



Article

# Cash Inflow Management of Small Enterprises in Palghar District

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**Abstract: Purpose** – The goal of this study was to examine the relationship between Cash Flow Management Practices and perceived Business Performance, specifically in small and medium-sized enterprises. A conceptual model was tested using Questionnaire on data from 30 respondents Boisar, Dahanu, and Manor. The findings suggest that CASH MANAGEMENT has a mediating effect on the relationship between Financing and Business Performance, as well as Operating and Business Performance. However, the significance of the indirect effect was not established for Investment-Cash Flow Practices and Financial Record Keeping Practices. The study also found that the total effect, including indirect effect, for Financing and Investment-Cash Flow Practices were statistically different for small and medium-sized businesses. Further research is needed to explore the impact of Cash Flow Management Practices on Business Performance and to employ robust measures across different industries using longitudinal data.

**KEYWORDS:** Cash Flow Management, Business Performance, operating Cash Flow.

## INTRODUCTION

### Cash Flow Management in Small Business Enterprises (SBEs)

Cash flow management involves controlling the timing of fund inflows and outflows to ensure an enterprise has sufficient liquidity for daily expenses and short-term debts. It is considered the "lifeline" of an enterprise, and a deficiency can lead to debt defaults or bankruptcy. Unlike profitability, which measures revenue against expenses over time, cash flow focuses on the immediate

timing of cash movements, making it a more direct indicator of financial health. Effective management ensures businesses can meet essential needs such as salaries, rent, utilities, and inventory without interruption. Maintaining positive cash flow allows SBEs to seize growth opportunities, such as investing in new equipment, marketing, or expanding into new markets. Palghar is a strategic location within the Mumbai Metropolitan Region (MMR), featuring a mix of tribal, agricultural, and industrial economies.

The region hosts over 5,757 registered small industries, with major hubs like the Tarapur Industrial Estate containing over 1,500 units. The district relies heavily on seasonal products like Gholvad Chikoo (under the One District One Product initiative), rice, and fishing along its 100-km coastline. SBEs in Palghar are highly vulnerable to disruptions because they often lack the capital reserves that larger enterprises use to absorb financial shocks. Agricultural and fishing businesses face irregular income tied to harvest cycles and monsoons, leading to cash shortages during off-seasons. SBEs supplying to larger industrial units or government contracts often face payment delays of 30 to 90 days, creating severe liquidity gaps. While schemes like MUDRA and PMEGP exist, bureaucratic hurdles, lack of collateral, and low awareness limit access to affordable credit.

Rising costs of raw materials, labor, and transportation, combined with a lack of modern infrastructure (like cold storage for perishable goods), strain cash reserves. Many SBE owners in rural or tribal areas lack formal training in budgeting, forecasting, or accounting. Creating monthly or quarterly projections helps businesses anticipate inflows and plan for lean periods, such as the off-season for Chikoo farmers. Issuing invoices immediately and implementing rigorous follow-up systems reduces payment delays from industrial clients. Setting aside a portion of profits during peak seasons creates a buffer for unforeseen challenges or equipment breakdowns.

Adopting digital accounting tools (e.g., Tally, QuickBooks) and online inventory systems allows for real-time tracking and improved decision-making. Exploring value-added products, such as Chikoo-based jams or dried fish, can help stabilize income throughout the year. Participating in programs offered by MSME Development Institutes or NGOs can enhance essential management skills. Theoretical concepts suggest that cash flow is a more accurate reflection of an enterprise's financial health and shareholder wealth than simple profit models.

This hypothesis posits that enterprises must maintain cash reserves to cope with uncertain market environments and sudden investment opportunities. Optimization of cash flow strategies significantly reduces an enterprise's risk exposure and handling costs while improving the efficiency of financial resources.

The Broader Role of SBEs in the Economy SMMEs constitute approximately 91% of formal business entities and contribute between 52% to 57% of a country's GDP. In India, small businesses are the second-largest employment generator after agriculture, providing 61% of total employment. It is estimated that 65% to 75% of industrial innovation originates from small business industries. SBEs utilize local resources, talent, and raw materials, which helps uplift the lifestyle and economic conditions of rural and semi-urban areas. Do plan finances beforehand and keep a professional accountant to maintain records and avoid debt traps. Do take thoughtful risks and use insurance to protect against

accidental damages to the business or staff. Don't ignore or underestimate competitors, and don't over-project sales through excessive optimism. Don't try to do everything yourself; build a good team and invest in social media to gain brand visibility.

