Cash Management Practices In Small Scale Enterprises

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Abstract

Cash management is one of the key areas of working capital management. The objective of cash management is to "keep the resource in cash as low as possible while still operating the firm's activities efficiently and effectively". Cash management refers to the functions of a financial executive concerning planning, raising, controlling and administering cash resources in a business unit. Traditional cash management was relatively simple. It was more concerned with custodianship. But modern cash management means controllership besides custodianship. It is concerned with making use of cash resources to maximize without endangering its liquidity position or credit standing in the market. Cash management also includes management of marketable securities, because in modern terminology money comprises marketable securities and actual cash in hand/bank. Considering the importance of cash management, the researcher has taken various aspects on the selected small scale enterprises to study cash management such as motives for holding cash, cash management practices, operational adequacy of cash, and control of cash flows. Finally suggestions and conclusion have drawn from the analysis.

Key Words: Cash Management, SSEs, Marketable Securities, Liquidity, Working Capital Management

Introduction

Every business has to maintain a cash balance to meet needs that can be managed only with cash. The convenience and liquidity associated with keeping cash also carries a cost as cash does not earn a return. Some businesses hold cash equivalents such as Treasury Bills, which provide almost all of the convenience of cash but also earn a return for the holder, albeit one lower than earned by the business on real projects. Cash has been defined as demand deposits plus currency. Cash is the money which a firm can disburse immediately without any restriction.

Cash is one of the most important components of working capital of a business. The owner/manager of a small enterprise must focus on working capital and cash flow from the beginning of the financial process. The steady and healthy circulation of cash through out the entire business operation is the basis of business solvency. Adequate availability of cash to

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meet the needs of a business/industrial unit is essential. Cash is the important current asset necessary for the operations of the business.

Review of Literature

Vasudev Rao (1999) made a crucial attempt to present some of the issues related to working capital management and operating cash cycle of small enterprises. Liquidity ratios were used for analyzing data. The researcher found one new ratio i.e. **Maximum Internally Financeable Rate of Growth (MIFROG)**. This has been very useful tool to assess sales growth possibilities without looking for outside finance. MIFROG analysis is used by owners or managers for closely monitoring of **Operating Cash Cycle (OCC)** and for managing their assets effectively. After comparing the final results with the Nayak Committee Report, the author concluded that the Nayak committee recommendations regarding working capital management were not fully implemented.

Bishnupriya Mishra and Kor N.C., (1999) concluded that there is a significant correlation among different financial ratios which measure profitability, liquidity and cash flows of a company. The ratios can be clubbed into different categories. The analysis on these ratios infers that cash-flow measures are better indicators than the profitability and liquidity ratios for indicating the financial health of a company. Hence, the cash flow based ratios taken together have a better predictive power than the other traditional financial ratios.

Ashita Raveendran (2003) presented a survey on the financial structure and performance of the engineering industry in Kerala. He conducted a study on resources and uses of funds such as liquidity, inventory, and cash management. For analyzing the financial data, he used tools such as comparative financial and operating statements, common size statements, trend analysis, averages, ratio analysis, funds flow statements. And also, he made use of Altman's model for testing its consistency. He finally considered that there is a shortage of working capital which has resulted in low capacity utilization of engineering industries in Kerala.

Ramachandran (2003) made an important attempt to study the nature and dimensions of problems of small scale industries. The study found that the small scale units suffer from the scarcity of finance and credit available. Small scale industries do not have sufficient funds of their own and they find it difficult to have necessary resources from outside agencies. Finally, he pointed out another problem for SMS financing to buy raw materials on cash basis and then supplying of finished goods on credit often extending from 90 to 120 days. This caused sizable outflows of cash resources and further forced to industrial sickness.

Data Collection and Methodology

Sample

This study examines the cash management practices of SSEs and to provide practical information to policy-makers, financiers, academics and most importantly business owners/managers. The study is based on interviews with owner/managers in 95 SSEs operating in the Anantapur District of six different industrial estates, by using a pre-tested schedule.

