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**CASH MANAGEMENT IN SMALL SCALE INDUSTRIES**

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**ABSTRACT**

*Cash is one of the most important components of working capital of a concern. It is the most liquid asset and the basic input required to keep the business going. In course of the operations of a business, cash goes out first. Profitable business then brings in cash. The problem is that cash usually goes out first before it comes in. The cash management practices in the small scale enterprises usually differ from that of large scale industrial enterprises because of the differences in size, location, nature and financial environment. It can be understood that a majority of the selected small scale enterprises review the cash position daily. The next popular practice among the small scale enterprises in the area is to review cash position weekly once. Some of the small scale enterprises also follow the practice of reviewing cash position monthly once. Determining the minimum cash balance required 'as a percentage on wages and purchases bill' appears to be the most popular method among the selected small scale enterprises. It is followed by 'fixed sum method', as a 'percentage on production budget method', and as a 'percentage on total investment method'. It is noteworthy that none of the agro-based, chemical and plastic enterprises follow the fixed sum and percentage on total investment methods for determining the minimum cash balance required. In spite of the development of the organized financial markets unorganized sector sources like friends, relatives, money lenders, private financial institutions, and pawn brokers form an important source for raising short term resources in the small scale sector. Raising finance from these sources results in a number of problems to the small scale entrepreneurs. 'paying short and long term liabilities is the most common purpose for which small scale enterprises generally use the excess cash if any.*

**KEYWORDS**

cash management, small scale industries.

**1. INTRODUCTION**

Every business has to maintain a cash balance to meet needs that can be managed only with cash. The convenience and liquidity associated with keeping cash also carries a cost, however, for cash does not earn a return for the business. Some businesses hold cash equivalents, such as Treasury Bills, which provide almost all of the convenience of cash but also earn a return for the holder, albeit one lower than earned by the business on real projects." Cash has been defined as demand deposits plus currency. Cash is often called a "non earning asset". Cash is the money which a firm can disburse immediately without any restriction.

Cash is one of the most important components of working capital of a concern. It is the most liquid asset and the basic input required to keep the business going. In course of the operations of a business, cash goes out first. Profitable business then brings in cash. The problem is that cash usually goes out first before it comes in. The owner/manager of a small enterprise must focus on working capital and cash flow from the beginning of the financial process. The steady and healthy circulation of cash through out the entire business operation is the basis of business solvency. Adequate availability of cash to meet the needs of a business/industrial unit is essential. Cash is the important current asset necessary for the operations of the business.

Cash is the basic unit of economic exchange. Cash is a scarce resource. Its effective management is the key determinant of efficient working capital management. Any discrepancy in synchronizing the cash flows results in failure to meet maturing obligations and disrupts the production schedule of the business concern and brings it close to the stage of collapse. Holding cash has an implicit cost in the form of its opportunity cost, directly in proportion with the quantity of cash held. Sufficient cash prevents bankruptcy, renders possible the availing of cash discount, increases credit worthiness and helps in meeting unforeseen cash disbursement with less strain on the business. Cash provides flexibility and carries minimum risk in the short term. Since cash is immediately negotiable, it has the highest inherent risk of all assets. Cash is a non-earning asset which is required for many purposes, but by itself, it earns nothing. Therefore, excessive cash balances can have an adverse effect on the earnings of the firm.

Cash management is one of the key areas of working capital management. The objective of cash management is to "keep the investment in cash as low as possible while still operating the firm's activities efficiently and effectively". Cash management refers to the functions of a financial executive concerning planning, raising, controlling and administering cash resources in a business unit. Traditional cash management was relatively simple. It was more concerned with custodianship. But modern cash management means controllership besides custodianship. It is concerned with making use of cash resources to maximize without endangering its liquidity position or credit standing in the market. Cash management includes management of marketable securities also, because in modern terminology money comprises marketable securities and actual cash in hand/bank.