## Literature Review

### Sivashanmugankrishna & Somasundaram (2018)

Financing and operating practices significantly affect SME performance, partially mediated by cash forecasting. Investment and financial record-keeping showed no significant mediation. Integrating structured cash forecasting is crucial for SME sustainability

### Augustine Oghenetejiri Aren & Athanisi Bongani Sibindi (2014)

Most SMIMES in South Africa were familiar with cash flow concepts (e.g., budgeting, forecasting) but were not applying them in practice. A high percentage struggle with managing receivables, lack proper credit policies, and often operate on a cash-only basis.

### Tim Mazzarol (2014)

SMEs depend on short-term financing and face credit restrictions. Proper control of cash flow inventory, and receivables strongly improves profitability. Owner-manager skill is critical in developing economies due to limited access to formal credit systems

### Dalin Wang (2024)

Cash flow is the "lifeline" and more critical than profit; even profitable businesses can collapse without steady cash. Effective management ensures liquidity, reduces financial risk, and supports growth. Strengthening forecasting and balancing operating, investing, and financing flows is key

### Isle, Freudenberg, & Sarker

key reason for poor cash flow management in small businesses is the lack of adequate financial literacy among owners. This directly causes liquidity problems, increased vulnerability, and ultimately, failure of the enterprise. Enhancing financial literacy is necessary for building sustainable businesses

### Mufaro Dzingirai & Rodgers Ndava (2022)

Challenges for small family-owned businesses in Zimbabwe include poor receivables/payables management, lack of cash reserves/budgets and limited financial expertise. Cultural influence (Unhu/ Ubuntu) often leads to informal credit practices that complicate stability. Effective cash management is a vital resource for competitiveness (Resource-Based View).

### Gilbert Uwonda & Nelson Okello (2015)

Nelson Okello (2015) largely depends on effective cash flow management, which acts as the business lifeline. Challenges in planning, monitoring, and control remain critical barriers Effective management is positively correlated with SME performance enhancing operational

efficiency.

### Hijam Dinakumar Singh 2022

Small business owners often lack formalized cash management systems, relying heavily on informal mechanisms with inadequate internal controls. Despite this, over 90% of traders perceive their practices as satisfactory indicating a gap between perceived and actual competence due to limited financial literacy.

### Twongyeirwe Marion (2023)

Study anchored on three theories: Cash Management Theory (planning/monitoring is key for survival), Pecking Order Theory (firms prefer internal funds, reflected in SMEs using personal savings/informal borrowing) and Liquidity Preference Theory (holding liquid cash to meet uncertainties and short-term obligations)

### Sheralyn Delas Nieves & Sherwin Gino H. Crillanes (2025)

Micro and Small Pharmaceutical Businesses in Naga City highly practice operating activities but are weakest in investing activities, Effective cash flow management is essential for survival but gaps in financing and investing hinder long-term sustainability

### Somesh N, Sathyabama 2024

Efficient cash flow management is vital for sustainable business growth. Problems identified include a declining current ratio, high dependency on borrowings, and inefficient inventory handling. Measures suggested: optimizing receivables, cautious borrowing, and improving inventory control.

## Research Methodology

### 3.1 Objectives of the Study

1. To determine the main goods/services that generate income and evaluate their contribution to overall revenue.
2. To examine whether offering goods/services on credit impacts liquidity and cash inflows.
3. To track the frequency of payments and received from customers and their effect on cash availability.
4. To identify cash inflow patterns and prepare for periods of low revenue.
5. To analyse how customers pay (cash, digital, bank transfers, etc.) and ensure convenience and efficiency.
6. To encourage the use of a separate business account and accurate records of all inflows.
7. To identify difficulties (delayed payments, defaults, seasonal shortages) and implement solutions.

### 3.2 Scope of Study

1. The study focuses on examining how small enterprises handle and control their daily cash inflows.

2. It highlights the relationship between effective cash inflow management and business profitability.
3. The research includes an assessment of modern financial tools that help improve cash inflow efficiency in small enterprises.

