



A STUDY ON EFFECT OF CASH BUDGETING IN CASH MANAGEMENT TECHNIQUES ON THE FINANCIAL PERFORMANCE OF INDIAN COMMERCIAL BANKS IN UTTARAKHAND

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10813

1. Introduction

The financial industry in Uttarakhand has witnessed a tremendous upheaval in recent years. Commercial banks have persisted in making substantial expenditures in technological advancements and staff training to manage new technologies. In the last ten years, new banks, particularly those with foreign ownership, have opened in Uttarakhand. In order to maintain profitability, banks, especially local ones, have introduced new goods and services. In an effort to improve efficiency, reduce costs, and ultimately boost profitability, commercial banks are also increasingly using modern information technology to deliver services. So, the purpose of this research is to determine how cash management strategies affect the financial health of Uttarakhand's commercial banks. This study's goal was to ascertain how

cash budgeting affected the financial health of Uttarakhand's commercial banks

1.1 Statement of the Problem

Here, we are examining the link between the dependent variable—financial performance of Indian commercial banks—and the independent variable, cash budgeting, one of the instruments of cash management strategies.

1.2 Research Objectives

Primary objective of this study is to determine the effect of cash budgeting tool, one of the cash management techniques on the financial performance of Indian banks in Uttarakhand region. Following are the secondary objectives of this study: -

- To check that what is the effect of delay in payables and speedy receipt collections on the financial performance.



- To assess the effect of cash budgeting on the liquidity and profitability of banks.
- Proper cash management policies if followed, how does it affect?
- Is there a positive relationship between cash management and profitability?

1.3 Scope of the Study

India was not included in the previous studies, which was only conducted in three or four nations. One state in the nation, namely Uttarakhand, will be the subject of this study. Since there are several banks, the study's scope is limited to a select few commercial Indian banks. The report clarifies the significance of the banks' usage of cash budgeting strategies and their effects from the 2018–2020 fiscal years.

2. Review of Literature

2.1 Cash Budgeting

A cash budget is a tool for managing a business's cash flow. The focus of this budget is on the money coming into and going out of the company. According to Kamau (2010), small enterprises need to have a cash budget. The cash budget is used to predict and fix cash flow issues when there isn't much cash on hand. It may also be used to demonstrate that more funds are being received that can be used toward investing. The customer buys something, and they get it. A customer pays interest on top of an instalment. A customer pays interest on top of an instalment. A cash budget is a tool used to notify company owners of problems like cash shortages as well as the possibilities that might arise from cash surpluses (Sangmi and Tabassim, 2010). According to Weston and Copeland (2011), a cash budget is a spending plan that specifies the company's cash intake and outflow.

He continued by saying that firms use cash budgets as a tool to ensure there is adequate cash on hand to satisfy all operational goals. A cash budget predicts projected cash expenditures and outflows, as well as cash collected from revenues and other income sources, to determine the amount of cash the organisation has available (Norman et al, 2008). According to him, by adopting a cash budget, the company may choose how to budget for upcoming expenses as well as

possible ways to spend the expected earnings. The cash budget is a vital planning tool that helps businesses to see surpluses and shortfalls so they can take the necessary remedial action. The aforementioned definitions suggest that this.

2.2 Financial Performance

According to Sangami Tabassum (2010), commercial banks serve as financial intermediaries and generate capital largely via the issuance of time, savings, and checkable deposits (deposits on which checks can be written). Although savings accounts are receivable upon demand, their owner cannot draw checks against them (deposits with fixed terms to maturity). By almost all measures, commercial banks are today's most important financial intermediaries. For instance, commercial banks are the financial institutions with the biggest assets. The distribution of state economic policies, especially monetary policy, to the rest of the economy is further facilitated by banks. Spending frequently slows and unemployment often rises when bank credit is costly and difficult to get. Inflation is significantly impacted by changes in the cost and accessibility of bank loans. Given that bank deposits make up the majority of the money supply that the general public utilises and that changes in money growth are strongly correlated with changes in the prices of goods and services in the economy, this is not surprising (Bamberg and Klaus, 2008). A commercial bank may be either public or private depending on who owns it—the government or an individual.

