



DOES “CASH MANAGEMENT” INFLUENCE COMPANY TO MANAGE LIQUIDITY AND SPENDING

PAVAN KUMAR

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

VIKAS B

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

PAVANKUMAR S M

2nd Year MBA, The Oxford College of Engineering, Bangalore, India

Dr. HARISH N

Assistant Professor, Department of MBA, The Oxford College of Engineering,
Bangalore, India

Article History

Received: 15 Aug 2023

Revised: 28 Sept 2023

Accepted: 29 Oct 2023

CC License

CC-BY-NC-SA 4.0

ABSTRACT

Successful cash management is essential to both corporate and personal financial success. A review of the main ideas, tactics, and advantages of cash management is given in this abstract. In order to maintain economic security, liquidity, and development, effective cash management which includes everything from transaction volume to long-term investments is essential. This abstract examines a number of aspects of cash management, such as anticipating cash flows, managing liquidity, and streamlining the process with technology and financial instruments. It drives into detail about how important it is to keep a sufficient cash balance to cover current expenses while optimising return on surplus funds. In addition to helping individuals and organizations take advantage of financial opportunities like investments, purchases, and debt.

Key words: Cash Management, Liquidity, Cash flow, Organisation

1.INTRODUCTION

One of the biggest industries in the world, cement has an outstanding spot or positioning as one of the fundamental enterprises for progress and its capacity to create jobs. In aspect of building materials, cement is second only to steel as the base of all contemporary construction. The inventor of modern cement, Jhon Smeaton, often known as the "Father of Civil Engineering," is credited with designing numerous canals, bridges, and other structures. He was the very first engineer to use hydraulic lime. In 1824, the cement was created and patented. Many nations began producing cement the nineteenth century, many decades after Aspdin in England obtained the first patent. Many of the cement and its castings are produced in India. In 1914, while the Indian Limestone Company began producing cement in Porbandar, Gujarat, India began the cement business. However, the South India Industries Ltd. firm opened the first factory in India in 1904 at the cement plant in Madras. When it was first established by England, India Cement Company Limited only manufactured one sort of cement, but it gradually grew to produce a variety

To fulfil the needs of our respected customers by offering high quality, innovative, better products. We are one among the trustworthy businesses that offer customers the best they are expecting. Our mission is to become recognised as a reliable, high-quality, and trustworthy manufacturing enterprises in the secondary sector. To provide consumers the best they are expecting at a reasonable price.

In our plant, inspections of quality are taken at every stage of the production process, from the raw materials intake to the finished product being given to the customers. Tests conducted in our advanced laboratory.

Pioneer bricks industries products are sold through a strong network of distributors. Pioneer industries has their own retail shops which makes them easier to distribute their product throughout the district.

2.LITERATURE REVIEW

Yilmaz, H (2020) The motto of this research was to define the amount of adoption and use of the "Yilmaz cash management model" and its perceptions within the field of finance. The study of the financial science sources disclosed that the Yilmaz Cash Management Model was somewhat acknowledged by financial theory. Shrestha, P. (2020) This study states the employment and job creation in Nepal, mall businesses are essential. To guarantee the profitability and longevity of any successful business, good cash management techniques must be used. The idiom "Cash is king" cannot be disputed because this inquiry in showed that it is more accurate than not. The study's goal was to determine how small and medium manufacturing companies in the Dhulikhel Municipality currently manage their cash and to study how these practices affect their viability and sustainability. Haavig, M. M. (2019) In industrialised economies, the effects of small business operations have a considerable economic impact; nevertheless, in the United States, over 50% of small enterprises fail within the first five years of operation. Some entrepreneurs start modest businesses. Without the cash management techniques required to keep their enterprises running. This multiple-case research, which was founded on financial literacy theory, revealed the methods small business owners employed to manage cash during daily operations. Ahmad, N. N., Ahmad, S., & Abdullah, W. M. T. W. (2018) Finding the resources that affect the difficulties SMEs