**2. FACETS OF CASH MANAGEMENT**

In order to resolve uncertainty regarding cash flow prediction and lack of synchronization between cash receipts and cash payments, the firm should develop appropriate strategies for cash management. The firm should evolve strategies regarding the following four facets of cash management.

**(a) Cash Planning:** Cash inflows and outflows should be planned to project surplus or deficit of cash during each plan period. Cash budget should be prepared for the purpose of managing cash flows. The flow of cash should be properly managed. The cash inflows should be accelerated while, as far as possible, the cash outflows should be decelerated.

**(b) Optimum Cash Level:** The firm should decide the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances.

**(c) Investing Surplus Cash:** The surplus cash balances should be properly invested to earn profits. The firm should decide about the division of such cash balance between alternative short-term investment opportunities such as bank deposits, marketable securities, or inter-corporate lending.



**3. MOTIVES FOR HOLDING CASH**

The firm’s need to hold cash may be attributed to the following three motives:

- (i) The transaction motive
- (ii) The precautionary motive
- (iii) The speculative motive

**(I) TRANSACTION MOTIVE**

The transaction motive requires a firm to hold cash to conduct its business in the ordinary course. The firm needs cash primarily to make payments for purchases, wages and salaries, other operating expenses, taxes, dividends etc. The need to hold cash would not arise if there is perfect synchronization between cash receipts and payments. For transactions purpose, a firm may invest its cash in marketable securities. Usually, the firm will purchase securities whose maturity corresponds with some anticipated payments, such as dividends, or taxes in the future. Transaction motive mainly refers to holding cash to meet anticipated payments whose timing is not perfectly matched with cash receipts.

**(II) PRECAUTIONARY MOTIVE**

The precautionary motive is the need for cash to meet contingencies in the future. It provides a cushion or buffer to withstand some unexpected emergency. The precautionary amount of cash depends upon the predictability of cash flows. If cash flows can be predicted with accuracy, less cash will be maintained for an emergency. The amount of precautionary cash is also influenced by the firm’s ability to borrow at short notice when the need arises. Stronger the ability of the firm to borrow at short notice, less the need for precautionary balance. Precautionary balance should, thus, be held more in marketable securities and relatively less in cash.

**(III) SPECULATIVE MOTIVE**

The speculative motive relates to the holding of cash for investing in profit-making opportunities as and when they arise. The opportunity to make profit may arise when the security prices change. The firm will hold cash, when it expects that the interest rates will rise and security prices will fall. Securities can be purchased when the interest rate is expected to fall. The firm will benefit by the subsequent fall in the interest rates and increase in the security prices. Thus, the primary motives to hold cash and marketable securities are: the transactions and precautionary motive.

**4. CASH MANAGEMENT PRACTICES IN THE SELECTED SMALL SCALE ENTERPRISES**

The cash management practices in the small scale enterprises usually differ from that of large scale industrial enterprises because of the differences in size, location, nature and financial environment. Many a time it is convenience that matters in the small scale enterprises rather than the prerogatives of scientific practices of cash management.

**(A) CAUSES FOR KEEPING CASH**

There exist a variety of reasons for keeping cash in the business. Reasons for keeping cash in the small scale enterprises can be stated as ‘to meet daily obligations’, ‘to take advantage of favourable market conditions’, ‘to obtain cash discounts from the suppliers’ and ‘to meet the contingencies’. The reason-wise break up of the selected small scale enterprises confirm that, 60 per cent of the selected small scale enterprises maintain cash ‘to meet daily obligations’, 14.74 per cent of the enterprises keep cash ‘to take advantage of favourable market conditions’, 5.26 per cent of the enterprises maintain cash ‘to secure cash discount from the suppliers’ and 8.42 per cent of the enterprises maintain cash ‘to meet the contingencies’ and the remaining 11.58 per cent of the enterprises maintain cash because of ‘all the above purposes’. Industry-wise analysis shows:

