

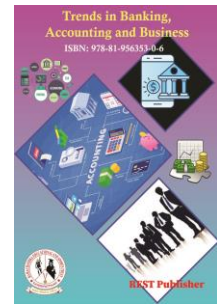


Trends in Banking, Accounting and Business

Vol: 3(1), 2024

REST Publisher; ISBN: 978-81-956353-0-6

Website: <https://restpublisher.com/book-series/tbab/>



An Analysis of Cash Management of Grb Milk Dairy Ltd at Hosur

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Abstract: Cash is the life blood of a business firm; it is needed to acquire supplies, resources, equipment and other assets used in generating the product and services provided by the industry. More fundamentally, cash is the medium of exchange which allows management to carry on the various activities of the firm from day to day. Without cash or at least access to it, bankruptcy becomes a grim possibility. Cash management refers to management of cash balance and bank balance and also includes the short term deposit. The cash is obviously the most important current assets, as it is the most liquid and can be used to make immediate payments. Insufficiency of cash at any stage may prevent a firm from discharging its liabilities or force it to sell its other assets immediately. On the other hand, extreme liquidity may take the firm to make uneconomic investments. Therefore cash management is very essential for every business.

Keywords: cash, cash management, ratio

1. INTRODUCTION

Cash management is the process of collecting and managing cash flows. Cash management can be important for both individuals and companies. In business, it is a key component of a company's financial stability. Cash flow management is tracking the inflow and outflow of cash in the business. The Cash flow statement is the primary tool to ascertain cash flow management. It includes cash received and paid during business operations and for investing and financing activities. Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments. In banking, cash management, or treasury management, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and clearing house facilities. Sometimes, private banking customers are given cash management services. Financial instruments involved in cash management include money market funds, treasury bills, and certificates of deposit. The Cash Flow Statement The cash flow statement is broken down into three parts: operating, investing, and financing. The operating portion of cash activities will vary based heavily on net working capital which is reported on the cash flow statement as a company's current assets minus current liabilities. The other two sections of the cash flow statement are somewhat straighter forward with cash inflows and outflows pertaining to investing and financing. Importance The Company should ensure the sufficiency of cash to meet the current obligations and ensure there is no underutilization of funds. It has to strike a balance between liquidity and profitability. Also, businesses depend majorly on debtors, and if a debt turns bad, it can impact the cash flows. Therefore, they also help in determining enough provisions for contingencies. Cash is the primary asset individuals and companies use regularly to settle their debt obligations and operating expenses, e.g., taxes, employee salaries, inventory purchases, advertising costs, and rents, etc. Cash is used as investment capital to be allocated to long-term assets, such as property, plant, and equipment (PP&E) and other non-current assets. Excess cash after accounting for expenses often goes towards dividend distributions. Companies with a multitude of cash inflows and outflows must be properly managed to maintain adequate business stability. For individuals, maintaining cash balances is also a major concern. The following are the major benefits – It is very time-consuming and requires specific skills. It helps in planning for capital

expenditure enables to take advantage of opportunities by using idle cash. Facilitates investments; Preparing the business for unexpected outflows;

2. OBJECTIVES OF THE STUDY

To find out the current cash positions of the management. To determine how short term / current obligations of the company are met by the liquidity ratio. To know the short term solvency position and the trend. To meet the cash disbursement needs. To understand the proportion of the components of current assets. To know the effective utilization of assets in day-to-day activities. To make suggestion and recommendation to improve the cash position of the company

3. SCOPE OF THE STUDY

The study only analyses the cash management It helps to take short term financial decision. It analyses the concern in milk industries. It would not be applicable to the industry It indicates the cash requirement needed for plant or equipment expansion programmes. It helps to meet routine cash requirement to finance the transaction. It reveals the liquidity position of the firm by highlighting the various sources of cash and its uses.

