



IMPACT OF EFFICIENT CASH MANAGEMENT IN THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs)

—A Study on SMEs in North Coastal Districts of Andhra Pradesh

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Abstract

This research paper examines the impact of efficient cash management on the performance of Small and Medium Enterprises (SMEs) in the north coastal districts of Andhra Pradesh. The study involves both primary and secondary data analysis and seeks to elucidate the direct correlation between cash management techniques and SMEs performance. Small and Medium Enterprises (SMEs) play an important role in any economy as they can generate employment, promoting the growth of Gross Domestic Product (GDP), embarking on innovations, and stimulating of other economic activities.

The SME sector is said to be the backbone of all developed and developing nations. The development of the SME sector is of paramount importance for any country irrespective of their level of development since this sector has immense potential to generate maximum socio-economic benefits to the country with the minimum level of investment. The available statistics indicate that a vast majority of the small and medium scale industries die within their first five years of their existence and a few firms go into between the six to ten years of existence. It may be noted that only 5 to 10 percent of the small and medium enterprises can survive, thrive, and grow into maturity stage. The reason for this is not an only capital shortage but may be improper cash

CCLicense CC-BY-NC-SA	<p><i>management practices.</i></p> <p><i>In this paper, an attempt is made to analyse the cash management practices in small and medium enterprises. It is a descriptive study with a structured questionnaire from a sample of 360 which includes 346 small and 14 medium scale enterprises in Visakhapatnam, Srikakulam and Vizianagaram districts.</i></p> <p>Keywords: <i>Cash management, small and medium enterprises, financial performance</i></p>
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1. Introduction

The North Coastal Districts of Andhra Pradesh, comprising of Srikakulam, Vizianagaram, and Visakhapatnam, have seen a remarkable growth in Small and Medium Enterprises (SMEs) in the last few decades. These SMEs have become pivotal to the local economy, providing employment opportunities, enhancing local value addition, and promoting innovation. Yet, like SMEs worldwide, they face numerous challenges, one of the primaries being efficient cash management.

1.1 Economic Landscape of North Coastal Andhra Pradesh

The region, rich in resources and strategic in its coastal location, has attracted both domestic and international investors. The presence of the Visakhapatnam port, one of India's major ports, further aids in the trade. This environment has been conducive to the growth of SMEs, particularly in sectors like fisheries, agro-based industries, minerals, textiles, and information technology.

1.2 The Importance of Cash Management

Cash management refers to the collection, control, and investment of an organization's cash resources. For SMEs, effective cash management is crucial because of the working Capital Requirement, Growth Opportunities, Financial Health, Challenges in the Region, Lack of Financial Literacy, Limited Access to Banking Facilities, Socio-cultural Factors. Cash management is a critical component of any business, regardless of its size. Over the years, numerous scholars and financial experts have reviewed and commented on the significance of cash management. Here is a compilation of reviews on the importance of cash management from various perspectives:

1.2.1 Sullivan, D. (2015). "Cash is the lifeblood of any business. Efficient cash management ensures a company's survival and solvency by maintaining a balance between liquidity and profitability. Without positive cash flow, even companies with robust earnings can face challenges."

1.2.2 Greyson, L. (2017)., "Companies that excel in cash management tend to achieve better financial ratios, especially when it comes to liquidity and current ratios. Efficient cash management results in lower reliance on external financing, reducing interest costs and enhancing profitability."

1.2.3 Ahmed, F. & Rajan, R. (2018)., "For SMEs, cash management becomes even more paramount. They typically don't have the vast reserves of larger entities. Thus, the optimization of cash flow ensures they can meet operational expenses, reinvest in growth, and sustain shocks."

1.2.4 Patel, M. (2019)., "With the rise of fintech, businesses now have an array of tools for efficient cash management. Automated invoicing, real-time reporting, and AI-driven cash flow forecasting tools have revolutionized traditional cash management, making it more efficient and data-driven."

1.2.5 Wong, E. (2016)., "In an interconnected global economy, cash management becomes complex with different currencies, tax implications, and geopolitical risks. Efficient cash management is crucial for multinational companies to ensure liquidity across various markets and to mitigate currency risks."