**TABLE 1: REASONS FOR KEEPING CASH IN THE CONCERN BY THE SELECTED SMALL SCALE ENTERPRISES**

Sl. No.	Reasons	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	To meet daily obligations	20 (62.50)	17 (68.00)	05 (55.56)	04 (50.00)	02 (50.00)	09 (52.94)	57 (60.00)
2	To take advantage of favourable market conditions	05 (15.63)	02 (8.00)	02 (22.22)	0 -	01 (25.00)	04 (23.53)	14 (14.74)
3	To secure cash discount from suppliers	02 (6.25)	01 (4.00)	01 (11.11)	0 -	0 -	01 (5.88)	05 (5.26)
4	To meet the contingencies	02 (6.25)	01 (4.00)	0 -	02 (25.00)	01 (25.00)	02 (11.76)	08 (8.42)
5	All of the above	03 (9.37)	04 (16.00)	01 (11.11)	02 (25.00)	0 -	01 (5.88)	11 (11.58)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on the column totals.

- 62.50 per cent of the engineering enterprises, 68.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 50.00 per cent of the plastic and chemical enterprises, and 52.94 per cent of the miscellaneous enterprises maintain cash to meet daily obligations. On the whole 60.00 per cent of all the selected small scale enterprises maintain cash ‘to meet daily obligations’. Hence it can be taken as the most important reason for small scale enterprises to maintain cash.
- 15.63 per cent of the engineering enterprises, 8.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 25.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises maintain cash ‘to take advantage of favourable market conditions’. On the whole 14.74 per cent of all the selected small scale enterprises maintain cash ‘to take advantage of favourable market conditions’. Hence it can be taken as the second most important reason for small scale enterprises to maintain cash.
- 6.25 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic and chemical enterprises, and 11.76 per cent of the miscellaneous enterprises maintain cash ‘to meet the contingencies’. On the whole 8.42 per cent of all the selected small scale enterprises maintain cash ‘to meet the contingencies’. Hence it can be taken as the third important reason for small scale enterprises to maintain cash.
- 6.25 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises and 5.88 per cent of the miscellaneous enterprises maintain cash ‘to secure cash discount from the suppliers’. On the whole 5.26 per cent of all the selected small scale enterprises maintain cash ‘to secure cash discount from the suppliers’. Hence it can be taken as the fourth important individual reason for small scale enterprises to maintain cash.
- 9.37 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, 25.00 per cent of the plastic enterprises, and 5.88 per cent of the miscellaneous enterprises gave ‘all the above’ as the answer for maintaining cash. On the whole 11.58 per cent of all the selected small scale enterprises have chosen ‘all the above’ as the answer. This shows that they do not have clarity regarding the reason for maintaining cash in the concern.

**(B) REVIEW OF CASH POSITION**

It is evident from table 2 that 65.26 per cent of the enterprises review cash position daily, 22.11 per cent of the enterprises review cash position weekly once, 10.53 per cent of the enterprises review cash position monthly once and only 2.10 per cent (two engineering enterprises) review cash position as and when necessary. Industry-wise analysis shows that:

- 65.62 per cent of the engineering enterprises, 60.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 62.50 per cent of the plastic enterprises, 100 per cent of the chemical enterprises and 70.59 per cent of the miscellaneous enterprises review cash position daily.

**TABLE 2: PERIODICITY OF TIME TAKEN TO REVIEW CASH POSITION IN THE SELECTED SMALL SCALE ENTERPRISES**

Sl. No.	Time Period	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	Daily	21 (65.62)	15 (60.00)	05 (55.56)	05 (62.50)	04 (100)	12 (70.59)	62 (65.26)
2	Weekly	05 (15.63)	06 (24.00)	03 (33.33)	02 (25.00)	0	05 (29.41)	21 (22.11)
3	Monthly	04 (12.50)	04 (16.00)	01 (11.11)	01 (12.50)	0	0	10 (10.53)
4	As and when necessary	02 (6.25)	0	0	0	0	0	02 (2.10)
---	<b>Total</b>	32 (100)	25 (100)	09 (100)	08 (100)	04 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on the column totals.

