

# DIVERGENCE IN CASH POSITION METRICS: AN APPRAISAL OF METAL INDUSTRY IN INDIA

Dr. Aravind. M\*

\* Asst., Professor, TKM Institute of Management, Karuvelil P.O, Kollam, Kerala.

## ABSTRACT

### Purpose

Managing cash flows have become one of the major challenges faced by the corporate world. Efficient cash management would enable the firm to improve their profitability and reduce the risk of bankruptcy. This research work is intended to examine divergence in cash position metrics across Metal Industry in India. The major purposes behind this research are to observe divergence in cash position between organizations belonging to metal industry in India and to examine the influence of cash balance on earnings.

### Design/methodology/approach

To study this scenario, nine companies from Nifty-Metal index were selected on the basis of their market capitalization. The cash positions of these companies were observed from the financial year 2010-11 to 2014-15 by means of various cash performance indicators. One-way ANOVA and linear regression model were used to observe the variability in cash position between the sampled firms.

### Findings

While evaluating the sampled firms in terms of various cash position metrics like cash turnover ratio, cash flow margin ratio, cash return on assets, etc, it was found that there exists some deviation in cash position across firms. These findings were statistically signified by means of conducting One Way ANOVA. The linear regression test results show that maintaining cash balance does not have any direct bearing on the firm's profitability.

### Practical Implications

Throughout this study heterogeneity observed in cash management practices across metal industry. But such diversified practices were not able to bring any tangible result in terms of profitability. Hence it is advisable to form and stick on some industrial norms for keeping cash position. Keeping cash position based on some norms will enable the firms in metal industry to address issues related to liquidity and performance.

### Originality/Value

The cash position required by the firms may vary from industry to industry. But it is quite interesting to check whether we have any benchmarking standard for maintaining cash balance across industries. From the review of literature a gap was identified for conducting a research in this line. This research would help firms to relook into their current cash position and to avoid unnecessary risk of keeping excess cash balance. As far as policy-makers or lenders are concerned, they can realistically advise the companies to adhere some industrial norms for holding cash position.

**Keywords:** *Divergence, Cash Performance Indicators, Metal Industry.*