STUDY ON CASH MANAGEMENT PRACTICES IN INDIAN CORPORATE SECTOR WITH SPECIAL REFERENCE TO PAPER AND FOREST INDUSTRY: AN ANALYTICAL STUDY ON SELECTED COMPANIES

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ABSTRACT

Cash is the most important lubricant for any business. Without cash, liquidity of the company is endangered. In today's environment, there are many methods and models to handle cash effectively in the business. Generally certain amount of cash invested at the starting of the business is converted into fixed assets in the form of land, building, plant and machineries, furniture etc. Other portion of cash invested in the business is for purchasing raw materials, payment of wages to the worker and payment of other expenses. Therefore, investment of cash in the production process continued until the revenue comes in the form of sales. Then the business gets its momentum. No further cash is needed if the business changes its level of activities or adopted a new project or profit distributed among the shareholder in the form of dividend or suffered a huge loss. After that cash should be generated in its regular basis to mitigate the expenses. Periodical surplus in the process distributed as dividend. In the current paper, cash management practices have been discussed with the special reference to the paper sector.

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Keywords: *Liquidity, Cash Conversion Cycle, Current Ratio, Dividend, Cash Management.*
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Introduction

Forest goods include paper, wood pulp, timber, sawmill products, forest-derived millwork products, and animal feed, among other cellulosic (wood-based) items obtained from forests. Forest products and paper, in general, are made from wood or woody plant matter. Wood is used for a variety of purposes, including as a raw material in the creation of paper and as a completed structural element in the construction of structures. Non timber forest products are goods that are not made of wood but are nonetheless obtained from forest resources. The remaining waste mass from saw mills and other forest product sector facilities may be used to generate electricity and produce bio fuels or renewable fuels.

In India, the paper and paper products market is divided into four regions: north, south, east, and west. Due to rising paper consumption, particularly in FMCG items, the Western area is the country's leading consumer of paper and paper products. Tamil Nadu, Andhra Pradesh, Maharashtra, Punjab, Madhya Pradesh, and Gujarat are the states with the most paper mills. Wood, bamboo, bagasse, recycled fiber, wheat straw, rice, and husk are among the raw materials used by paper mills. The sort of raw material utilized is frequently determined by the mill's location. The majority of mills in India's northern and western regions rely largely on agricultural wastes and wastepaper as a source of raw material. Wood and bamboo are used as raw materials in pulp and paper manufacture in the southern and eastern areas.

Review of Literature

The following literature review has been used to conduct the study of the selected paint industry.

Lydiah Wambui Ndirangu (2017), in this study, researcher analyze the effect of cash management on the financial performance of the companies listed at The Nairobi Securities Exchange,

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for which 15 Companies were selected and descriptive research design was used. The study based on secondary data collected for 7 years (2010-2016) from NSE, published financial statements from respective websites of company and capital market authority. Researcher analyzed the data with the help of multiple regression and correlation. Study found positive but insignificant effect of cash conversion cycle on financial performance, negative and insignificant effect of size of company on financial performance and positive and significant effect of leverage on financial performance of selected companies. Therefore, it was recommended by researcher to increase the debt proportion in its capital structure which improve the financial performance of selected samples.

Ivan Klyuchankin(2017), researcher conducted this study on RE Trading company with the objective to analyze the cash flow management. For this, researcher use empirical research design. Data for the study was collected through interview of manager, employees and reports & documents of selected company. Study found that there were no any problem with cash flow and its management and company can manage better cash flow by create a subdivision for internal control for financial activity of company.

Carlos Arangoet. al. (2013) surveyed in Canada, France, Germany and Netherlands for testing the hypothesis that cash was still the most efficient payment appliance and people hold cash for protective reasons when facing uncertainty about their future purchases.

End shown that two reason namely minimum cash holdings and cash first were significant causes of the high shares of low-value cash payments in Canada, France and Germany but in Netherlands significant share of low value card deal were found.

GamzeVuralet. al. (2012) initiate in their research that upsurge in the level of leverage will lead to decline in the profitability of the firm and the assessment of the firm.

75 manufacturing firms listed on Istanbul stock exchange market were used to gather the secondary data for the period of 2002 to 2009 with the objective to check the relationship between working capital management components and performance of the firm by using dynamic panel data analysis. The outcomes for the same had shown that by shortening gathering period of books receivable and cash conversion cycle firms can growth profitability measured by gross operating profit.