2.3 Cash Budgeting and Financial Performance

The link between understanding of cash budgeting and the financial success of organisations is also debatable since researchers are divided on it; some claim there is a major positive association while others claim there is none at all. Raghumandan et al. (2012) conducted research on the behavioural elements of budgeting in India's public sector. The study's major goal was to determine if understanding cash budgeting had an impact on entrepreneurs' psychological responses to

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10814



their financial success. By examining a sample of 340 Indian businesses, the descriptive research examined the critical significance that behavioural components of budgeting play. The information was gathered via telephone interviews, and the findings indicated that understanding of cash budgeting had a major impact on the financial success of Indian enterprises.

According to a research by Qi (2010), cash budgeting has a favourable, considerable impact on many aspects of entrepreneurs' financial behaviour, including their financial success. The major goal of this empirical research was to determine if the Chinese SMEs' financial performance was substantially and favourably impacted by the cash planning method. A sample of 124 entrepreneurs were employed in the research. The association between the variables was established using a correlational study approach. First, it is discovered that more structured planning for cash budgets increases sales revenues. Second, the features of the budget target have a significant impact on the financial performance of Chinese SMEs. In particular, this result informs us that defined budget objectives, beginning with financial performance, lead to greater goal attainment. Results also show that a firm's profit tends to expand at a faster rate when budgetary management is more institutionalised. The fundamental cause can be that managerial control causes a firm's overall expenses to be at best reduced, which leads to an increase in the firm's profit.

Kytonen (2004) conducted research on the structural changes in the cash management behaviour of enterprises in a developing Finnish money market. The major goal of this research was to determine if signs of a structural change could be found in the cash management decision-making processes and in the financial statement data. The best practises used by listed Finnish manufacturing and service enterprises and their evolution over the study period were attempted to be determined using survey evidence. The organisational and technical setups in cash budgeting and how they were affecting their

borrowing choices were the elements predicted to alter. Testing both static and dynamic cash management models as well as their possible structural change before and during the money market's deregulation years allowed for further analysis of the behavioural changes in cash management. The survey portion of the study's findings showed that throughout the research period, there was a considerable shift in cash management techniques. The results show that cash budgeting is unrelated to the firms' financial success.

In Kenya, Atieno (2014) did study on the evaluation of financial education and its impact on personal investment. The study's specific goals were to ascertain the impact of cash budgeting on individual investments made by Kisii University employees, to ascertain the impact of savings on individual investments made by Kisii University employees, to assess the impact of debt management on individual investments made by Kisii University employees, and to ascertain the impact of retirement planning on individual investments made by Kisii University employees. The research design used in the study was descriptive. In Kisii University in Kisii County, the research was conducted. The 829 members of the academic and non-academic staff of Kisii University served as the study's target group. A stratified random selection procedure was used to choose a sample of 106 workers. A questionnaire with both open-ended and closed-ended questions was used to gather both qualitative and quantitative data. Both descriptive and inferential statistics were used to examine the data. The study's conclusions showed that people believed that the main factor influencing budgeting was their desire to not be financially reliant. This demonstrated that the staff members have better resource budgeting management and make sure they make the best use of their resources. The respondents' poor saving habits were a result of their inability to save enough money. Overall, the findings showed that there is no connection between respondents' investment and their monetary

10815



budgeting. Moreover, it was discovered that the variable had little to do with the respondents' financial success.

2.4 Research Gaps

To the best of our knowledge, there hasn't been a lot of research done to determine the effectiveness of cash budgeting as a method for evaluating the financial performance of commercial banks. Only a tiny number of studies, carried out in a small number of countries, and using a small sample size have been conducted. The data analysis for all of these investigations was conducted using the same approach. Therefore, the purpose of this paper is to conduct in-depth research on the cash budgeting and the financial performance of commercial banks using a sample size of 200 representatives drawn from eight different commercial banks located in various cities throughout the state of Uttarakhand. In order to conduct an analysis of the data, we

are going to make use of the Logit and Probit models, which will be performed using the STATA 17 programme. The results of these analyses will vary.

