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IMPACT OF CASH MANAGEMENT MOTIVES, STRATEGIES AND TECHNIQUES ON PARTNERSHIP FIRMS IN MIRAJ MIDC FIRMS

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Abstract: The relationship between the concepts and corporate financial performance has been extensively studied in many organizations. For this reason, the main objective of this paper is to examine the effect of cash management motives, strategies and techniques on financial performance of the organisation. To this end, we obtain data for a sample of *47 partnership firms* from 2016-17 to 2021-22.
Keywords: corporate financial performance.

Introduction

Introduction

Cash is essential quick assets in order to carry all the operating activities in any organization from purchase of raw material, processing, making finished goods, sales, advertising, power, technology, machinery and selling activities everything. Cash is an essential requisite for every operational activity therefore its competent management is necessary because it has impact over all other operating activities. Thus, in this section the researcher has focused on the theoretical framework and information about cash management and operational efficiency.

The investments made by any organization include the permanent capital in fixed assets and current assets as well as maintain separate funds for working capital i.e., to satisfy the regular operational needs. The necessity of cash differs with firms' size, operations nature, productivity, production quantity, marketing situation, seasonality of product, distribution channel etc. Hence cash is the most essential resource of any business. So, when its management is done effectively, efficiently and consistently in the firm it will achieve efficiency in business operations.

This research paper deals with definition of cash management, cash management techniques, strategies of cash management, motives for holding cash and then meaning of operational efficiency, meaning of operational efficiency in firm.

Meaning of Cash Management

Cash level in any firm is very significant for the efficiency in their operations. It is a part of proper financial management. The main objective behind cash management in any firm is to make more effective balance between the cash sources and its outflow. Planning function from management is essential for any business and it is more important for cash requirements. The only goal of any business is not only to make profit but cash resources should be planned efficiently, so that efficient and profitable business will not face financial difficulties.

The firm should implement expansion plans and capital investment plan by implementing financial plans in such a way that sufficient cash balance be their routine operational activities also be handled in proper manner. So, it has a very important place in business. The firm basically makes efforts to pay their timely expenses and control their liabilities. Otherwise, the organizational operations will hamper due to the inadequate cash and increased liabilities.

Cash Management Techniques / Processes

The cash management techniques and processes for efficient cash management are as follows:

- Speedy cash collection – The cash sources have to be managed by scientific planning and modern techniques. The account receivables should be recovered fast without much delay. This cash management strategy assists in improving credit recovery by improving credit policies, credit terms and credit standards and collection policies. The collection policies describe the practice followed for collection of receivables.

  (M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.15)

- Prompt payment by customers – This strategy suggests various methods for speedily collecting the receivables from customers. This method includes an enclosure of self-addressed return envelope for customers to receive the payment quickly. Another method is offering cash discount encourages cash sales. The customers receive a substantial saving by method of offering discount that promotes cash sales.

  (M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.16)

- Early conversion of payments into cash - In the sale transactions when customer uses cheque for making payment instead of cash. The customer gives cheque in the name of firm. The time interval from selling up to cash receipt includes certain period. This period of time starts from the customer prepares cheque for payment, this cheque is mailed by the customer and lastly the funds are deposited in cash balance of the firm. This interval of period includes three stages.
  a) First stage: The transit period or time of mailing involves the period of transferring cheque from customers up to organization taken by officers or post offices. This period of time is known as postal float.
  b) Second stage: Here the time period taken by the firm from collection of cheque up to depositing it in to banks is known as lethargy and then after time period taken by banks to for collection of the payment from the customer's bank. It is said as bank float.
  c) Third stage: It includes the early conversion of payment in to cash. The delay in time from receiving cheque, depositing cheque and collection of cash collectively can be known as deposits float.

  (M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.16)
- Concentration Banking – This system includes regionalized collection of receivables. In this method the large-scale organization having a number of branches at different places appoints some selected branches to as collection centers in order to receive payment from customer. This method assists the collection of receipts at some selected branches instead of all disbursement of receipts in all branches. In this method the customers are supposed to send their payments to the collection centers and thus the payments are collected in to firms' disbursement account i.e., major account. This process of payments collection is known as concentration banking.

  (M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.16)
- Lock- Box system: - This system of collection is decentralized system. It includes the concentration of banking at the branch level. This method is different from earlier in one aspect i.e., the cheque is sent by customer under concentration banking system to the firm's collection centers. The cheque is sent from lock box system in the post office. Then the bank receives this cheque directly from banks and clears the payments. This method benefits in two ways the first benefit is the bank itself performs clerical tasks and thus it handles the payments so bank performs at lower costs. The second benefit is the collection procedure begins with no time interval from the cheque is received and thus completes the internal process of accounting.

