IMPACT OF CASH MANAGEMENT ON THE PERFORMANCE OF MANUFACTURING COMPANIES

Mrs.R.Saranya[*1], *Dr.T.Sreerekha*[*2]

[*1 & *2] *Assistant Professor in Business Administration, NIFT-TEA college of Knitwear Fashion, SIDCO,Mudalipalayam,Tirupur-641606,Tamil Nadu,India.*

ABSTRACT

Cash gives strength to a business enterprise.It is the first & last stage of working capital cycle.For smooth running of every business cash is most important factor.Non-availability and high cost of money have created a serious problem for industry.The research analysis the impact of cash management on the performance of manufacturing companies in Tirupur.The data collected through primay data in the form of questionnaire,observation & secondary data.The tools used are percentage mean, Chi-square test.Reviewing the working capital have been noted that the customers on credit in the manufacturing companies not lead to cause of inadequate working capital.The study concludes that, the main way for successful cash management lies in collections, disbursements, monitoring and controlling.Person who has specific knowledge in finance can be appointed as finance manager & take responsibilities.The company has proper liquidity & cash management will results in profit maximization.

Key Words:

Cash – Cash management – Working capital – Inventory control – Payables – Receivables – Budget – Inadequate working capital – Liquidity – Credit purchases and sales – Financial performance.

INTRODUCTION

The research analysis the impact of cash management on the performance of manufacturing companies in Tirupur city. Cash, is like the blood stream in the human body, gives vitality and strength to a business enterprise.Cash is a part of current asset.Cash is the first & last stage of working capital cycle - cash, inventories, receivables and cash. For smooth running of every business cash is most important factor. Hence, the companies has to hold necessary cash for its existence. Non-availability and high cost of money have created a serious problem for industry. Today the emphasis is on the right amount of cash, at the right time, at the right place and at the right cost. In the words of R.R. Bari, "Maintenance of surplus cash by a company unless there are special reasons for doing so, is regarded as a bad sigh of cash management". As holding of cash balance has an implicit cost in the form of its opportunity cost.

Cash may be explicate under two conception. In narrow sense, "Cash is very important business asset, but although coin and paper currency can be inspected and handled, the major part of the cash of most enterprises is in the form of bank checking accounts, which represent claims to money rather than tangible property". From the quotataion we say that the narrow sense explains that cash is know as money in the hand & bank directly.While in broader sense, "Cash consists of legal tender, cheques, bank drafts, money orders and demand deposits in banks. In general, nothing should be considered unrestricted cash unless it is available to the management for disbursement of any nature". The broad sense, it denotes the cash is in the form of Foreign currency, Bank cheques, Bank draft etc.,

Meaning and Definition

The term cash management refers to the management of cash resource in such a way that generally accepted business objectives could be achieved. In this context, the objectives of a firm can be unified as bringing about consistency between maximum possible profitability and liquidity of a firm.

Cash management may be defined as the ability of a management in recognizing the problems related with cash which may come across in future course of action, finding appropriate solution to curb such problems if they arise, and finally delegating these solutions to the competent authority for carrying them out The choice between liquidity and in profitability creates a state of confusion. It is cash management that can provide solution to this dilemma.

Cash management may be regarded as an art that assists in establishing equilibrium between liquidity and profitability to ensure undisturbed functioning of a firm towards attaining its business objectives.

Cash management deals with maintaining sufficient quantity of cash in such a way that the quantity denotes the lowest adequate cash figure to meet business obligations. Cash management involves managing cash flows (into and out of the firm), within the firm and the cash balances held by a concern at a point of time.

M. Keynes, a prominent economist, pointed out three primary motives for holding cash is transaction motives,precautionary motive and The speculative motive.

Overview of Tirupur Knitwear Industry

Tirupur, the heartland of the knitwear industry in India .Spinners of yarn fused forward to set up knitting plant; textile process house and later industries are expanded to garments makers. In Tirupur, if the integration is not wholly owned by the exporter to become a vertical unit then the exporters buy stakes or invest into a process house to become partners to ensure preference to their orders for the textile process and maintain standard quality as desired by their buyers. The owners of the process house are regulated by stringent legislations of the Tamilnadu state for the environment controls. In Tirupur the process houses must have Reverse Osmosis or Zero Effluent Discharge plant and application of new plants will not be approved.The amount of investments in terms of plant & machinery and overheads in the integrated garment industry is quite high as compared to other knitwear clusters and thus requires efficient management for timely Return on Investment.Manufactures are continuously upgrade the existing technology to the acceptable international levels & it's the strategy to compete the suppliers within India or abroad.

