A STUDY ON CASH MANAGEMENT & ITS CHALLENGES IN SMALL BUSINESS WITH SPECIAL REFERENCE TO IMPHAL WEST DISTRICT OF MANIPUR

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Abstract: Small business is rising at a tremendous rate and it plays a significant role in developing country's economy. But, the concept of cash management is not very familiar in small business as they are less aware of the importance of cash management. However, it is of great significance for the success of a small business. This study aimed to examine the cash management practices and to analyze the challenges faced by the small business while managing the cash in Imphal West district of Manipur. The researcher found that majority of the respondents management their cash properly but the way implementing is not systematic as well as for recording the cash transactions.

Keywords: Small business, small business owner, cash, cash management

1. INTRODUCTION

Small Business plays a very important role in the economic development of every country. Small business unit occupy a significant position in the economy of India, which is characterised by scarce capital, huge population, chronic unemployment and imbalanced growth. The advantage of developing Small Business lies in the fact that they have the capacity to produce a large number and variety of good with relatively low investment. They offer a great employment opportunities per unit of capital investment as compared to large enterprise. As small business work on a decentralized pattern over large area results in achieving distinct socio-economic advantage, such as proper utilisation of available resources, development of skill and more equitable distribution of national income. Small Business Unit required less capital as a developing country, India could easily expand the small business investment less capital. Small business helps in reducing regional imbalance, which is a common phenomenon of the underdeveloped world. Small scale industries are labour-intensive and lend a helping hand to crop the burning problem of the unemployment of India. Small business unit limit the concentration of economic and industrial power in a small number of individuals or locations, and they can be more strategically located in underdeveloped areas to raise average living standards.

Cash is a specific form of money. From financial point of view, it refers to all money items and sources that are immediately available to help pay a firm's bills. It is the most common purchasing power or medium of exchange. Cash is one of the most important elements of working capital. Cash is the lifeblood of a business, and a business needs to generate enough cash from its activities so that it can meet its expenses and have enough left over to repay investors and grow the business. While a company can fudge its earnings, its cash flow provides an idea about its real health. Cash management is one of the challenges faced by the business firms in order to meet the competition in the market. It is given considerable emphasis in every business and mismanagement of cash will lead to sickness especially in small business.

2. REVIEW OF LITERATURE

Mbroh (2012) examined survey evidence on cash management practices of 202 small business owners (SBOs) in the Cape Coast Metropolitan Area of Ghana. The author evident in the study that majority of the SBOs studied either do not understand the attributes or the importance of cash management and as a result did not practice any formal system of the concept. The informal system of cash management practices was found to be susceptible to cash fraud and other business growth difficulties.

Mungal (2014) aimed to identify the current cash management practices of the small businesses in Tongaat area and to identify the impact of these practices on the profitability and sustainability. The author suggested that more often the business draws up cash budget. The author found that effective and efficient cash management is an integral component of any successful business.

Mungal & Garbharran (2014) observe that the implementation of sound cash management practices is essential to ensure the profitability and sustainability of any successful business. The purpose of this paper is to identify the cash management challenges faced by small businesses in a developing community. The investigation into this problem found that small business owners, who have basic knowledge about cash management, were more profitable and had sufficient cash to handle business activities. This paper further given sufficient evidence testifying that a greater portion of small business owners are operating their businesses without formal financial records in place as well as without any higher qualification on small business management. The authors recommends that businesses should implement cash management procedures to eliminate cash management difficulties, since effective and efficient cash management is an integral component of any business.

Ahmad (2016) state that maintaining a high level of cash management practices by the businesses is a way to strengthen their financial management and financial survival. In his study he found that the businesses implement high level of cash management practices but still poor in terms of the internal control of cash management practice. The author further suggested that the capital provider need to provide awareness to the entrepreneurs on the various significance of implementing a good internal cash management in order to avoid financial issues. It is important to ensure that they are aware of the benefits of cash management including strengthening business efficiency, improving the performance and enhancing long term survival of the SMEs.