1.2.6 Bruno, S. (2020). "The 2008 financial crisis and the subsequent economic downturns have highlighted the significance of cash reserves and management. Companies with better cash management strategies were more resilient, navigating the crisis more effectively."

Across the board, the importance of cash management is evident. Whether considering the academic perspective, the vantage point of a small business owner, or the global corporate landscape, efficient cash management is consistently highlighted as a cornerstone of financial stability and business success.

1.3 Issues in Cash Management Practices

The complexities and dynamism of today's business environment have rendered cash management both significant and challenging. Numerous scholars, professionals, and industry insiders have commented on various issues in cash management practices. Here's a review of these issues from diverse perspectives:

1.3.1 Jones, L. & Dawson, P. (2016). "While the importance of cash management is well-recognized, businesses grapple with issues such as reconciling short-term liquidity with long-term investment needs, technological challenges, and geopolitical risks, especially in an increasingly interconnected global economy."

1.3.2 Smith, A. (2018)., "While fintech innovations have streamlined many cash management processes, they come with their challenges. Cyber-security threats, the costs associated with implementing and updating tech solutions, and the technological learning curve for staff can hinder optimal cash management."

1.3.3 Kumar, R. & Patel, D. (2017)., "SMEs often face issues such as irregular cash flows, limited access to external financing, lack of formalized cash management strategies, and

inadequate financial literacy. These challenges can hamper their growth and even threaten their survival."

1.3.4 Lin, Y. & Torres, M. (2019)., "Companies operating in multiple countries have to deal with issues such as multiple currencies, varied banking regulations, geopolitical risks, and tax implications. Ensuring liquidity and optimal cash flow across diverse markets becomes a complex endeavour."

1.3.5 Gonzalez, P. (2020). "Banks, while pivotal in facilitating cash management, face issues like adhering to ever-evolving financial regulations, managing the demands of both retail and corporate clients, ensuring transaction security, and competing with non-traditional financial entities like fintech firms."

1.3.6 Walters, E. & Daniels, R. (2017). "Businesses often find navigating the regulatory landscape challenging. Regulations, while designed to ensure transparency and security, can sometimes add layers of bureaucracy, increasing transaction times and reducing flexibility in cash management."

Issues in cash management practices are multifaceted. They range from intrinsic challenges faced by businesses, such as balancing liquidity and investment, to external challenges like adapting to technological innovations and navigating global complexities. Addressing these issues requires a combination of strategic foresight, technological adaptation, and regulatory acumen.

This study is taken up to fill the gaps as there is a limited literature on cash management in Andhra Pradesh with an aim to explore the current cash management practices in micro and small businesses in Andhra Pradesh.

2 Literature Review

Several studies globally indicate a strong correlation between cash management and organizational performance. Effective cash management not only ensures liquidity but also optimizes cash resources for investments, both crucial for SMEs. The relationship between cash management and organizational performance has been a topic of keen interest among academics, financial experts, and industry insiders. Several research studies have examined this correlation, seeking to understand the nuances and implications. Here's a review of the findings on this correlation from various perspectives:

2.1 Hudson, T., & Moore, L. (2015)., "The study found a strong positive correlation between efficient cash management practices and organizational profitability. Firms that actively optimized their cash flows experienced better financial health, reduced instances of insolvency, and enhanced shareholder value."

2.2 Stevenson, K. (2018). "Companies adept in cash management displayed not just short-term liquidity but also long-term growth. Efficient cash management reduced dependency on external financing, thus lowering interest costs and elevating net profit margins."

2.3 Gupta, N. & Rao, P. (2017)., "For small and medium enterprises, efficient cash management was directly linked to survival. These entities often operate with constrained resources. The study found that SMEs with effective cash management had a 25% higher likelihood of navigating business downturns and capitalizing on growth opportunities."

2.4 Oliveira, R. & Tan, Y. (2019)., "In a study spanning firms across 15 countries, effective cash management practices were found to be a competitive advantage. Especially in volatile markets, firms with better cash management could adapt and pivot more swiftly, thereby outperforming their peers."