face in implementing sound cash management procedures and maintaining financial stability is urgently needed. The association between cash management techniques and financial sustainability will also be evaluated by this study. Salas-Molina, F., Pla-Santamaria, D., & Rodriguez-Aguilar, J. A. (2018) Optimizing the costs of a company's short-term financial policies is the focus of cash management. In the literature, various Frameworks for optimization have been created. And put out with the objective of lowering costs as their sole focus. Cash managers, however, might also be curious about risk related to cash policies. Oluoch, J. O. (2016) Small and medium-sized businesses (SMEs) play an essential role in every economy, but maybe even more so in the economies of emerging nations. Although most SMEs suffer from several difficulties and fail during the first few months of operation, they perform a crucial part in the economy by offering employment possibilities. Most of these problems are pecuniary. It's crucial to assess how cash management practises affect the performances of SMEs in a setting where an entrepreneur's ability to innovate determines whether they will survive in a cutthroat market. Das, S. (2016) Calculating the required working capital is simple thanks to the cash conversion cycle. Since it accounts for the time lag across spending for the purchase of basic supplies and receiving revenue from sales of finished commodities made with those raw materials, CCC is crucial to the firm's short- and long-term financial standing as well as its success.

Šuleř, P. (2016) One of the most critical measures of a business' operations is its cash management, which is also a key factor in decision-making. Incomes and outlays for a particular time are income management or cash flow management. The challenging task of mobilising, monitoring, and planning a company's financial resources falls under the purview of cash management. The goal of financial managers is to identify a powerful and adaptable tool for enhancing the procedures for optimising cash management. A system of artificial neural networks seems to be one of these tools. In many instances, these networks work more effectively. than conventional models—including linear regression models—due to their flexibility. Enow, S. T., & Kamala, P. (2016) This study's goal is to investigate how small, medium, and micro businesses (SMMEs) in South Africa's Cape Metropolis handle their cash flow. A closed ended questionnaire survey is used to gather data from 200 SMMEs that make up the sample. According to the study's conclusions, the mainstream of the studied SMMEs effectively manage their cash flow. But only a small percentage of these organisations hold cash for speculation or even spend their excess cash profitably, so they are unable to make the most of their limited cash resources. Das, C. P., & Parida, M. (2016) Cash is the lifeblood of every organisation and is essential to decision-making in every firm. Any organization's lifeblood is money. Without money and without good financial management, a company cannot function. There are two directions in which money moves: in and out. To satisfy their daily obligations, cash management refers to managing their liquidity. Cash management satisfies a few objectives, including transactional, preventative, speculative, and tax objectives. Particularly, companies with robust growth prospects and risky cash flows have substantial cash balances. Large companies and those with strong credit ratings should store little cash because they have the best access to financing markets.

3.STATEMENT OF THE PROBLEM:

Poor comprehending of the financial cycle of the enterprises by the management and lack of understanding in profit versus cash and lack of cash management skills by the management and bad capital investments done during the financial performance.

4.OBJECTIVE OF THE STUDY:

- To be aware of how to balance managing current liabilities and assets to maintain the same level of working capital.
- To understand how to manage receivable, inventory, and cash and to examine the different sources of financing capital.
- To observe the cycle of operation of company as well as to examine the financial standing of the company.
- To suggest, if possible, based on conclusion some modification to meet the situation.

5.SCOPE OF THE STUDY:

The research includes all of aspects of for the year, current assets and current liabilities 2018-2022. The research also deals with the various ratios imparted in the enterprises. One of the sources of working capital is dynamic and vital aspects of the enterprise's operation.

6.RESEARCH DESIGN:

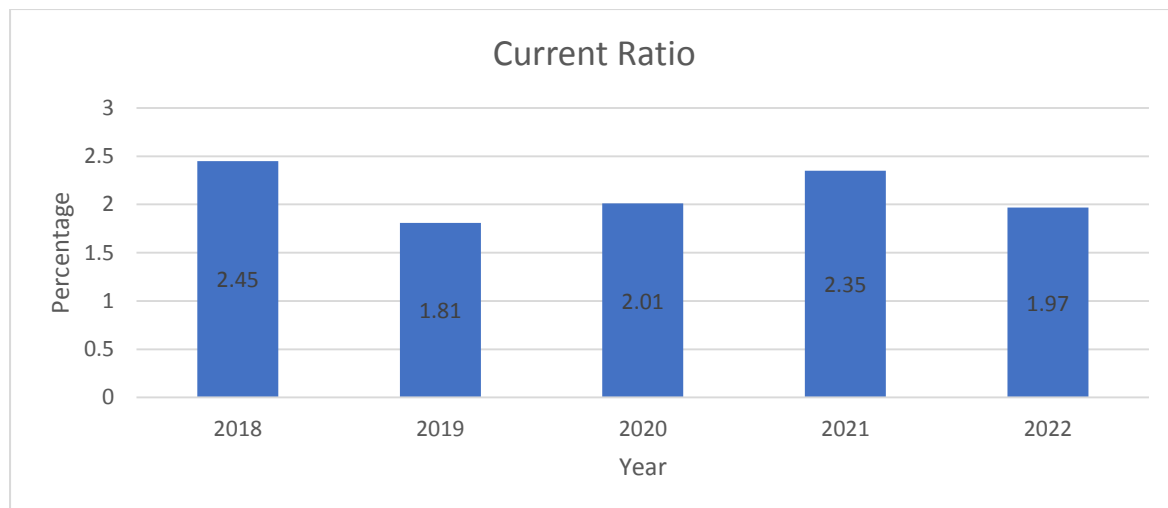
Research is an organized, methodical, database-based, critical, objective, and scientific inquiry or examination into a particular topic that is done to find an alternative to it. Research, according to Emory, is "any organized inquiry designed and conducted to provide data useful in solving problems."

6.1.Secondary Data:

The investigation may make usage of previously collected data, compiled, and provided by any agency. We can refer to these data as secondary data. Secondary Data could've been previously published or unpublished. Usually, annual reports contain public data, journals, historical records, and all other sort of available documents.

7.DATA ANALYSIS AND INTERPRETATION:**Current Ratio****Table No 1: Current Ratio**

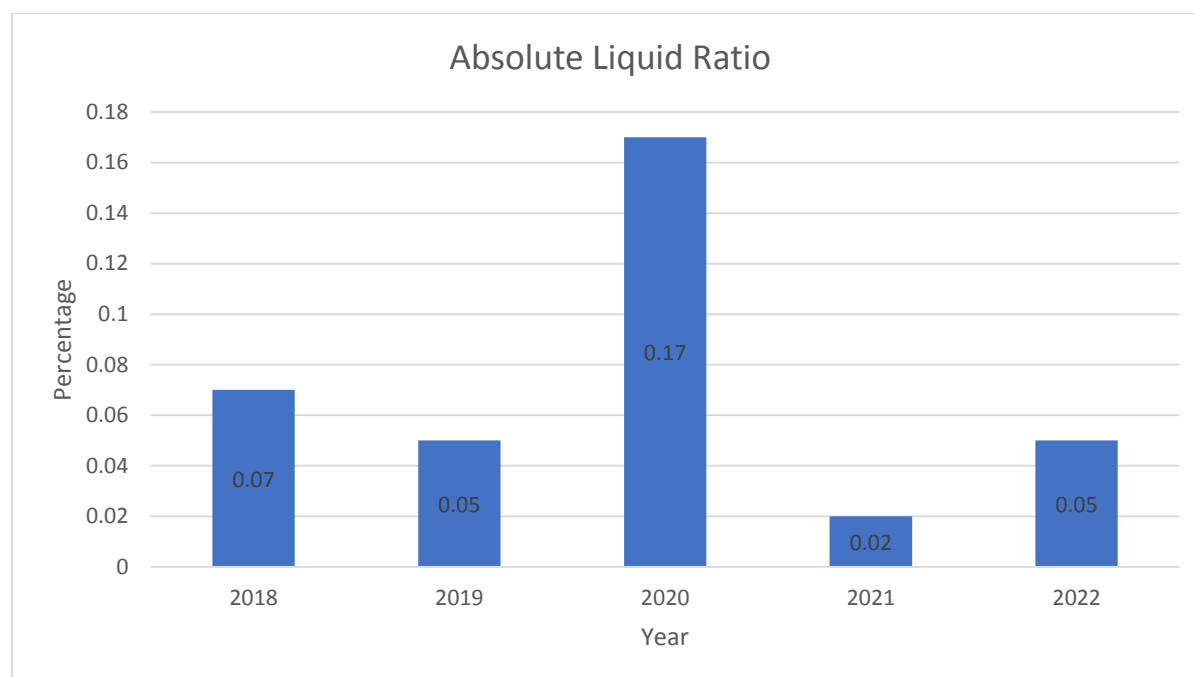
SL. NO	YEAR	CURRENT ASSETS	CURRENT LIABILITY	CURRENT RATIO
1	2018	17,90,100	7,29,900	2.45
2	2019	16,92,900	9,36,000	1.81
3	2020	21,05,100	10,46,700	2.01
4	2021	22,95,000	9,75,600	2.35
5	2022	29,28,600	14,83,200	1.97