4. REVIEW OF LITERATURE

Williams (2017) Cash planning protects the financial condition of the firm by developing a projected cash statement from a forecast of expected cash inflows and outflows for a given period. The forecasts may be based on the present operations or the anticipated future operations. Cash plans are very crucial in developing the overall operating plans of the firm. Cash planning may be done on daily, weekly or monthly basis. The period and frequency of cash planning generally depends upon the size of the firm and philosophy of management. Large firms prepare daily and weekly forecasts. Medium-size firms usually prepare weekly and monthly forecasts. Small firms may not prepare formal cash forecasts because of the non-availability of information and small-scale operations. Kwang-SookHuh (2018) this study investigates the impact of acquisitions on the maker's performances including PER and technical efficiency in the world industry over the period. The study classifies the acquiring firms into two types, makers and financial institutions, to capture the differences of the effect of acquisitions depending on the type of acquirers. In this context, the study examines whether acquisitions by financial institutions result in bubbles in the industry. Empirical results demonstrate that makers acquired by financial institutions have achieved relatively poor or insignificant operating performances, although there is a statistically significant increase of PER. Michael (2019) Cash management is also important because it is difficult to predict cash flows accurately, particularly the inflows, and there is no perfect coincidence between the inflows and outflows of cash. During some periods, cash outflows will exceed cash inflows, because payments for taxes, dividends, or seasonal inventory buildup. At other times, cash inflow will be more than cash payments because there may be large cash sales and debtors may be realized in large sums promptly. Further, cash management is significant because cash constitutes the smallest portion of the total current assets, yet management's considerable time is devoted in managing it. In recent past, a number of innovations have been done in cash management techniques. KolosCs.Ágoston (2019) Improving the cash management techniques of has already received significant attention in the literature as a separate optimisation problem and the independent firms that supply cash. This article concentrates instead on a further possibility of cost reduction: optimising the cash management problem as one single problem. Doing so, contractual prices between banks and the cash in transit firms can be in general modified allowing for further cost reduction relative to individual optimisations. In order to show the pertinence of this procedure, we have determined possible Pareto-improvement re-contracting schemes based on a Baumol-type cash demand forecast for a Hungarian commercial bank resulting in substantial cost reduction. John (2020) Cash management assumes more importance than other current assets because cash is the most significant and the least productive asset that a firm's holds. It is significant because it is used to pay the firm's obligations. However, cash is unproductive. Unlike fixed assets or inventories, it does not produce goods for sale. Therefore, the aim of cash management is to maintain adequate control over cash position to keep the firm sufficiently liquid and to use excess cash in some profitable way. Daniel (2021) Cash-flow management is an essential component of effective financial control. Anticipating cash requirements alleviates last minute decisions that are potentially costly. In addition, understanding the seasonal need of cash generation will allow producers to make better investment decisions. It further reveals that increase in liquid ratio, debt equity ratio and age of creditors having negative relationship with the profitability of the firm in case of industry. In case of industry only one co-efficient was associated with profitability of the firm positively which is current ratio. Sinha, A.K (2021) studied cash Management in sector by using ratio analysis techniques. Various ratios as current ratio, quick ratio, cash turnover ratio, cash flows to

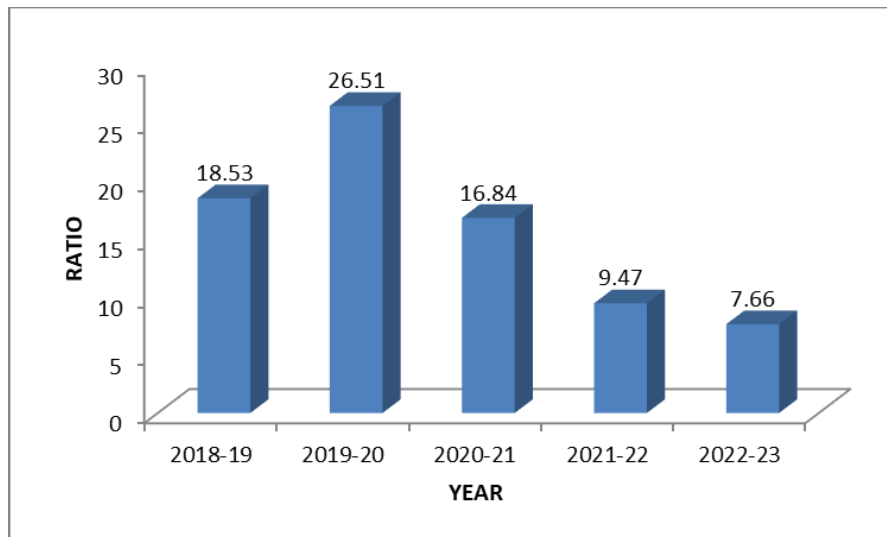
current liabilities ratio etc. The study concluded that selected undertakings have failed to manage their cash and bank balances effectively and efficiently during the years under review. But, if the small firms prepare cash projections, it is done on monthly basis. As a firm grows and business operations become complex, cash planning becomes inevitable for its continuing success ZeeshanHafeez et al (2022) Besides their basic nutritional role, dietary contain bioactive peptides which are encrypted in their sequence and may modulate different body functions such as digestive, cardiovascular, immune and nervous systems, and therefore contribute in maintaining consumer health. Currently, is considered to be the major source of bioactive peptides. The occurrence of these peptides has already been reported in fermented Food products such as yogurt, sour or kefir and some of them have been shown to confer health benefits. This review focuses on different strategies that could be employed to enhance the production of bioactive peptides from the that will be consequently used to functionalize the fermented products. Three types of strategies are developed. The first exploits the protolithic system of lactic acid bacteria (LAB) or grade enzymes or combination of both to release the functional peptides from the directly in the fermented products. Balakumaran (2022) A monthly cash-flow statement was utilized to determine the amount of excess cash available for investment and debt repayment. This statement summarizes all cash transactions concerning the business or enterprise during a given period of time. The net cash-flow measure included on-farm sources and uses of cash as well as nonfarm cash flows. Cash operating income, defined as the amount of cash income from the farm business, was used to measure both profitability and liquidity. This cash is used for discretionary purposes, such as meeting scheduled principal payments, on and off farm investment, and family living.