### 3.3 Limitations of Study

1. The study includes only a few small enterprises, so results may not represent all businesses.
2. Data provided by owners or managers may be biased or incomplete.
3. Time limitation prevented a detailed or long-term analysis of cash inflow patterns.

### 3.4 Types of Research

The research is primarily **descriptive** in nature. The sources of information collected are both **Primary & Secondary**.

A well-structured questionnaire was prepared to collect the perception of the respondent, through questionnaire.

### 3.5 Research Method

Research can be defined as systematized effort to gain new knowledge. Research is carried out by different methodology, which has their own advantages and disadvantages. Research methodology is a method to solve research problems along with the logic behind them. Thus, when we talk about research methodology, we not only take research method, but also the context of our research study and describe why we are using a particular method or technique and why are we not using the other, so that research result is capable of being evaluated either by the researchers himself or by others.

### 3.6 Types of Data

The data is collected from the following sources: -

#### 1. Primary Data: -

Primary data is the first-hand data which is collected from the number of respondents.

Here, structured questionnaire was used to collect primary data through surveys.

#### 2. Secondary Data: -

Secondary data has been collected from other useful resources and information essentially required in order to successfully complete the project report. It has been collected by the use of internet, journals, etc.

### 3.7 Sample Size

Sample size: - 30, consumers have been selected as a sample size for research.

### 3.8 Sample Method

#### 1. Sample Method

Purposive sampling is been used for research project.

#### 2. Data representation technique and tools

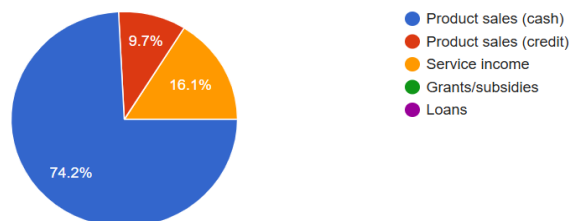
Table and pie charts have been used for the presentation of the report.

### 3.9 Data collection method

1. Survey Method
2. Survey Instrument: Questionnaire

3. Method of Survey: Through the Personal Interaction with small enterprises with the help of Questionnaire.

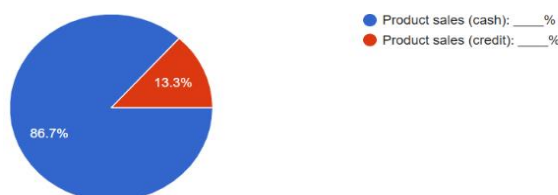
### DATA ANALYSIS



#### Q.1) What are your primary sources of revenue?

Sources of Revenue	Percentage of Responses
Product Sales (Cash)	74.2%
Product Sales (Credit)	16.1%
Services Income	9.7%
Grants / Subsidies	0.0%
Loans	0.0%

**Interpretation:** The entity's revenue is largely dependent on cash-based product sales (74.2%), indicating strong liquidity but high reliance on immediate sales. Service income (16.1%) provides additional support, while low credit sales (9.7%) reflect a cautious credit policy. With no grants or loans, the entity is financially self-sustaining and independent.



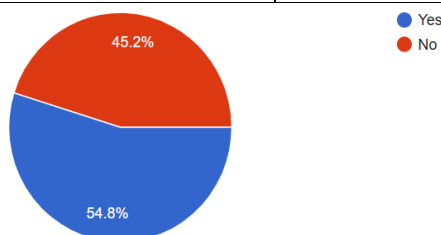
#### Q.2) What percentage of your total revenue comes from each source?

Sources of Revenue	Percentage of Total Revenue
Product sales (cash)	86.7%
Product sales (credit)	13.3%

**Interpretation:** Product sales are overwhelmingly cash-based (86.7%), indicating strong cash flow and minimal credit risk. Credit sales form only 13.3%, reflecting a conservative, cash-efficient approach with limited reliance on receivables.

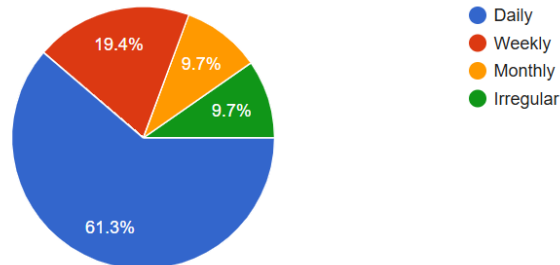
#### Q.3) Do you offer goods/services on credit?