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.17)

- Slowing disbursements – Inspite of speedy collection of receivables the firm can increase and maintain the cash balance by making delay in payments. Another benefit of this method is there is no interest payment required for delaying the payments. The various methods that can be used to make delay in payments are 1) avoidance of early payments 2) centralized disbursements 3) floats, and 4) accruals
    1) Avoidance of early payments –The method of avoidance of early payments can be used to avoid the payment and use the cash for other purpose. In the credit terms it is observed that when the firm makes delay in payments from the mentioned period then it is offered a cash discount whereas when it pays in time then it doesn't receive any financial advantage for it. So, the firms here are advised to pay after stipulated period and grab opportunities.
    2) Centralized Disbursements – The next method that can be used for slowing the payment is centralized disbursements. This method assists the firms to collect the receivables and maintain adequate cash balance. Thus, the collected cash can be used productively for various avenues. This method requires more time for collection as the collection is made by centralized method in main branch. The second reason for reduction in operating cash requirements is that as the firms have adopted a centralized bank account, it requires to a minimum cash balance will have to be maintained at each branch that will lead to increased operating cash balance. Thus, all the receipts are controlled fully and payment is made on appropriate day.

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.18)

Strategies of Cash Management

The requirement of cash depends on the turnover of the firm. So, the firm should maintain sufficient cash balance to satisfy its operational requirements. So, it is necessary for the firm to maintain adequate cash in order to maintain good financial position.

The implementation of cash management strategies is proposed in order to maintain adequate cash balance along with operational efficiency. The cash management strategies include the following methods for optimum use of available cash.

a) Stretching Accounts payable
b) Efficient inventory production management
c) Speedy collection of accounts receivable and
d) Combined cash management strategies

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.14- 29.15)

a. Stretching accounts Payable

Among all strategies the basic strategy of cash management is stretching the accounts payable. It means the firm must make delay in their payments. So that they can grab the opportunity of cash discounts in payments that makes a benefit.

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.14)

b. Efficient Inventory – production management

The second strategy used for managing the cash is efficient inventory production. It benefits in many ways such as it helps to increase the inventory turnover and reduce the shortage of stock. It can be done in following ways.

1. This can be achieved by applying improved use of inventory control techniques to increase raw material turnover.

2. It reduces the production cycle by proper production. The production can be improved by efficient planning, making schedules and its control. It improves the work in progress inventory turnover ratio.

3. It improves the turnover ratio of final products by applying efficient demand forecasting and efficient production planning.

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p.29.14)

c. Speeding collection of Accounts Receivable

The next strategy that can be implemented for efficient cash management is to collect accounts receivable fastly taking precaution of no affecting its sales. Their sale can be hampered because of intense demanding for collection to debtors. The collection period of receivables averagely can be declined by changing the policies regarding (i) credit standards, (ii) credit terms and (iii) collection policies.

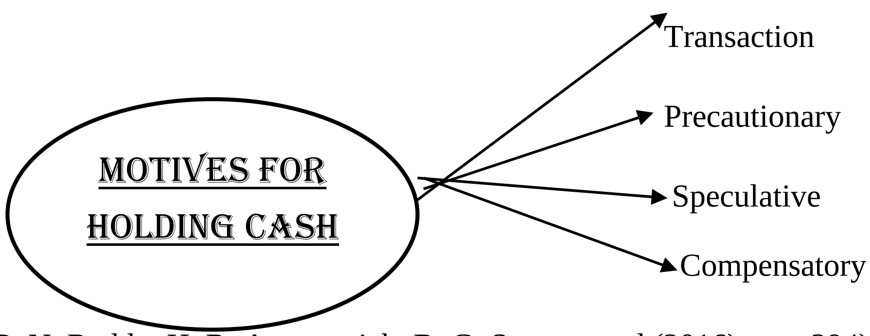
(M. Y. Khan, P. K. Jain 2006 Financial Management p.p. 29.15)

d. Combined cash management strategies

The above strategy suggests a balance between the various cash management strategies. This strategy assists the firm to apply multiple cash management strategy in order to avoid the consequences of other strategies. Among the above-mentioned strategies, long stretching the accounts payable may adversely affect the credit relation and hamper the operations. The second strategy related to inventory may affect the business by emerging shortage of raw material that hampers production and in turn sale. The third strategy accounts receivable leads to an improvement in the cash balance. But it may affect their sales due to consistently demanding the payments. As maximum firms' sale is basically depended on credit sales. So, it reduces the disadvantages and suggests a balance between the various cash management strategies and enables efficient and optimum use of cash.

(M. Y. Khan, P. K. Jain 2006 Financial Management p.p. 29.15)

Motives for Holding Cash:



(P. N. Reddy, H. R. Appannaiah, B. G. Satyaprasad (2016); p.p. 394)

1) Transaction Motive:

The motive behind maintaining adequate cash balance is maintaining adequate working capital. The firm has to carry its regular activities and for this purpose it requires certain cash. These regular activities of the firm are purchases of raw material, wages, salary, welfare facilities, loose tools, rents and taxes, selling and distribution activities and other such regular operations. The basic objective behind it is maintaining a balance between the cash receipts and expenditures. So that the firm maintains adequate cash to pay its expenses at the time when they raise and run its operations productively.

2) Precautionary Motive: -

The emergency situations in life and business never tell and come. The rule of life that normally people keep certain reserves for unforeseen emergency situations. The similar pattern of managing cash is followed in business. The proprietors maintain certain cash balance to overcome any emergency situation, loss and risk. A certain cash balance is maintained aside to meet unforeseen losses. The factors that affect the business are competitive changes, changes in government policies, emerging natural calamities, work strikes and changes in consumer trends affects the organizations operations a lot. These situations raise the additional cash demand to continue their operations with additional expenses or investments. Thus, the firms have to maintain additional funds to recover such consequences. Hence cash is maintained by adopting precautionary motive.

