

CULTURAL NARRATIVES OF CASH FLOWS IN ACCOUNTING: FROM DESHI NAAMA TO DIGITAL FINANCE

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ABSTRACT

Prior to the development of modern banking and accounting systems, Indian businesses, traders, and moneylenders managed cash flow using traditional methods derived from local and cultural customs. These included oral agreements, handwritten ledgers, Hundis, and community trust—all of which were indigenous banking tools. This paper explores the evolution of cash flow management from these informal yet successful techniques to codified financial reporting. Cash flow statements detail cash transactions under operating, investing, and financing operations. These statements are prepared in compliance with Accounting Standard-3 (effective-3) and, effective of July 1, 2017, IND-AS:7. These claims facilitate the examination of liquidity and financial stability. Furthermore, artificial intelligence (AI) has significantly improved cash flow analysis and forecasting through statistical models and software that combines machine learning and programming techniques. This study highlights the transition from Bahi-Khata to digital finance, demonstrating how cash flow is crucial to Indian accounting culture. India's transition from Bahi-Khata to digital finance serves as an example of how it has maintained its robust accounting culture while adapting to global financial standards. Financial transparency, regulatory compliance, and company decision-making have all improved as a result of this shift. To ensure accuracy and consistency in financial reporting, cash flow statements are required in India. AI-driven analytics provide predictive insights that improve cash flow management and liquidity planning. Cash flow is a key component of accounting culture, and as technology develops, it is expected that India's financial sector would employ digital solutions more and more.

KEYWORDS: BAHI-KHATA, Cash Flow, AI, Culture.

Introduction

Prior to the development of contemporary banking and accounting systems, Indian companies, merchants, and moneylenders managed their cash flow using traditional techniques. Due to its strong cultural and geographical roots, cash flow analysis was informal but efficient in the past. Oral agreements, communal trust, handwritten ledgers, and native banking tools like Hundis were all part of its system. The management, documentation, and analysis of cash flow in the traditional Indian economy are examined in this research. In the modern era, we have a specific format called cash flow statement which is to be prepared according to accounting standard- 3 (AS-3). It was created by ICAI but from

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1st July 2017, ICAI has given IND-AS:7 to prepare cash flow statements to record cash transactions including operating activities, investing activities and financing activities. It concludes the cash balance at the end of the financial year which will be recorded in the balance sheet. We can analyze the cash and get liquidity management of the business unit. In India, it is mandatory to prepare cash flow statement to present it in financial statements and annual report. Nowadays artificial intelligence (AI) plays an important role in analyzing cash and also give forecast cash flows with some softwares or statistical models.

Literature Review

Murthy and Rooney (2018) reviewed in the research paper title “The Role of Management Accounting in Ancient India: Evidence from the Arthashastra” that Ancient Indian contributions to historical accounting have been neglected in favor of Western advancements. Kautilya's Artha Sastra, composed during the Mauryan Empire (322–185 BCE), is one of the first organized management accounting systems. Its focus on budgeting, taxation, audits, and financial control—which combines economic methods with moral governance—is highlighted by Murthy and Rooney (2018). In contrast to other ancient societies such as Egypt and Mesopotamia, nothing is known about Indian accounting procedures. By showing how Arthashastra established the framework for organized financial management and wealth accumulation in ancient India, this book fills that knowledge gap.

Murthy, V., & Rooney, J. (2018). The role of management accounting in ancient india: Evidence from the arthashastra. *Journal of Business Ethics*, 152(2), 323–341. <https://doi.org/10.1007/s10551-016-3271-y>

Financial stability and profitability depend heavily on efficient cash flow management, particularly in capital-intensive sectors like cement production. Studies show how it affects working capital, liquidity, and company performance (Thevaruban, 2016; Chintha et al., 2021). Cash flow procedures and profitability are strongly correlated, according to studies conducted in a variety of industries (Efeeloo et al., 2020; Thomas et al., 2019). By examining debtor and inventory turnover ratios in the cement industries of Pakistan and India, this study expands on earlier research and offers insights on regional financial strategy and sustainability.

Journal of Accounting and Finance in Emerging Economies Impact of Cash Flow Management Practices on Financial Performance of Cement Manufacturing Firms: A Comparative Study of Pakistan and India. (2021). www.publishing.globalcsr.org/jafee

Zodage (2015) in his study on “Comparative Study of Traditional Accounting System and Modern Accounting System” framed Indian accounting culture in pre modern and modern era. It has mentioned to record transactions and comparative study on traditional accounting methods and modern concept of accounting in india.

Zodage Associate Professor Sant Rawool Maharaj Mahavidyalaya, V. (2015). Comparative Study of Traditional Accounting System and Modern Accounting System. In *Pri me International Research Jour nal: Vol. II*.