Care has taken to select approximately 50 per cent of the small scale enterprises from each industrial category. The number of units are selected industry-wise as shown in the table 1.

Analysis and Interpretation

Cash Management Practices in the Selected Small Scale Enterprises

The cash management practices in the small scale enterprises usually differ from that of the large scale industrial enterprises because of the differences in size, location, nature and financial environment. Many a time it is convenience that matters in the small scale enterprises rather than the prerogatives of scientific practices of cash management.

Table 1: Industry-Wise Classification of Sample Small Scale Enterprises

Industry Type	No. of Working Units in Universe	Sample (No. of Units)	Percentage
Engineering	64	32	50.00
Mineral	50	25	50.00
Agro-Based	18	10	55.55
Plastic	16	09	56.25
Chemical	07	04	57.14
Miscellaneous	28	15	53.57
Total	183	95	51.91

Source: Records of Andhra Pradesh Industrial Infrastructure Corporation Limited, Industrial Estates of Anantapur and Hindupur.

Causes for Keeping Cash

There exist a variety of reasons for keeping cash in the business. Reasons for keeping cash in the small scale enterprises can be stated as 'to meet daily obligations', 'to take advantage of favourable market conditions', 'to obtain cash discounts from the suppliers' and 'to meet the contingencies'. The reason-wise break up of the selected small scale enterprises confirm that, 60 per cent of the selected small scale enterprises maintain cash 'to meet daily obligations', 14.74 per cent of the enterprises keep cash 'to take advantage of favourable market conditions', 5.26 per cent of the enterprises maintain cash 'to secure cash discount from the suppliers' and 8.42 per cent of the enterprises maintain cash 'to meet the contingencies' and the remaining 11.58 per cent of the enterprises maintain cash because of 'all the above purposes'. Industry-wise analysis shows:

Table 2: Reasons for Keeping Cash in the Concern by the Selected Small Scale Enterprises

REASONS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che		Mis
To meet daily obligations	20 (62.50)	17 (68.00)	05 (55.56)	04 (50.00)	02 (50.00)	09 (52.94)	57 (60.00)
To take advantage of favourable market conditions	05 (15.63)	02 (8.00)	02 (22.22)	0- -	01 (25.00)	04 (23.53)	14 (14.74)

Table 2 : Continued

REASONS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
To secure cash discount from suppliers	02 (6.25)	01 (4.00)	01 (11.11)	0-	0-	01 (5.88)	05 (5.26)
To meet the contingencies	02 (6.25)	01 (4.00)	0-	02 (25.00)	01 (25.00)	02 (11.76)	08 (8.42)
All of the above	03 (9.37)	04 (16.00)	01 (11.11)	02 (25.00)	0-	01 (5.88)	11 (11.58)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on the column totals.

- 62.50 per cent of the engineering enterprises, 68.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 50.00 per cent of the plastic and chemical enterprises, and 52.94 per cent of the miscellaneous enterprises maintain cash to meet daily obligations. On the whole 60.00 per cent of all the selected small scale enterprises maintain cash 'to meet daily obligations'. Hence it can be taken as the most important reason for small scale enterprises to maintain cash.

- 15.63 per cent of the engineering enterprises, 8.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 25.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises maintain cash 'to take advantage of favourable market conditions'. On the whole 14.74 per cent of all the selected small scale enterprises maintain cash 'to take advantage of favourable market conditions'. Hence it can be taken as the second most important reason for small scale enterprises to maintain cash.

- 6.25 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic and chemical enterprises, and 11.76 per cent of the miscellaneous enterprises maintain cash 'to meet the contingencies'. On the whole 8.42 per cent of all the selected small scale enterprises maintain cash 'to meet the contingencies'. Hence it can be taken as the third important reason for small scale enterprises to maintain cash.

- 6.25 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises and 5.88 per cent of the miscellaneous enterprises maintain cash 'to secure cash discount from the suppliers'. On the whole 5.26 per cent of all the selected small scale enterprises maintain cash 'to secure cash discount from the suppliers'. Hence it can be taken as the fourth important individual reason for small scale enterprises to maintain cash.

