regions would help validate the findings and support the creation of adaptable financial models for small enterprises across Indonesia.

This study contributes to the growing body of literature on MSME financial management by providing context specific evidence of how small-scale enterprises in developing economies can use basic, low-cost strategies to achieve significant financial improvements. It bridges the gap between theoretical cash management models and their practical application in real world MSME settings.

By emphasizing the value of structured planning, financial discipline, and the gradual adoption of digital tools, this research offers actionable insights for entrepreneurs, policymakers, and financial advisors aiming to improve the economic resilience of small businesses. The case of Liga Store ID Makassar serves as a compelling example of how even modest interventions in financial strategy can yield measurable benefits when aligned with the business's operational realities.

Appendix

Supplementary Table A1. Interview Summary with Liga Store ID Makassar

No.	Interview Question	Answer Summary
1	Since when has Liga Store ID been operating?	Since 2016, founded by Abdian Tawar.
2	What are the main products or services offered?	The store offers services focused on high-quality products.
3	How is the organizational structure and current number of employees?	Five employees: 2 in accounting/admin, 2 in production, and the owner.
4	How are cash inflows and outflows recorded?	Recorded by the admin; financial statements are compiled by the accounting team.
5	Is there any accounting software used?	Yes, Excel is used for journaling and compiling financial reports.
6	How is petty cash managed?	A small cash system is used, with a maximum balance of Rp300,000. Operations mainly use a bank account.
7	What are the strategies to control cash and prevent fraud?	The company avoids cash transactions and limits monthly petty cash to Rp1,000,000.
8	How is cash flow planning conducted?	By making monthly estimates of income and expenses.
9	How does cash management impact profitability?	Good cash management enables efficient spending, avoids emergency loans, and utilizes early payment discounts to increase margins.
10	Are there concrete examples where cash management improved profits?	Yes, organized management of cash inflows and outflows has prevented financial deficits.
11	What factors contribute most to improving profitability?	Human resources and planning.
12	What is the main challenge in cash management?	Timing of cash inflows and outflows.
13	How do you handle cash shortages?	By maintaining a reserve fund, renegotiating payments with suppliers, and increasing promotional activities to accelerate cash inflow.
14	Are there external challenges affecting cash strategy?	No significant external challenges; focus is on internal planning and ensuring transparency, especially for small-scale transactions.
15	Are there any plans to improve cash strategies?	Yes. Plans include developing a website-based financial system to avoid data loss due to device failure.

Acknowledgement

The authors wish to extend their sincere gratitude to all individuals and institutions who contributed to the successful completion of this research. First and foremost, we are deeply appreciative of the financial support provided by Universitas Patria Artha, which enabled the smooth execution of fieldwork and access to necessary resources.

Special recognition is due to Ms. Indri Septian, S.E., M.M., CFM, whose professional expertise and early feedback were instrumental in shaping the conceptual framework and refining the methodological design of this study. Her insights were particularly valuable in aligning the research objectives with relevant theories of financial management.

We would also like to express our heartfelt thanks to the owners and staff of Liga Store ID Makassar, whose openness, time, and transparency allowed for in depth exploration of the business's internal cash management practices. Their willingness to share documentation and participate in interviews significantly enriched the quality and validity of the research findings. Finally, we acknowledge the support from our academic supervisors and peer reviewers, whose constructive criticisms and scholarly input helped sharpen the analysis and improve the overall structure of this paper.

This research would not have been possible without the collaboration and goodwill of all aforementioned parties.

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