3) Speculative motive: -

The firm makes additional investment in other securities, investments, or assets with a motive to earn additional income other than profit. This motive is called as speculative motive.

For e.g.: - certain cash is invested in other securities or land, godown or any other capital assets. Such asset is sold in future when it will make profit i.e., their prices are increased. They can maintain certain cash balance in order to invest in marketable securities and when their prices are declined, they can invest in it and earn additional income in future.

4) Compensatory Motive: -

The firms in order to get banking facilities such as cheque book, ATM, pass book and statement of account a certain cash balance should be maintained in banks. As the firms need daily transactions and spot transactions, they require both current and saving accounts so their cash balance is required. Hence to keep reserve some amount of cash the firms require maintaining accounts in certain limited banks.

(P. N. Reddy, H. R. Appannaiah, B. G. Satyaprasad (2016); p.p. 394)

Table No. 1.1 Cash Management Strategies.

(Figures in bracket indicate percentage)

Parameters	Partnership Firms		
	Yes	No	Total
Stretching Accounts Payable	07 (14.89)	40 (85.11)	47 (100)
Speedy collection of Accounts receivable	28 (59.57)	19 (40.43)	47 (100)
Efficient inventory – Production Management	14 (29.79)	33 (70.21)	47 (100)
Combined cash management strategies	15 (31.91)	32 (68.08)	47 (100)
All of above	16 (34.04)	31 (65.96)	47 (100)

(Source: - Field Survey)

Cash Management Strategies: - To maintain the cash balance is the proper management strategy for short term investments and to keep the adequate balance in hand. The purpose of the table is to know the various cash management strategies used by the partnership firms in their cash planning.

Table No. 1.1 shows that the various cash management strategies applied by sample units. In respect of stretching accounts payable strategy for management of cash is not accepted by 85.11% of partnership firms. In respect of speedy collection of accounts receivables 59.57% partnership firms agreed its implementation and usefulness because at present they are implementing this strategy in their own business. They find their usefulness to achieve the business target. In respect of continuous inventory for efficient production management cash management strategy is fully rejected by 70.21% firms in partnership firms found unsuitable to implement it in their firms. In respect of combined cash management strategy is fully disagreed by 68.08% partnership firms.

It shows that majority of sample units under the study doesn't focus or give weightage to single strategy and use various cash management strategies throughout the year as per situation. The above firms' response indicates that they are well known about the consequences of adverse effects of inadequate cash balance. The reason behind it is that when the investment is required in production i.e., raw material purchase etc. these units prefer speedy collection of accounts receivable and stretching accounts payable alternately also efficient inventory production management technique and combined cash management strategies are used by these units alternately. All the sample units implemented the various cash management strategies which are appropriate to the situation. Cash management strategies are used by firm to maintain adequate cash planning. The table suggests; therefore, the sample units are applying various cash management strategies and possess adequate knowledge about it. It is observed that all the sample units are using all the management strategies in respect of cash depends on their traditional practice of the management but they have no scientific knowledge of cash management strategies. It affects the operational efficiency of the firms.

Table No. 1.2 Cash Management Techniques

(Figures in bracket indicate percentage)

Parameters	Partnership Firms					
	SA	A	N	D	SD	Total
Speed cash collection	9 (19.15)	4 (8.51)	8 (17.02)	26 (55.32)	-	47 (100)
Prompt payment by customers	8 (17.02)	6 (12.77)	9 (19.15)	14 (29.79)	10 (21.28)	47 (100)
Early conversion of payment into cash	3 (6.38)	7 (14.89)	11 (23.40)	3 (6.38)	23 (48.94)	47 (100)
Concentration banking	-	-	21 (44.68)	13 (27.66)	13 (27.66)	47 (100)

Lock box system	-	-	23 (48.98)	10 (21.28)	14 (29.79)	47 (100)
Slowing disbursement	-	-	15 (31.91)	30 (63.83)	02 (4.26)	47 (100)
Avoidance of early cash payment	-	-	19 (40.43)	24 (51.06)	4 (8.51)	47 (100)
Centralized Disbursement	10 (21.28)	3 (6.38)	13 (27.66)	9 (19.15)	12 (25.53)	47 (100)

(Source: - Field Survey)

(Note: SA= Strongly Agree, A= Agree, N= Neutral, D= Disagree and SD= Strongly Disagree)

Cash Management Techniques: -The firms' cash position never remains constant. It largely depends upon the inflow and outflow of the cash so the organizations cash positions changes from time to time. But it is required to maintain a standard cash position in the organization. So, the organizations can adopt the appropriate cash management techniques to maintain the standard position of the cash. The purpose of the table is to highlight the appropriate cash management techniques used to maintain the standard position of the cash.

