

# CASH MANAGEMENT IN PUBLICLY TRADED CEMENT COMPANIES IN BANGLADESH : AN APPRAISAL

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## ABSTRACT

The study strives to provide an insight into the cash management practices of publicly traded Cement Companies in Bangladesh. It is evident from the study that none of the sample companies have any cash policy. The cash balance at any point of time is the result of chance rather than any planning. It is also evident that the domestic companies had liquidity problem during the whole period of review. But MNCs have surplus liquidity in most of the years under the study, which could have been invested in some profitable ventures instead of keeping idle. On the whole, the cash management of the publicly traded cement companies in Bangladesh was in a poor shape.

**Keywords:** Cash Management, Cement Companies, Target Population, Cash Volume

## INTRODUCTION

Cash is one of the key areas of working capital management. Cash is the most liquid current asset and the common dominator to which all the current assets can be reduced because the other liquid assets, such as receivables and inventory get eventually converted into cash. Cash keeps a business going on. Hence every firm has to hold necessary cash for its existence (Keynes, 1936). It is both the beginning and the end of the working capital cycle. The effective management of cash is the key determinant of efficient working capital management. The steady and healthy circulation of cash throughout the entire business operation is the basis of business solvency (Mishra, 1975). The term cash is used to describe all assets that form the 'cash fund' such as, cash in hand and banks, gold bullion and temporary investments (Howard and Upton, 1953). However, in this study the cash has been termed in its narrower sense in which it includes only cash i.e., coins and currency notes in hand and in transit, cheques and demand drafts in hand and in transit, deposits with banks in different accounts including interest accrued and or receivable (N.A.A. Research Report, 1961).

The ultimate object of every business is to maximize its profitability and as such, it should employ its liquid funds as fully as possible. On the other hand, it should optimize its cash holdings without impairing its overall liquidity needs. This can be done by keeping a tight control over cash flows. The firm can develop a pattern from past experience and compare its own cash balances with those of other firms under the same industry.

### (A) Objective, scope, research approach of the study

The objective of the present study is to make an appraisal of cash management in publicly traded cement companies in Bangladesh over a period of eight years ranging from 2008 to 2015. It, thus, seeks to examine the cash position and the efficiency with which it is managed in publicly traded cement companies in Bangladesh.

The approach of this study is quantitative. The purpose of this study was to form a database from which inference could be drawn with regard to the stated characteristics of the population and as such the research was of inferential type. The secondary data drawn from various sources, have been classified, tabulated and analyzed with the assistance of suitable financial and statistical tools and techniques with a view to evaluating the performance of cash management of the publicly traded cement companies in Bangladesh.

### (B) Target Population and Sample

The publicly traded cement companies in Bangladesh can be divided into two categories: domestic companies and multinational companies (MNCs). A total of seven companies, five domestic and two MNCs are included in this category as on 31<sup>st</sup> December 2015. But the period of this study was 2008 to 2015 and there were five listed companies on DSE on or before 2008. We have taken on all those five publicly traded cement companies in our study.

### (C) Justification of the Study

Though several studies have been conducted by different researchers to examine the cash management

of different companies in different ways, there is hardly any study on cash management of publicly traded cement manufacturing industry in Bangladesh. Cement industry plays an important role in Bangladesh economy in terms of investment, direct and indirect employment, contribution to the national exchequer and help build the infrastructure of the country to support the speedy growing economy. With huge investment placed at their disposal, they are required to earn a reasonable return and working efficiently in addition to fulfilling their social objectives and commitments. The efficiency with which a company organizes and manages its operations such as procurement and production, marketing, human resources, research & development and finance etc. determines the efficiency of its management as well as its commercial success. Among all the activities of finance, cash is the nerve center. The various aspects of working capital management especially cash management can provide the most reliable clues to the management of liquidity and balance between liquidity and profitability of a company. Still, it is a new arena of research. No research study has yet been done on cash management of cement industry in Bangladesh. There is a research gap. It would, therefore, be worthwhile to

examine cash management of publicly traded cement industry in Bangladesh to locate the strengths and weaknesses (if any) therein and to suggest suitable remedial measures accordingly.