Enow & Kamala (2016) found that most of the sampled manage their cash effectively and minority of these entities kept cash for speculative purpose or even invest surplus cash suggests that they are not optimizing their utilization of this scarce resource. The authors attempt to fill in the gap by investigating the cash management practices of Small Medium and Micro Enterprises.

Naidu & Sneha (2020) state that small and medium-sized enterprises (SMEs) play an important role because they are capable of generating employment, fostering GDP growth, embarking on innovation and stimulating other economic activities. The authors found that various cash management practices are applying and occasionally preparing a cash budget, sometimes getting cash shortage, cash surplus. Overall, the enterprises are said that the cash management practices are effective in their business.

3. OBJECTIVES OF THE STUDY

In order to bring out the clear analysis of cash management of small business of Imphal west, District of Manipur, the specified objectives of the present study are

- To examine the cash management practices implemented in the selected small businesses.

- To understand the challenges faced by the small business while managing the cash.

4. METHODOLOGY

4.1. Definition of the small business
For the purpose of present study, small business refers to those sole proprietorship business having an employee of maximum three including the owner.
4.2. Sample selection
To achieved the objectives of the study a total of 70 small business of Imphal West district of Manipur was selected randomly. business having an employee of maximum there including the owner. Out of 70 respondents, 13 respondents interview schedule are rejected as because while examining the filled interview supply by the respondents is found to be contradictory in spite of the fact that each of the point of the interview schedule were explained to them thoroughly. It means that the respondents were reluctant to share information even though they had shown almost interest in helping the researcher by sharing the information. As a result, analysis is made against the interview schedule of 57 respondents (Small Business Owner).
4.3. Questionnaire design
The interview schedule is constructed for the small business owner in order to collect information in line with the objectives of the study. Interview schedule is composed of three parts. In the first part questions related to general information of the small business owner at design. In second part the information regarding the analysis of cash management practices is taken and in the third part information regarding various challenges faced by the small business owner are taken. The interview schedule is framed after considering the various research work undertaken in the same line and opinion of the experts. Before starting an interviewed the researcher introduced himself and explain the purposed for holding such interview.
4.4. Statistical Analysis
Simple analytical tools like frequency, percentage and pie chart were used for analysis. Further to analyse the cash management practices and challenges faced by small business, Chi-square test was applied. For applying such statistical tools MS Excel program was used.

5. RESULTS AND DISCUSSIONS

The descriptive contained in the following program are based on the primary data which are collected with the help of an interviewed schedule.

5.1.: Respondent's personal and business profile

Table 1: Respondent's personal and their business's profile

Source: Field Survey

	No. of respondents	Percentage
Age of the owner		
Above 18 upto 25	10	17.6
Above 25 upto 40	26	45.6
Above 40 upto 60	19	33.3
Above 60	2	3.5
Grand Total	57	100
Gender of the owner		
Female	23	40.4
Male	34	59.6
Grand Total	57	100
Qualification of the owner		
10th standard	16	28.1
10+2	16	28.1
Graduate	20	35.1
Post Graduate	4	7
Professional	1	1.7
Grand Total	57	100
Age of the business		
Above 1 to 5 years	39	69
Above 5 to 10 years	7	12
Above 10 years	11	19
Grand Total	57	100
Business having employees		
1 employee	9	34.6
2 employees	34	65.4
Grand Total	43	100

The respondents were asked to provide information on their personal profiles relating to their age, gender, education background age of the business and number of employees. The purpose of this information was to ensure that the appropriate respondents had been selected to participate in the survey and also to ensure that respondents of different characteristics and persuasions participate in the survey in order to minimize non-response bias.

The study shows that 17.6% of the respondents (Small Business Owners) belong to the category of above 18 years to 25 years, 45.6% belong to the age group of above 25 years to 40 years, 33.3% belong to the category of above 40 years to 60 years and only 3.5% belong to the age group of above 60 years. Concerning to the gender of the respondents, 59.6% are male and 40.4% of the respondents are female. This shows that majority of the small business in this area are own and run by the male.

With regard to the qualification level of the respondents, out of the these 28.1% of the respondents belong to the category of 10th standard, 28.1% of the respondents are in the category of 10+2 standard, 35.1% of the respondents are graduate, 7% of the total respondents are in the post graduate level and 1.7% of the respondents are professional in this field.