Research Methodology

Title: “Cultural Narratives of Cash Flows In Accounting: From Deshi Naama To Digital Finance”

Research Design

This study uses a comparative and analytical research approach to assess how well development was done from bahikhata to digital finance.

Objective of the Study

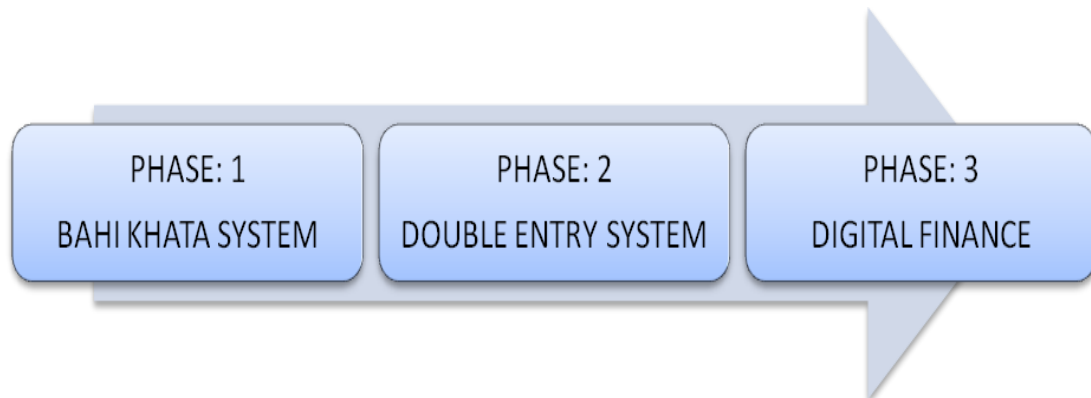
- To study traditional and present culture of cash records in accounting
- To study and examine digital methods for cash flows
- To study forecasting of cash flows in accounting with AI era

Data Collection

Secondary data was collected for comparison and analysis for the study.

Data Analysis

Here there are three phases of Indian finance culture. A study of cash flow is analyzed in all of the three phases given below:



Traditional Indian Accounting Culture and Cash

In order to keep track of financial information, traditional Indian accounting methods included handwritten ledgers, mnemonic devices, and networks of communal trust. Prior to the development of contemporary double-entry accounting, merchants, tradesmen, and small enterprises frequently employed these techniques. An in-depth examination of how cash transactions were documented in conventional Indian accounting systems is provided below.

- **The Bahi-Khata System (Handwritten Ledgers)**

Indian traders, moneylenders, and companies have been using the Bahi-Khata system for accounting for generations. In contrast to existing double-entry accounting, it uses a single-entry bookkeeping system, which is simpler.

- **Important Components of BAHI- KHATA**

- **Rokad (Cashbook)**

A distinct area or book having red cover used specifically for keeping track of monetary (cash) transactions.

- **Udhar (Debit) and Jama (Credit)**

Traders recorded money spent (Udhar) on the left and money received (Jama) on the right, in contrast to the nowadays Dr (credit) and Cr (debit) systems.

- **Deshi Nama**

Traditional accounting frequently employed native terminology such as Kharcha (cost), Heesaab (accounting), Bakaya (balance due), Rokad (currency), and Khata (account).

- **Record of Cash**

It was in chronological order (date wise) to record day-to-day cash transactions of the business.

Closing and Verify the Cash Balance

To confirm the cash balance at the conclusion of each business day, traders carried out a manual cash reconciliation:

Step 1: Take a count of the actual cash on hand.

Step 2: Compare the records with the Rokad (cashbook).

Step 3: Before completing the balance, any potential errors were double-checked if there was a discrepancy.

This regular procedure reduced mistakes and theft while guaranteeing that funds were tracked down.

- **MUNIM**

A Munim (traditional accountant), who was in charge of bookkeeping and financial operations, was engaged by several companies. Dues and outstanding payments were recalled through the use of oral mnemonics and memory aids. Businesses such as Gujaratis, Chettiars, and Marwaris created their own number notations to facilitate fast computations.

▪ HUNDI

The Hundi system (also mentioned in narsinh Mehta and shamlaji story), an indigenous type of financial instrument akin to promissory notes or cheques (negotiable instruments) in modern times, was utilized by merchants in addition to cashbooks. Transferring funds across cities is one purpose for Hundi. Cash payments that are postponed (Muddati Hundi – Post-dated Hundi) granting short-term credit. Large cash transactions were made possible by this technology without the danger of carrying real cash.

