

CASH MANAGEMENT IN SELECTED PAINT COMPANIES OF INDIA

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ABSTRACT

Cash is highly liquid assets of the business. Business requires cash on continuous basis to run its operations. So, business firm keep optimum balance of cash. Shortage of cash will disrupt the firm's operations. The present study is undertaken to know the cash management in selected paint companies of India.

KEYWORDS: Cash, Cash Management, Cash Coverage Ratio, Current Ratio.

Introduction

Cash is the money with the business which can be spend immediately without any restriction. Cash is the final output anticipated to be realized by selling service or product of business. So, it is important for finance manager to determine minimum level of cash in such a way so that maximum profit can be earned. Cash management is concerned with inflow and outflow of cash and cash balances held by firm at a point of time by investing surplus. Cash is unproductive asset of business so the aim of cash management is to maintain sufficient control over cash position to keep the use of cash in some profitable way. The flow of cash should be properly managed. Cash is an ideal asset which is used as a medium to purchase other assets. The functions of the cash management are cash planning and forecasting, managing the cash flows, determining optimum level of cash and investing surplus cash. For planning and controlling cash management techniques like cash budget, cash flow statement and ratio analysis are used. In this study an attempt is made to know the cash management in selected paint companies and try to know the companies have sufficient cash balance or not.

Review of Literature

According to Mungal and Garbharran (2014), sound cash management practices is necessary for profitability and success of business. The main purpose of their study is to identify cash management challenges of small business in developing countries. They concluded that there was correlation between profitability and implementation of cash management practices.

Chintha and Prasad (2020) conducted study of 36 companies listed in Muscat securities market for the period of 2014-2019. They suggested that manufacturing companies should maintain stable cash position and company should use effective cash management programs.

Javed (2019) cash management is necessary for effective financial performance of business. The company should manage cash so necessary payments are made on time.

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Hamza, Mutala and Antwi (2015) made an attempt to examine the cash management practices and its effect on the financial performance of SMEs in the Northern region of Ghana. The results of the study concluded that cash management practices affect the financial performance of business. The cash management practices of SMEs are not satisfactory.

Renuka (2019) examine role of cash management in cash management system in different banks. For effective cash management it is necessary to reduce the time between cash inflow and cash outflow. Effective cash management keep organization running by making the best use of cash.

Objectives of the Study

- To study the size of cash balance of selected paint companies of India.
- To know whether firm have adequate control over cash or not.
- To examine cash management practices of paint companies.

Methodology

For this study researcher has used four paint companies Asian Paint Pvt. Ltd, Berger Paint Pvt. Ltd., Kansai Nerolac Paints Pvt. Ltd and Shalimar Paint Pvt. Ltd. The period of the study is five years from 2016-17 to 2020-21. The study is based on secondary data collected from annual reports of the selected paint companies. The researcher has used ratio analysis to analyse the data and statistical tools like charts, tables are used. The researcher has used ANOVA test to test the hypothesis of the study.

Hypothesis of the Study

H₀: There is no significant difference between size of cash of selected paint companies of India.

H₁: There is significant difference between size of cash of selected paint companies of India.

Limitations of the Study

- The study is limited to the selected paint companies.
- The study is done for the period of the five years only.
- The study is limited to the cash management of selected paint companies.

Data Analysis and Interpretation

Table 1: Size of Cash of Selected Paint Companies

(Rs.in crore)

Year		Asian	Berger	Nerolac	Shalimar	Total
2016-17	amount	205.94	102.45	261.44	117.28	687.11
	% within companies	29.97	14.91	38.05	17.07	100
	% with years	20.48	8.5	27.15	27.40	100
2017-18	amount	121.1	204.97	363.61	51.219	740.90
	% within companies	16.34	27.67	49.08	6.91	100
	% with years	12.04	17.01	37.77	11.97	100
2018-19	amount	167.52	238.48	96.19	138.002	640.25
	% within companies	26.16	37.25	15.02	21.56	100
	% with years	16.66	19.8	9.99	32.26	100
2019-20	amount	376.06	219.23	166.28	45.126	806.70
	% within companies	46.62	27.18	20.61	5.59	100
	% with years	37.40	18.18	17.27	10.54	100
2020-21	amount	134.91	439.61	75.29	76.28	726.09
	% within companies	18.58	60.54	10.37	10.51	100
	% with years	13.41	36.49	7.82	17.82	100
Total		1005.53	1204.74	962.81	427.97	

Source: Annual reports.