**Graph No 1: Current Ratio****Interpretation:**

Here, time series research demonstrates that the current ratio is lowering over an extended period, falling below the optimal current ratio of 2:1. Pioneer PVT Ltd achieves its ideal ratio in the years 2018 and 2021 since the healthy present ratio is 2:1. The liquidity in the short-term increases as the current ratio rises. When compared to the prior year, the company's current position is favourable. This demonstrates the company's strong position.

Absolute liquidity Ratio**Table No 2: Absolute liquidity Ratio**

Sl.NO	YEAR	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITY	ABSOLUTE LIQUIDITY RATIO
1	2018	47,700	7,29,900	0.07
2	2019	46,800	9,36,000	0.05
3	2020	1,81,800	10,46,700	0.17
4	2021	18,900	9,75,600	0.02
5	2022	66,600	14,83,200	0.05



Graph No 2: Absolute liquidity Ratio

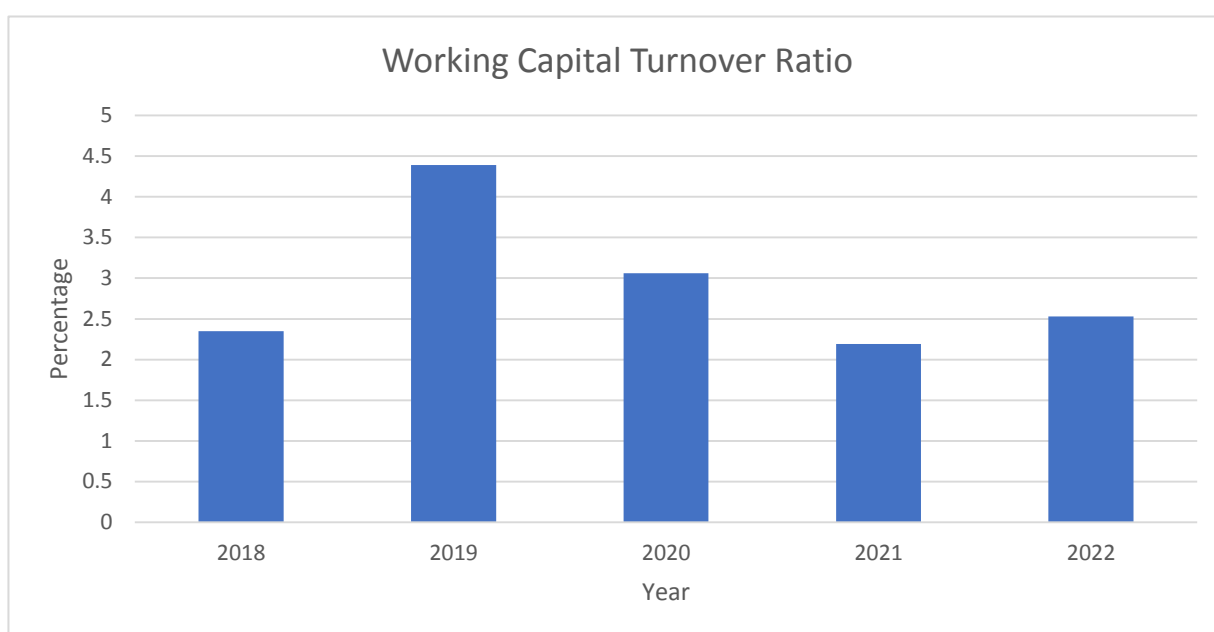
Interpretation:

The above graphic makes it very evident that the corporation has very little liquid assets in relation to its liabilities. To remedy this condition, the organization must take corrective action.