- 9.37 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, 25.00 per cent of the plastic enterprises, and 5.88 per cent of the miscellaneous enterprises gave 'all the above' as the answer for maintaining

cash. On the whole 11.58 per cent of all the selected small scale enterprises have chosen 'all the above' as the answer. This shows that they do not have clarity regarding the reason for maintaining cash in the concern.

Review of Cash Position

It is evident from table 3 that 65.26 per cent of the enterprises review cash position daily, 22.11 per cent of the enterprises review cash position weekly once, 10.53 per cent of the enterprises review cash position monthly once and only 2.10 per cent (two engineering enterprises) review cash position as and when necessary. Industry-wise analysis shows that:

- 65.62 per cent of the engineering enterprises, 60.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 62.50 per cent of the plastic enterprises, 100 per cent of the chemical enterprises and 70.59 per cent of the miscellaneous enterprises review cash position daily.

Table 3: Periodicity of Time Taken to Review Cash Position in the Selected Small Scale Enterprises

TIMEPERIOD	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
Daily	21 (65.62)	15 (60.00)	05 (55.56)	05 (62.50)	04 (100)	12 (70.59)	62 (65.26)
Weekly	05 (15.63)	06 (24.00)	03 (33.33)	02 (25.00)	0 -	05 (29.41)	21 (22.11)
Monthly	04 (12.50)	04 (16.00)	01 (11.11)	01 (12.50)	0 -	0 -	10 (10.53)
As and when necessary	02 (5.25)	0 -	0 -	0 -	0 -	0 -	02 (2.10)
Total	32 (100)	25 (100)	09 (100)	08 (100)	04 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on the column totals.

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- 15.63 per cent of the engineering enterprises, 24.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, 25.00 per cent of the plastic enterprises, and 29.41 per cent of the miscellaneous enterprises review cash position weekly once.
- 12.50 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, and 12.50 per cent of the plastic enterprises review cash position monthly once.
- 5.25 per cent of the engineering enterprises only review cash position as when necessary.

From this it can be understood that a majority of the selected small scale enterprises review the cash position daily. The next popular practice among the small scale enterprises in the area is to review cash position weekly. Some of the small scale enterprises also follow the practice of reviewing cash position monthly.

Methods Followed for Determining Minimum Cash Balance

The small scale enterprises selected in the sample follow different methods for determining the minimum cash balance required to be maintained in the concern. The methods include determining the minimum cash balance required as 'a fixed sum', as a 'percentage on total investment', as a 'percentage on production budgets' and as a 'percentage on wage and purchase bill'. It is evident from table 4 that 48.42 per cent of the enterprises determine the minimum cash balance required as a percentage of wages and purchase bill, 25.26 per cent of the enterprises determine the required minimum cash balance as a fixed sum, 14.74 per cent of the enterprises determine the required minimum cash balance as a percentage of production budget, 9.47 per cent of the enterprises determine the minimum cash balance as percentage of total investment and 2.11 per cent of the enterprises followed any other method for determining minimum cash balance required. Industry-wise analysis shows that:

Table 4: Methods of Determining Minimum Cash Balance in the Selected Small Scale Enterprises

BASIS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
A fixed sum	13 (40.63)	07 (28.00)	0 -	0 -	0 -	4 (23.53)	24 (25.26)
As a % total investment	05 (15.63)	01 (4.00)	0 -	0 -	0 -	03 (17.65)	09 (9.47)
As a % production budget	03 (9.38)	05 (20.00)	02 (22.22)	01 (12.50)	01 (25.00)	02 (11.76)	14 (14.74)
As a % wage & purchase bill	11 (34.38)	11 (44.00)	06 (66.67)	07 (87.50)	03 (75.00)	08 (47.06)	46 (48.42)
Any other	0 -	01 (1.00)	01 (11.11)	0 -	0 -	0 -	02 (2.11)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on the column totals.