5. RESEARCH METHODOLOGY

Methodology is the systematic, theoretical analysis of the methods applied to a field of study, or the theoretical analysis of the body of methods and principles associated with a branch of knowledge. It, typically, encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques.

TABLE 1. Debtors Turnover Ratio

Year	Sales	Average Debtors	Ratio
2018-19	21453.14	1157.67	18.53
2019-20	26633.00	1004.58	26.51
2020-21	29054.95	1725.15	16.84
2021-22	17467.47	1842.67	9.47
2022-23	15301.45	1997.91	7.66



6. FINDINGS

The working capital turnover ratio is -36.70 in 2018-19 and decreased to -7.16 in 2019-20 and then increased to 82.59 in 2021-22 then last year decreased to 75.56. This shows working capital turnover ratio is increase level. The inventory turnover ratio from 2018-19 to 2022-23. The ratio shows increase to Decreasing trend during the

study period. The ratio shows highest as 13.08 at 2020-21 and shows lowest as 8.90 at 2021-22. The ratio indicates at the year 2019-20 the company performs better of inventory and at the year 2021-22 the company performs low level of inventory. The inventory conversion period from 2018-19 to 2022-23. The period shows increasing from year by year. The highest period as 41 days at 2021-22 and shows lowest period as 28 days at 2020-21. The Debtors turnover ratio lies within its lower limit. The ratio shows lowest as 7.66 at 2022-23 and shows highest as 26.51 at 2019-20 and there is no standard norm for Debtors turnover ratio. Debtors turnover ratio is Decreasing trend. Suggestions The Company needs to minimize its cash expenses in order to increase its cash in hand, cash at bank and other short term securities. There is a need to maintain balance between profitability and liquidity which is only possible if the company is having adequate cash balance. The company should plan to maximize its net income after tax which in turn will help the company to have adequate cash balance. The company should have a check on its cash conversion cycle so that it can have proper flow of cash throughout the year. The company may try to improve its working capital position through long term sources. It will create free flow of funds. So that the cash management and the company performance will be in a good position. The company should provide more credit facilities to the customers' sales and also to yield a good profit. The company should concentrate on local sales over sales by export sales and profitability of the concern.

6. CONCLUSION

This shows that the firm needs to further streamlined its cash management system and also needs to frame better cash management policies. Mere cash balance in excess of requirement will not add anything to the concern. If it is not being put to use in proper manner, it definitely have an adverse effects in its profitability. The surplus cash which is at the disposal of the firm should be invested in various financial instruments or it can be utilized in other purpose. If the firm takes proper care about its cash management system and manage its excess liquidity (i.e. over the optimum cash balance level) by having proper investment policies, it will definitely enhance its profitability and also help in enriching its capital base. Cash management practice is relatively better in the halls of residence, although the researcher is of the opinion that much improvement could be made if Bursars are challenged and well-motivated by the appropriate authorities.

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