**RESULTS**

**(A) Size of Cash and cash to current assets**

Adequacy of cash in a firm suggests the ability to pay its current liabilities in right time without any problem. One of the most important functions of the finance manager is to maintain sufficient liquidity that enables the firm to pay out its obligations as and when they are mature. Whereas idle cash balance affects the profitability of a firm and also involve the cost of retaining it. The proportion of cash to current assets directly indicates the level of cash has been kept by the firm. 'A high ratio of cash to current assets indicates the large volume of cash that and a correspondingly high level of liquidity, but at the same time, it also shows that management is not bothering to manage its cash and thus wasting its resources' (Clarkson and Elliott, 1983). It is very difficult to lay down any standard norm in this regard. However, it should not be less than 5 to 10 percent of current assets (Shehadeh, 2011).

**Table 1: Cash volume and cash as percentage of current assets (Fig in million BDT)**

Year	Aramit			Confidence			Heidelberg			Lafarge			Meghna		
	Cash	CA	Cash to CA (%)	Cash	CA	Cash to CA (%)	Cash	CA	Cash to CA (%)	Cash	CA	Cash to CA (%)	Cash	CA	Cash to CA (%)
2008	13	306	4.4	2	564	0.4	768	3019	25.5	70	7966	2.7	80	1694	4.7
2009	5	369	1.2	25	647	3.8	1819	3381	53.8	87	7725	3.7	153	2173	7.1
2010	24	572	4.2	41	848	4.8	2496	4482	55.7	175	10186	7.5	63	2886	2.2
2011	13	718	1.8	60	1131	5.3	2461	4540	54.2	245	8108	7.1	93	2299	4.1
2012	21	881	2.3	43	1545	2.8	3460	5644	61.3	144	6279	3.6	156	3055	5.1
2013	9	863	1.1	108	1761	6.1	5014	7033	71.3	1162	4020	22.8	195	3231	6.0
2014	13	1041	1.3	68	2443	2.8	4341	6448	67.3	1882	4383	29.8	151	3035	5.0
2015	34	1276	2.7	182	2600	7.0	4050	6187	65.5	3250	3939	41.4	226	3531	6.4
Average (2008 -15)	16	753	2.2	66	1442	4.6	3051	5092	59.9	877	6576	20.7	140	2738	5.1

Against the above theoretical backdrop, table 1 reveals that the absolute amount of cash balance had a fluctuating but increasing trend in all the sample companies over the period of study. The cash balance in Aramit increased from BDT 13 million in 2008 to BDT 34 million or 2.6 times in 2015. The increase in cash balance was more pronounced in Confidence (91 times) with high fluctuation from year to year. In Heidelberg, it increased from BDT 786 million in 2008 to BDT 4050

million or 5.2 times with low fluctuation. In Lafarge, it had an increasing trend with high fluctuation from year to year. It increased from BDT 70 million only in 2008 to BDT 3250 million or 46.4 times in 2015. While in Meghna it had a fluctuating but increasing trend over the period. It increased from BDT 80 million in 2008 to BDT 226 million or 2.8 times in 2015. Thus there was wide fluctuation and inconsistent growth in cash balance from year to year in all the sample companies

and as such none of the companies followed any norms for minimum and maximum levels of cash balance to be kept.

In relative term, cash as the percentage of current assets in Aramit had a fluctuating trend. It was fluctuating between 1.1 percent in 2013 and 4.4 percent in 2008 with an average of 2.2 percent. In Confidence, it had a fluctuating but increasing trend over the period. It was ranging between 0.4 percent in 2008 and 7.0 percent in 2015 with an average of 4.6 percent. In Confidence, it had a fluctuating but increasing trend over the period. It was ranging between 0.4 percent in 2008 and 7.0 percent in 2015 with an average of 4.6 percent. In Heidelberg, it had a gradually increasing trend till 2013 and then an insignificant decreasing trend was noticed during the last three years of study. It was ranging between 25.5 percent in 2008 and 71.3 percent in 2013 with an average of 59.9 percent. Thus the liquidity position of the company was too strong. However, these excess cash balances could have been invested in some profitable ventures. In Lafarge, it had a gradually increasing trend except in 2012. It was ranging between 2.7 percent in 2008 and 41.4 percent in 2015 with an average of 20.7 percent. In Meghna, it had a fluctuating but increasing trend over the period of study. It was ranging between 2.2 percent in 2010 and 6.4 percent in 2015 with an average of 5.1 percent.