Tirupur textile industry has units along the value chain of knitwear starting from spinning, knitting wet processing, printing, garment manufacturing and exports. In addition there are ancillary units supplying buttons, laces, embroidery, cones and yarn processing etc. There are more than 500 production units which are involved in exports of knitwear from Tirupur. Entire Tirupur cluster generates direct employment for over 300,000 persons. It is expected that Tirupur exports will grow faster than the rest of India's export economy. The rapid industrial development at Tirupur attracts workers from different districts of Tamilnadu and neighbouring states seeking jobs.Tirupur Exporters Association (TEA), the think tank preparing the Tirupur industry to overcome the future difficulties has initiated to have a ware house in Antwerp, Belgium to facilitate sale of the products manufactured by their members. In my opinion, TEA has three major thrust points, besides many others for ensuring boosting sales of knitwear manufactured by its members in post dyeing issue scenario-

1. Making Tirupur a Branded Label in Europe/U.S.A.
2. Efficiently utilize the Research & Development Centre proposed by the Special Study Group of the Ministry of Textiles, Government of India and

3. Open an office in Europe backed by a R&D Centre and warehouses to showcase various products from Tirupur to facilitate direct marketing efforts.

In terms of research work to upgrade the textile industry South India Textile Research Association (SITRA) at Coimbatore is doing a good job with the yarn spinners, knitters and process houses based in and around Tirupur. In order to provide educated, professional supervisory and managerial staff to the knitwear industries of Tirupur and to help the industry to keep pace with modernization, latest innovations etc., many institutions are directly contributing e.g. NIFT-TEA, ATDC-Tirupur, etc..

RESEARCHERS VIEWS:

Gaskill, and Van Auken (1993) have reported that the greatest internal problems identified by small US firms relate to inadequate capital, cash flow management, and inventory control.

Keasey and Watson (1993) however, have hypothesized that the factors which influence capital budgeting decisions differ significantly in relation to small and large firms.

Kargar and Blumenthal (1994) state that while the performance levels of small businesses have traditionally been attributed to general managerial factors such as manufacturing, marketing and operations, working capital management may have a consequent impact on small business survival and growth. The management of working capital is important to the financial health of businesses of all sizes. The amounts invested in working capital are often high in proportion to the total assets employed and so it is vital that these amounts are used in an efficient and effective way. However, there is evidence that small businesses are not very good at managing their working capital. Presuming that many small businesses suffer under capitalization, the importance of exerting tight control over working capital investment is difficult to overstate.

McMahon and Davies(1994) in their empirical work had commented that running a business effectively require an awareness and good or proper knowledge of how the business is doing by the owner-manager of a small business on a day to day basis. Apart from legal requirements, there is a practical necessity to keep sufficient records to ensure that business activities can continue without problem and in proper direction. However, the fields of accounting and finance have yet to provide an accepted normative theory indicating which financial reports are most valuable in financial management and how often they should be used.

According to Peel, M. J., and Wilson, N. (1994) if the financial or working capital management practices in the small firm sector could be improved significantly, then fewer firms would fail, and economic welfare would improve substantially. The control of working capital can be subdivided into areas dealing with stocks, debtors, creditors and cash. Considering the importance of efficient management of cash by small firms, it is not surprising that only 10percent of respondents claimed that they never used cash budgeting, whereas 33percent used cash budgeting very often.

Storey (1994) notes that small firms, constitute the bulk of enterprises in all economies in the world. However, given their reliance on short-term funds, it has long been recognized that the efficient management of working capital is crucial for the survival and growth of small firms.