Working Capital Turnover Ratio

Table No 3: Working Capital Turnover Ratio

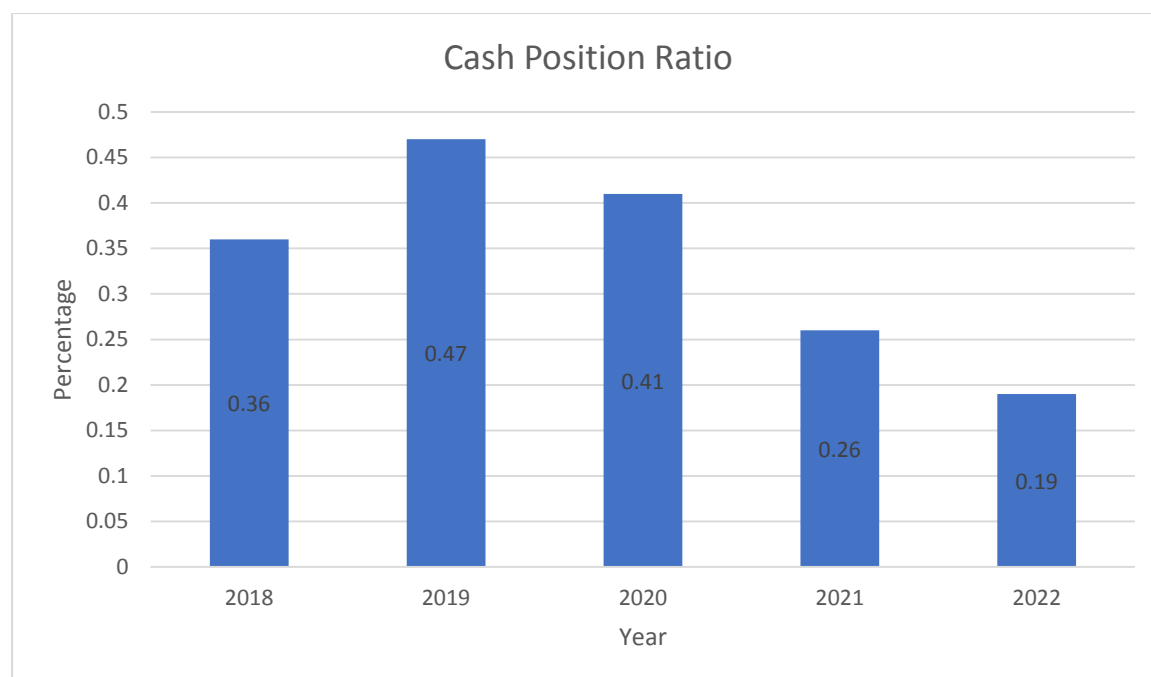
SL. NO	YEAR	SALES	NET WORKING CAPITAL	WORKING CAPITAL RATIO
1	2018	24,94,980	10,60,200	2.35
2	2019	33,28,200	7,56,900	4.39
3	2020	32,33,700	10,58,400	3.06
4	2021	28,89,000	13,19,400	2.19
5	2022	36,50,850	14,45,400	2.53

**Graph No 3: Working Capital Turnover Ratio****Interpretation:**

A reality that the working capital ratio is declining year over year Shows the enterprises have not been using its working capital efficiently. Thus, it illustrates that the business is in a risky area. To enter the safer zone, the company needs therefore make the necessary adjustments.