Abdirizak Mohamed Jama and others (2017), showed a study on effect of cash management practices on the profitability of bottled refined companies. Sample of 46 was used to gather the data through questionnaire, document analysis and interviews. Correlation and regression analysis were used to evaluate the data. Solvene's formula was also used in this study. Researcher establish that cash budgeting has significantly guidance the profitability of the water purified companies.

Parmar (2019) showed a investigation study on a comparative study of cash management practice of Indian corporate sector analysis of selected companies. In his research work, seven different industries out of which five companies from each industry were selected with a suitability sampling system with a study period of ten years from 2008-2009 to 2017-2018. To analyse the cash management practices, seven ratios are considered by the scholar on the basis of data together and then on that ratios Pearson correlation and Regression is applied to analyze the data. This study displayed that the selected samples' cash management practices show more alteration industry wise because as per the different industries, many things are changing automatically. Out of all selected companies, some firms have efficient cash management practices, whereas some firms want to progress their cash management practices by taking corrective stages and expressing suitable cash management policies for the company.

Research Methodology

Objectives of the Study

For the study there must be objectives which lead to right way of the study. In the study following objectives have been analyzed. For the study each objective has its own importance and specific accounting tool as well statistical tool for analysis so, following objectives have been identify for analysis.

- To analyze liquidity position in selected paper companies.
- To check cash conversion cycle of selected paper companies.
- To examine cash management practices in selected paper companies during the study period.
- To compare cash conversion cycle of selected paper companies.

Period of the Study

The study period has most important aspect in the research methodology. It makes the study more effective for certain time period. For the study **2010-11 to 2020-21** that is 10 years of time period has been considered.

Scope of the Study

The scope of the study describes the geographic area in which the researcher conducted his investigation. For appropriate research, the scope of study must be specified, which describes the topic of inquiry. Diverse research has a broad impact, but it is not feasible to cover all disciplines of study owing to constraints such as time, information, and so on. In the current study, the researcher selects the region of investigation by taking into account a number of factors. The study's scope is limited to India's five core industrial sectors.

Type of the Study

There are many types of the study for the research design. This study has been considered as **Analytical, Empirical and Comparative.** Analytical because of in the study data have been analyzed during the study period. Selected companies have been compared with each other that why this study is called as comparative study.

Universe and Population of the Study

Universe of the study has been considered as whole companies working in India whereas listed companies on stock exchange are considered as population of the study. Universe gives the entire potential element for the population. Population has been given all tentative samples for the study. It is obvious that whole population analysis is not possible due to samples have been taken from the population.

Data Collection

For the study mainly **secondary data** have been used and collected from various websites, annual reports, newspapers and journals.

Hypothesis

H_0:   There is no significant difference in the liquidity position of the selected paint companies

H_1:   There is significant difference in the liquidity position of the selected paint companies

H_0:   There is no significant difference in the cash conversion cycle of the selected paint companies

H_1:   There is significant difference in the cash conversion cycle of the selected paint companies

**Interpretation and Data Analysis**

- **Current Ratio: (In Times)**

Table 1: Current Ratio of Selected Companies

Years	TNP	JK Paper	West Cost	Emami
2011-12	0.67	1.31	0.75	0.84
2012-13	0.59	1.00	0.99	1.02
2013-14	0.60	0.98	0.93	1.40
2014-15	0.74	0.97	0.07	1.08
2015-16	0.70	0.76	0.89	0.88
2016-17	0.69	1.04	1.06	0.85
2017-18	0.63	1.08	1.32	0.87
2018-19	0.68	1.55	1.65	0.74
2019-20	0.71	1.26	1.04	0.69
2020-21	0.67	1.24	0.97	0.68
Average	0.67	1.12	0.97	0.91
Minimum	0.59	0.76	0.07	0.68
Maximum	0.74	1.55	1.65	1.40

Source: *Calculated from Annual Report of respective Companies*

To calculate current ratio, current assets have been divided by the current liabilities. From the above table it is clear that minimum cash ration was of 0.07 of West Cost company in the year 2014-15 and the maximum cash ratio was 1.65 of West Cost company in the year 2018-19.