Regarding the age of the business, only the owner of those businesses which have completed one year and above are taken for the study. Out of the total respondents 69% of the respondents have been running the for more than 1 year but less than 5 years, 12% of the respondents indicated that their business which have been running for more than 5 years but less than 10 years and 19% of the respondents indicated that they have been operating the business for more than 10 years.

As far as concerned about the employees of the business, 65.4% of the respondent have one employee and 35.6% have two employees. This shows that majority of the respondent have at least one employee or supporting staff.

5.2.: Cash management practices
Table 2: Cash management practices

	No. of respondents	Percentage
Source of start-up capital		
Family Assistant	20	35
Loan	13	23
Personal Saving	21	37
Spouse	3	5
Grand Total	57	100
Amount for start-up capital		
Less than 1 lakh	27	47.4
Above 1 to 3 lakhs	18	31.6
Above 3 to 5 lakhs	5	8.8
Above 5 to 10 lakhs	6	10.5
Above 10 lakhs	1	1.7
Grand Total	57	100
Additional capital for expansion of business		
Family assistant	17	30
Loan	8	14
Personal saving	31	54
Spouse	1	2
Grand Total	57	100
Total average annual sale		
Less than 1 lakh	18	31.6
Above 1 to 5 lakhs	21	36.8
Above 5 to 10 lakhs	13	22.8
Above 10 lakhs	5	8.8
Grand Total	57	100
Prepared cash budget or cash forecast		
Weekly	8	14
Monthly	24	42.1
Quarterly	4	7
Regularly	7	12.3
Never	14	24.6
Grand Total	57	100
Cash transaction recorded in		
Cash Book	15	26.3
Personal Notes	25	43.9
Register	11	19.3
Never	6	10.5
Grand Total	57	100

Source: Field Survey

Table 2 shows that how business was started and from where the owners raise the capital. It also reveals how the owners managed the cash flow of the business and their practices proper management of cash.

This study shows the source start-up capital, out of the total respondents 35% of the respondents were supported by their family members for their start up. 23% of the respondents admit that there isn't sufficient money available to run their business without obtaining or having access to external funding such as a loan and took loan for their business. 37% of the respondents used their personal saving to start up the business and lastly 5% of the respondents were supported by their spouse to start the business. Here it concerned about the amount (in Rupee) of capital invested by the respondents when they start the business for the first time. 47.5% of the businesses invested less than 1 lakh, 31.6% of the businesses were started by investing above 1 lakh upto 3 lakhs, 8.8% of the respondents invested above 3 lakhs upto 5 lakhs, 10.5% of the respondents invested more than 5 lakhs but less than 10 lakhs and out the total respondents 1.7% of the businesses were invested more than 10 lakhs for the start up.

This study indicates that from where the small business owner got additional capital for the expansion of business. 30% of the respondents get their additional capital from their family members, 14 % of the total respondents used external source of capital as loan, majority of the respondents (i.e., 54%) used their personal saving for the expansion of the business and 2% of the respondents get their money from their spouse for the expansion of the business.

With regard to annual sale of the business the study found that 31.6% of the respondents sold less than 1 lakh in a year, 36.8% of the respondents have annual total sales of more than Rs 1 lakh upto Rs 5 lakhs, 22.8% of the respondents indicate that more than Rs 5 lakhs were sold in a year which goes upto Rs 10 lakhs and 8.8% of the total respondents have sold more than Rs 10 lakhs in average in a year.

To run the business smoothly a well proper planning is mandatory. So, the small business owners prepared a budget on regular basis. Out of the total respondents, 14% of the respondents prepared their budget on the weekly basis, 42.1% of the respondents prepared monthly, only 7% of them prepared quarterly which is for three months, 12.3% of the respondents do not specify the period but they prepared on the regular basis from time to time and 24.6% out of the total respondents never prepared cash budget. Business owners recorded all the transactions to track the cash flow. 26.3% of the respondents maintain a cash book, 43.9% of the respondents maintain a personal notes to write all the transaction of their business, 19.3% of the businesses prepare a register book to keep all the transactions and only 10.5% of the respondents never record their transactions.