Table No. 1.2 indicates that, the techniques used by organization for cash planning. 55.32% partnership firms not found in favour of speedy cash collection technique for cash planning. The job work units in partnership firms prefer the speedy cash collection techniques. But the partnership manufacturing firms have limited sale and fixed market area within the local market. Thus, these firms have to make the supply to fulfill further demand and cannot insist for collection of debtors to maintain their sales and customers. 51.07% partnership firms not found prompt payment by customers' strategy in planning of cash suitable for their firms. 55.32% partnership firms shared their experience about insignificance for them to early convert payment in to cash. The manufacturing partnership firms depend on credit transaction and thus prompt payments are not insisted by them. Concentration banking technique allows such account to its customer that stores depositing cash in to local banks and its funds in a concentration bank to facilitate investment management. But here it is not well known to all firms. As 55.32% partnership firms opposed concentration banking strategy for cash planning in their firms. As the lock box technique of cash management manages cash by directly allowing their customers to deposit their payment to the bank and their banks checks all received funds and provides its information to the account owner. It is convenient to the firm owner as it saves their time and efforts of collection. But it is not most seen adopted here as a single private limited company only uses it. Slowing disbursement strategy was not preferred by any firm above. Avoidance of early cash payment was not considered by 59.57% partnership firms. 44.68% partnership firms rejected the Centralized disbursement of cash. It shows that majority of sample units under the study use various cash management techniques as per situation demands and manages their cash properly by applying appropriate cash management technique depending upon the circumstances.

It is observed that the above firms have knowledge as well as prefer few cash management techniques. The above firms are observed trying to manage the liquidity position for effective cash control by applying the appropriate cash management techniques. Partnership firms adopted speedy cash collection of revenues that is commission for their work as well as early payment for process provided by them. These firms provide their service on credit but its early conversion in to cash is expected from them. Lock box system, Concentration banking and slowing disbursement are not preferred by these firms. There are few firms that avoid early cash payment. Whereas centralized disbursement of cash is maintained that is collection of earnings by maintaining adequate cash balance so that they can pay their operating expenses. Majority of partnership firms prefer concentration banking.

Table No. 1.3 Cash Management Motives

(Figures in bracket indicate percentage)

Parameters	**Partnership Firms**		
	Yes	No	Total
Transaction Motive	15 (31.91)	32 (68.08)	47 (100)
Precautionary Motive	20 (42.55)	27 (57.45)	47 (100)
Speculative Motive	10 (21.28)	37 (78.72)	47 (100)

(Source: - Field Survey)

Cash Management Motives: - Cash is most liquid and significant asset among the holdings of firms. It contributes in the business to meet the requirement of the cash for different purposes. The management of cash under cash planning different motives are considered by the firms which is suitable to their organization. The table is prepared to study the different motives fixed by the firms under the cash management.

Table No. 1.3 shows that the cash motives decided by the organization in their business are for different purposes. 68.08% partnership firms not preferred transaction motives. The reason behind it is partnership firms dealing in manufacturing activities and operations are large. Their cash inflow is sufficient to meet their operational expenses. Under precautionary motive 57.45% partnership firms express negative opinion for its use. The reason behind it is processing units among partnership firms poses limited cash sources hence they invest it to run their operations. The remaining firms from partnership have a good cash inflow.

Thus, after carrying their operations, they prefer to invest it in other external investment to earn extra income instead of maintains it in reserves that keep cash ideal. For speculative motive 78.72% partnership firms refused the speculative parameter. Partnership firms mostly prefer transaction parameter only to run their limited operations due to limited cash.

It shows that majority of sample units under the study preferred transaction motive in their organizations. The manufacturing units in partnership follow more than one cash management motive. The job work units among partnership firms gives the priority for transaction motive. These firms are small and medium scale units and thus they take precaution to run their operations by maintaining certain cash balance by adopting transactions motive. It is observed that these firms invest their available owned and borrowed cash by considering a motive behind the investment. The sole proprietary and partnership firms due to limited cash balance invest their available cash more in operating activities and prefer to carry production as this is their single source for earning. As most of the sole proprietary firms and partnership firms operate on rent places and use second hand machinery. Whereas the partnership firms due to fluctuating situation indicates maintaining reserves for unforeseen losses. Whereas near about fifty percent private limited companies prefer investing some cash earnings in other activities except production. These companies make investment in shares, gold, land, flat purchase and sale and invest in bankrupt units. That leads to extra earnings to firms other than sale.

Table No. 1.4 Administration of Cash Planning.

(Figures in bracket indicate percentage)

Parameters	Partnership Firms		
	Yes	No	Total
Planning of cash requirement	05 (10.64)	42 (89.36)	47 (100)
Effective control of cash flow	12 (25.53)	35 (74.47)	47 (100)
Productive utilization of excess fund	17 (36.17)	30 (63.83)	47 (100)
All of above	10 (21.28)	37 (78.72)	47 (100)

(Source: - Field Survey)

Administration of Cash Planning: -All the organizations prepare the financial plan considering the inflow and outflow of cash. Under cash planning various sources of cash are considered as well as operative and administrative expenses are also considered. But the success of cash planning largely depends on effective administration or implementation of the cash planning. The table includes the administration procedure of cash planning to maintain cash discipline with the help of set parameters by the sample units.