Figure 1: Current Ratio
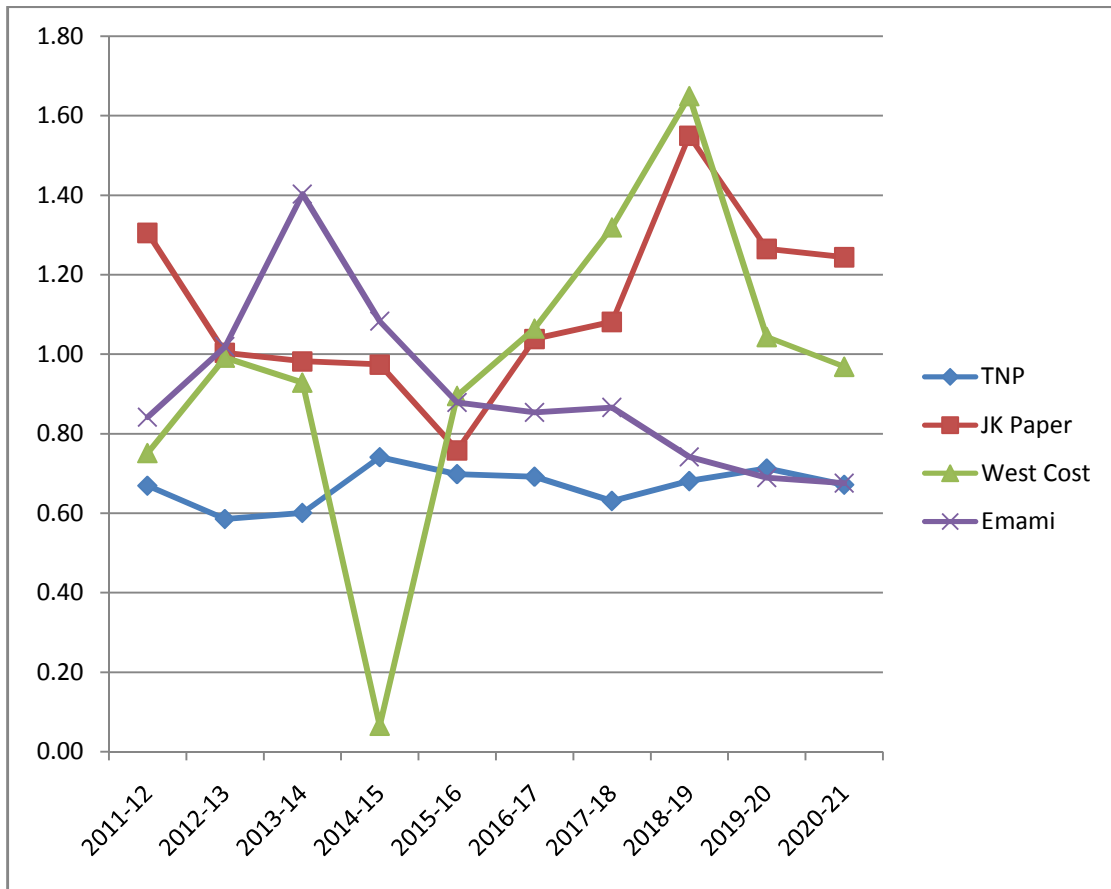
The above chart shows the graphical representation of the current ratio where X axis shows the ratio in frequency and the Y axis shows the year. Different company has been presented by the different colors.

Table 2: One Way Anova Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.057973	3	0.352658	5.361003	0.003719	2.866
Within Groups	2.368153	36	0.065782			
Total	3.426125	39				

In the given table, calculation of one way anova test is done. Here, the calculated value is 5.361003 which is higher than critical value 2.866 that means the Null Hypothesis is rejected and therefore it denotes that there is a significance difference in the current ratio of selected paper companies.

- **Cash Ratio: (In Percentage)**

Table 3: Cash Ratios of Selected Companies

Years	TNP	JK Papers	West Cost	Emami
2011-12	1.42	27.43	1.92	9.52
2012-13	1.73	6.04	0.86	31.46
2013-14	0.80	0.96	1.14	73.91
2014-15	1.22	2.01	0.16	35.41
2015-16	1.00	1.76	2.04	17.29
2016-17	1.09	3.36	5.15	5.81

2017-18	1.27	15.38	2.54	2.36
2018-19	2.24	1.84	1.05	1.19
2019-20	0.25	3.21	0.90	2.43
2020-21	0.59	0.83	17.62	1.86
Average	1.16	6.28	3.34	18.12
Minimum	0.25	0.83	0.16	1.19
Maximum	2.24	27.43	17.62	73.91

Source: Calculated from Annual Report of respective Companies

In order to calculate cash ratio, cash + marketable securities has been divided by current liabilities. From the above table it is clear that the highest cash ratio was 73.91 of the Emami company in the year 2013-14 and the minimum cash ratio was 0.16 of West Cost in the year 2014-15.