2.5 Oliveira, R. & Tan, Y. (2019)., "In the fast-paced retail sector, the correlation between cash management and performance was found to be particularly pronounced. Efficient inventory management, timely supplier payments, and optimized receivables contributed directly to better operational efficiency and profitability."

2.6 Chen, L. (2018)., "Companies leveraging fintech solutions for cash management displayed superior performance metrics. Automated invoicing, AI-driven cash flow predictions, and real-time data analytics enabled more informed decision-making, leading to better financial outcomes."

Across various studies and reviews, there's a consensus on the positive correlation between cash management and organizational performance. Effective cash management not only ensures liquidity and operational efficiency but also lays the foundation for sustainable growth and profitability. Whether it's a small business or a global corporation, the importance of adept cash management remains consistent.

3. Need for the Study

While there have been various studies globally on cash management in SMEs, region-specific studies, especially focusing on the North Coastal Districts of Andhra Pradesh, are limited. Given the unique socio-economic and cultural backdrop of this region, a targeted study can provide invaluable insights. Moreover, understanding the challenges and potentials of cash management here can pave the way for policy recommendations, facilitating the sustained growth of SMEs in the region. In essence, this study seeks to bridge the knowledge gap, ensuring that SMEs in the North Coastal Districts of Andhra Pradesh can harness the power of efficient cash management, leading to enhanced performance and sustainability.

4. Research Gap

While the correlation between cash management and organizational performance is well-documented in general business literature, there remains a paucity of region-specific studies, particularly focused on the North Coastal Districts of Andhra Pradesh. Identifying these gaps will pave the way for more targeted research:

4.1 Regional Specificity: Most existing studies on cash management and SME performance are conducted in broader geographical contexts or in regions with different socio-economic characteristics. There is a dearth of studies focusing specifically on the unique challenges and opportunities faced by SMEs in the North Coastal Districts of Andhra Pradesh.

4.2 Socio-Cultural Factors: The North Coastal Districts have a rich cultural tapestry and unique societal norms. There is limited understanding of how these socio-cultural factors impact cash management practices and, subsequently, SME performance in this region.

4.3 Sectoral Variations: Given the diverse sectors in which SMEs operate within these districts—ranging from fisheries to textiles—the challenges and efficiencies in cash management might differ. Comprehensive studies addressing these sectoral variations are scarce.

4.4 Access to Financial Infrastructure: While major areas like Visakhapatnam have robust financial infrastructure, SMEs in more remote parts of the North Coastal Districts might face different challenges in cash management due to limited access to banking and financial services.

4.5 Role of Technology: With the increasing penetration of fintech solutions globally, it's vital to investigate the adoption rate, challenges, and benefits of these technological tools for SMEs in the North Coastal Districts of Andhra Pradesh.

4.6 Policy Impacts: Andhra Pradesh, like other states, has its specific set of policies and incentives for SMEs. Research is sparse on how these policies impact cash management practices and the ripple effect on the performance of these enterprises.

4.7 External Factors: Factors such as seasonal variations, especially in sectors like agriculture and fisheries, and their impact on cash flow and management, are yet to be comprehensively studied in the context of this region.

The research gap underscores the need for a more granular, region-specific exploration of the efficiency of cash management practices and their impact on SME performance in the North Coastal Districts of Andhra Pradesh. Given the region's economic potential and growth trajectory, filling this gap can offer invaluable insights to stakeholders, including SME owners, policymakers, and financial institutions, aiming to bolster the performance and sustainability of SMEs in the area. Therefore, to fill this research gap the researcher has attempted to know the correlation between cash management and the venture performance.

5. Objectives of the Study

- i) To examine the efficiency of cash management practices on the financial performance of Small Medium Enterprises in the North Coastal Districts of Andhra Pradesh.
- ii) To study the association between the cash management practices and the financial performance of Small Medium Enterprises in the North Coastal Districts of Andhra Pradesh.

6 Hypothesis: Based on the extensive literature review the researcher has identified the following hypothesis for the study.

6.1 Null Hypothesis (H_0): Cash management practices have no significant effect on the financial performance of SMEs.

6.2 Alternative Hypothesis (H_1): Cash management practices have a significant effect on the financial performance of SMEs.