Jarvis et al, (1996) says that the working capital meets the short-term financial requirements of a business enterprise. It is a trading capital, not retained in the business in a particular form for longer than a year. The money invested in it changes form and substance during the normal course of business operations. The need for maintaining an adequate working capital can hardly be questioned. Just as circulation of blood is very necessary to the human body to maintain life, the flow of funds is very necessary to maintain business. If it becomes weak, business can hardly prosper and survive. Working capital starvation is generally credited as a major cause for business failure in many developed and developing countries. The success of a firm depends ultimately, on its ability to generate cash receipts in excess of disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and, in particular, the lack of planning cash requirements.

A study by LeCornuet.al (1996) has thrown light on the financial objective of small business units. They found that financial management of small enterprise is or should be qualitatively as well as quantitatively different from that of large enterprises. It also appears that behavior and decision making in small enterprises are unequivocally attached to the personal motivations of the owner managers.

Peel and Wilson (1996) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector. The postal questionnaire responses of 84 small firms conclude that a relatively high proportion of small firms in their sample use quantitative capital budgeting techniques, and review various aspects of the companies' working capital.

El Luodi (1998) on the other hand, explained that the unstable market conditions require small companies to have readily available information to face the oncoming problems. Because of that, these companies have to plan carefully and find appropriate way to have good financial management to be able to use the information accurately

Mitchell et al. (2000) argued that accounting information is important because it can help companies solve short term problems and assist in decision making. Further, recent empirical evidence suggests that effective financial management may contribute to the success of companies in future.

According to Sen.et. al (2001) efficient and scientific management of finance in an enterprise is of prime importance for achieving the ultimate goal i.e. profit maximization. In practice, ultimately the matter of production or materials quality or marketing, relates to financial issues. Therefore, all efforts are needed for applying the tools of financial management to the enterprises in a scientific manner with an aim to restore fresh confidence and financial health of the organization.

Nguyen. KM (2001) in his thesis, provides descriptive findings of financial management practices and financial characteristics and demonstrates the simultaneous impact of financial management practices and financial characteristics on SME profitability. In addition, the research study provides a model of SME profitability, in which profitability was found to be related to financial management practices and financial characteristics. With the exception of debt ratios, all other variables including current ratio, total asset turnover, working capital management and short-term planning practices, fixed asset management and long-term planning practices, and financial and accounting information systems were found to be significantly related to SME profitability. With the findings as presented above, this study provides many implications for financial management practices and contributes to the knowledge

KessevenPadachi (2006) states that a well designed and implemented working capital management is expected to contribute positively to the creation of a firm's value. The purpose of this paper is to examine the trends in working capital management and its impact on a firm's performance. The trend in working capital needs and profitability of firms are examined to identify the causes for any significant differences between the industries. The dependent variable, return on total assets is used as a measure of profitability and the relation between working capital management and corporate profitability is investigated from a sample of 58 small manufacturing firms, using panel data analysis for the period 1998 – 2003. The regression results show that high investment in inventories and receivables is associated with lower profitability. The key variables used in the analysis are inventories days, accounts receivable days, accounts payable days and cash conversion cycle. A strong significant relationship between working capital management and profitability has been found in previous empirical work. An analysis of the liquidity, profitability and operational efficiency of the five industries shows significant changes and how best practices in the paper industry have contributed to performance. The findings also reveal an increasing trend in the short-term component of working capital financing.

Martínez-Solano, Pedro and García-Teruel, Pedro J. (2006) provided empirical evidence about the effects of working capital management on the profitability of a sample of small and medium-sized Spanish firms. With this in mind, was collected a panel of 8,872 SMEs covering the period 1996- 2002. The results, which are robust to the presence of endogeneity,demonstrate that managers can create value by reducing their firm's number of day's accounts receivable and inventories. Equally, shortening the cash conversion cycle also improves the firm's profitability.

Samiloglu and Demiraunes (2008) analyzed the effect of working capital management on the profitability of the firms. Their study depicted the accounts receivable period, inventory period and leverage which affect the profitability of the firm negatively while growth affects a firm's profitability positively.

This is agreed by Sian and Roberts (2009) who found that the main users of the financial statements were the owners themselves. However, they indicate that the use of financial reporting and other information by owner- managers are not useful. According to Nobanee and Haitham (2009) the traditional link between the cash conversion cycle and the firm's profitability is that shortening the cash conversion cycle increases a firm's profitability. On the other hand, shortening cash conversion cycle could harm the firm's operations and reduce profitability. However, identifying optimal levels of inventory, receivables, and payables where total holding and opportunities cost are minimized and recalculating the cash conversion cycle according to these optimal points provides more complete and accurate insights into the efficiency of working capital management. In this regard, an optimal cash conversion cycle seems to be a more accurate and comprehensive measure of working capital management.