Figure 2: Cash Ratio
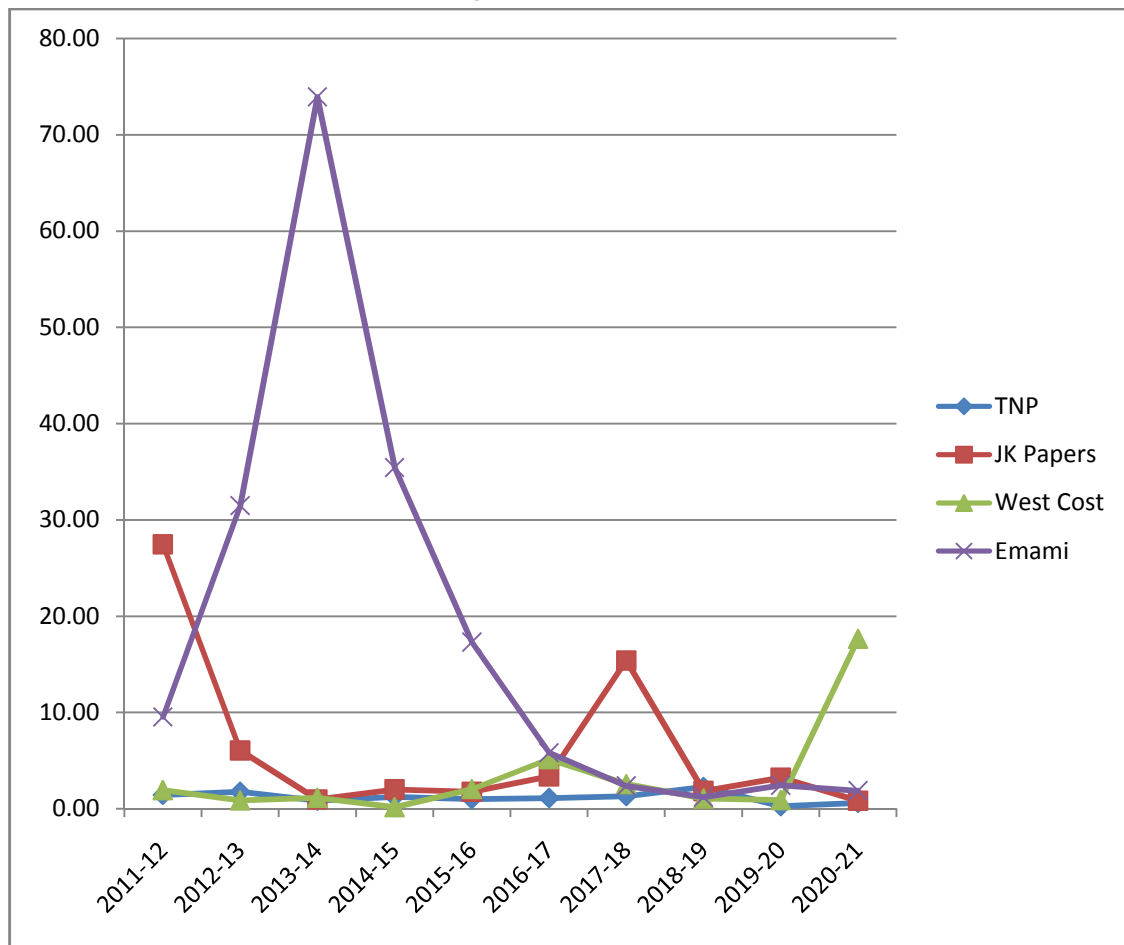
The above chart shows the graphical representation of the cash ratio where X axis shows the ratio in frequency and the Y axis shows the year. Different company has been presented by the different colors.

Table 4: One Way Anova Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1715.4	3	571.824	3.5653	0.0234	2.8662
Within Groups	5773.8	36	160.38			
Total	7489.277	39				

In the given table, calculation of one way anova test is done. Here, the calculated value is 3.5653 which is higher than critical value 2.8662 that means the null Hypothesis is rejected and therefore it denotes that there is significance difference in the cash ratio of selected paper companies.