Response	Percentage of Respondents
Yes	54.8%
No	45.2%



**Interpretation:** A slight majority of entities (54.8%) offer goods or services on credit, indicating its importance as a competitive or customer-oriented strategy. However, a large portion (45.2%) operate on a cash-only basis, prioritizing immediate cash flow and minimizing credit risk.

**Q.4) How often do you receive payments from customers?**

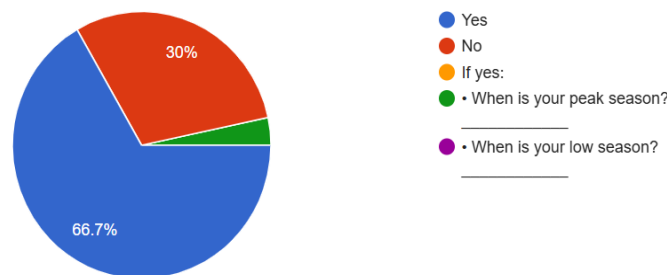


Frequency	Percentage of Responses
Daily	61.3%
Weekly	19.4%
Monthly	9.7%
Irregular	9.7%

**Interpretation:** Most entities receive payments frequently, with 61.3% collecting daily and 19.4% weekly, indicating strong and consistent cash flow. Only a small share receives payments monthly or irregularly (9.7% each), showing that short-term transactions dominate and support high liquidity.

**Q.5) Do you experience seasonal or fluctuating cash inflows?**

Response Category	Percentage of Responses
Yes	66.7%
No	30.0%
If yes: When is your peak season?	3.3%
If yes: When is your low season?	0.0%

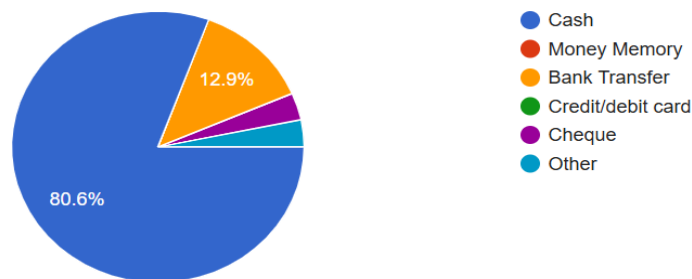


**Interpretation:** About 66.7% of entities experience seasonal or fluctuating cash flows, indicating the need for strong working capital planning. In contrast, 30.0% report stable inflows, while only 3.3% specified peak seasons, confirming that cash flow variability is common for most businesses.

**Q.6) How do customers typically pay you?**

Payment Method	Percentage (%)
Cash	80.6%
Bank Transfer	12.9%

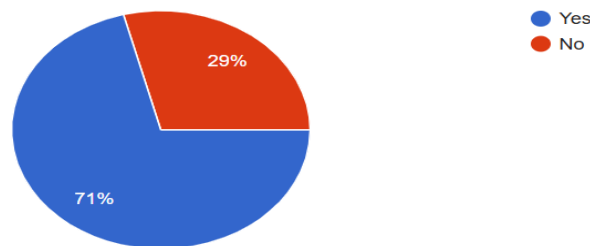
Credit/debit card	3.2%
Cheque	2.0%
Money Memory	0%
Other	0%



**Interpretation:** The business relies predominantly on cash payments (80.6%), indicating a largely cash-based operating model. Bank transfers contribute modestly (12.9%), while cards and cheques are rarely used, highlighting limited adoption of digital payment methods and cash management challenges.

**Q.7) Do you have a separate business bank account?**

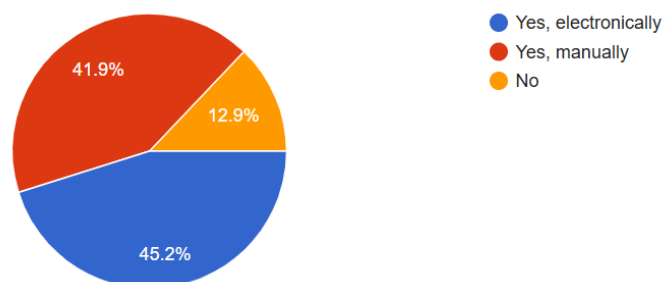
Response	Percentage	Number of Responses
Yes	71%	22
No	29%	9



**Interpretation:** A strong majority of respondents (71%) maintain a separate business bank account, reflecting good financial discipline and clear fund segregation. However, 29% still mix personal and business finances, which may complicate accounting and financial management.