Table No. 1.4 shows that the various administrative procedures used by organization for implementation of cash planning. In respect of planning of cash requirement, 89.36% units from partnership firms not implemented it for administration of cash. It indicates that these firms could not define the specific time for cash inflow and outflow. This creates interruption in definite planning of cash requirements. In respect of effective control of cash flow 74.47% partnership firms found unsuitable to control its sources. It indicates that these firms have limited customers and have to depend on them for maintaining their sales and also their transactions largely depend on credit. These firms cannot insist to customers for early payment and also cannot delay their further sale for payment from customers and this affects their further expense payment in time. In respect of productive utilization of excess funds 63.83% partnership firms not plan significantly to invest excess profit productively. The reason behind it is that job work partnership firms and remaining manufacturing firms have limited and local sale this limits the earning of excess funds. Due to it they invest productively their limited excess earning. Whereas the units among partnership firms cannot adopt it as they depend on borrowed funds on large. Due to this they cannot invest their excess earnings as they have to keep reserve their funds for further operations and requirements, as to prevent from further borrowing. 78.72% partnership firms cannot follow the above administration plans for cash.

It is found that the above firms follow administrative procedure in cash planning. The partnership firms manage their cash by planning and making productive utilization of excess funds that increase their earnings. The leading partnership firms firstly plan their cash requirement during the year and considering the available opening cash balance if less makes provision of some other source such as borrowing funds as per requirement. These firms maintain adequate cash balance considering the cash operating cycle. Some of partnership firms keep lump sum cash to carry their large operations. As most of the firms here are small and medium types and their suppliers insist on quick payment for inventory. These firms sell mostly their products on credit, thus the time lag between sale and getting payment could extend in months. This way firms credit sale has adverse effects on its cash position and its cash position is pulled down and thus it is the main reason for failure of cash planning. Also, some of the firms are unknown about the financial knowledge. They are reluctant about how to invest their surplus cash. That is their cash inflow is excess after making payment of outflows. But these firms are not investing it and thus there is no earning and the cash is kept deadly. The table suggests; therefore, the sample units are using various administrative procedure to acquire the planned result in respect of cash planning.

Table No. 1.5 Seven value drivers of operational Discipline

(Figures in bracket indicate percentage)

Parameters	Partnership Firms					
	SA	A	N	D	SD	Total
Safety	5 (10.64)	15 (31.91)	5 (10.64)	8 (17.02)	14 (29.79)	47 (100)
Job Satisfaction factors	1 (2.13)	20 (42.55)	7 (14.89)	15 (31.91)	4 (8.51)	47 (100)
Productivity	8 (17.02)	23 (48.94)	--	16 (34.04)	--	47 (100)
Quality	9 (19.15)	13 (27.66)	2 (4.26)	13 (27.66)	10 (21.28)	47 (100)
Compliance	2 (4.25)	8 (17.02)	--	22 (46.81)	15 (31.91)	47 (100)
Yield	11 (23.40)	11 (23.40)	2 (4.26)	13 (27.66)	10 (21.28)	47 (100)
Cost	11 (23.40)	16 (34.04)	3 (6.38)	11 (23.40)	6 (12.77)	47 (100)

(Source: - Field Survey)

(Note: SA= Strongly Agree, A= Agree, N= Neutral, D= Disagree and SD= Strongly Disagree)

Seven Value Drivers of Operational Discipline: Efficiency in firms is measured by considering seven value drivers named safety, environmental factors, productivity, quality, compliance, yield and cost. The table suggests the seven value drivers of operational discipline preferred by the organizations for effective utilization of available cash.

Table No. 1.5 indicates that the organization prefers various values to be considered to maintain the operational discipline. For the parameter safety 42.55% of partnership units considered safety parameter to maintain the operational discipline. It indicates that these firms mostly try to take the precautions in order to assure safety of their workers. As the firms have limited trained human resource and any unsafe situation not only affects the workers' health and safety but also hampers the firms' production. To maintain operational discipline the job satisfaction factor is considered by 44.68% of partnership units. It indicates that the firms make efforts to maintain positive conditions by creating good working environment. Some of these firms arrange one day tour for their employee and workers, whereas few firms not affording this expense try to maintain healthy environment by sharing the thoughts and problems of their employee and workers and trying to solve them by suggesting solutions on it. Also, they attend in the family functions of their employees' and workers. According to their opinion the facilities and working environment contributes to maintain the operations speed and discipline in it. Productivity driver is concentrated by 65.96% partnership firms. The reason behind it is when the production is maintained these firms earn good level of profit that is main source of cash and provide appropriate facilities to them and also adopt modern machinery and technology and thus maintain discipline in operations only. Quality maintenance disagreed by 48.94% partnership firms. The reason behind it is when the firms maintain quality in their production their market will be stable and sale will increase. This will certainly enable the firm to provide essential facilities to their workers and maintain the operational level with discipline. Compliance factor is not considered by 78.72% partnership firms. It indicates that partnership firms not insist on obedience factor among their workers to maintain the discipline in operations, as in some of these firms there are almost very little number or almost nil workers and few firms there is no such problem. Yield is not given due importance by 48.94% partnership firms. Cost factor is significantly considered by 57.44% partnership firms. It indicates that these firms make efforts to maintain their cost of production and thus stable the market price and leads to high return. Due to it their operations are run without error and bring discipline in it.

It is interpreted that operational discipline supports the goals of safety and production. Both safety and production depend on the same critical operation and organizational behavior. It is also observed that the firms should provide their employees and workers the work according to their caliber, qualification and expectations to maintain their satisfaction. Some organization considers the safety drive to provide various facilities to workers such as hand gloves, gumshoes, goggle etc. the expense related to production and quality are also tried to maintain at minimum level to maintain operational discipline. The quality is to be maintained to attract customers and improve sales that in turn improve profit level and to improve quality the additional expenses are incurred thus the unit's improved quality with minimum expenses and maintain discipline in operations. The income that is profit is considered to obtain income with minimum cost of production so as to control the adverse effects on operations. All the organizations have to consider the significance of maintaining organizational discipline by optimum utilization of cash.