Cash Position Ratio**Table No 4: Cash Position Ratio**

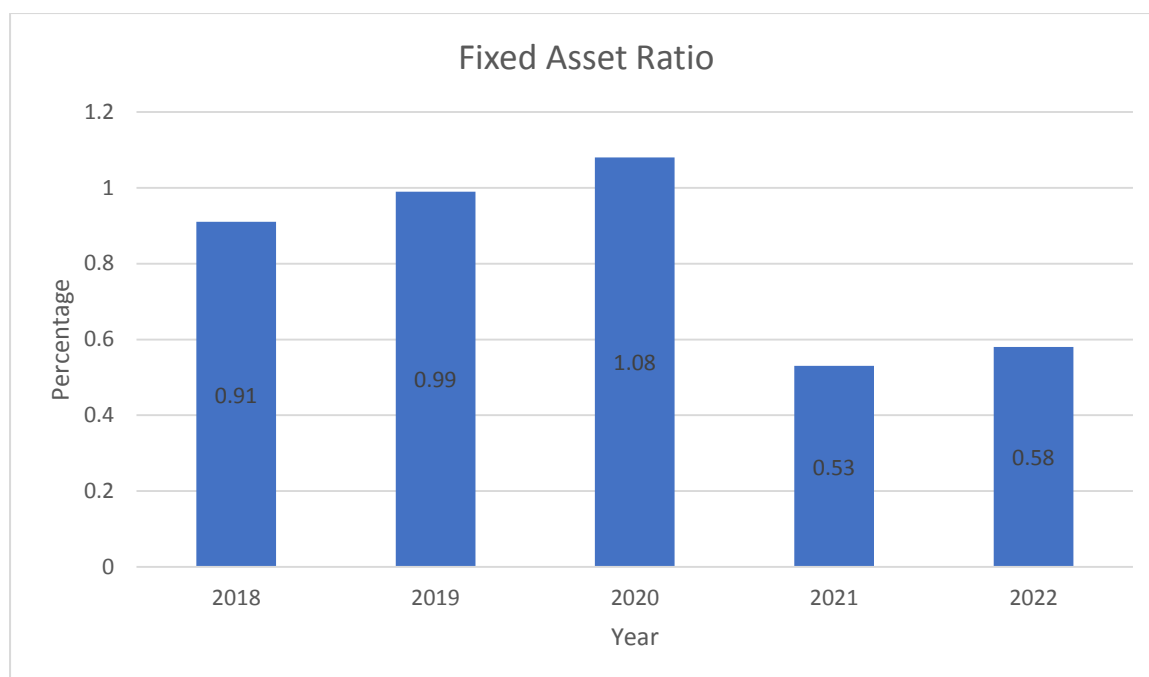
Sl.NO	YEAR	CASH BALANCE+SECURITIES	CURRENT LIABILITY	CASH POSITION RATIO
1	2018	2,62,900	7,29,900	0.36
2	2019	4,49,100	9,36,000	0.47
3	2020	4,31,100	10,46,700	0.41
4	2021	2,52,000	9,75,600	0.26
5	2022	2,74,500	14,83,200	0.19

**Graph No 4: Cash Position Ratio**

Interpretation: As per the cash position ratio, the company's financial situation is in a mediocre state. The outcome I got was decreasing, indicating that the corporation should concentrate more its financial condition.

Fixed Asset Ratio**Table No 5: Fixed Asset Ratio**

SL. NO.	YEAR	FIXED ASSETS	LONG TERM FUNDS	FIXED ASSETS RATIO
1	2018	6,13,000	6,75,900	0.91
2	2019	6,13,000	6,14,700	0.99
3	2020	5,69,000	5,25,600	1.08
4	2021	5,33,000	10,09,800	0.53
5	2022	4,48,000	7,76,700	0.58



Graph No 5: Fixed Asset Ratio

Interpretation:

The study clears that the company has started employing leverages for better profitability. The raising percentage of the ratio shows that the organisation has made a good percentage of long-term capital invested in fixed assets.

FINDINGS:

According to the company's financial filings, it has a healthy cash position and plenty of liquid assets to cover its immediate commitments. Additionally, the balance sheet's fixed asset column displays an important investment in permanent assets, indicating a dedication to development and growth. The corporation can pay its present debts with its current assets, as shown by the current ratio, which is a gauge of short-term solvency. Positive working capital further demonstrates the company's capacity to meet its immediate commitments and make investments in its business. The firm has an appropriate balance of liquid assets, as shown by the ratio of liquidity, which takes the makeup of current assets into account. This will help the company maintain its financial health in the near future.