- 15.63 per cent of the engineering enterprises, 24.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, 25.00 per cent of the plastic enterprises, and 29.41 per cent of the miscellaneous enterprises review cash position weekly once.
- 12.50 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, and 12.50 per cent of the plastic enterprises review cash position monthly once.
- 6.25 per cent of the engineering enterprises only review cash position as when necessary.

From this it can be understood that a majority of the selected small scale enterprises review the cash position daily. The next popular practice among the small scale enterprises in the area is to review cash position weekly once. Some of the small scale enterprises also follow the practice of reviewing cash position monthly once.

**(C) METHODS FOLLOWED FOR DETERMINING MINIMUM CASH BALANCE**

The selected small scale enterprises follow different methods for determining the minimum cash balance required to be maintained in the concern. The methods include determining the minimum cash balance required as ‘a fixed sum’, as a ‘percentage on total investment’, as a ‘percentage on production budgets’ and as a ‘percentage on wage and purchase bill’. It is evident from table 3 that 48.42 per cent of the enterprises determine the minimum cash balance required as a percentage of wages and purchase bill, 25.26 per cent of the enterprises determine the required minimum cash balance as a fixed sum, 14.74 per cent of the enterprises determine the required minimum cash balance as a percentage of production budget, 9.47 per cent of the enterprises determine the minimum cash balance as percentage of total investment and 2.11 per cent of the enterprises followed any other method for determining minimum cash balance required. Industry-wise analysis shows that:

**TABLE 3: METHODS OF DETERMINING MINIMUM CASH BALANCE IN THE SELECTED SMALL SCALE ENTERPRISES**

Sl. No.	Bases	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	A fixed sum	13 (40.63)	07 (28.00)	0	0	0	04 (23.53)	24 (25.26)
2	As a % total investment	05 (15.63)	01 (4.00)	0	0	0	03 (17.65)	09 (9.47)
3	As a % production budget	03 (9.38)	05 (20.00)	02 (22.22)	01 (12.50)	01 (25.00)	02 (11.76)	14 (14.74)
4	As a % wage & purchase bill	11 (34.38)	11 (44.00)	06 (66.67)	07 (87.50)	03 (75.00)	08 (47.06)	46 (48.42)
5	Any other	0	01 (1.00)	01 (11.11)	0	0	0	02 (2.11)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on the column totals.

- 40.63 per cent of the engineering enterprises, 28.00 per cent of the mineral-based enterprises, and 23.53 per cent of the miscellaneous enterprises determine the minimum cash balance required as a fixed sum. It means they do not follow any scientific method for determining the minimum cash balance required.
- 15.63 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, and 17.65 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage on total investment.
- 9.38 per cent of the engineering enterprises, 20.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 12.50 per cent of the plastic enterprises, 25.00 per cent of the chemical enterprises, and 11.76 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage of production budget.
- 34.38 per cent of the engineering enterprises, 44.00 per cent of the mineral-based enterprises, 66.67 per cent of the agro-based enterprises, 87.50 per cent of the plastic enterprises, 75.00 per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage of wages and purchases bill.
- 1.00 per cent of the mineral-based enterprises and 11.11 per cent of the agro-based enterprises follow ‘any other’ method for determining the minimum cash balance required.

Determining the minimum cash balance required ‘as a percentage on wages and purchases bill’ appears to be the most popular method among the selected small scale enterprises. It is followed by ‘fixed sum method’, as a ‘percentage on production budget method’, and as a ‘percentage on total investment method’. It is noteworthy that none of the agro-based, chemical and plastic enterprises follow the fixed sum and percentage on total investment methods for determining the minimum cash balance required.