Table No. 1.6 Financial Incentives for Employees and Workers.

(Figures in bracket indicate percentage)

Partnership Firms					
Individual Incentives			**Group Incentives**		
Taylor differential piece rate plan	15 (31.91)	32 (68.08)	Profit sharing plan	--	47 (100)
Halsey premium plan	6 (12.77)	41 (87.23)	Co-Partnership plan	--	47 (100)
Rowan premium plan	9 (19.15)	38 (80.85)			
Emerson efficiency plan	--	47 (100)	Scanlon plan	--	47 (100)
Gnatt task & bonus plan	--	47 (100)			

(Source: - Field Survey)

Budget allocated for incentives: - The table is prepared to study the types of incentives plans implemented by the firms and their budget allocation.

Table No 1.6 shows the type of financial incentives provided to the employees and their budget allocation as per the different individual incentive and group incentive plans. Incentive according to tailor's differential piece rate plan is provided by 31.91% partnership firms. As these job work units work when demand is there with temporary workers. These organizations find suitable to pay daily wages and piece rate basis. But 68.08% partnership firms not provide it. Permanent workers in manufacturing units are paid on monthly basis. 87.23% partnership firms are not implementing the Halsey premium plan. Majority of the firms are completely unknown about the various incentive plans and majority of the firms find difficult complicated calculations under the different incentive plans being the small-scale units. 80.85% partnership firms not provided Rowan premium plan. 100% partnership firms not provided Emerson efficiency plan. Gnatt task & bonus plan, Profit sharing plan, Co- partnership plan and scalon plans are not provided by any of the firms in partnership firms in fact these plans are unknown to them.

It is interpreted that various types of individual financial incentives are provided by the firms. Among financial incentives only individual types that is tailors differential piece rate plan is adopted by majority of units among the three categories. According to this plan the workers working above standards receives higher wage rate. These firms focus on output, its quality as compared to input in order to maintain the operational cost and customer satisfaction. Here productivity is concentrated along with increase in production. Secondly in Halsey premium plan to save the time is concentrated and incentives are calculated 50% of wages for time saved. The firms providing bonus according to Emerson efficiency plan the workers efficiency is concentrated here. Basically, most of units in partnership firms are processing units and these units have to complete their processing work in limited time bound and thus depends upon other large-scale units for their work and income source. Thus, to complete the work in time it is important for them to get future work and so time is concentrated by many units. When time is saved this time can be consumed for further production or other work. This plan differs in single point as compared to first fixed bonus rate is provided and second it depends on proportion of time saved. Group Incentives plans are not implemented in any of the organisations.

Table No. 1.7 Cash Planning for Capital Investment

(Figures in bracket indicate percentage)

Parameters	Partnership Firms					
	SA	A	N	D	SD	Total
Strategic Planning	13 (27.66)	12 (25.53)	3 (6.38)	9 (19.15)	10 (21.28)	47 (100)
Office Equipment	09 (19.15)	8 (17.02)	2 (4.26)	28 (59.57)	--	47 (100)
Technology based need	00	11 (23.40)	4 (8.51)	12 (25.53)	20 (42.55)	47 (100)
Resource allocation	14 (29.79)	6 (12.77)	-	15 (31.91)	12 (25.53)	47 (100)
Capital investment (expansion)	11 (23.40)	5 (10.64)	1 (2.13)	13 (27.66)	17 (36.17)	47 (100)
Investment in Human resource	05 (10.64)	07 (14.89)	--	15 (31.91)	20 (42.55)	47 (100)

(Source: - Field Survey)

(Note: SA= Strongly Agree, A= Agree, N= Neutral, D= Disagree and SD= Strongly Disagree)

Cash Planning for Capital Investment: -Success of any firm depends on increased capital, improved technology, machinery and other resources. These activities are hampered due to inadequate cash faced by improper cash planning. The purpose of the table to know the effects of cash planning made by the sample units on capital investment.

Table No. 1.7 shows that the response of the organization to observe the capital investment problems faced due to effects of cash planning. For the parameter strategic planning 53.19% of partnership firms faced problems in framing the strategic plans due to cash problem. It indicates that these organizations failed to implement the plan of investment in capital expenditure. The manufacturing units among partnership firms have already done the capital investment as per the strategic plan. 59.57% partnership firms refused the parameter office equipment's and furniture. It indicates that some of these firms could not develop their office equipment's such as cabins, separate table, adequate chairs and shelves in each cabin, conference hall for conducting meeting. Due to their cash inadequacy these firms are unable to invest in it. 68.08% partnership firms are not able to invest in technology based need to allocate improved technology. It indicates that the job work units among partnership firms are working with traditional and downtrodden machinery. It hampers the quality and features of their product, but due to limited cash these firms cannot invest in additional development in their firms. 57.44% partnership firms agreed about no obstacles in allocation & resources. The reason behind it is majority of job work units among partnership firms don't require making this expense, whereas manufacturing firms among partnership firms concentrate mostly on raw material purchase and production budget as to avoid effect on sale. 63.83% partnership firms face no any investment problem but some firms among them faced investment problem that is in expansion of units, machine production capacity, office construction etc. These firms should plan to increase their number of branches. Investment in human capital is affected by 25.53% partnership firms. The reason behind it is these small-scale partnership firms engaged in job work operate when work is available. Since they work seasonally their workers are temporary. They also do not provide incentives and bonus to them due to cash inadequacy. Majority of firms from partnership firms already have invested to satisfy their human resource. It indicates that the job work units among partnership firms are facing problems in preparation and implementation of strategic plans in respect of capital investment such as PEST analysis, scenario planning, SWOT analysis, strategy maps etc. It can be done when skillful employees are recruited and their salary demand is high and it is bearable only when cash is adequately planned. But it is found that these organisations are facing the problem of insufficient.