3 Theoretical and Conceptual Framework

3.1 Conceptual Framework

The link between the independent variable and the dependant variables is shown diagrammatically in a conceptual framework. Payables, cash management procedures, cash budgeting, and quick receipt collections were the study's independent factors. The goal of the research was to find out how the independent factors affected the financial health of Uttarakhand's commercial banks. Gross revenue from commercial banks was used to gauge financial success. In the conceptual framework shown in Fig. 1 below, the link between the independent variables and dependant variable is depicted schematically.

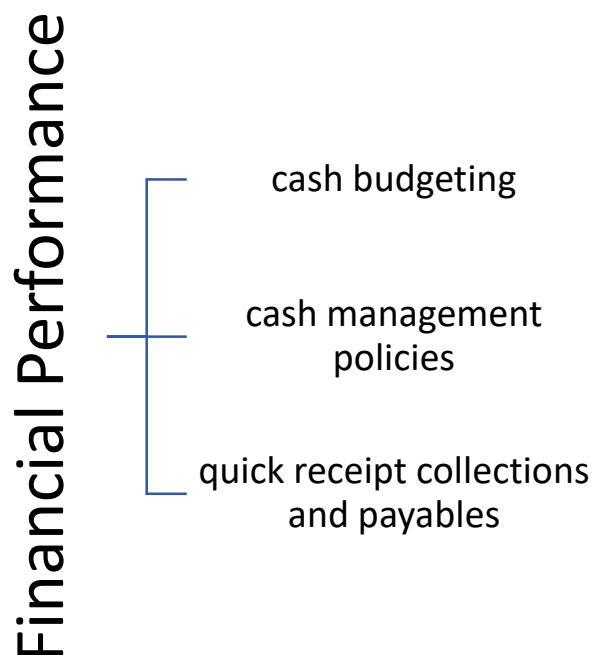


Fig. 1. Conceptual Framework

Source: Developed by the Researcher from the literature

3.2 Research Hypotheses

Following hypothesis were formed from the above stated objectives:

H0. Cash budgeting does not affect the financial performance of commercial banks in Uttarakhand.

H1. Cash Budgeting affects the financial performance of commercial banks in Uttarakhand.

4 Research Methodology

The whole study was conducted using an exploratory survey style. The focus of this study endeavour was on the eight commercial



banks in Uttarakhand. It was carried out using a random sampling technique. To gather primary data for the monetary budgeting study, questionnaires were employed often. The statistical analysis STATA 17 software was used to provide descriptive and inferential statistics, which were then utilised to deduce conclusions and establish generalisations about the population. The particular descriptive statistics were the mean scores and standard deviations. Both probit model analysis and logit model analysis were employed as the particular inferential statistics. A p value of 0.05 was regarded as the critical threshold for determining the significance of the whole model. The individual regression coefficient was investigated to see whether or not the independent variable cash planning had a significant effect on the company's financial performance. A 0.05 p value was used as the cutoff point for the important p value in order to determine the significance of each individual variable.

4.1 Data Collection and Analysis

The whole study was conducted in the form of an exploratory survey. The eight commercial banks in Uttarakhand were the focus of the study project's attention. It was accomplished via the use of a random sampling procedure. Questionnaires were utilised to collect primary data throughout the cash budgeting study phase. The statistical analysis programme STATA 17 was used to create descriptive and inferential statistics, which were then utilised to draw conclusions and make generalisations about the population. The particular descriptive statistics were the mean scores and standard deviations. The inferential statistics utilised were probit model analysis and logit model analysis. A p value of 0.05 was used to determine whether or not the whole model was significant.

5 Discussion of Research Results

5.1 Descriptive Statistics of Cash Budgets

Respondents were given information on the goals of cash budgeting and asked to indicate how much they agreed with the stated goals. It was critical to explain cash management's value to bank staff. Tabulated below are the findings.

