

## How can I improve my cash flow: cash in

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Cash flow refers to the money that comes into and goes out of your business, literally cash in and cash out. When businesses find they do not have the cash to keep running, assuming poor sales are not the issue; one of the areas to examine is cash flow. Below a look at some sources of incoming cash that could be responsible for business cash shortages.

**Overdue payments and defaulters:** If you give customers up to 90 days to pay your invoices, you might want to reconsider that generous position. Offering long payment lead times is exactly the same as lending customers money without earning interest from the loan. This is because your customers can use what they owe you to accomplish other business objectives before paying you. By shortening the payment period to 30 days or less, you should improve your cash flow provided customers comply.

To attract and retain customers, some neighbourhood businesses - like bars and kiosks - offer regular customers in-house credit, with dues to be cleared at month end. If your credit customers all pay promptly, there is no need for change. If however, some of your credit customers consistently default, stop extending them credit services. These defaulters are also borrowing interest-free loans from you and contribute to your cash shortage.

Before implementing any of the above solutions however, consider the impact on your business. If a 30 day payment period will chase away all your customers, try 45 days instead. Similarly, if eliminating in-house credit will shut down your business altogether by chasing customers away, examine your creditor list and determine who the business can afford to keep extending credit to. Consistent defaulters should however, be dropped.

**Incentives and late fees:** Encourage customers to pay bills early by offering incentives like a discount of one to two percent or a bonus item. In the same vein, dare to inform customers that you will charge a late fee and then go ahead and actually do it when payments are late; especially if you have a product/service that your customers either value highly or cannot do without.

**Plan ahead:** Create a cash flow forecast to show exactly when the business will need exactly how much cash. To illustrate, with a forecast you can determine whether or not to bid on that attractive shilling 40 million tender for which payment will be made six months after project completion. The forecast will show you that initiating this project will tie up cash, leaving the business cashless for several months until the shilling 40 million is received. Unless project initiation funds can be obtained elsewhere, it is wise not to bid on that project.

**The above are suggestions to get you started. Take a close look at all your cash sources and think about ways to ensure that none of them are the cause of your cash flow issues.**