Testing of Hypothesis

***Introduction*:**

This sub-topic deals with hypothesis testing. The study has conducted by assuming one hypothesis. This hypothesis depends on primary data. In order to test the hypothesis, the researcher has used purposive sampling method for collection of primary data and collected data from the strata viz. Management from 47 partnership firms.

Due to efficient cash management, the operational efficiency of particular concern will become effective. Every organization should study the significance of cash management and cash planning. The particular organizations should have to adopt the policies in respect of modern technology, new machinery, the expansion of unit, new features in product, research and development activities, marketing strategies and its implementation, sufficient human resource, facilities provisions for human resource etc. As a result, the operational efficiency of the organization will be increased that means the increase in productivity, quality, cash reinvestment, turnover, expansion and modernization activities etc. So, with the help of available data, it is necessary to check the statement of hypothesis that the efficiency in operational activities depends upon intelligent cash planning. Due to the current cash planning of the particular organization the operational efficiency of the organization may be increase or decrease (efficient or inefficient).

In order to check the hypothesis two variables have taken i.e., intelligent cash planning and efficiency in operational activities. The factors/ parameters related to cash planning viz. cash planning through cash motives, strategies and techniques viz. Planning of cash requirement, Effective control of cash flow, Productive utilization of excess fund, Transaction motive, Precautionary motive, Speculative motive, Stretching accounts payable, Speedy collection of Accounts receivables, Efficient inventory- Production Management, Combined cash management strategies, Speed cash collection, Prompt payment by customers, Early conversion of payment in to cash, Concentration banking, Lock box system, Slowing disbursement, Avoidance of early cash payment and Centralized Disbursement. And the parameters have covered under operational efficiency are safety, Job Satisfaction factors, Productivity, Quality, Compliance, Yield, Cost, Taylor differential piece rate plan, Halsey premium plan, Rowan premium plan, Emerson efficiency plan, Gnatt task & bonus plan,

Strategic planning, Office Equipment, Technology based need Resource allocation Capital investment and Investment in Human Resource. By using these both dependent variable and independent variable the hypothesis has been tested. Operational efficiency is the dependent variable and intelligent cash planning is independent variable. In order to check the correlation between the two variables the Karl Pearson correlation test has been used.

Karl Pearson's correlation coefficient Formula:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{[n\sum x^2 - (\sum x)^2]\,[n\sum y^2 - (\sum y)^2]}}$$

Here, r= Karl Pearson's Correlation Coefficient

n= Total number of observations

$\sum xy$= total of x*y

$\sum x$= Total of x column

$\sum y$= Total of y column

$\sum x^2$= Total of x^2 column

$\sum y^2$= Total of y^2 column

4.6. Hypothesis testing:

Ho Efficiency in operational activities not depends upon intelligent cash planning

H_1 Efficiency in operational activities depends upon intelligent cash planning

There is a significant relation between intelligent cash planning and efficiency in operational activities.

Table No. 1.8 Impact of Cash Management Techniques on Operational Activities

Partnership Firms	
Cash Management Techniques	Operational Discipline
x_2	y_2
27	20
10	21
0	31
0	22
0	10
0	22
13	27
0.02	

The table is prepared to find the correlation between the cash management techniques and operational activities in partnership firms. There is low positive correlation between implementation of cash management techniques and operational activities in partnership firms. Because majority of partnership firms have limited knowledge about cash management techniques so they have implemented limited one or two techniques and managed their cash. Due to improper cash management the cash inadequacy problem has raised. They have managed their operational activities by using more borrowed funds.

Table No. 1.9 Impact of Cash Management Strategies on Operational Activities

Partnership Firms	
Cash Management Strategies	Financial Incentives HRM
x_2	y_2
23	15
44	6
30	9
31	0
-0.49	

The above table is drawn to find the relationship of cash management strategies and financial incentives provision for HRM in the sample units. There is low inverse correlation between the cash management strategies and operational efficiency in partnership firms. Because the partnership firms have implemented selected cash strategies in their routine operations. So considering their turnover the application of traditional cash management is affecting their operations.

Table No. 1.10 Impact of Cash Management Planning and Motives on Operational Activities

Partnership Firms	
Cash Management planning & Motives	Operational Efficiency
x_2	y_2
15	25
22	17
27	11
15	20
20	16
10	12
-0.31	

The table is prepared to find the correlation between cash management planning and motives with operational efficiency in all the sample units. There is low inverse correlation between cash management planning and motives with operational efficiency in partnership firms between similar factors. These firms have implemented selected plans and motives that have not derived effective results and thus their efficiency have improved to a limit.

