

Press release

For business desks
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SMEs in arrears when it comes to professional cash management

- **First study by Fachhochschule des Mittelstands (FHM) on liquidity management in small- and medium-sized enterprises (SMEs)**
- **Only one in three companies practice professional management of payment transactions (cash management), area often not yet independent**
- **Low interest rate policy of the ECB has not changed financial conduct for the majority of those surveyed: long-term loans remain a simple credit instrument ahead of leasing, investment of short-term funds no longer attractive**

Increasing digitalisation and burgeoning international activities mean that SMEs are being forced to safeguard their liquidity to an increasing degree at all times. In addition, the precise control of global payment and cash flows is gaining in significance for companies. The first study by the private university of applied sciences FH des Mittelstands (FHM) in Bielefeld on the topic of payment transactions in the SME sector reveals that merely 36 per cent of the surveyed financial officers already utilise a professional cash management system. In order to gain an overview as to whether and how efficiently SMEs practice cash management, for the first time ever FHM surveyed 239 financial officers at SMEs.

The prevalence of cash management systems, and in particular their degree of professionalization, deviate considerably according to the study. Whereas around two thirds of the financial officers who practice cash management use a solution offered by their credit institution, approximately 22 per cent utilise their own system. 14 per cent deploy solutions from external software houses. 37 per cent of the respondents use their particular system for one company, while, in contrast, 27 per cent use it to control five or more companies. Just over half of the respondents administer five or more accounts with their cash management solution. "Cash is still the king. Which is why efficient cash management is all the more important, for it controls not only all financial flows, but also reduces transaction costs while at the same time maximising interest income from liquidity surpluses. Thus it makes an important contribution to the company's profitability," says Frank-Oliver Wolf, Head of Sales Germany Payment Transactions and International Business Commerzbank.

For the bulk of the respondents the low interest rate policy of the ECB has not changed their financial conduct. Only a smaller number are reacting to the effects of this policy, yet with a limited number of measures, such as the bringing forward of investments – also as a means of reducing liquidity. In this respect long-term loans are preferred as a financing instrument over leasing. The investment of short-term funds is no longer attractive in the view of the majority of the respondents.

Other findings show that in the majority of companies operational payment transactions and liquidity management are organised such that they are the responsibility of central management. Development as an independent partial area, for example as a profit centre or service centre, has not yet prevailed. With regard to cooperation with a credit institution two thirds of the respondents attach importance to a bank having an independent branch network and global networking.

“Professional cash management undoubtedly ranks among the next fundamental innovations in SME financial management. The results of the first customer-oriented cash management study are clear confirmation of this development,” says the academic head of the study, Prof. Dr. Volker Wittberg. The survey by FHM was conducted in the period from 15 September to 10 October 2015.

Further information on the topic is to be found in the interview with Frank-Oliver Wolf on the Commerzbank blog:

<https://blog.commerzbank.de/finanzwelt-verstehen/16q1/zahlungsverkehr-im-mittelstand.html>

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