SUGGESTIONS:

The quantity of labour must be evaluated pertaining to output and sales. Through various methods, and eliminating the require for new hires, the excess of personnel should be reduced. In the current atmosphere of competition, every business must contend with several global issues, and Pioneer Bricks Pvt Ltd is no exception. The human resources division desires to be developed to increase a variety of employee skills, particularly the capability to motivate others, and to provide better ongoing training for staff members on market trends to meet today's worldwide issues. The marketing division must be reorganized based on profit centres and product lines. There are many other essential changes being made in the market, so the business should create a fully functional research and development division to bring forth technological advancements and enhance design and procedure. The many debtors

should be effectively managed for the arrears to be paid off quickly. To collect the debts, the business needs to hire people in various locations on a success fee basis.

CONCLUSION:

The cash management strategy has succeeded spectacularly. By implementing efficient cash forecasting and optimizing the disbursement processes, we have decreased idle cash and improved overall financial stability. The term "real- monitoring and reporting have made informed judgments, reduced the fluctuation of cash flows, and increased investments possible. This cross-term collaboration has encouraged budgetary restraint, ensuring our ongoing success and growth. The adoption of the money management project has greatly improved finances. have used state-of-the-art cash forecasting techniques and optimized cash flows to boost liquidity and decrease idle cash. The streamlining of the cash handling processes, including efficient disbursement and collection systems, leads to decreased operational costs and increased overall efficiency.

REFERENCES:

- Yilmaz, H. (2020).** Another perspective to corporate cash management: a new model and definition. *International Journal of Humanities and Social Science*, 1(11), 284-289.
- Shrestha, P. (2020).** The Impact of Cash Management on Sustainability of Small Manufacturing Business in Dhulikhel Municipality (Doctoral dissertation, Department of Management).
- Haavig, M. M. (2019).** *Cash Management Strategies to Improve the Sustainability of Small Tavern Businesses* (Doctoral dissertation, Walden University).
- Ahmad, N. N., Ahmad, S., & Abdullah, W. M. T. W. (2018).** Sustaining SMEs through resources availability and cash management practices: An application of the partial least squares (PLS). *Global Business and Management Research*, 10(3), 24.
- Salas-Molina, F., Pla-Santamaria, D., & Rodriguez-Aguilar, J. A. (2018).** A multi-objective approach to the cash management problem. *Annals of Operations Research*, 267(1-2), 515-529.
- Oluoch, J. O. (2016).** The better impact of cash management practices on performance of SMEs: A survey of SMEs in Eldoret Central Business District. *IOSR journal of economics and finance*, 7(6), 1-
- Das, S. (2016).** Good Impact of cash conversion cycle for measuring the efficiency of cash management: A study on pharmaceutical sector. *Accounting*, 2(4), 143-150.
- Šuleř, P. (2016).** Cash Management of a Company Using Neural Networks. *Littera Scripta*, 9(3), 125-140.
- Enow, S. T., & Kamala, P. (2016).** Cash management practices of small, medium, and micro enterprises in the Cape Metropolis, South Africa. *Investment management and financial innovations*, (13, Iss. 1 (contin.)), 230236.
- Das, C. P., & Parida, M. (2016).** Research on cash management and determinants of cash holding. *Splint International Journal of Professionals*, 3(3), 102-106.
- Das, S. (2015).** The impact of credit risk on cash management: A study on FMCG sector. *IUP Journal of Financial Risk Management*, 12(2), 41.
- Hamza, K., Mutala, Z., & Antwi, S. K. (2015).** Cash management practices and financial performance of small and medium enterprises (SMEs) in the Northern region of Ghana. *International Journal of Economics, Commerce and Management*, 3(7), 456-480
- Danjuma, I., Umar, M. S., & Hammawa, D. D. (2015).** Mediating effects of cash management in relationship between capital structure and liquidity in small and medium enterprises. *International Journal of Economics and Financial Issues*, 5(4), 995-1000.
- Das, S. (2015).** Analysis of cash holding for measuring the efficiency of cash management: A study on IT sector. *Management Science Letters*, 5(1), 51-58.

Mungal, A., & Garbharran, H. L. (2014). Cash management challenges of small businesses in a developing community. *Mediterranean Journal of Social Sciences*, 5(27 P1), 11.