**Q.8) Do you keep records of all cash inflows?**

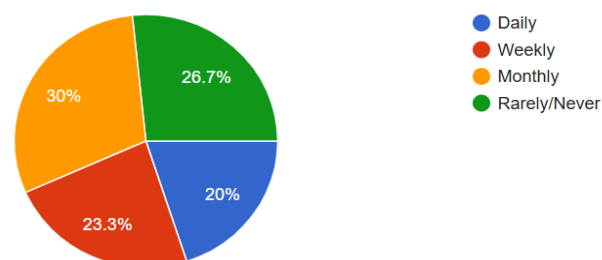
Response	Percentage	Number of Responses
Yes, electronically	45.2%	14
Yes, manually	12.9%	4
No	41.9%	13





**Interpretation:** Record-keeping practices are nearly evenly split, with 45.2% of businesses maintaining electronic records and 12.9% using manual methods. However, a substantial 41.9% do not consistently record all cash inflows, highlighting a key gap in financial management practices.

**Q.9) How often do you reconcile your cash inflows with your records/bank statements?**

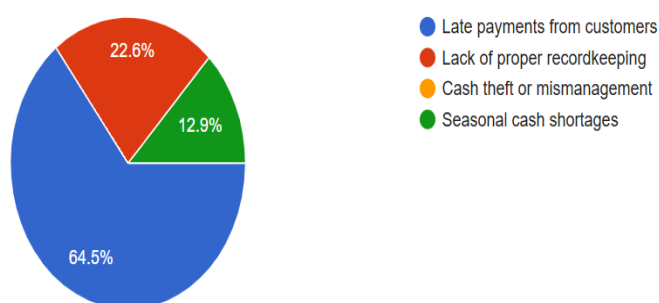


Frequency	Percentage of Responses
Daily	20%
Weekly	23.3%
Monthly	30%
Rarely/Never	26.7%

**Interpretation:** Most respondents reconcile cash infrequently, with 30% doing so monthly and 26.7% rarely or never, indicating weak regular financial control. Only 43.3% reconcile daily or weekly, highlighting gaps in effective cash monitoring practices.

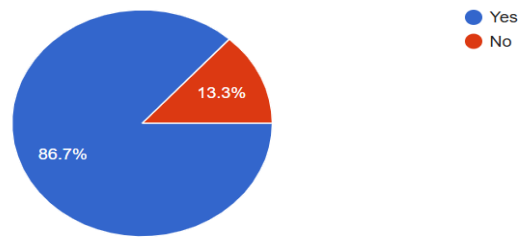
**Q.10) What are the major challenges you face in managing cash inflows?**

Challenges	Percentage (%)
Late payments from customers	64.5%
Lack of proper record-keeping	22.6%
Cash theft or management	0.0%
Seasonal cash shortages	12.9%



**Interpretation:** Late customer payments are the main cash inflow challenge, reported by 64.5% of respondents, highlighting issues with receivables and collections. Poor record-keeping (22.6%) and seasonal cash shortages (12.9%) are secondary concerns, while cash theft or mismanagement is not reported as a problem.

**Q.11) Are you interested in improving how you manage and track cash inflows?**

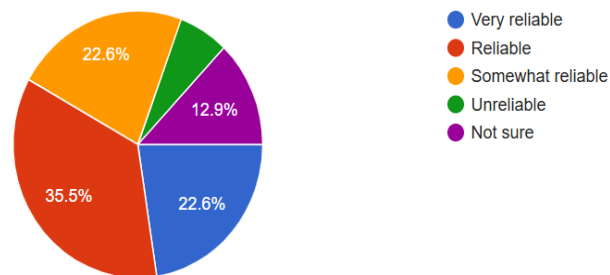


Response	Percentage (%)
Yes	86.7%
No	13.3%

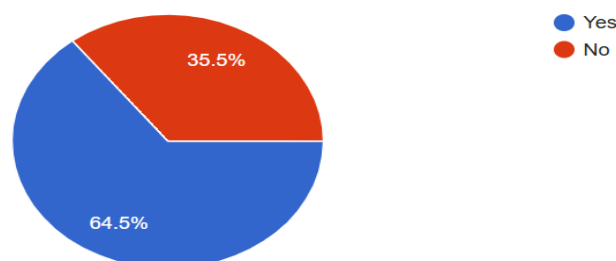
**Interpretation:** A strong majority of respondents (86.7%) are interested in improving how they manage and track cash inflows. This indicates high awareness of cash flow challenges and a clear demand for better tools, training, or systems to address them.

