



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: MBA III SEM..

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CASH FLOW MANAGEMENT TECHNIQUES

Managing cash flow is a contemplative process and requires a lot of analytical thinking. The various techniques or tools used by the managers to practice cash flow management are as follows:



- **Accelerating Collection of Accounts Receivable:** One of the best ways to improve cash inflow and increase liquid cash by collecting the debts and dues from the debtors readily.
- **Stretching of Accounts Payable:** On the other hand, the company should try to extend the payment of dues by acquiring an extended credit period from the creditors.
- **Cost Cutting:** The company must look for the ways of reducing its operating cost to main a good cash flow in the business and improve profitability.
- **Regular Cash Flow Monitoring:** Keeping an eye on the cash inflow and outflow, prioritizing the expenses and reducing the debts to be recovered, makes the organization's financial position sound.
- **Wisely Using Banking Services:** The services such as a business line of credit, cash deposits, lockbox account and sweep account should be used efficiently and intelligently.
- **Upgrading with Technology:** Digitalization makes it convenient for the organizations to maintain the financial database and spreadsheets to be assessed from anywhere anytime.

Limitations of Cash Management

Cash management is an inevitable part of business organizations. However, it has a few shortcomings which make it unsuitable for small organizations; these are as follows:



Cash management is a **very time consuming** and skilful activity which is required to be performed regularly.

As it requires financial expertise, the company may need to hire consultants or other experts to perform the task by paying **administrative and consultation charges**.

Small business entities which are managed solely, **face problems** such as lack of skills, knowledge, time and risk-taking ability to practice cash management.