- 40.63 per cent of the engineering enterprises, 28.00 per cent of the mineral-based enterprises, and 23.53 per cent of the miscellaneous enterprises determine the minimum cash balance required as a fixed sum. It means they do not follow any scientific method for determining the minimum cash balance required.
- 15.63 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, and 17.65 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage on total investment.
- 9.38 per cent of the engineering enterprises, 20.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 12.50 per cent of the plastic enterprises, 25.00 per cent of the chemical enterprises, and 11.76 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage of production budget.
- 34.38 per cent of the engineering enterprises, 44.00 per cent of the mineral-based enterprises, 66.67 per cent of the agro-based enterprises, 87.50 per cent of the plastic enterprises, 75.00 per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises determine the minimum cash balance required as a percentage of wages and purchases bill.
- 1.00 per cent of the mineral-based enterprises and 11.11 per cent of the agro-based enterprises follow 'any other' method for determining the minimum cash balance required.

Determining the minimum cash balance required 'as a percentage on wages and purchases bill' appears to be the most popular method among the selected small scale enterprises. It is followed by 'fixed sum method', as a 'percentage on production budget method', and as a 'percentage on total investment method'. It is noteworthy that none of the agro-based, chemical and plastic enterprises follow the fixed sum and percentage on total investment methods for determining the minimum cash balance required.

Ways and Means to Overcome Shortage of Cash

Some times, small scale enterprises may experience a situation of cash balance falling below the desired minimum level. Table 5 shows the ways and means adopted by the selected small scale enterprises to overcome the problem of cash balances falling below the minimum desirable level. As many as 47.37 per cent of the enterprises try to overcome the shortage of cash by securing funds from non-banking sources (i.e., these enterprises raise loans from friends and relatives, and pawn brokers), 22.11 per cent of the enterprises make up the deficit by utilizing the bank credit line (i.e., these enterprises make use of the overdraft or cash credit facility provided by the banks), 15.79 per cent of the enterprises liquidate the marketable securities when their cash balance goes below the minimum desirable level, and the remaining 14.73 per cent of the enterprises delay the payments to the suppliers, to overcome the shortage of cash position. Industry-wise analysis shows that:

Table 5 : Ways and Means to Overcome Shortage of Cash

TIMEPERIOD	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
By utilizing bank credit line	11 (34.38)	1 (4.00)	0 -	3 (37.50)	2 (50.00)	4 (23.53)	21 (22.11)
By liquidating mar ketable securities	6 (18.75)	5 (20.00)	3 (33.33)	1 (12.50)	0 -	0 -	15 (15.79)
Non-banking sources	11 (34.38)	16 (64.00)	3 (33.33)	1 (12.50)	2 (50.00)	12 (70.59)	45 (47.37)
By delaying payment	4 (12.50)	3 (12.00)	3 (33.34)	3 (37.50)	0 -	1 (5.88)	14 (14.73)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source : Field Survey
Note : Figures in the parentheses are percentages on the column totals

- 34.38 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 37.50 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises make use of credit line made available by the banks in case they fall short of cash balance.

- 18.75 per cent of the engineering enterprises, 20.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, and 12.50 per cent of the miscellaneous enterprises meet the deficit by liquidating marketable securities.

- 34.38 per cent of the engineering enterprises, 64.00 per cent of the mineral-based enterprises, 33.33 per cent of the agro-based enterprises, 12.50 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and as many as 70.59 per cent of the miscellaneous enterprises raise the required cash from non-banking sources.

- 12.50 per cent of the engineering enterprises, 12.00 per cent of the mineral-based enterprises, 33.34 per cent of the agro-based enterprises, 37.50 per cent of the plastic enterprises, and 5.88 per cent of the miscellaneous enterprises manage the cash deficit situation by delaying the payments.

From the above, one can understand that 'raising cash from non-banking sources' is the most popular method of overcoming the problem of insufficiency of cash, in small scale enterprises. It is followed by 'utilizing the bank credit line' (22.11 per cent), 'liquidating the marketable securities' (15.79 per cent), and 'delaying the payments' (14.73 per cent). In spite of the development of the organized financial markets unorganized sector sources like friends, relatives, money lenders, private financial institutions, and pawn brokers form an important source for raising short term resources in the small scale sector. Raising finance from these sources results in a number of problems to the small scale entrepreneurs.