**Q.12) How reliable are your current sources of cash inflows?**

Reliability Level	Percentage of Responses
Very Reliable	22.6%
Reliable	35.5%
Somewhat reliable	22.6%
Unreliable	12.9%
Not sure	6.4%



**Interpretation:** Most respondents (58.1%) consider their cash inflow sources reliable or very reliable, indicating overall confidence in revenue stability. However, 22.6% view them as only somewhat reliable, and a small minority perceive uncertainty or unreliability, suggesting room for improvement in consistency.



Response	Percentage
Yes	64.5%
No	35.5%

**Q.13) Have you introduced any new products/services that increased your cash inflows recently?**

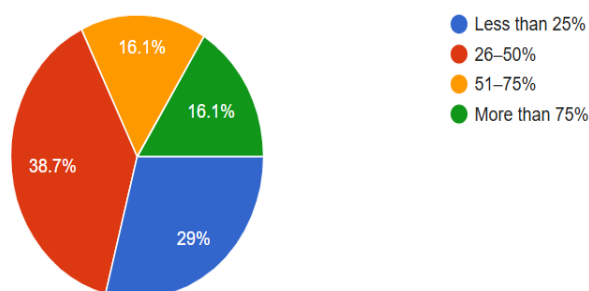
**Interpretation:** A majority of respondents (64.5%) have introduced new offerings that improved their cash flow, reflecting active growth and innovation. However, 35.5% have not made recent additions, indicating reliance on existing revenue sources and potential stagnation.

**Q.14) What percentage of your inflows comes from repeat customers versus new customers?**

Percentage of Inflows from	Percentage of Respondents
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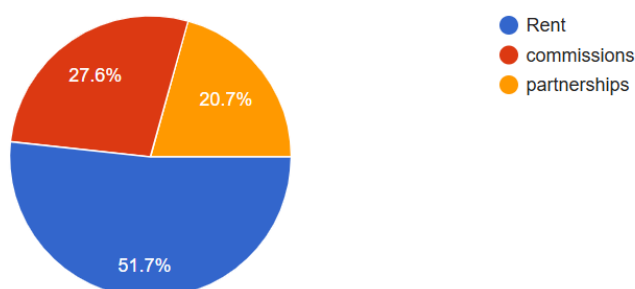


Repeat Customers	
Less than 25%	29%
26-50%	38.7%
51-75%	16.1%
More than 75%	16.1%



**Interpretation:** Most respondents rely more on new or moderately established customers, with only a minority (32.2%) earning substantial inflows from repeat business. This indicates high customer turnover and highlights an opportunity to boost revenue through improved customer retention.

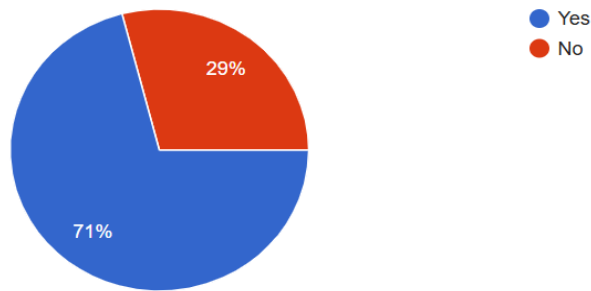
#### Q.15) Do you earn income from non-sales activities?



Source of Non-Sales Income	Percentage of Respondents
Rent	51.7%
Commissions	27.6%
Partnerships	20.7%

**Interpretation:** Most respondents (51.7%) generate non-sales income primarily from rent, with commissions (27.6%) and partnerships (20.7%) also contributing, showing efforts to diversify revenue. This indicates that businesses actively use non-core activities to strengthen income stability.