It could be concluded that cash to current assets ratio in Heidelberg was far above the standard norm of 5 to 10 percent during the whole period of study and in Lafarge, it was more than the standard norm during the last three years. Thus, the cash position of two multinational companies, specifically Heidelberg and Lafarge were far better than the remaining three domestic companies under the study.

### (B) Cash Position Ratio

It may be defined as the ratio of cash to current liabilities. This is another way of looking at the efforts of the company to control cash balances. It analyses the level of liquid resources in relation to current obligations.

Against the above theoretical setting, it is evident from table 2 that cash as the percentage of current liabilities in three domestic companies namely Aramit, Confidence and Meghna was low during the whole period. It was even below 10 percent in all the three cases. However, it was even below 4 percent in the first 5 out of 8 years of study in Lafarge. In the remaining three years it had an increasing trend with an average of 13.3 over the period of study as against the standard norm of 10 to 20 percent of current liabilities. However, cash as the percentage of current liabilities in Heidelberg was too high during the whole period of review.

**Table 2: Cash as Percentage of Current Liabilities during 2008-15 (Fig in Million BDT)**

Year	Aramit			Confidence			Heidelberg			Lafarge			Meghna		
	Cash	CL	Cash to CL (%)	Cash	CL	Cash to CL (%)	Cash	CL	Cash to CL (%)	Cash	CL	Cash to CL (%)	Cash	CL	Cash to CL (%)
2008	13	518	2.6	2	526	0.4	768	2381	32.3	70	7966	0.9	80	1185	6.8
2009	5	541	0.8	25	455	5.5	1819	1662	109.5	87	7725	1.1	153	1678	9.1
2010	24	786	3.0	41	599	6.8	2496	1884	132.5	175	10186	1.7	63	1915	3.3
2011	13	1041	1.2	60	915	6.5	2461	2119	116.2	245	8108	3.0	93	2419	3.9
2012	21	1287	1.6	43	1192	3.6	3460	2137	161.9	144	6279	2.3	156	2447	6.4
2013	9	1294	0.7	108	1248	8.7	5014	2414	207.7	1162	4020	28.9	195	2447	8.0
2014	13	1135	1.2	68	1758	3.9	4341	2770	156.7	1882	4383	42.9	151	2532	6.0
2015	34	1073	3.2	182	2183	8.3	4050	3155	128.4	3250	3939	82.5	226	3314	6.8
Average (2008 -15)	16	959	2.6	66	1109	0.4	3051	2315	131.79	877	6576	13.3	140	2242	6.8

It can be concluded from the above analysis that the cash position of the listed domestic cement companies in Bangladesh was very poor in comparison to two giant MNCs-Heidelberg and Lafarge. However, cash position in Heidelberg during the whole period and in Lafarge during the last 3 years of study denotes underutilization of liquid funds.

© Operational Adequacy of Cash

The level of operational adequacy of cash would differ a

great deal from industry to industry and from firm to firm due to the nature of the business. There is no standard norm for judging the adequacy of cash. However, a business enterprise should keep its cash and near cash reserves below the requirements of one month's normal expenditure (Walter, 1957). If cash and near cash reserves happen to be more than this limit, it should be taken for granted that excessive cash is being carried by the firm.