- **Cash Conversion Cycle in Days: (In Days)**

Table 5: Cash Conversion Cycle of Selected Companies

Years	TNP	JK Papers	West Cost	Emami
2011-12	-92.15	12.42	58.64	83.99
2012-13	-172.92	23.81	49.56	70.30
2013-14	-134.42	25.40	47.09	47.50
2014-15	-140.49	21.36	54.21	30.68
2015-16	-160.33	17.51	34.54	100.21
2016-17	-46.11	2.14	30.79	81.53
2017-18	-82.87	-9.53	17.16	94.83
2018-19	-102.64	-31.31	40.06	61.31
2019-20	-92.63	-38.79	50.84	38.96
2020-21	-125.64	-69.36	60.77	35.51
Average	-115.02	-4.63	44.36	64.48
Minimum	-172.92	-69.36	17.16	30.68
Maximum	-46.11	25.40	60.77	100.21

Source: Calculated from Annual Report of respective Companies

In order to calculate Cash Conversion Cycle, no.of days of outstanding inventory + no. of days of outstanding sales – no.of days of outstanding payables. From the above table it is clear that the highest cash conversion cycle was 100.21 of the Emami company in the year 2015-16 and the minimum cash conversion cycle was -172.92 of TNP in the year 2012-13.

Figure 3: Cash Conversion Cycle
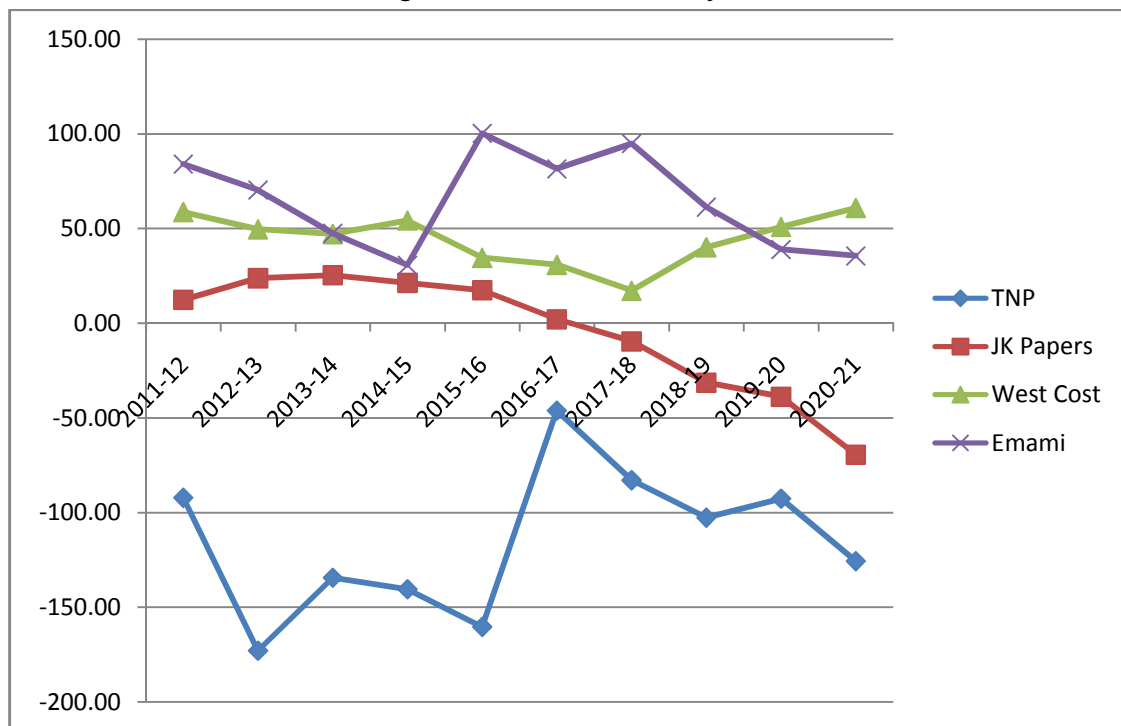
The above chart shows the graphical representation of the cash conversion cycle where X axis shows the ratio in frequency and the Y axis shows the year. Different company has been presented by the different colors.

Table 6: One Way Anova Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	193477	3	64492.34	76.575	1.08E-15	2.866266
Within Groups	30329.62	36	842.4893			
Total	223806.6	39				

In the given table, calculation of one way anova test is done. Here, the calculated value is 76.575 which is higher than critical value 2.866 that means the null Hypothesis is rejected and therefore it denotes that there is significance difference in the cash ratio of selected paper companies.

Findings and Conclusion

The present study shows the importance of cash and its management in the selected paper sector companies. Different analytical tools has been used for the calculation of current ratio, cash ratio and cash conversion cycle. From the analysis it is clear that null hypothesis is rejected and alternate hypothesis is accepted. This study gives us the clear idea of how the cash can be managed effectively in the paper sector.

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