Table 1: Descriptive Statistics of Cash Budgets

Cash Budgeting	N	Mean	S.D.
Cash management affects profitability ofbank-CB1	200	1.61	0.63
Good cash management practices results in high profitability levels-CB2	200	1.98	0.89
Has cash management affected the financial performance ofbank?-CB3	200	1.70	0.64
Delay in payables improves financial performance- CB4	200	2.54	1.42
Accelerating receipt collections increases financial performance-CB5	200	2	1.04
Cash management affects financial performance of Bank-CB6	200	1.69	0.68
Cash management quickly recovers recurring savings garnered by the system itself-CB7	200	1.63	0.53
Cash management improves coordination among multiple departments-CB8	200	1.76	0.68
Cash management increases liquidity and profitability of any firm-CB9	200	1.71	0.69
Proper cash management policies reduce losses-CB10	200	1.65	0.69
There is a positive relationship between cash management and profitability-CB11	200	1.84	0.64
Average	200	1.82	0.78

Source : Author (2023)



To obtain information, all respondents—i.e., the bank's employees—completed self-administered questionnaires. A 5-point Likert scale was used to collect the data, with 1 standing for "strongly agree," 2 for "agree," 3 for "not sure," 4 for "disagree," and 5 for "strongly disagree." To choose the respondents, we employed both random and deliberate selection techniques. With a sample size of 200, the response rate was 100%. Results above shown in the Table 1, that the respondents generally consider less

cash budgeting standards which needs to be maintained which is calculated as Mean = 1.82. The standard deviation value of 0.78 shows that the responses are widely distributed from each other. The findings can generally be interpreted to mean that all the variables taken here shows that cash budgeting does not affect the financial performance of commercial banks. Out of eleven measures taken for cash budgeting it shows low key towards the financial performance of commercial banks.

5.2 Inferential Statistics of Study Variables

According to STATA 17 software, the following calculations were performed:

Table 2 :Calculations using Logit Model

	Delta-method					
	dy/dx	std. err.	z	P > z	[95% conf. interval]	
CB1	.3487484	.1489842	2.34	0.019	.0567447	.6407521
CB2	-.1043696	.0871632	-1.20	0.231	-.2752064	.0664672
CB3	.0111099	.0997333	0.11	0.911	-.1843638	.2065837
CB4	-.0333053	.0496024	-0.67	0.502	-.1305243	.0639136
CB5	.2206661	.0924267	2.39	0.017	.039513	.4018191
CB6	.0720011	.0943134	0.76	0.445	-.1128498	.256852
CB7	-.0186562	.1533711	-0.12	0.903	-.319258	.2819456
CB8	-.1671899	.1258052	-1.33	0.184	-.4137636	.0793839
CB9	.1174695	.1182442	0.99	0.320	-.1142849	.3492239
CB10	-.0589874	.0713608	-0.83	0.408	-.198852	.0808772
CB11	-.0950719	.0931802	-1.02	0.308	-.2777017	.087558

Source : Author (2023)

Given the values in the Table 2, of the other independent variables, the conditional marginal effects provide an indication of how much the anticipated probability of the event shifts in response to changes in each independent variable. For instance, if CB1 has a conditional marginal impact of 0.03487484, it indicates that the projected probability of the outcome would reduce by -0.03487484 if the value of CB1 rises by one unit while the values of all other independent variables remain same.

As a result of our analysis of the variable cash budgeting in comparison to the performance

of commercial banks, we found that. Our findings led us to the conclusion that the p-values of CB1, CB2, CB3, CB4, CB6, CB7, CB8, CB9, CB10, and CB11 are all higher than the threshold of significance, which is represented by the value 0.05 in the Table 2. This allowed us to draw the appropriate conclusions. Of all of the cash budgeting methods, only CB5 has a p-value that is lower than the threshold of significance. As a result, a higher number of acceptances indicates that the null hypothesis is accepted in the scenario that was presented before.