Table 3: Cash in Terms of Number of Days Current Obligations during 2008-15 (Fig in Million BDT and days)

Year	Aramit			Confidence			Heidelberg			Lafarge Surma			Meghna		
	Cash	CL	Cash for no. of days obligations	Cash	CL	Cash for no. of days obligations	Cash	CL	Cash for no. of days obligations	Cash	CL	Cash for no. of days obligations	Cash	CL	Cash for no. of days obligations
2008	13	518	9	2	526	1	768	2381	117	70	7966	3	80	1185	25
2009	5	541	3	25	455	20	1819	1662	395	87	7725	4	153	1678	33
2010	24	786	11	41	599	25	2496	1884	484	175	10186	6	63	1915	12
2011	13	1041	4	60	915	24	2461	2119	424	245	8108	11	93	2419	14
2012	21	1287	6	43	1192	13	3460	2137	591	144	6279	8	156	2447	23
2013	9	1294	3	108	1248	32	5014	2414	758	1162	4020	106	195	2447	29
2014	13	1135	4	68	1758	14	4341	2770	572	1882	4383	157	151	2532	22
2015	34	1073	12	182	2183	30	4050	3155	463	3250	3939	301	226	3314	25
Avg. ('08 -15)	16	959	6	66	1109	22	3051	2315	481	877	6576	49	140	2242	23

Note: Cash in terms of no. of days current obligations= (Cash Balance/ Current liabilities) x 365

Against the above backdrop, it is observed in table 3 that the cash balance in terms of days' current obligations in Aramit was far below the standard norm of 30 days in 7 out of 8 years of study. It was ranging between 5 days in 2009 and 34 days in 2015 with an average of 15 days. In Confidence, it was below 30 days in 6 out of 8 years of study. It was ranging between 1 day in 2008 and 32 days in 2013 with an average of 22 days. However, in Heidelberg, it was several times higher than the standard norm of 30 days in all the years of the study. It was ranging between 117 days in 2008 and 758 days in 2013 with an average of 481 days. Thus, there was the huge amount of idle cash resources during the whole period of review, which suggests inefficient management of cash. In Lafarge, it was below the standard norm of 30 days during the first 5 years and far above the standard norm during the last 3 years. In last three years, it was far above than the

standard norm. In Meghna, it was below the standard norm of 30 days in 7 out of 8 years of study. It was ranging between 12 days in 2010 and 33 days in 2009 with an average of 23 days.

Therefore, the listed domestic cement companies in Bangladesh should maintain an optimum level of cash so as to maintain proper liquidity in the business and to pay its currently maturing debt without any problem.

(D) Cash to Net Working Capital Ratio

Cash as the percentage of networking capital provides a deep insight into the liquidity position of a business entity. Normally the higher the cash to net working capital ratio, the more of a firm's working capital is available in the form of cash and the more liquid the entity is. If the ratio is low, it could mean the firm will have trouble in paying its short-term maturing debts.

**Table 4: Cash as Percentage of Net Working Capital during 2008-15 (Fig in Billion BDT)**

Year	Aramit			Confidence			Heidelberg			Lafarge Surma			Meghna		
	Cash	NWC	Cash to NWC (%)	Cash	NWC	Cash to NWC (%)	Cash	NWC	Cash to NWC (%)	Cash	NWC	Cash to NWC (%)	Cash	NWC	Cash to NWC (%)
2008	13	-212	-6.3	2	38	6.0	768	639	120.3	70	-5397	-1.3	80	509	15.7
2009	5	-172	-2.7	25	191	13.0	1819	1,719	105.8	87	-5331	-1.6	153	495	31.0
2010	24	-214	-11.2	41	249	16.3	2496	2,598	96.1	175	-7868	-2.2	63	971	6.4
2011	13	-323	-4.0	60	216	27.6	2461	2,422	101.6	245	-4658	-5.3	93	-120	-78.1
2012	21	-406	-5.1	43	353	12.2	3460	3,507	98.7	144	-2315	-6.2	156	608	25.6
2013	9	-432	-2.1	108	513	21.1	5014	4,619	108.5	1162	1070	108.6	195	784	24.9
2014	13	-94	-13.9	68	685	10.0	4341	3,678	118.0	1882	1938	97.1	151	502	30.0
2015	34	203	16.7	182	417	43.6	4050	3,032	133.6	3250	3916	83.0	226	217	104.1
Avg. ('08 -15)	16	-206	-8.0	66	333	19.8	3051	2,777	109.9	877	-2331	-37.6	140	496	15.7