**(D) WAYS AND MEANS TO OVERCOME SHORTAGE OF CASH**

Some times, small scale enterprises may experience a situation of cash balance falling below the desired minimum level. Table 4 shows the ways and means adopted by the selected small scale enterprises to overcome the problem of cash balances falling below the minimum desirable level. As many as 47.37 per cent of the enterprises try to overcome the shortage of cash by securing funds from non-banking sources (i.e., these enterprises raise loans from friends and relatives, and pawn brokers), 22.11 per cent of the enterprises make good the deficit by utilizing the bank credit line (i.e., these enterprises make use of the overdraft or cash credit facility provided by the banks), 15.79 per cent of the enterprises liquidate the marketable securities when their cash balance goes below the minimum

desirable level, and the remaining 14.73 per cent of the enterprises delay the payments to the suppliers, to overcome the shortage of cash position. Industry-wise analysis shows that:

TABLE 4: WAYS AND MEANS TO OVERCOME SHORTAGE OF CASH

Sl. No.	Ways	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	By utilizing bank credit line	11 (34.38)	1 (4.00)	0 -	3 (37.50)	2 (50.00)	4 (23.53)	21 (22.11)
2	By liquidating marketable securities	6 (18.75)	5 (20.00)	3 (33.33)	1 (12.50)	0 -	0 -	15 (15.79)
3	Non-banking sources	11 (34.38)	16 (64.00)	3 (33.33)	1 (12.50)	2 (50.00)	12 (70.59)	45 (47.37)
4	By delaying payments	4 (12.50)	3 (12.00)	3 (33.34)	3 (37.50)	0 -	1 (5.88)	14 (14.73)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on column totals.

- 34.38 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 37.50 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises make use of credit line made available by the banks in case they fall short of cash balance.
- 18.75 per cent of the engineering enterprises, 20.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, and 12.50 per cent of the miscellaneous enterprises make good the deficit by liquidating marketable securities.
- 34.38 per cent of the engineering enterprises, 64.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, 12.50 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and as many as 70.59 per cent of the miscellaneous enterprises raise the required cash from non-banking sources.
- 12.50 per cent of the engineering enterprises, 12.00 per cent of the mineral-based enterprises, 33.34 per cent of the agro-based enterprises, 37.50 per cent of the plastic enterprises, and 5.88 per cent of the miscellaneous enterprises manage the cash deficit situation by delaying the payments.

From this one can understand that 'raising cash from non-banking sources' is the most popular method of overcoming the problem of insufficiency of cash, in small scale enterprises. It is followed by 'utilizing the bank credit line' (22.11 per cent), 'liquidating the marketable securities' (15.79 per cent), and 'delaying the payments' (14.73 per cent). In spite of the development of the organized financial markets unorganized sector sources like friends, relatives, money lenders, private financial institutions, and pawn brokers form an important source for raising short term resources in the small scale sector. Raising finance from these sources results in a number of problems to the small scale entrepreneurs.

#### (E) LIQUIDITY POSITION IN THE SELECTED SMALL SCALE ENTERPRISES

For every enterprise liquidity is important for meeting the day to day expenses and short term obligations. Table 5 shows probable liquidity position of the selected small scale enterprises.

TABLE 5: LIQUIDITY POSITION IN THE SELECTED SMALL SCALE ENTERPRISES

Sl. No.	Liquidity of Funds	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	Yes	30 (93.75)	21 (84.00)	8 (88.89)	8 (100)	4 (100)	17 (100)	88 (92.63)
2	No	2 (6.25)	4 (16.00)	1 (11.11)	0 -	0 -	0 -	7 (7.37)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on column totals.

Many respondents (92.63 per cent) opine that their enterprises have enough of liquidity. The remaining 7.37 per cent of the respondents opine that they do not have enough of liquidity. Industry-wise analysis shows that, respondents of all the plastic, chemical and miscellaneous enterprises, 93.75 per cent of the engineering enterprises, 84.00 per cent of the mineral-based enterprises, and 88.89 per cent of the agro-based enterprises express the opinion that they have enough of liquidity, whereas respondents of 6.25 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, and 11.11 per cent of the agro-based enterprises do not think that they have enough of liquidity.