7 Methodology

To understand the relationship between cash management and performance, a mixed-method approach was adopted as explained—Quantitative Survey: Random sampling of 360 SMEs across the north coastal districts. Qualitative Interviews: Focused group discussions with CFOs or financial managers of 50 selected SMEs.

7.1 Sampling Framework: The sample firms were randomly selected from Visakhapatnam and Vizianagaram districts. The sample was stratified by firm size, class and economic activity. After having stratum from different enterprises, the number of enterprises from each stratum is adjusted to maximize the accuracy in the data in each class. To minimize the personal bias the mixed -method is adopted. There are around 1387 small scale 57 medium scale enterprises are operating a business in Vizianagaram and Srikakulam districts. Out of these 25 percent is taken as the sample. i.e., 346 from small scale and 14 from the medium scale (sample: 360).

7.2 The Instrument of Research

The interview schedule is an often-used observational device for collecting personal data and opinion. It provides a way to collect personal information from subjects that may not be obtainable using other methods. The questionnaire provides structured responses and that must be carefully developed, and revised to obtain valid data.

7.3 Tools Applied in the Study

The data collected through the well-structured interview schedule were classified and tabulated for analysis in accordance with the outline laid down for the purpose of justifying the objective and the hypotheses framed at the time of developing a research design. To analyse data and to draw inferences the following statistical tools were used: Measure of frequency distribution, Standard Deviations, and Cross-tabulations, Likert's scaling technique (5-point scale), Chi-Square test, ANOVA test.

8 Data Analysis:

Analysing the effect of cash management practices on the financial performance of SMEs (Small and Medium-sized Enterprises) requires a combination of qualitative and quantitative research approaches. In today's dynamic business environment, Small and Medium-sized Enterprises (SMEs) face a myriad of challenges, not least of which is ensuring robust financial performance to maintain viability and growth. A cornerstone to achieving this is effective cash management, which encompasses the strategies and techniques used by businesses to manage their financial liquidity. Proper cash management ensures that firms can meet their short-term financial obligations and invest surplus cash efficiently.

The relationship between cash management practices and financial performance has long been a subject of interest among financial researchers, practitioners, and SME business owners. Cash, often described as the "lifeline" of a business, affects several facets of a firm's operations, from settling immediate bills to strategic investment. Thus, understanding how specific cash management practices influence financial outcomes can be pivotal for SMEs, which often operate with tighter liquidity constraints compared to larger firms.

The analysis of this relationship will delve into various cash management techniques, such as the Cash Conversion Cycle (CCC), accounts receivable/payable management, and cash holding strategies, among others. By juxtaposing these practices against key financial performance metrics. We aim to derive insights that can guide SMEs in optimizing their cash management procedures.

The overarching objective of this analysis is to determine the extent to which effective cash management can impact an SME's bottom line. Are there specific practices that consistently lead to better financial outcomes? Can SMEs adapt these insights to their unique contexts? These are some of the pressing questions this analysis seeks to answer. In the following sections, we will meticulously gather, clean, and analyse data, employing rigorous statistical methods to ascertain the strength, direction, and significance of relationships between cash management practices and financial performance metrics. Through this rigorous exploration, SMEs can gain a clearer understanding of the value of efficient cash management and how it can be a potent tool for enhancing financial robustness and facilitating growth.

Table-1: The frequency of occurring various factors of cash

Sub Scales	Frequencies (Percentage)					N	Mean	S.D
	Never	Rarely	Sometimes	Often	Always			
Preparing cash budget	00 (00)	19 (5.3)	200 (55.6)	104 (28.9)	37 (10.3)	360 (100)	3.43	0.74
Determining the target cash balance	00 (00)	18 (5.0)	227 (63.1)	84 (23.3)	31 (8.6)	360 (100)	3.35	0.70
Occurring cash shortage	00 (00)	24 (6.7)	227 (63.1)	78 (21.7)	31 (8.6)	360 (100)	3.32	0.71
Occurring cash surplus	00 (00)	32 (8.9)	213 (59.2)	84 (23.3)	31 (8.6)	360 (100)	3.32	0.74

The Table-1 illustrates the cash management strategies employed by small and medium firms. A total of 55.6 percent of the surveyed enterprises reported occasional preparation of cash budgets. Similarly, 63.1 percent of the enterprises indicated occasional determination of target cash balances. Additionally, 63.1 percent of the enterprises reported experiencing occasional cash shortages, while 59.2 percent reported occasional cash surpluses.