It is evident from table 4 that in Aramit, the NWC was negative in 7 out of 8 years of study and as such cash to NWC ratio was negative during the same period. Negative working capital gives a very bad signal and suggests overtrading on current assets and very slow movement of current liabilities. In Confidence, the cash to NWC had a fluctuating but increasing trend with an average of 1.8 percent over the period. In Heidelberg, the cash to NWC had a fluctuating but increasing trend with an average of 109.9 percent over the period of study. More revealing is that cash to NWC was even more or very close to 100 percent during the whole period of study. In Lafarge, the NWC was negative in 5 out of 8 years of study and as such cash to net working capital ratio was negative during the same period. Thus it is evident from above that there was excess liquidity during the whole period in Heidelberg and during the last 3 year in Lafarge.

#### **(E) Net Cash Inflow to Current Liabilities**

Net cash inflow to current liabilities is a liquidity ratio that measures the relationship between net cash provided by operating activities and the average current liabilities of the company. It indicates the ability of the business to pay its current liabilities from its operations. Professor Walter has suggested that as compared to matching current assets with current liabilities or quickly realizable assets with current liabilities, better results can be obtained by matching current obligations with net cash inflow (Walter, 1975). Some researchers and financial analysts are in the opinion that 'a firm to be actually liquid and solvent should have net cash inflow equal to or more than 100 percent of current liabilities' (Khandelwal, 1985).

As it would appear from table 5, net cash inflow in Aramit was positive in 5 out of 8 years of study with high fluctuation from year to year. Even in that year, the positive cash inflow was grossly insufficient (2 percent to 39 percent of total current liabilities) to pay out total current liabilities.



Table 5: Net Cash Inflow to Current Liabilities during 2008-15 (Fig in Million BDT)

Year	Aramit			Confidence			Heidelberg			Lafarge			Meghna		
	Net Cash Inflow	CL	NCI to CL (%)	Net Cash Inflow	CL	NCI to CL (%)	Net Cash Inflow	CL	NCI to CL (%)	Net Cash Inflow	CL	NCI to CL (%)	Net Cash Inflow	CL	NCI to CL (%)
2008	122	518	24	2	526	0	768	2381	32	40	7966	1	-3	1185	0
2009	-140	541	-26	25	455	5	1819	1662	109	18	7725	0	73	1678	4
2010	168	786	21	41	599	7	2496	1884	132	87	10186	1	-91	1915	-5
2011	17	1041	2	60	915	7	2461	2119	116	71	8108	1	31	2419	1
2012	-3	1287	0	43	1192	4	3460	2137	162	-91	6279	-1	63	2447	3
2013	-10	1294	-1	108	1248	9	5014	2414	208	1050	4020	26	39	2447	2
2014	448	1135	39	68	1758	4	4341	2770	157	677	4383	15	-45	2532	-2
2015	261	1073	24	182	2183	8	4050	3155	128	1367	3939	35	76	3314	2
Average ('08-15)	108	959	11	66	1109	6	3051	2315	132	402	6576	6	18	2242	1

Note: Net cash inflows = Net profit after tax + Noncash charges

The situation was more discouraging in confidence as the ratio was ranging between 0 percent in 2008 and 9 percent 2013 with an average of 6 percent. The reverse situation was observed in Heidelberg, where net cash flow to current liabilities was ranging between 32 percent in 2008 and 208 percent 2014 with an average of 128 percent. There was surplus liquidity during the whole period of review except in 2008. In Lafarge, net cash flow to current liabilities was ranging between -1 percent in 2012 and 35 percent 2015 with an average of 6 percent. Thus cash inflow was grossly insufficient to meet even the operating expenses. In Meghna, net cash

flow was positive in 5 out of 8 years of study with high fluctuation from year to year. Even in that year, the positive cash inflow was grossly insufficient (-5 percent to 4 percent of total current liabilities) to pay out total operating expenses.