#### (F) ASSESSMENT OF LIQUIDITY OF FUNDS

Methods used by the selected small enterprises for assessing the liquidity position are shown in table 6. About 15 per cent of the enterprises have reported to be using cash flow analysis to evaluate liquidity position, 9.47 per cent of the enterprises are using ratio analysis and 12.63 per cent of the enterprises are using other methods (i.e. working capital and bank reports), for assessing the liquidity position. It is noteworthy that most of the small scale enterprises (63.16 per cent) are not using any method for assessing liquidity position. Industry-wise analysis shows that:

TABLE 6: METHODS USED FOR ASSESSING THE LIQUIDITY POSITION

Sl. No.	Methods	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	Ratio Analysis	6 (18.75)	2 (8.00)	1 (11.11)	0 -	0 -	0 -	9 (9.47)
2	Cash Flow Analysis	6 (18.75)	1 (4.00)	0 -	2 (25.00)	2 (50.00)	3 (17.65)	14 (14.74)
3	Any Other Method	0 -	9 (36.00)	3 (33.33)	0 -	0 -	0 -	12 (12.63)
4	No Method Followed	20 (62.50)	13 (52.00)	5 (55.56)	6 (75.00)	02 (50.00)	14 (82.35)	60 (63.16)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on column totals.

- 18.75 per cent of engineering enterprises, 8.00 per cent of the mineral-based enterprises, and 11.11 per cent of the agro-based enterprises use ratio analysis for assessing the liquidity position.

- 18.75 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and 17.65 per cent of the miscellaneous enterprises use cash flow analysis for assessing the liquidity position of the enterprises.
- In 36.00 per cent of the engineering enterprises and 33.33 per cent of the agro-based enterprises other methods are used.
- In 62.50 per cent of the engineering enterprises, 52.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 75.00 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and 82.35 per cent of the miscellaneous enterprises no systematic method is used for assessing the liquidity position.

**(G) METHODS OF UTILIZING THE EXCESS CASH**

Table 7 shows methods of utilization the excess cash by the selected small scale enterprises. If there is any excess cash in the business, 45.26 per cent of the enterprises use it for paying short and long term liabilities, 27.37 per cent of the enterprises use it for investing in the associates, 8.42 per cent of the enterprises use it for purchasing marketable securities and the remaining 18.95 per cent of the enterprises use in some other unspecified manner. Industry-wise analysis shows that:

- 59.38 per cent of the engineering enterprises, 36.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 25.00 per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises use excess cash balance if any for paying off short and long term liabilities.
- 18.75 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 75.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises use excess cash balance if any for investing in the associates.

**TABLE 7: METHODS OF UTILISING EXCESS CASH**

Sl. No.	Methods	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	Paying Short & Long Term Liabilities	19 (59.38)	9 (36.00)	2 (22.22)	4 (50.00)	1 (25.00)	8 (47.06)	43 (45.26)
2	Investing in the Associates	6 (18.75)	4 (16.00)	5 (55.56)	4 (50.00)	3 (75.00)	4 (23.53)	26 (27.37)
3	Purchasing Marketable Securities	4 (12.50)	2 (8.00)	0 -	0 -	0 -	2 (11.76)	8 (8.42)
4	Any Other (Specify)	3 (9.37)	10 (40.00)	2 (22.22)	0 -	0 -	3 (17.65)	18 (18.95)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on column totals.

- 12.50 per cent of the engineering enterprises, 8.00 per cent of the mineral-based enterprises, and 11.76 per cent of the miscellaneous enterprises use excess cash balance if any for purchasing marketable securities.
- 9.37 per cent of the engineering enterprises, 40.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, and 17.65 per cent of the miscellaneous enterprises use excess cash balance if any for some other (unspecified) purpose.