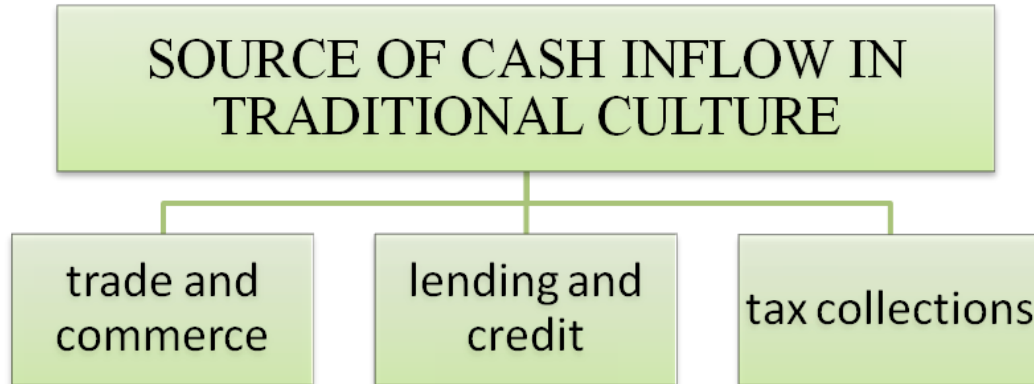


Figure 1 Sources of Cash Inflow in Bahi Khata System

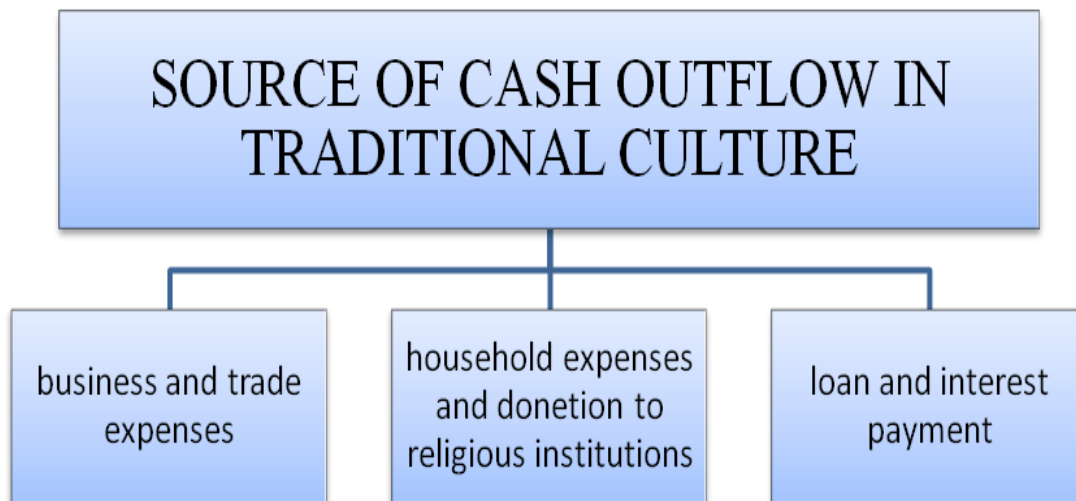


Figure 2: Sources of Cash outflow In Bahi Khata System

- In India, ancient cash flow mechanisms were incredibly effective for their period, despite being informal. Here are a few ideas that are still applicable today:
 - Credit systems based on mutual trust and reputation allowed commercial communities to flourish even in the absence of formal contracts.
 - Financial Safety: Purchasing physical assets, such as gold and land, guaranteed financial stability.
 - Seasonal Cash Flow Planning: Just as modern working capital management has evolved to meet seasonal income cycles, so have merchants and farmers.

Double Entry System and Cash Flow

- A standardized bookkeeping technique known as double-entry accounting makes sure that debits and credits are always equal by affecting at least two accounts with each financial transaction. In this methodology, cash flow is methodically tracked under three primary activities under statement of cash flows according to INS AS-7:
 - **Operating Activities:** Financial activities pertaining to the main functions of the firm, including sales income, supplier payments, employee salaries and other costs.
 - **Investing activities** include cash inflows and outflows from fixed asset sales, asset purchases, and investments in other businesses.
 - **Financing activities** having Funding-related cash movements include dividend payments, equity issuance, loan repayments, and debt repayments.

A business's financial health may be clearly seen through financial statements including the cash flow statement, balance sheet, and income statement thanks to the double-entry system, which guarantees precise cash flow tracking and prevents errors.

In any era, cash is always hero of the business and nowadays in India, it is compulsory to prepare cash flow statements for company from 1-07-2017 according to companies act for the financial statements in accordance with financial report.

- **Analysis of Cash Flow in Double Entry System**

- **Time Series**

We have to go for forecasting of cash flow with time series data when it will linear. We have sub methods of time series i.e. least square method, graphical method and moving averages method. We can forecast cash flow by using these methods.