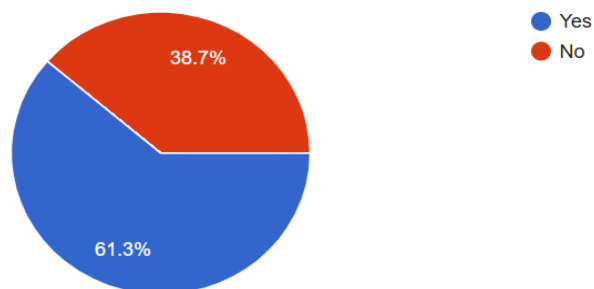
#### Q.16) Do you set sales targets, and how often do you achieve them?



Response	Percentage
Yes (Achieve Targets)	71%
No (Do not Achieve Targets)	29%

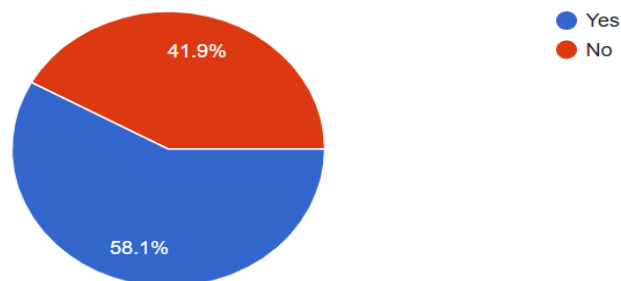
**Interpretation:** A majority of respondents (71%) achieve their sales targets, reflecting strong planning, effective strategies, and operational efficiency. The remaining 29% face challenges, indicating potential areas for improvement in sales management and resource allocation.

**Q.17) Do you offer discounts or promotions to encourage faster cash inflows?**



Response	Percentage
Yes	61.3%
No	38.7%

**Interpretation:** Most respondents (61.3%) use discounts or promotions to speed up cash inflows, showing a focus on liquidity and faster cash conversion. The remaining 38.7% avoid such strategies, prioritizing full pricing and profit margins over quicker payments.



**Q.18) Do you use installment payment plans with customers? If yes, how does it affect cash inflows?**

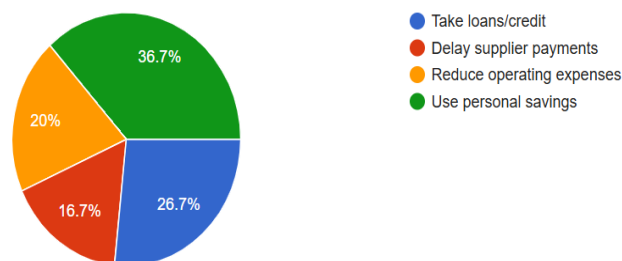
Response	Percentage
Yes	58.1%

No	41.9%
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**Interpretation:** A moderate majority of respondents (58.1%) use installment payment plans to improve affordability and boost sales, despite slower cash inflows. The remaining 41.9% prefer full upfront payments to maintain immediate cash flow and reduce credit risk.

**Q.19) How do you handle inflow shortages?**

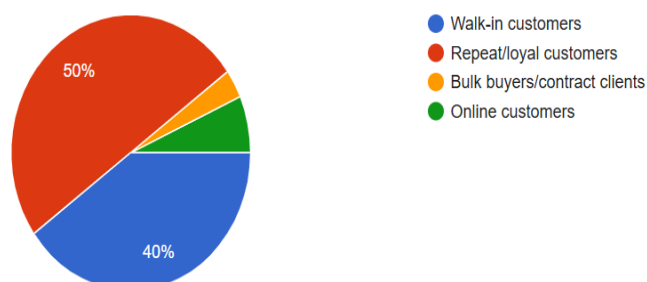
Method of Handling Inflow Shortages	Percentage of Respondents
Use personal savings	36.7%
Take loans/credit	26.7%
Reduce operating expenses	20.0%
Delay supplier payments	16.7%



**Interpretation:** Most respondents handle cash inflow shortages by using personal savings (36.7%) or taking loans/credit (26.7%). Fewer rely on cutting expenses (20.0%) or delaying supplier payments (16.7%), showing a preference for funding gaps through personal or borrowed resources.