Table 3 :Calculations using Probit Model

	Delta-method					
	dy/dx	std. err.	Z	P > z	[95% conf. interval]	
CB1	.2863481	.1298691	2.20	0.027	.0318093	.5408868
CB2	-.0893606	.0721414	-1.24	0.215	-.2307551	.0520338

CB3	.023323	.0878262	0.27	0.791	-.1488132	.1954591
CB4	-.0313585	.0439739	-0.71	0.476	-.1175458	.0548288
CB5	.1857525	.0816112	2.28	0.023	.0257974	.3457075
CB6	.05167	.0831015	0.62	0.534	-.111206	.214546
CB7	-.0103601	.134796	-0.08	0.939	-.2745554	.2538353
CB8	-.150539	.1081292	-1.39	0.164	-.3624683	.0613904
CB9	.1093942	.1008588	1.08	0.278	-.0882854	.3070737
CB10	-.0492798	.0643656	-0.77	0.444	-.1754341	.0768744
CB11	-.0928285	.0830013	-1.12	0.263	-.2555081	.0698511

Source : Author (2023)

Given the numbers of the other independent variables, the conditional marginal effects show how much the expected likelihood of the result shifts with a shift in each independent variable. A conditional marginal impact of 0.2863481 for CB1 indicates that a one-unit rise in CB1, with all other independent factors kept fixed, results in a -0.286348 decline in the expected chance of the event in Table 3.

We compared the results of commercial banks' flexible cash budgets to those of the banks themselves. Since the p-values for CB2, CB3, CB4, CB6, CB7, CB8, CB9, CB10, and CB11 in the Table are all higher than the 0.05 threshold for statistical significance, we draw that inference. Among the financial planning strategies, only CB1 and CB5 have a p-value smaller than the threshold for statistical relevance. Therefore, in this scenario, a higher quantity of accepts indicates that the null hypothesis is approved

5.3 Hypothesis Testing

The hypothesis says that Cash Budgeting doesn't have a big effect on how well commercial banks in the state of Uttarakhand do financially as a whole. This is because Cash Budgeting is not a very important thing. The results are shown in Table 2. They show that cash budgeting does not have a positive effect on the overall performance of commercial banks in the state of Uttarakhand. Because the significance level is 0.05 or less, this alternative hypothesis can no longer be thought to have any chance of being true. Because of this finding, the researchers decided to accept the null hypothesis, and they came to the conclusion that cash budgeting had no effect on the overall

performance of commercial banks in Uttarakhand.

Cash Budgeting has no substantial impact on the overall financial performance of commercial banks in Uttarakhand, according to the third hypothesis. Due to the fact that Cash budgeting is not a substantial issue, this is the case. Cash budgeting does not have a good relationship with the overall performance of commercial banks in the state of Uttarakhand, according to the data shown in Table 3.

Owing to a significance level less than or equal to 0.05, this alternative hypothesis can no longer be considered plausible. In light of this result, the researchers accepted the null hypothesis and concluded that cash budgeting had no effect on the overall performance of commercial banks in Uttarakhand.

6 Conclusion

The findings of the study were calculated using methodLogit-Probit model in which accepted the hypothesis being made according to which there is no effect of the cash budgeting tool on the financial performance of the banks, cash management policies are not being followed, no link between the liquidity and profitability of the bank and delay in payables does not affects the financial performance.

7 Recommendations

The outcome here delivers that it can be find out how does cash budgeting can be a technique of cash management which does not have an effect on the financial performance of other organisations by using of calculations should be made thereof. The variables other than that are used in the study can also be made to perform the task in the

10819



future. It is therefore, recommended cash budgeting has no effect on the cash management depends upon the implementation of the task.

Setting objectives that will act as the process' guiding principles and financial planning are also essential. The only way to do this is to make sure that capable personnel are employed, put in the proper roles, and given the equipment they need to finish the job. Set goals and objectives. Additionally, systems that are easy to utilise for any intended purpose via processes are developed as a result.

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10820

