

# Management of Hard Cash in a Safe Manner

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**Abstract**—There are many business firms, companies, institutions run with different motives. There is no matter whatsoever the motive is, cash transaction, cash collection and remittance, cash balance preservation and its accounting are most important, highly sensitive and risky in every firm, company and institutes. Hard cash is not only the highly liquid asset but also the most risky assets in any unit. A unit runs with many aims such as maximization of profit and assets, supply best quality commodity or service to its members or to serve the society, the hard cash management stands to be equally important everywhere. Though the electronic payment system is exploding at a fast pace, the society at a large believe in the transaction that involve physical contact and make the payment in hard currency. Therefore the unit receives the hard currency in a big part and the unit has to expense a sound amount of money and human efforts for safeguard of hard cash and its transit. To reduce such expense, to solve practical problems faced in dealing with hard cash and for maximum security of hard cash, I have carried out a study and applied research on hard cash management and its safeguards and presented it in this study paper.

## 1. INTRODUCTION

We are well aware of a sentence of Prof. S C Kuchhal that *money is the pivot around which all economic activities cluster*. Finance is the life blood of a business enterprise and therefore the finance management in any unit is utmost important. All commercial and noncommercial organizations have to expense money for various purpose such as asset creation, payment of dividend, interest etc. for this the organization receives the money from consumers and members. This receipt is mostly in form of hard cash. For example a telecom company received its income for recharge and bill payment mostly in cash from retail market, theater and shopping mall collects the hard cash in a huge volume on daily basis. The collection of such bulk cash on day to day basis may be a tension for the owner. Here it has been tried to solve out the practical issue related to hard cash.

## 2. RESTRICTIONS ON CASH TRANSACTION

The cash transaction should be restricted by formatting strict rules in the unit. The cash transaction beyond a specific limit should not be allowed. All customers, partners etc. should be insisted to make the payment in electronic mode. For this purpose they should be provided the bank detail of the unit well in advance by an authorized letter and they should be

facilitate with an Electronic Data Capture (EDC) machine for debit/credit card payments at the collection center of the unit.

In the same way, the cash payment by the unit to its vendors, creditors etc. should be restricted and such payment should be made electronically or by cheque/DD. This way the expense and risk factor of the hard cash will be minimized.

## 3. THE CASH ON HAND

The more cash is on hand, the higher risk there is. But in many circumstances the hard cash is kept on hand even for a whole night. In such condition, the cash should be well-preserved at a safe part of building in a tough vault. It can be arranged that the vault is opened only with two keys and these two keys are kept in the custody of two different officials of the unit. The owner may keep one key if it is convenient. This is called the rule of duel custody. Any unauthorized person and even the staff other than cash section must be restricted to enter the place where the hard cash is collected or preserved.

## 4. STAFF DEALING WITH CASH

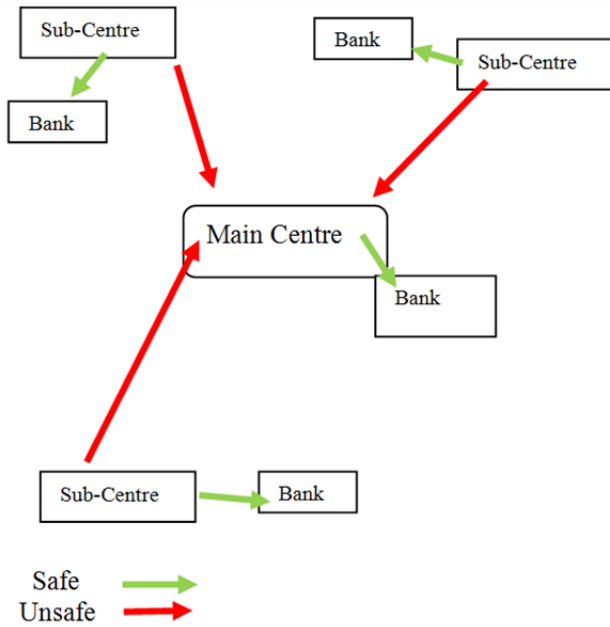
It is very important to care while giving the responsibility of cash to any official of the unit. The staff working in cash section must be honest and reliable. Before the recruitment of new staff in the cash section, their history and back ground must be verified.

The theory of shift system, separation of duties and rotational transfer among the staff of cash section should be followed. The person collecting the cash and remitting it to bank should not be the same. The official who remit the cash to bank should never be given the duty of cash collection at the same time. This may be the cause of fraud. No officer/member/partner of the unit should have the full control of cash.