- **Ratios**

To analyze the liquidity of the firm, we have to adopt some cash flow ratios like cash flow operating ratio, cash flow margin ratio, cash per share, etc.

Digital Finance and Cash

Digital finance is the term used to describe how technology is incorporated into financial services so that both consumers and organizations may easily monitor cash flow, perform transactions, and analyze financial data using digital platforms. It includes a wide range of products and services, including digital wallets, blockchain technology, online banking, mobile payments, and financial analytics powered by artificial intelligence (AI).

- **Key Elements of Digital Finance**

- **Digital Payment Systems:** Transactions can be completed instantly with online payment platforms like Apple Pay, Google Pay, PayPal, and UPI, which lessen the need for actual cash.
 - **Electronic Banking:** Internet and mobile banking services enable customers to access financial goods, manage accounts, and send money from a distance.
 - **Blockchain technology** is used by decentralized digital currencies such as Bitcoin and Ethereum to facilitate safe, open transactions.
 - **Financial decision-making and security** are enhanced by AI-powered fraud detection and predictive analytics.
 - **Robo-Advisors and Automated Trading:** AI-powered investment solutions minimize human participation by automating portfolio management.
 - **Platforms for Digital Lending and Credit:** Fintech businesses provide microfinance, credit scoring, and immediate loans without the need for conventional bank procedures.

- **Digital Platforms for Cash Flows**

Businesses can lower the risk of financial mismanagement by monitoring revenue, expenses, and liquidity in real time using automated cash flow tracking. Forecasting algorithms powered by AI anticipate cash constraints and enhance financial planning. Enterprise resource planning (ERP) systems that run on the cloud further simplify payroll, accounting, and compliance.

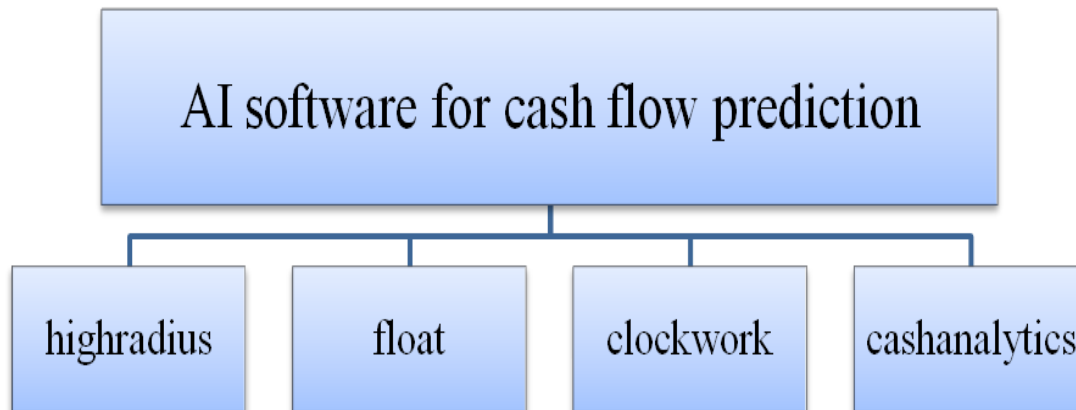


Figure 3: AI Softwares for Cash Flow Predictions

Uses Artificial Intelligence to automate daily cash projections and delivers forecasts up to 1 year in advance with up to 95% accurate results. It Improves decision-making with data-driven insights. Enterprises are seeking efficiency and eliminate idle cash through forecasting. This integrates with software for accounting featuring Free Agent, QuickBooks, and Xero to produce visual cash flow projections. allows for real-time updates and cash tracking across project pipelines.

Conclusion

In the past, the Indian economy relied on customary financial practices, unofficial credit systems, and indigenous accounting systems. Even though cash flow management lacked official frameworks, it was perfectly suited to the socioeconomic climate of the day. To maintain liquidity and stability, trust-based trading networks, the Hundi system, and the Bahi-Khata were essential.

Ancient financial wisdom is still relevant today, as seen by the ways in which digital financial systems like UPI, microfinance, and informal lending groups (SHGs) preserve aspects of these classic patterns.

Cash flow techniques have been impacted by traditional Indian financial wisdom, business storytelling, and cultural values. This can be understood by combining cultural studies, literature, commerce, and management. The literary, ethical, and managerial facets of Indian finance can be explored through these subjects, which offer a rich multidisciplinary approach.

Limitations of the Study

- Data used while studying is taken from secondary sources became one of the limitation of this study.
- Only cash flow is taken for the study of Indian finance culture while there are other broad concepts and aspects also there for the study. It will become the scope of future research.
- It does not cover all the methods and softwares for cash flow forecasting process.
- It includes limited accounting tools in the study.

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