From the above analysis it can be concluded that 'paying short and long term liabilities is the most common purpose for which small scale enterprises generally use the excess cash if any. Investment in the associates is second popular purpose for which the excess cash if any is used by the small scale enterprises. It is followed by purchasing marketable securities.

**(H) METHODS OF RAISING SHORT TERM LOANS**

Table 8 shows methods of raising short term loans used by the selected small scale enterprises. If there is any need for cash in the business, 49.47 per cent of the enterprises receive cash credits from banks, 27.37 per cent of the enterprises receive unsecured loans, 14.74 per cent of the enterprises received secured loans, and the remaining 8.42 per cent of the enterprises avail overdraft facility provided by the banks. Industry-wise analysis shows that:

**TABLE 8: METHODS OF RAISING SHORT TERM LOANS**

Sl.No.	Methods	Industry Type						Total
		Eng	Min	Agro	Pla	Che	Mis	
1	Cash credit	12 (37.50)	14 (43.75)	8 (88.89)	4 (50.00)	1 (25.00)	8 (47.06)	47 (49.47)
2	Unsecured loans	12 (37.50)	4 (16.00)	0 -	2 (25.00)	1 (25.00)	7 (41.18)	26 (27.37)
3	Secured loans	6 (18.75)	1 (4.00)	1 (11.11)	2 (25.00)	2 (50.00)	2 (11.76)	14 (14.74)
4	Overdraft	2 (6.25)	6 (24.00)	0 -	0 -	0 -	0 -	8 (8.42)
---	<b>Total</b>	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey

Note: Figures in the parentheses are percentages on column totals.

- 37.50 per cent of the engineering enterprises, 43.75 per cent of the mineral-based enterprises, 88.89 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 25.00 per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises receive cash credits from the banks.
- 37.50 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic and chemical enterprises, and 41.18 per cent of the miscellaneous enterprises receive unsecured loans
- 18.75 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, 25.00 per cent of plastic enterprises, 50.00 per cent of the chemical enterprises, and 11.76 per cent of the miscellaneous enterprises receive secured loans for raising short-term finance.
- 6.25 per cent of the engineering enterprises and 24.00 per cent of the mineral-based enterprises avail overdraft facility provided by the commercial banks if they have to raise short finance.

From the above analysis it can be concluded that 'cash credit' is the most popular method of raising short term loans. It is followed by receiving 'unsecured loans', receiving 'secured loans', and availing 'overdraft' facility in that order.

## 5. CONCLUSION

Cash is one of the most important components of working capital of a concern. It is the most liquid asset and the basic input required to keep the business going. In course of the operations of a business, cash goes out first. Profitable business then brings in cash. The problem is that cash usually goes out first before it comes in. The cash management practices in the small scale enterprises usually differ from that of large scale industrial enterprises because of the differences in size, location, nature and financial environment. It can be understood that a majority of the selected small scale enterprises review the cash position daily. The next popular practice among the small scale enterprises in the area is to review cash position weekly once. Some of the small scale enterprises also follow the practice of reviewing cash position monthly once. Determining the minimum cash balance required 'as a percentage on wages and purchases bill' appears to be the most popular method among the selected small scale enterprises. It is followed by 'fixed sum method', as a 'percentage on production budget method', and as a 'percentage on total investment method'. It is noteworthy that none of the agro-based, chemical and plastic enterprises follow the fixed sum and percentage on total investment methods for determining the minimum cash balance required. In spite of the development of the organized financial markets unorganized sector sources like friends, relatives, money lenders, private financial institutions, and pawn brokers form an important source for raising short term resources in the small scale sector. Raising finance from these sources results in a number of problems to the small scale entrepreneurs. 'paying short and long term liabilities is the most common purpose for which small scale enterprises generally use the excess cash if any.

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