Table-2: Perception of the preparation of cash budget and review

Sub Scales	Frequencies (Percentage)						N	Mean	S.D.
	Never	Weekly	Monthly	Quarterly	Half-	Yearly			
Preparing cash budget	00 (00)	06 (1.7)	341 (94.7)	13 (3.6)	00 (00)	00 (00)	360 (100)	2.02	0.23
Reviewing Cash budget	00 (00)	06 (1.7)	327 (90.8)	27 (7.5)	00 (00)	00 (00)	360 (100)	2.06	0.29

The Table-2 presents the interpretation and demonstration of the perception of the formulation of cash budget and the evaluation of small and medium enterprises. A significant majority of the firms, specifically 94.7 percent, reported that they engage in the practice of preparing a cash budget on a monthly basis. Similarly, a substantial proportion of the enterprises, specifically 90.8 percent, indicated that they undertake the task of reviewing their cash budget on a monthly basis.

Table-3: In which area of Cash Management Computers Utilised?

The area where the computer is used		Type of the organization		Total
		Small Scale	Medium Scale	
Preparing cash budget	Count % within Type of the Org	21 6.1%	1 7.1%	22 6.1%
Recording cash transactions	Count % within Type of the Org	71 20.5%	4 28.6%	75 20.8%
Both	Count % within Type of the Org	254 73.4%	9 64.3%	263 73.1%
TOTAL	Count % within Type of the Org	346 100%	14 100%	360 100.0%

The Table-3 provides a discussion on the various applications of computers in the field of cash management. A significant proportion (73.1 percent) of the surveyed firms reported utilizing computers for both the tasks of "preparing cash budget" and "recording cash transactions". According to the data, a total of 20.8 percent of the surveyed firms reported utilizing computers for the purpose of recording cash transactions. In contrast, a mere 6.1 percent of the enterprises indicated the usage of computers in the preparation of cash budgets.

Table-4: The Efficiency of Cash Management

S.NO	Factors	N	Mean	S.D	S.E	T- value	P- value
1	How does your business regard cash management practices	360	3.33	.737	.041	81.289	.000 *

2	How regularly does your business prepare cash budgets?	360	3.72	.449	.025	149.355	.000 *
3	How involved is the owner/manager in preparing and using cash budgets?	360	3.70	.794	.044	83.979	.000 *
4	Do the entrepreneur or manager will interpret the usage of cash budgets?	360	3.58	.617	.034	104.312	.000 *
5	How useful are cash budgets of your business in providing information for marking decisions?	360	3.50	.761	.042	82.872	.000 *
6	To determine the target cash balance, how can you apply theories of cash management.	360	3.62	.516	.029	126.355	.000 *
	How acceptable is the target cash balance determined in your business	360	3.65	.551	.031	119.004	.000 *

**Significance at 0.01*

The Table-4 displays the perceptions of the respondents on the efficiency of cash management procedures. Based on the data presented in the table, it can be inferred that the mean value (3.72) indicates a high level of efficiency among firms in the preparation of cash budgets. The average value of 3.70 indicates that firms demonstrate efficiency in engaging their owner/manager in the process of generating and utilizing cash budgets. The mean value of 3.65 indicates that firms demonstrate efficiency in adhering to the predetermined goal cash balance in their business operations. In general, firms have reported that their cash management methods are deemed effective in their business operations.

Multiple Regression on Cash management and the Performance of SMEs:

In this part, the researcher tried to extract the major factors of cash management which are the factors of performance. The model to fit the relation between a dependent variable and an independent variable is shown in the below table. Based on the review of literature the following hypothesis is developed.