Liquidity Position in the Selected Small Scale Enterprises

For every enterprise the liquidity is important to meet the day to day expenses and short term obligations. Table 6 shows probable liquidity position of the selected small scale enterprises.

Table 6 : Liquidity Position in the Selected Small Scale Enterprise

LIQUIDITY OFFUNDS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
Yes	30 (93.75)	21 (84.00)	8 (88.89)	8 (100)	4 (100)	17 (100)	88 (92.63)
No	2 (6.25)	4 (16.00)	1 (11.11)	0 -	0 -	0 -	7 (7.37)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on the column totals.

Table 7 : Methods Used for Assessing the Liquidity Position

METHODS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
Ratio Analysis	6 (18.75)	2 (8.00)	1 (11.11)	0 -	0 -	0 -	9 (9.47)
Cash Flow Analysis	6 (18.75)	1 (4.00)	0 -	2 (25.00)	2 (50.00)	3 (17.65)	14 (14.74)
Any other Method	0 -	9 (36.00)	3 (33.33)	0 -	0 -	0 -	12 (12.63)
No Method Followed	20 (34.38)	13 (44.00)	5 (66.67)	6 (87.50)	02 (75.00)	14 (47.06)	60 (48.42)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on column totals.

Table 7 presence the methods used for accessing the liquidity position of the selected concerns.

- 18.75 per cent of engineering enterprises, 8.00 per cent of the mineral-based enterprises, and 11.11 per cent of the agro-based enterprises use ratio analysis for assessing the liquidity position.

- 18.75 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and 17.65 per cent of the miscellaneous enterprises use cash flow analysis for assessing the liquidity position of the enterprises.

- In 36.00 per cent of the engineering enterprises and 33.33 per cent of the agro-based enterprises other methods are used.

- In 62.50 per cent of the engineering enterprises, 52.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 75.00 per cent of the plastic enterprises, 50.00 per cent of the chemical enterprises and 82.35 per cent of the miscellaneous enterprises no systematic method is used for assessing the liquidity position.

Methods of Utilizing the Excess Cash

Table 8 shows methods of utilization the excess cash by the selected small scale enterprises. If there is any excess cash in the business, 45.26 per cent of the enterprises use it for paying short and long term liabilities, 27.37 per cent of the enterprises use it for investing in the associates, 8.42 per cent of the enterprises use it for purchasing marketable securities and the remaining 18.95 per cent of the enterprises use in some other unspecified manner. Industry-wise analysis shows that:

- 59.38 per cent of the engineering enterprises, 36.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 25.00

per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises use excess cash balance if any for paying off short and long term liabilities.

- 18.75 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 55.56 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 75.00 per cent of the chemical enterprises, and 23.53 per cent of the miscellaneous enterprises use excess cash balance if any for investing in the associates.

Table 8 : Methods of Utilising Excess Cash

METHODS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
Paying Short & Long Term Liabilities	19 (59.38)	9 (36.00)	2 (22.22)	4 (50.00)	1 (25.00)	8 (47.06)	43 (45.26)
Investing in the Associates	6 (18.75)	4 (16.00)	5 (55.56)	4 (50.00)	3 (75.00)	4 (23.53)	26 (27.37)
Purchasing Marketable Securities	4 (12.50)	2 (8.00)	0 -	0 -	0 -	2 (11.76)	8 (8.42)
Any Other (Specify)	3 (9.37)	10 (40.00)	2 (22.22)	0 -	0 -	3 (17.65)	18 (18.95)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on column totals.

- 12.50 per cent of the engineering enterprises, 8.00 per cent of the mineral-based enterprises, and 11.76 per cent of the miscellaneous enterprises use excess cash balance if any for purchasing marketable securities.

- 9.37 per cent of the engineering enterprises, 40.00 per cent of the mineral-based enterprises, 22.22 per cent of the agro-based enterprises, and 17.65 per cent of the miscellaneous enterprises use excess cash balance if any for some other (unspecified) purpose.