In the words of I. M. Pandey "The term cash includes coins, currency and cheques held by the firm and balances in its bank accounts. Sometimes near-cash items such as marketable securities or bank time-deposits are also included in cash. The basic characteristics of near cash assts is that they can readily be converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profits to the firm."

Cash is both the beginning and the end of the working capital cycle, i.e., cash, inventories, receivables and cash. While the management of all firms should strive hard to secure larger cash at the end of the working capital cycle than what had been invested in to it at its beginning, they must also make it a best possible minimum. This is required to optimally utilize the cash and to avoid the situation of idle cash balancesIts effective management is the key determinant of sufficient working capital management.

In the words of P. V. Kulkarni "Cash in the business enterprise may be compared to the blood of the human body; blood gives life and strength to the human body, and cash imparts life and strength to the business organization".

METHODS AND PROCEDURES OF THE STUDY:

Research methodology is the techniques used to find, select, process, and analyze information about a particular topic. The type of research done in the study is descriptive. The area selected for the study is Tirupur in Tamilnadu which is well known for knitting and textile manufacturing.This study mainly suitable and needed to Tirupur. This is collected through primay data in the form of questionnaire,observation of the 100 respondents & secondary data by books,journal,websites.,etc. The tools used are means, Chi-square test.

Percentage analysis:Percentage analysis refers to a special kind of rates, percentage are used in making comparison between two or more serious of data. A percentage is used to determine relationship between the series.

Percentage analysis = (No. of respondents / Total no. of respondents)*100

chi-squared:A chi-squared test is basically a data analysis on the basis of observations of a random se of variables. Usually, it's a comparison of two statistical data sets. It is also represented as $\chi 2$ test.The chi-squared test is done to check if there is any difference between the observed value and expected value. The formula for chi-square can be written as;

$$\text{Chi-square analysis} = (O - E)^2/E$$

The main objective of the study

- *The main objective of the study is to analysis the impact of cash management on the performance of manufacturing companies. The other objectives are*

- ✓ Understand the relationship between performance of cash management and liquidity of the companies.
- ✓ Identify analyze the effect of account receivable and payable management on cash management.
- ✓ Analyze the effect of the cash budget & find out the effective cash flow of the manufacturing companies.Suggest and assist the management in establishing the effective cash management for better performance

Limitation of the study

The researches as main challenge faced during the research work was manufacturing companies are difficulty of giving access to some important data due to secrecy of the organisations. It was covered with the existing material available in form of books, technical papers and blogs. The limited time span has been recognized as a major limitation to this study. The research finding that are based on only 100 samples & restricted to specific region of Tirupur. Hence the result of the project may be applicable at present.

RESULTS AND ANALYSIS

The analysis inferre that about 46% of the company says that the working capital is look after by the porduction manager , 39 % says it was controlled bycredit manager & only 8% of the companies working capital is maintained & controlled by financial manager.

1. The funds for working capital management:

PARTICULARS	%
Own savings	21
Cash credit/bank draft	13
Bill of exchange	07
Short term loan from banks	44
Long term loans	15
Any other	00
TOTAL	**100**

Majority 44% of the companies raising their working capital by the short term loan from banks,21% from own savings, 15% & 13 % from long term loan & cash credit/bank draft and only 7% of companies raise their working capital from bill of exchange.

2.Determination of working capital requirement:

PARTICULARS	%
Operating cycle approach	31
Forecasting current assets & current liabilities	68
Percent of sale method	01
TOTAL	**100**

The major respondents says that they determine the working capital by forecasting current assets and current liabilities 68%, operating cycle approach 31% and 1% from percentage of sale method.

3. Working capital reviewed of regular intervals & Preparation of cash

PARTICULARS	Review of WC	Preparation of cash report
Daily	43	21
Weekly	42	67
Fortnight	08	07
Any other	07	05
TOTAL	**100**	**100**

43% of the companies review their working capital daily, 42% of the companies review weekly only 8% of companies review fore night .Majority of the companies 67% prepare cash report weekly,only 21% of the companies prepare report daily & 7% of them prepare fortnight.