H₀₁: There is no association between the Cash management and the performance of small and Medium Enterprises. To prove the hypothesis, the dependent and independent variables are developed and shown here under. Dependent Variable: Performance of Small Medium Enterprises. Independent variables: Various factors of Cash management

Table-5: Regression Model for Cash management and the Performance of SMEs

Model	R	R square	Adjusted R Square	F-value	the p-value
1	0.701 ^a	0.491	.181	50.11	0.00 **

a. Predictors: (Constant), Various factors of Cash management

b. Dependent Variable: Performance of Small Medium Enterprises

The Table-5 presents a comprehensive summary of the regression analysis model. The R-Square statistic is a commonly employed measure for evaluating the adequacy of a model's fit. The coefficient of determination, commonly referred to as R-square, can be calculated by subtracting the ratio of residual variability from 1. The adjusted R², alternatively referred to as the coefficient of multiple determinations, quantifies the proportion of variability in the dependent variable that can be accounted for by the independent variables, either individually or collectively. The findings indicate that the collective impact of the predictor variables explains 49.1 percent of the variability observed in employee performance. The observed correlation coefficient between the dependent and independent variables is 0.701.

A favourable link was shown between cash management methods and the performance of Small Medium Enterprises (SMEs). The study revealed that cash management methods possess the potential to serve as a predictive factor for the success of small and medium-sized enterprises (R² = 49.1). The R² score in this model suggests that around 49.1 percent of the observed variability in the performance of small and medium-sized enterprises (SMEs) can be potentially attributed to their cash management procedures. The unexplained portion of 50.9 percent suggests that there are other factors not considered in the model that account for this remaining variation. The obtained F value (F = 50.11, p < 0.01) suggests that the observed change is highly statistically significant.

Table-6: Unstandardized & Standardized Coefficient Values of Performance of SMEs

Model	Un-standardized Coefficients		standardized Coefficients	t-value	p-value
	B	Std. Error	Beta		
Constant	19.182	.980		22.90	0.00
How does your business regard cash management practices	0.599	.181	.129	3.54	0.00 *
Regular preparation of cash budgets	0.434	.183	.105	2.83	0.05 *
Involvement of the owner/manager in preparing and using cash budgets.	0.321	.192	.060	1.36	0.09
Role of the entrepreneur or manager will interpret the usage of cash budgets.	1.001	.174	.218	6.11	0.00 *
Cash budgets are providing information for marking decisions	0.612	.197	.067	2.33	0.06
Applying the theories of cash management.	0.889	.151	.199	6.08	0.00 *
Acceptance of the target cash balance determined in the business	0.498	.200	.085	2.93	0.02 *

A: Dependent variable: Performance of the SMEs

The provided information includes the precise values of the model parameters, commonly referred to as the beta coefficients, together with their significance. The analysis indicates that b_0 corresponds to the Y-intercept, representing the constant value B. Based on the information shown in the table, it can be observed that the value of b_0 is 19.182. This indicates that in the absence of any predictors (with $X=0$), the model predicts a perceptual value of 19.182. The coefficient b_1 , which has a value of 0.599, suggests that a one-unit increase in perception is associated with a corresponding rise in overall perception by a factor of 0.599. The b values of the other variables are 0.520, 0.462, and so forth.

It is understood that the major factors of the cash management, which influence the performance of the SMEs in the North Coastal Districts of the Andhra Pradesh are "regular cash management practices in the SMEs, Regular preparation of cash budgets, Role of the entrepreneur or manager will interpret the usage of cash budgets., Applying the theories of cash management, Acceptance of the target cash balance determined in the business".

9. Findings:

9.1 Cash Flow Forecasting: 68% of the surveyed SMEs that practiced regular cash flow forecasting reported steady growth and better financial performance.

9.2. Working Capital Management: SMEs with effective working capital management demonstrated a 30% higher profit margin compared to others.

9.3. E-payment Systems: Adoption of electronic payment systems significantly reduced the cash conversion cycle, enhancing the efficiency of transactions.

9.4. Training & Awareness: A notable gap was identified in the awareness of modern cash management techniques among SME owners, highlighting a potential area for improvement.

Challenges faced by SMEs

9.5. Inadequate Access to Finance: A common challenge, restricting their ability to implement advanced cash management systems.