**Q.20) Which customer group contributes most to your cash inflows?**

Customer Group	Percentage Contribution
Repeat/loyal customers	50%
Walk-in-customers	40%
Online Customers	6.7%
Bulk buyers/contract clients	3.3%



**Interpretation:** Cash inflows are mainly driven by repeat customers (50%) and walk-in customers (40%), showing strong reliance on traditional and loyal clientele. Online customers (6.7%) and bulk buyers (3.3%) contribute minimally, indicating

limited diversification of customer channels.

## CONCLUSION

In Palghar district, small businesses are vital for the local economy but often face cash flow challenges like delayed payments and seasonal income fluctuations. Adopting digital payment systems like UPI and QR codes can streamline inflows by providing faster payments and reliable transaction records. Effective management requires immediate invoicing and clear credit terms to minimize delays and maintain consistent cash availability. Financial discipline through short-term and long-term forecasting helps businesses anticipate shortages, especially in seasonal sectors like fishing. Maintaining a cash reserve equal to one month of operational expenses serves as a safeguard during lean periods or emergencies.

Classifying customers based on payment behaviour allows for tailored collection strategies, such as demanding advances from high-risk clients. Building trust-based relationships and negotiating favourable terms with suppliers can further align cash inflows with outflows. Utilizing government schemes like Udyam registration provides MSMEs with access to affordable credit, insurance, and marketing assistance. Shifting from informal lenders to institutional sources reduces high interest burdens and strengthens the business's financial structure. Efficient inventory control prevents cash from being locked in unsold stock, allowing resources to be converted into liquid cash.

Collaborating with local cooperatives ensures timely sales and quicker cash turnover for agricultural and fishery ventures. Moving from manual record-keeping to modern accounting software enables data-driven decisions and prevents fund mismanagement. Promoting financial literacy in Palghar helps small traders transition to digital systems and create more resilient enterprises. Market diversification, including exploring online markets and regional trade fairs, helps expand the customer base beyond local areas. Establishing partnerships with nearby industrial clusters can stabilize revenue patterns and provide continuous income streams. Structured financial practices like timely invoicing and customer classification lead to stronger financial control and profitability. Combining technology, government support, and formal credit allows small businesses to overcome traditional financial barriers. Ultimately, improved inflow management fosters financial discipline, supporting the overall economic development of the Palghar region.

Cash inflow management is the cornerstone of stability for small enterprises. In Palghar, these

businesses drive the local economy through varied sectors. However, they face challenges like delayed payments and seasonal fluctuations. A systematic, technology-driven approach can drastically improve their liquidity. Effective management helps maintain working capital and avoid unnecessary debt. Many Palghar businesses still rely on manual, often inaccurate, record-keeping. Adopting digital systems like UPI and QR codes can streamline collections. These tools facilitate faster payments and build necessary creditworthiness. Immediate invoicing and clear credit terms are essential to minimize delays. Financial forecasting allows owners to anticipate seasonal shortages or surpluses. A rolling three-month forecast provides insights into future fund requirements. Maintaining a one-month cash reserve acts as vital safeguard during lean periods.

## REFERENCES

1. Dr. Md. Rabul Amin's 2014 study on small-scale enterprises in Bangladesh found that they face challenges like limited funding and cash flow issues.
2. Research by Amrita Esther Nasimiyu in 2024 suggested that effective cash management practices are important for a Small and Medium Business's profitability, efficiency, and overall financial performance.
3. Tim Mazzarol (2014) highlighted that efficient cash flow benefits a Small and Medium Enterprise's (SME) profits, improves credit access, hinders growth, and generally supports financial success.
4. Della wang (2024) emphasized that cash flow is vital for a business's enduring liquidity and stability, with effective management contributing to its financial health and supporting sustainable growth.
5. Twongyeirwe Marion (2023) noted that SMEs often rely on informal cash flow planning, personal savings, and liquidity management, which they prefer over accessing formal loans.
6. Jele, Freudenberg, and Sarkar (undated, based on table structure) concluded that improving financial literacy significantly helps small business owners manage cash flow better and ensures long-term business sustainability.
7. The 2022 research by Hijan Dinakshankar Singh found that poor cash management and overestimated financial planning hinder growth and training improves sustainability.
8. Gilbert Uwoada and Nelson Okeili (2015) posited that effective cash flow management can boost SME performance, especially when combined with financial literacy and external support.