From the above analysis it can be concluded that 'paying short and long term liabilities is the most common purpose for which small scale enterprises generally use the excess cash if any. Investment in the associates is second popular purpose for which the excess cash if any is used by the small scale enterprises. It is followed by purchasing marketable securities.

Methods of Raising Short Term Loans

Table 9 shows methods of raising short term loans used by the selected small scale enterprises. If there is any need for cash in the business, 49.47 per cent

of the enterprises receive cash credits from banks, 27.37 per cent of the enterprises receive unsecured loans, 14.74 per cent of the enterprises received secured loans, and the remaining 8.42 per cent of the enterprises avail overdraft facility provided by the banks. Industry-wise analysis shows that:

Table 9 : Methods of Raising Short Term Loans

METHODS	INDUSTRY TYPE						TOTAL
	Eng	Min	Agro	Pla	Che	Mis	
Cash Credit	12 (37.50)	14 (43.75)	8 (88.89)	4 (50.00)	1 (25.00)	8 (47.06)	47 (49.47)
Unsecured Loans	12 (37.50)	4 (16.00)	0 -	2 (25.00)	1 (25.00)	7 (41.18)	26 (27.37)
Secured Loans	6 (18.75)	1 (4.00)	1 (11.11)	2 (25.00)	2 (50.00)	2 (11.76)	14 (14.74)
Overdraft	2 (6.25)	6 (24.00)	0 -	0 -	0 -	0 -	8 (8.42)
Total	32 (100)	25 (100)	9 (100)	8 (100)	4 (100)	17 (100)	95 (100)

Source: Field Survey
Note: Figures in the parentheses are percentages on column totals.

- 37.50 per cent of the engineering enterprises, 43.75 per cent of the mineral-based enterprises, 88.89 per cent of the agro-based enterprises, 50.00 per cent of the plastic enterprises, 25.00 per cent of the chemical enterprises, and 47.06 per cent of the miscellaneous enterprises receive cash credits from the banks.

- 37.50 per cent of the engineering enterprises, 16.00 per cent of the mineral-based enterprises, 25.00 per cent of the plastic and chemical enterprises, and 41.18 per cent of the miscellaneous enterprises receive unsecured loans

- 18.75 per cent of the engineering enterprises, 4.00 per cent of the mineral-based enterprises, 11.11 per cent of the agro-based enterprises, 25.00 per cent of plastic enterprises, 50.00 per cent of the chemical enterprises, and 11.76 per cent of the miscellaneous enterprises receive secured loans for raising short-term finance.

- 6.25 per cent of the engineering enterprises and 24.00 per cent of the mineral-based enterprises avail overdraft facility provided by the commercial banks if they have to raise short finance.

From the above analysis it can be concluded that 'cash credit' is the most popular method of raising short term loans. It is followed by receiving 'unsecured loans', receiving 'secured loans', and availing 'overdraft' facility in that order.

Suggestions

- All the small scale enterprises should use systematic methods for assessing liquidity position. If they are not aware of the use of systematic methods they should be given training.
- Dependence on the unorganized financial sector sources in the case of shortage of liquid funds should be minimized. The surplus cash, if any, should be used purposefully without keeping it idle.
- Liquidity position in all the small scale enterprises is not satisfactory. So they have to improve their liquidity positions.
- Planning for and control over cash flows should be increased, inconsistencies should be avoided and the adequacy of cash should be ensured.
- Small enterprise and individual credit rating should be taken up by an independent organization as it is done in the developed countries to facilitate getting and granting of credit to them.

Conclusion

The study draws following conclusions. The selected small scale enterprises maintain cash balances sufficient to meet their obligations. Periodic review of cash position is undertaken mostly either on daily or weekly basis. They follow varied methods of determining cash balance. Even in a situation of well developed banking system, the selected small scale enterprises largely depend on non-banking sources to meet their needs. The two significant methods adopted to signal the warning bell are ratio analysis and cash flow techniques for the management of liquidity. In most of the selected small scale enterprises no systematic method is used to assess the liquidity of funds. Majority of the small scale enterprises use their excess cash balances for paying-off their liabilities.

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