PART-C TESTING OF HYPOTHESIS STUDENTS T-TEST

Introduction:

The operational efficiency in firms depends upon intelligent and scientific cash planning. The cash planning is independent factor and operational efficiency is dependent factor on cash planning. The researcher has used students T' test to measure the impact of intelligent cash planning on operational efficiency. The Student's T- test has introduced by William Sealy Gosset working as a chemist for Guinness brewery in Dublin, Ireland. This is a commonly applied test. Other names for this test are unpaired test or independent test.

Formula:

$$t = \frac{r\sqrt{(n-2)}}{\sqrt{(1-r^2)}}$$

Here, r= Karl Pearson's Correlation Coefficient

r^2= coefficient of determination

n= Total number of observations

df= (r-1)(c-1)

Level of significance (α)= 0.05

With Two Tailed test

- **Hypothesis:**

Ho: Efficiency in operational activities not depends upon intelligent cash planning.

H_1: Efficiency in operational activities depends upon intelligent cash planning.

- **Testing of Hypothesis:**

This hypothesis is tested on the basis of primary data and this hypothesis is tested for data collected from all the sample units.

There is a significant relation between intelligent cash planning and efficiency in operational activities.

Table No. 1.11 Impact of Cash Management Strategies on Operational Activities

Partnership Firms	
Cash Management Techniques	Financial Incentives HRM
x_2	y_2
23	15
44	6
30	9
31	0

Variables	**(x_2, y_2)**
r	-0.49
t	-0.80302
P value	1.519309
df	3
decision about H_0	accepted

The table is prepared to measure the impact of cash management strategies on operational efficiency in respect of partnership firms. The table shows the cash management strategies and efficiency in operational activities in firms. Where p-values of all responses of partnership firms are greater than 0.05 level of significance. So, the H_0 is accepted. So, it is found that there no significant relation between intelligent cash planning and efficiency in operational activities. Because they have applied traditional cash management.

H_0: The operational efficiency of the Partnership firms in Miraj MIDC area not depends upon intelligent cash planning.

H_1: The operational efficiency of the Partnership firms in Miraj MIDC area depends upon intelligent cash planning

Table No. 1.12 Impact of Cash Management Planning and Motives on Operational Activities

Partnership Firms	
Cash Management planning & Motives	Operational Efficiency
x_2	y_2
15	25
22	17
27	11
15	20
20	16
10	12

Variables	(x_2, y_2)
r	-3.11
t	-0.6545
P value	1.458307
df	5
decision about H_0	accepted

The table is organized to measure the impact of cash management planning and motives on operational efficiency in all the sample units. The table indicates the various cash management plans and motives and operational efficiency have selected for statistical analysis. Where P-values of cash planning and motives and operational efficiency in partnership firms are greater than 0.05 level of significance. So theH_0 is accepted. So it is found that the operational efficiency of the firms not depends upon intelligent cash planning. It is further stated that the cash planning and motives have no direct impact on operational efficiency in all firms.

H_0: Efficiency in operational activities not depends upon efficient cash management.

H_1: Efficiency in operational activities depends upon efficient cash management.

Table No. 1.13 Impact of Cash Management Techniques on Operational Activities

Partnership Firms	
Cash Management Techniques	Operational Discipline
x_2	y_2
27	20
10	21
0	31
0	22
0	10

0	22
13	27

Variable	(x_2, y_2)
r	0.02
t	0.045063
P value	0.965519
df	6
decision about H_0	accepted

The table is prepared to measure the impact of cash management techniques on operational activities in partnership firms. The table shows the cash management techniques and efficiency in operational activities. Where p-values of responses collected from the firms are greater than 0.05 level of significance. So, the H_0 is accepted. So, it is found that there is no significant relation between cash management techniques and operational efficiency. Because the inflexible cash management practices have not resulted the fruitful results in efficiency.

Conclusions:

There is no relation found between the cash management strategies, motives techniques, and planning with their operational efficiency in the firms. Because maximum manufacturing firms among partnership firms have not adopted scientific cash management practice in their firms. The reason behind it is some are ignorant and few have no specific knowledge about its use and its importance in financial management. Hence, they are facing cash inadequacy problems. So, their operations are affected. They have limitations in developing and increasing their fixed assets, limited general facilities provision, inadequate infrastructural facilities provision, inadequate loose tools, no financial and non-financial incentives facilities and no expansion and modernization of their unit. Inspite selected partnership firms have implemented the cash management planning, motives, strategies and techniques. So, their cash sources and applications are balanced. They have properly managed their investments with owned funds and borrowed funds as per need. Hence their credit recoveries are satisfactory and have managed funds investments for modern techniques and machinery. These firms have invested owned funds and satisfied working capital need, invested in expansion of their unit and invested a part in outside investment activity because their recovery is satisfactory. But maximum partnership firms have excess credit sale but their credit recovery is not

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satisfactory so their funds are locked. Hence their operations are affected such as inadequate infrastructure, limited basic facilities provision for workers, no safety facilities for workers and no training facility for them. Thus, the cash management played an important role in good financial position of selected partnership firms.