4.Technique use to review working capital:

PARTICULARS	PERCENTAGE
Fund flow analysis	22
Cash flow analysis	48
Liquidity analysis	26
Trend analysis	04
Any other statistical review	00
TOTAL	100

Cash flow analysis technique is the most prefered technique used by 48% of the companies to review their working capital, 26% use liquidity analysis, fund flow analysis 22% and 4% use trend analysis.

5.Time period for account receivable and payable period

PARTICULARS	***Account receivable period***	***Account payable period***
1 month	51	29
45 days	16	33
2 months	28	30
More than 2 months	05	08
TOTAL	**100**	**100**

51% of the companies allow their customers to pay their accounts in 1 month, 28% & 16% of them allow 2 month & 45 days as and 5% of the companies allow more than 2 months. It is inferred that from above, the major companies 33% take 45 days to pay their accounts, 30% take 2 months, 1 month 29% and 8% more than 2 months.

6. Rate of customers on credit:

PARTCULARS	PERCENTAGE
1-5%	27
5-10%	18
10-15%	52
Above 15%	02
TOTAL	**100**

Maximum 52% of companies says that customer are buying on credit rate for 10-15%, 27% of customers buy on 1-5% rate, 18% buy on 5-10% of rate and only 2 % buy for above 15%.

7. Causes of inadequate working capital:

PARTICULARS	PERCENTAGE
Cash storage	21
Under investment in marketable securities	32
Under investment in receivables	19
Under investment in inventory	16
Any others	02
TOTAL	**100**

The major cause of inadequate is under investment in marketable securities ,says 32% of the companies, 29% says under investment in receivables, cash storage as 21%, under investment in inventory is 16% of the companies opinion.

8.Satisfaction level of inventory management:

PARTICULARS	PERCENTAGE
Highly satisfied	11
Satisfied	64
Neutral	25
Dissatisfied	00
Highly dissatisfied	00
TOTAL	**100**

The major companies 64% are satisfied with inventory management, 25% neutrally satisfied and No companies are dissatisified with their inventory management.

9.Effect of inadequate working capital:

PARTICULARS	PERCENTAGE
Imbalance between liquidity and profitability	38
Slumps in rate of return	30
Lose in reputation	26
Any other	06
TOTAL	**100**

38% of the companies says effect of inadequate working capital is imbalance between liquidity and says profitability, 30% says slumps in rate of return, 26% says lose in reputation.

10. Financing of working capital:

PARTICULARS	PERCENTAGE
By fresh issue of share	08
By fresh issue of debentures	27
By raising long term loans	36
By accepting public deposit	15
By raising short term loan through cash credit	14
By ploughing back profits	00
TOTAL	**100**

36% of the companies are financing their working capital by raising long term loans, 27% by fresh issue of debentures, 15% by accepting public deposit, by raising short term loan through cash credit is 14% and only 8% by fresh issue of shares.

11. Objective of keeping cash:

PARTICULARS	PERCENTAGE
To meet out daily financial requirement	58
To meet obligation	27
To allow for contingencies	12
To take benefit from favourable market	03
TOTAL	**100**

58% of companies keep cash to meet their daily financial requirements, 27% to meet out the obligations, 12% to allow for contingencies and 3% to take benefit from favourable market.

12.Determination of cash balance:

PARTICULARS	PERCENTAGE
By cash budget	42
By Baumol's model	30
By Miller-orr model	25
Any other	03
TOTAL	**100**

Cash budget is the major determinance for determining the optimum level of cash balance by 42% of the companies,Baumol's model by 30%,Miller-orr model by 25% and 3% use other detreminance.

13.Satisfaction level of cash report & budget:

PARTICULARS	PERCENTAGE
Highly satisfied	28

Satisfied	45
Neutral	27
Dissatisfied	00
Highly dissatisfied	00
TOTAL	**100**

Only 45% of companies are satisfied with the preparation of cash report & budget,28% of companies are highly satisified with their report preparation & 27% of them are nuetrally satisified with their cash report & budget preparation.