**(F) Coverage of Current Liabilities**

Coverage of current liabilities is the product of current liabilities turnover and net profit margin. The more the coverage of current liabilities, the better the liquidity position of a firm.

Table 6: Coverage of Current Liabilities during 2008 to 2015

Year	Aramit	Confidence	Heidelberg	Lafarge Surma	Meghna
2008	0.5	-5.4	24.9	2.2	2.0
2009	11.2	31.5	51.2	12.9	7.9
2010	10.1	40.2	53.0	-15.9	3.5
2011	4.9	21.7	35.4	-27.0	1.9
2012	4.0	23.5	60.4	23.7	5.8
2013	3.4	29.2	61.1	51.6	4.8
2014	1.3	12.4	42.6	64.3	4.0
2015	1.5	14.9	44.4	58.1	3.1
Average (2008-15)	4.2	19.6	46.1	11.5	4.1

Note: Coverage of current liabilities =  $\frac{Sales}{CL} \times \frac{Net Profit}{Sales} = \frac{Net Profit}{CL} \times 100$

It is evident from table 6 that the coverage of current liabilities was too low in Aramit and in Meghna. On an average, net profit as the percentage of current liabilities was even less than 5 percent. In Lafarge, it was negative in 2010 and 2011 because the net profit figures were negative in both the years. In relative term, net profit to current assets was fluctuating between -27.0 percent in 2011 and 64.3 percent in 2015 with a fluctuating but increasing trend. In Confidence, it was reasonable during the whole period of review except in the beginning year of the study. In Heidelberg, it was fluctuating between 24.9 percent in 2008 and 60.4 percent in 2012 with an average ratio of 46.1 percent. Thus, on the whole, the net profit to current liabilities ratio was good in Heidelberg during the whole period of

review and in Confidence and Lafarge it was good during the last 7 years and last 5 years respectively.

### (G) Cash Conversion Cycle

Cash conversion cycle (CCC) shows how quickly cash is converted into raw material, finished product, debtors and again into cash. It provides an indication of efficiency or inefficiency of the management of current assets and simultaneously, the swiftness of cash conversion cycle. The lower the conversion period, the better the utilization of the components of working capital and vice-versa. Every enterprise is keen to keep the cycle as short as possible. In order to judge the credit policy and cash conversion position of the sample companies, their CCC is presented in table 7.

**Table 7: Cash Conversion Cycle during 2008-15 (Fig in Days)**

Year	Aramit	Confidence	Heidelberg	Lafarge	Meghna
2008	113	100	36	66	63
2009	70	131	-2	24	113
2010	72	108	6	-14	68
2011	13	59	-8	18	84
2012	-38	75	1	17	66
2013	-55	67	-18	4	113
2014	107	102	-2	-10	147
2015	202	91	-44	-24	71

It is observed that the CCC in Aramit was ranging between - 55 days in 2013 and 202 days in 2015 with high fluctuation from year to year. It was negative in 2012 and 2013 and positive in the remaining years of the study. The negative CCC was due to the slow moving of payables and speedy moving inventories. The CCC in Confidence was in between 67 days in 2013 and 131 days in 2009 with high fluctuation from year to year. This situation corroborates poor bargaining power of management with the creditors and debtors and as a result, the management of cash was inefficient. The CCC in Heidelberg was ranging between -44 days in 2015 and 36 days in 2008 with moderate fluctuation trend. The inventory holding period was ranging between 44 days in 2014 and 103 days in 2008 with a gradually decreasing trend. It was negative in 5 out of 8 years of study. In the remaining 3 years, it was very low. Even in 2010 and 2012 CCCs were 6 days and 1 day respectively. This situation suggests that the company's product has a strong demand in the market and it has been managing its receivables and payables efficiently. In case of Lafarge, the CCC was ranging between -24 days in 2015 and 66 days in 2008 with gradual decreasing trend during the period of review. It was below 30 days during the whole period of review except in 2008. Thus the company has been managing its CCC

to some extent efficiently. The CCC in Meghna was in between 63 days in 2008 and 147 days in 2014 with high fluctuation from year to year. On the whole, the CCC was far more in Meghna than the other sample companies under the study. This situation corroborates poor management of current assets and current liabilities. It can be concluded that the cash has been rotating very slowly in the cement industry in Bangladesh except in Heidelberg and Lafarge, which is certainly an alarming sign and immediately need to be well-taken care of.