Despite from the above table 1, the researcher also studied about the monitoring of books of account. The study reveals that 59.6% of the respondents monitor the books of account on daily basis, 15.8% of the respondents monitor weekly, 8.8% of the respondents check monthly and remaining 15.8% of the respondents monitor only when they get time.

After the purchase or sale of stocks, it is examined properly to track the stocks. The study reveals that 43.9% of the respondents examine on daily basis, 33.3% of the respondents done once in a week, 8.8% of the respondents examine once in a month and 14% of the respondents examine the stock from time to time.

Calculating the expenses of the business is compulsory to show the clear picture of profit. In these expenses it includes house rent, electricity bill, insurance, stationary, etc., which is indirectly related to business activities. The study shows that 65% of the respondents incurred less than Rs 10000 in a month, 10% of the respondents pay more than Rs 10000 but not more than Rs 20000 as monthly expenditure, 7% of the respondents incurred above Rs 20000 to Rs 30000 as expenditure, 9% of the respondents incurred above Rs 30000 to Rs 40000 as monthly expenses and 9% of the respondents incurred above Rs 40000 as expenditure in a month.

5.3.: Challenges faced by the owner while managing cash

Most of the small businesses allowed credit sales to their customers, recovery of this credit sales become a challenge for the owners. The study found that 56.1% of the respondents accept credit and 43.9% of the respondents do not accept credit. So, majority of the respondents allowed credit. The reason for allowing credit to the customer is generally to attract customers 46% of the respondents allowed credit purchase in order to satisfied the customer, 35% of the respondents gave the reason that it is market tradition to allowed credit to the customers and 19% of the respondents practiced credit so as to improved sales. As the paper study the reason of credit sales now here comes the techniques for recovering credit from the customers. The study reveals that 20% of the respondents used the technique of extending credit period so that the customers could pay off easily after the due date. 36% of the respondents give discount to the customers as the payable amount is reduce, they might clear the due in short period. 13% of the respondents lower the interest payable by the customers for the credit purchase which helps them to pay the due amount on time. And 31% of the respondents used other techniques to recover the credit which they don't want to disclosed it.

Apart from the above challenges, business owners faced the risk of credit recovery, entry of new firm, existing competition and irregular supply from suppliers. Out of the total respondents, 21% of the respondents faced the risk of recovering credit sales from the customers, 14% of the respondents faced the problem of irregular supply of goods from the supplier which could unfulfilled the customers satisfaction, 35% of the respondents faced the risk of competition in the existing market, 9% of the respondents fears that the entry of new business in the present market might affect their business and 21% of the total respondents faced all the risks mentioned above.

Inventory management is necessary for any business. The study shows that how much money invest on stock or inventory (in rupee), 57.9% of the respondents purchase their stock less than Rs 1 lakh, 29.8% of the respondents invest more than Rs 1 lakh but not more than 5 lakhs, 7% of the respondents invest more than Rs 5 lakhs but not more than Rs 10 lakhs and 5.3% of the businesses invest more than Rs 10 lakhs. Credit purchase from the supplier is common and for small business which earned less revenue, they sometime fail to pay off the debt. Because of this reason supplier are reluctant to supply goods and supply of goods become irregular. And this is not for all the respondents, 82.5% of the total respondents pay regularly to their suppliers.