14.Effecs of cost running out of cash:

PARTICULARS	PERCENTAGE
To pay higher rate of interest	19
To lose discount on payments	23
To suffer financial reputation	46
All above	10
Any other	02
TOTAL	**100**

46% of the companies says that they will suffer financial reputation when they have cost running out of cash, 23% of them told that they have to lose discount on payments, 19% says they have to pay higher rate of interest, 10% face all the above factors.

15.Requirement of cash when cash balance goes down:

PARTICULARS	PERCENTAGE
By utilizing the bank credit	25
By liquidity marketable securities	49
By raising loan or deposits from institutions	21

By delaying payment	05
Any other	00
TOTAL	**100**

If the cash balance goes down,49% of the companies will meet by liquidity marketable securities,25% by utilizing the bank credit, 21% by raising loan or deposits from institution and 5% by delaying payment .

16.Utilizing the excess cash:

PARTICULARS	PERCENTAGE
In purchase marketable securities	51
In lending to associates	48
y other	01
TOTAL	**100**

The excess cash will be utilized in purchasing marketable securities by 51% of the companies, 48% utilise it by in lending to associates and 1% in other ways.

CHI- SQUARE ANALYSIS

17.The association between Account receivable period, customers on credit with Effect of inadequate working capital

H0: There is no significant relationship between Effect of inadequate working capital with Account receivable period & Customer Credit

H1: There is a significant relationship between Effect of inadequate working capital with Account receivable period & Customer Credit

EXPECTED FREQUENCY BETWEEN ACCOUNT RECEIVABLE PERIOD AND EFFECT OF INADEQUATE WORKING CAPITAL					
ACCOUNT RECEIVABLE PERIOD	**EFFECT OF INADEQUATE WORKING CAPITAL**				
	1 month	**45 days**	**2 months**	**More than 2 month**	**TOTAL**
Imbalance between liquidity & profitability	19.38	6.08	10.64	1.9	**38**
Slumps in rate of return	15.3	4.8	8.4	1.5	**30**

Lose in reputation	13.26	4.16	7.28	1.3	**26**
Any other	3.06	0.96	1.68	0.3	**6**
TOTAL	**51**	**16**	**28**	**5**	**100**
					***p* = 0.998754557**

Expected frequency between Account receivable period and Effect of inadequate working capital

CUSTOMERS ON CREDIT AND EFFECT OF INADEQUATE WORKING CAPITAL					
PERCENTAGE OF CUSTOMERS ON CREDIT	**EFFECT OF INADEQUATE WORKING CAPITAL**				
	Imbalance between liquidity&	**Slumps in rate of**	**Lose in reputation**	**Any other**	**TOTAL**
1- 5%	10.26	8.1	7.02	1.62	**27**
5 -10%	6.84	5.4	4.68	1.08	**18**
10 – 15%	20.14	15.9	13.78	3.18	**53**
Above 15%	0.76	0.6	0.52	1.12	**02**
TOTAL	**38**	**30**	**26**	**06**	**100**
					***p*= 0.674999437**

From the above it is inferred from Chi-square test that, the Pearson Chi-square value is 0.998 & 0.674, it is more than the significance level 0.05, so null hypothesis is accepted. Therefore it is concluded that there is a no relationship between Effect of inadequate working capital with both the Account receivable period and customers on credit

18. Review of working capital and satisfaction level of inventory management

H0: There is no significant relationship between Review of working capital and satisfaction level of inventory management

H1: There is a significant relationship between Review of working capital and satisfaction level of inventory management

EXPECTED FREQUENCY BETWEEN REVIEW OF WORKING CAPITAL AND SATISFACTION LEVEL OF INVENTORY MANAGEMENT						
REVIEW OF WORKING CAPITAL	SATISFACTION LEVEL OF INVENTORY MANAGEMENT					
	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	**TOTAL**
Daily	4.73	27.52	10.75	00	00	**43**
Weekly	4.62	26.88	10.5	00	00	**42**
Fortnight	0.88	5.12	02	00	00	**08**
Any other	0.77	4.48	1.75	00	00	**07**
TOTAL	**11**	**64**	**25**	**00**	**00**	**100**
						***p*= 0.998201511**

The above table inferred, the Pearson Chi-square value is 0.998, it is more than the significance level 0.05, can accept the null hypothesis. Therefore, there is a no relationship between review of working capital and satisfaction level of inventory management.