### DISCUSSION

Results of tests which are performed partially indicate that the listed domestic cement companies in Bangladesh should maintain an optimum level of cash so as to maintain proper liquidity in the business and to pay its currently maturing debt without any problem. Singh and Pandey (2008) suggested that, for the successful working of any business organization, fixed and current assets play a vital role, and that the management of working capital is essential as it has a direct impact on profitability and liquidity.

Kevin and Young (2009) identified that a lot of capital tied up in receivables and inventory could be turned

into cash by challenging the working capital practices and policies of the company. They had explored six common mistakes that companies make in managing working capital. According to the article the simple act of correcting them could free up enough cash to make the difference between failure and survival in the current recession.

The purpose of this study was to form a data base from which inference could be drawn with regard to the stated characteristics of the population and as such the research was of inferential type. The study investigates the impact of cash management practices on corporate performance using samples from listed cement companies in Bangladesh. The variables for this study consists of the Size of Cash and cash to current assets, Cash Position Ratio, Operational Adequacy of Cash, Cash to Net Working Capital Ratio, Net Cash Inflow to Current Liabilities, Coverage of Current Liabilities, and Cash Conversion Cycle.

Cement is an essential component of infrastructure development and most important input of construction industry, particularly in the government's infrastructure and housing programs, which are necessary for the country's socioeconomic growth and development. It is also the second most consumed material on the planet (WBCSD 2002). Ghosh and Maji (2003) attempted to examine the efficiency of working capital management of Indian cement companies during 1993 to 2002. They calculated three index values-performance index, utilization index and overall efficiency index to measure the efficiency of working capital management, instead of using working capital management ratios. So, from the study it is evident that the cash management of the publicly traded cement companies in Bangladesh is in an alarming condition.

## CONCLUSION

Cash management in the publicly traded cement companies in Bangladesh has been found to be in a very poor and disorganized shape. Even in the multination giant Heidelberg, there was the huge amount of unutilized cash balance which could have been invested in profitable ventures. The management of the publicly traded cement companies did not pay any attention to this important segment of financial management. In reality, none of the company has any cash policy by any means. They do not determine the optimum level of cash balance be maintained. It is obvious that cash balance on a particular date was more the result of chance rather than any planning.

Analysis of financial information discloses that amount of cash balance used to vary widely from year to year in

all the sample companies except Heidelberg because cash as percentage of total assets and cash as percentage of current assets disclose insufficient cash balance in all the domestic cement companies and in the first 5 years in Lafarge to meet the current obligations. This poor liquidity situation is also corroborated through the ratio of cash as the percentage of current obligation. Cash balance was less than one month's current obligations in most of the years in all the publicly traded cement companies except in Heidelberg. In Heidelberg, it was far above than the standard norm. More revealing is that in Lafarge, it was far below the standard norm during the first 5 years and far above standard norm during the last 3 years. As for cash conversion cycle, it was too high in Aramit, Confidence and Meghna and too low or negative in Heidelberg and Lafarge. On an average, cash conversion cycles were 202 days in Aramit, 91 days in Confidence, -44 days in Heidelberg, -24 days in Lafarge, and 71 days in Meghna. Negative figures were due to larger payment period for payables in both the MNCs.

Thus each company should have a cash policy stating the minimum, maximum, optimum level of cash balance to be kept at a point of time. Cash balance at a particular point of time should be by choice, not by chance. In practice, nothing will work until and unless a pragmatic approach by management to the whole issue.

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