5.4.: Tested hypotheses with Chi square

Table 5.4.1.: Rejected Null Hypotheses

Demographic variables	Dependent variables	Null Hypothesis	Value of p	Result
Age of the owner	Source of startup capital	H_O: There is association between Age of the owner and source of the capital	0.63	Rejected
	Total average annual sales	H_O: There is association between Age of the owner and total average annual sales	0.28	Rejected
	Additional capital for expansion of business	H_O: There is association between Age of the owner and additional capital for expansion of business	0.71	Rejected
	Technique regarding recovery of credit sales	H_O: There is association between Age of the owner and technique regarding recovery of credit sales	0.29	Rejected
	Monitoring the books of account	H_O: There is association between Age of the owner and monitoring the books of account	0.39	Rejected
Gender of the owner	Source of start-up capital	H_O: There is association between the gender of the owner and the source of start-up capital	0.47	Rejected
	Amount for start-up capital	H_O: There is association between the gender of the owner and the amount for start-up capital	0.51	Rejected
	Technique regarding recovery of credit sales	H_O: There is association between the gender of the owner and the technique regarding recovery of credit sales	0.23	Rejected
	Risk faced by business	H_O: There is association between the gender of the owner and the risk faced by business	0.53	Rejected
	Prepared cash budget or cash forecast	H_O: There is association between gender of the owner and prepared cash budget or cash forecast	0.07	Rejected
	Credit sales	H_O: There is association between the gender of the owner and the risk faced by business	*0.29*	Rejected
Qualification	Source of start-up capital	H_O: There is association between qualification of the owner and source of start-up capital	*0.91*	Rejected
	Technique regarding recovery of credit sales	H_O: There is association between qualification of the owner and technique regarding recovery of credit sales	0.79	Rejected
	Prepared cash budget or cash forecast	H_O: There is association between qualification of the owner and preparation of cash budget	0.41	Rejected Rejected

	Monitoring the books of account	H$_O$: There is association between qualification of the owner and monitoring the books of account	0.207	Rejected
Types of business	Amount of investment in stock	H$_O$: There is association between types of business and amount of investment in stock	0.34	Rejected
	Source of start-up capital	H$_O$: There is association between types of business and source of start-up capital	0.89	Rejected
	Credit sales	H$_O$: There is association between types of business and credit sales	0.7	Rejected
	Total average annual sale	H$_O$: There is association between types of business and total average annual sale	0.62	Rejected
	Risk faced by business	H$_O$: There is association between types of business and risk faced by business	0.99	Rejected
	Examination of stocks	H$_O$: There is association between types of business and examination of stocks	0.809	Rejected
Age of the business	Total average annual sales	H$_O$: There is association between age of the business and total average annual sales	0.69	Rejected
	Additional capital for expansion of business	H$_O$: There is association between age of the business and additional capital for expansion of business	0.302	Rejected
	Technique of credit recovery	H$_O$: There is association between credit period allowed and technique of credit recovery	0.92	Rejected

In the above the table, it shows that the calculated value of chi-square test of all the variables at 5 % level of significance are more than the value of p (0.05) at 5% level of significance. This means that the above null hypotheses are rejected.

Table 5.4.2. Accepted Null Hypotheses

Demographic variables	Dependent variables	Null Hypothesis	Value of p	Result
Age of the owner	Amount of start-up capital of the small business	H$_O$: There is association between the age of the owner and the amount of start-up capital of the small business	0.0003	Accepted
Qualification	Cash transaction recorded in	H$_O$: There is association between qualification of the owner and recording cash transaction	0.02	Accepted

Table 4.2. shows that those hypotheses are accepted as the calculated value of chi-square are less than the value of p (0.05) at 5% level of significance. So, those given demographic variables are associated with their respective dependent variables.

6. CONCLUSION

The purpose of the study was to explored the cash management practices and challenges faced by the small business owner. In order to run business smoothly, proper management of cash is essential. The study concludes that the rate of implementation of cash management practices is high but they are very much informal. It is observed that majority of the small business owners used personal saving as start-up capital. Since their saving is used as the source of start-up capital, the amount of start-up capital is less than 1 lakhs and their total annual sale is also less. After analysing all the data, the study reveals that the owners could not avail the facility of loan from the financial institutions because of low chances of recovery. Most of the owners allowed credit to their customers and the dominant reason is to satisfied their customers. The study evidence that a greater portion of respondents maintain transaction in their personal note which is not very much formal and further found that they monitor the transaction daily basis. To make a well organize developed business, it is essential to improve the Small Business and its related sector. It is basic thing that the small business owner must aware of both practical and theoretical knowledge of cash management. The state government or the development agencies should initiate necessary steps for the development of the sector as well as making them aware about the cash management.

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