19.Testing the association between Financing of working capital and Cost running out of cash

H0: There is no significant relationship between Financing of working capital and Cost running out of cash

H1: There is a significant relationship between Financing of working capital and Cost running out of cash

EXPECTED FREQUENCY BETWEEN FINANCING OF WORKING CAPITAL AND COST RUNNING OUT OF CASH						
FINANCING OF WORKING CAPITAL	COST RUNNING OUT OF CASH					
	To pay higher rate of interest	To lose discount on payments	To suffer financial reputation	All above	Any other	TOTAL
By fresh issue of share	1.52	1.84	3.68	0.8	0.16	**08**
By fresh issue of debenture	5.13	6.21	12.42	2.7	0.54	**27**
By raising long term loans	6.84	8.28	16.56	3.6	0.72	**36**
By accepting public deposit	2.85	3.45	6.9	1.5	0.3	**15**
By raising short term loans through	2.66	3.22	6.44	1.4	0.28	**14**
By ploughing back profits	00	00	00	00	00	**00**
TOTAL	**19**	**23**	**46**	**10**	**02**	**100**
						p **= 0.933307028**

It is found that ,there is no significant relationship between Financing of working capital and Cost running out of cash.Pearson Chi-square value is 0.933.

20. Testing the association between Causes of inadequate working capital and Cost running out of cash

H0: There is no significant relationship between Causes of inadequate working capital and Cost running out of cash

H1: There is a significant relationship between Causes of inadequate working capital and Cost running out of cash

EXPECTED FREQUENCY BETWEEN CAUSES OF INADEQUATE WORKING CAPITAl AND COST RUNNING OUT OF CASH						
CAUSES OF INADEQUATE WORKING CAPITAL	COST RUNNING OUT OF CASH					
	To pay higher rate of interest	To lose discount on payments	To suffer financial reputation	All above	Any other	TOTAL
Cash storage	3.99	4.83	9.66	2.1	0.42	**21**
Under investment in marketable	6.08	7.36	14.72	3.2	0.64	**32**
Under investment in receivables	5.51	6.67	13. 34	2.9	0.58	**29**
Under investments in inventory	3.04	3.68	7. 36	1.6	0.32	**16**
Any others	0.38	0.46	0.92	0.2	0.04	**02**
TOTAL	**19**	**23**	**46**	**10**	**02**	**100**
					***p* =0.998399806**	

It is inferred from Chi-square test that, the Pearson Chi-square value is 0.998, it is more than the significance level 0.05, so null hypothesis is accepted. Therefore it is concluded that there is a no significant relationship between Causes of inadequate working capital and Cost running out of cash.

SUGGESTIONS

- The companies should concentrate on cash management rather concentrated only on profit &

mainly financial manager who is having knowledge on the finance should take care of the working capital management.

- To reduce the risk & shortfall of cash flow by maintaining liquidity in the hands & Companies should collect the receivables as soon as possible from customers for liquidity maintaining. On the other hand company has to extend their payable period as long as possible for efficient production and cash management.
- Review of working capital can be done by adopting latest technique in will results in profit.Customers on credit can be in least percentage to avoid cost running out of cash they have in organisation.The general cash flow management can be done by adopting cash budget for determining their cash balance.

CONCLUSION

The article evaluated the impact of cash management on the performance of manufacturing companies. In order to execute this process, the study used mainly focused on the working capital management of the manufacturing companies in Tirupur .Cash management plays a important role in maintaining and enhancing organizational performance of the companies. The techniques used for reviewing the working capital have been noted to have no significant relationship with inventory management. Similarly, the study also shows that customers on credit in the manufacturing companies not lead to cause of inadequate working capital. Besides, there has not been a noteworthy relationship between financing of working capital and cost running out of cash.

The study concludes that, the main way for successful cash management lies in collections, disbursements, monitoring and controlling.Controls over cash management are needed at all level of the organisation.Person who has specific knowledge in finance can be appointed as finance manager,he must provide guidance to all the employees to who have cash management responsibilities.If the company has proper liquidity & cash management will results in profit maximization.

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