The staff working with the hard cash should be given the training on dealing with cash. They should be very well aware of the fake currency. All staff at cash section must be well aware of the course of action to be taken at the time of theft/robbery/fraud. For this a mock drill may be arranged especially at the bank, shopping mall etc.

**5. MANY CASH COLLECTION CENTERS**

The unit may have one or more main collection centers and sub-centers at different location. In such condition, the cash should be remitted to the nearest bank to the sub-centers. Transits to cash to main collection center from sub-centers should be avoided. Anyhow, if it is not possible, the cash transits must be in a safe van.



As mentioned in above chart, the cash remittance to nearest bank is safer than taking it to the main Collection Centre of the unit. A separate account should be opened with the nearest bank of the Sub-Centre and the cash should be deposited to that account. This will reduce the unnecessary expense and risk of cash transits.

**6. BANKING SERVICES**

The owner or an authorized representative of the unit should frequently visit the bank where the cash is deposited and develop a healthy relationship with the bank authority. This will help at the time of fraud, any major mistake or collection of fake currency.

The unit should take the all possible facilities form bank. The checking of accounts facility provided by bank helps to improve the control of cash on hand and maintain a permanent record of all cash transactions. Many private sector and nationalized banks provide the facility of cash collecting from Collection Centre and deposit the same in bank account. The unit should take this facility and make a legal agreement with necessary provisions with bank. This will reduce the expense after cash transits and its security. For example, the ICICI Bank in India provide a vast range of collection products to meet a specific requirement of the client viz., cash collection through Doorstep Banking Service.

**7. COUNTERFEIT CURRENCY IN COLLECTION**

In India the government intends to classify offences involving high-value FICN (Fake Indian Currency Note) as terror acts. Therefore fake currency notes in collection may put the unit in a big trouble and a huge expense after legal procedures. However, mere possessing fake notes is not a punishable offence.

All the staff should be well trained to identify the counterfeit currency and a fake not detector machine should be available at Collection Centre. Here also the trustworthy relation with Bank helps if such currency is found after deposit.

At Collection Centre, all the activities must be under the privilege of CC TV Camera. A practice may be implemented to provide the contact no of the customer who make the payment in a high value currency note.

**8. CASH INSURANCE POLICY**

The volume of cash collection, remittance and preservation should be calculated. Based on the volume and the rout of the cash transits, a cash insurance policy should be purchased against the cash theft, fire, robbery or any other unwanted incidence. The provisions of the insurance policy should be invariably followed to avoid any possibility of claim rejection in future.



The cash transits must be in a safe van with necessary security as shown in above picture so that the claim may be justified in terms of the provision of policy. The safe vault may be arranged in cash van also.

**9. DAY TO DAY RECONCILIATION OF CASH**

The cash supervisor must reconcile the amount of cash receipt with its remittance and the amount booked in cash ledger on daily basis. For instance, if ₹1000/- is received, ₹1000/- must be recorded only on that day and if ₹900/- is remitted to bank, the balance ₹100/- must be available with the cashier. In short cash transaction should be booked in accounts on the day of its occurrence only. For the purpose of reconciliation, Cash Flow Statement, Bank Reconciliation Statement should be prepared on daily/weekly/monthly basis depend upon the number of

cash transactions. It should also be ensured that the balance amount/cash on hand is recorded with the dimensions of currency notes and coins in the statement of day to day reconciliation. The statement and the ledger must be authenticated with the stamp by a superior authority on daily basis at the time of closing the cash vault.

The software of account keeping of cash transaction is required to be technologically advanced and entry should be allowed to be posted with full detail of cash payee/payer. However any error occurred after entry, it must be rectified/reversed by the user of higher authority only. User ID in which the cash collected/remitted entry is posted should never be authorized to rectify/reverse the cash collection entry in the ledger.

## **10. SUMMARY AND CONCLUSION**

There are many types of assets may be in a unit but the cash is such a type of current asset which may not be managed as others. It is the main source to achieve the goals of the units and the honesty and trustworthiness of a person dealing with cash may not be measured. Hence this paper is an attempt to show the ground reality of the issues of hard cash management and its solution keeping an eye on both small firm and giant company. I believe that the points on hard cash management discussed in this paper may directly be implemented based on requirement by any organization.

## **REFERENCES**

Prepared after study and survey of day to day experiences and problems faced by various persons working in cash section of different companies and banks in reference of followings:

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