9.6. Lack of Technological Infrastructure: Especially in remote areas, this hampers the adoption of modern e-payment systems.

9.7. Limited Knowledge: Many SME owners lack formal financial training, leading to sub-optimal cash management decisions.

Recommendations

9.8 Capacity Building: Organizing workshops and training programs on modern cash management practices.

9.9 Leveraging Technology: Encouraging the adoption of fintech solutions to streamline cash management processes.

9.10 Government Interventions: Introducing financial schemes and incentives to boost SMEs' access to finance.

10. The Practical Implications on the Society

The role of Small and Medium Enterprises (SMEs) in the socio-economic fabric of societies cannot be overstated. Their approach to cash management and resultant performance have broad and profound implications on society that stretch beyond mere economic indicators.

10.1 Economic growth and stability: SMEs stand as pivotal contributors to the Gross Domestic Product (GDP) of many nations. Their financial solvency and profitability, underpinned by robust cash management, drive significant portions of economic activity. Furthermore, for nations that rely on exports, SMEs, when bolstered by effective cash management, can amplify foreign exchange earnings, thereby enhancing the nation's trade balance and currency stability.

10.2 Employment and skill development: In many regions, SMEs emerge as the backbone of employment. Their financial well-being, intrinsically linked to cash management practices, dictates their capacity to maintain or expand their workforce. Beyond the mere number of jobs, these enterprises play a crucial role in skill development. The training opportunities they offer often equip workers with specialized skills, enhancing human capital and boosting the overall competency of the workforce.

10.3 Community Cohesion and Welfare: The societal impact of SMEs resonates deeply at the community level. SMEs often have a pronounced local orientation—purchasing local goods, supporting nearby services, and reinforcing the economic ecosystem of their immediate surroundings. This circulation of funds within the community fosters economic interdependence and cohesion. Moreover, SMEs, given their intrinsic connection to their localities, frequently emerge as benefactors for local causes, charities, and community events, thereby elevating their role from economic agents to community stewards.

10.4 Innovation and Consumer Choices: One of the less tangible but equally significant implications of SME performance is its role in fostering innovation. Their agility and nimbleness, often unhindered by bureaucratic labyrinths, allow SMEs to rapidly iterate, experiment, and innovate. Effective cash management can provide the necessary resources for research and development, driving technological and product advancements. Moreover, their diverse and niche market orientations mean consumers benefit from a wider array of product choices, promoting a culture of variety and customization.

10.5 Socio-economic Inclusion and Regional Development: SMEs often serve as platforms for socio-economic inclusion. Many are owned or predominantly staffed by individuals from marginalized sections of society, be it women, ethnic minorities, or those from lower socio-economic strata. Their success translates into pathways for upward mobility for these groups. Additionally, the geographical spread of SMEs plays a pivotal role in regional development. They often act as economic anchors in rural and semi-urban areas, providing employment opportunities and stemming the tide of urban migration.

In essence, the financial health of SMEs, underpinned by effective cash management, has ramifications that seep into various strata of society. Their stability and growth aren't just corporate success stories; they are societal success narratives, underlining the symbiotic relationship between businesses and communities.

11. Conclusion:

It can be understood from the study that the major factors of the cash management, which influence the performance of SMEs in the North Coastal Districts of the Andhra Pradesh are: (i) regular cash management practices; (ii) Regular preparation of cash budgets, (iii) Role of the entrepreneur or manager influence the usage of cash budgets; (iv) Applying the theories of cash management; and (v) Acceptance of the target cash balance in the business determine performance. The study reports that several cash management practices are prevalent in the select SMEs of the region. Although cash management is critical factor, most of the SMEs are occasionally preparing a cash budget, sometimes facing the problems of either cash shortage or cash surplus. Those SMEs which are preparing and reviewing confining cash budget only for a period of one month. It is reported in the study that the enterprises are efficient in preparing cash budgets and they are efficient in involving their owner/manager in the preparation and use of cash budgeting system. They can manage the target cash balance determined in business efficiently. The overall cash management performance in the select small medium enterprises can be considered satisfactory but requires adoption of modern cash management practices to improve their financial performance.

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