In the above table we can see that the size of cash in Asian paint was Rs. 376.06 highest in the year 2019-20 and Rs. 121.1 lowest in the year 2017-18, Berger paint had highest cash in the year 2020-21 and Shalimar paint had highest cash balance in the year 2018-19 and Nerolac paint had highest cash balance in the year 2017-18. The total cash balance of Berger paint was highest during the five years.

Table 2: Descriptive Statistics of Size of Cash of Selected Paint Companies

Company	Mean	Standard Deviation	Median	Kurtosis	Skewness	Minimum	Maximum
Asian	201.11	101.13	167.52	3.03	1.715	121.1	376.06
Berger	240.95	122.90	219.23	2.56	1.150	102.45	439.61
Nerolac	192.56	120.14	166.28	-1.07	0.674	75.29	363.61
Shalimar	85.59	40.81	76.28	- 2.29	0.420	45.13	138.06

The descriptive statistics of cash is calculated which depicts mean of Asian, Berger, Nerolac and Shalimar is 101.1, 122.90, 120.14 and 85.59 respectively. The Kurtosis is platykurtic in case of Nerolac and Shalimar. The skewness is positive in case of all companies.

ANOVA Test

Source of Variation	SS	df	MS	F	P- value	F crit
Between groups	66152.04	3	22050.68	2.108113	0.139409	3.2338872
Within groups	167358.6	16	10459.91			
Total	233510.6	19				

The above table shows P value and mean. At five percent level P value is 0.13 > 0.05, it means null hypothesis is accepted. The results of the test shows that there is no significant difference between size of cash of selected paint companies.

Table 3: Cash to Current Assets Ratio

Year	Asian	Berger	Narolac	Shalimar
2016-17	3.79	5.47	11.10	4.06
2017-18	2.20	9.76	14.37	2.13
2018-19	2.77	10.45	4.44	4.76
2019-20	6.45	9.92	7.55	2.33
2020-21	1.35	14.24	2.60	3.98

Source: Annual reports.

The cash to current assets ratio shows portion of cash into current assets. The ratio above 1 indicates company is able to meet its short-term obligations. The highest cash to current ratio of Asian paint was 6.45 in 2019-20, Berger paint was 1.45 in 2018-19, Nerolac paint was 14.37 in 2017-18 and Shalimar paint was 4.76 in 2018-19.

Table 4: Cash Coverage Ratio

Year	Asian	Berger	Narolac	Shalimar
2016-17	7.16	9.25	38.03	3.93
2017-18	3.56	15.84	42.65	1.58
2018-19	4.51	17.20	12.44	5.27
2019-20	11.77	14.83	24.76	1.91
2020-21	2.95	24.15	7.78	3.06

Source: Annual reports.

Cash coverage ratio is helpful to determine the amount of cash available to pay off the liabilities of business. It shows change in financial position of the company. The cash coverage ratio of Nerolac paint was 42.65 in 2017-18 means company can pay its liabilities easily whereas cash coverage ratio of Shalimar paint was 1.58 in 2017-18 means company cannot meet its financial obligations easily.

Findings

- The size of cash of Shalimar paint was low as compare to other three paint companies. It was fluctuating during the period of study.
- The cash to current asset ratio of Nerolac paint was highest in 2017-18 compare to other three paint companies. The cash to current ratio of all the companies is satisfactory during the period of study.
- The cash coverage ratio of Nerolac paint is satisfactory during the period of study.
- The cash coverage ratio of Asian paint was 11.77 in 2019-20 and Berger paint was 24.15 in 2020-21 which is satisfactory.

Suggestions

- The size of cash of Berger paint is high so company should use cash management techniques to make profitable use of cash.
- Asian paint should try to maintain cash to current asset to meet its obligations on time.
- Shalimar paint should offer discount to customers so they pay on time and company should manage its cash balances properly.

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