



# Critical Evaluation of Cash Management

Lohith S<sup>1</sup>

Research Student, Department of Management Sciences,  
Maharaja Institute of Technology – Mysore

**Dr. Manoj Kumara N V<sup>2</sup>**

Associate Professor & Research Guide, Department of Management Sciences,  
Maharaja Institute of Technology – Mysore

## Abstract

Financial facilities organizations are in the industry of accommodating risk. Main goals of any financial facilities firm are collected and achieve risks on behalf of their customers and make a profit for its stockholders. The continuing growth of fashionable risk management methods and the augmented use of inventive gold loan have carried about considerable changes in the business milieu faced by credit institutions today. This report is planned to support the reader in complete understanding the cash management process. It also cracks to seizure the processes experienced in Finance and then to admittance its helpfulness in connection with. The research showed absorbed on the risks that the gold wants to face while yielding loan to consumer and also the ways, strategies and methods rummage-sale to diminish such risks. Cash management is an examining tool for the loan to emphasis on their non-performing assets.

**Keywords:** Cash Management, Finance, Cash, Loan

## I. Introduction

Insurance brokerage – Insurance brokers shop for insurance (generally corporate property and casualty insurance) on behalf of customers. Recently several websites have been created to give consumers basic price comparisons for services such as insurance, causing controversy within the industry. Insurance underwriting – Personal lines insurance underwriters actually underwrite insurance for individuals, a service still offered primarily through agents, insurance brokers, and stock brokers. Underwriters may also offer similar commercial lines of coverage for businesses. Activities include insurance and annuities, life insurance, retirement insurance, health insurance, and property insurance and casualty insurance. Finance and insurance – a service still offered primarily at asset dealerships. The F&I manager encompasses the financing and insuring of the asset which is sold by the dealer. F&I is often called "the second gross" in dealerships that have adopted the model Reinsurance – Reinsurance is insurance sold to insurers themselves, to protect them from catastrophic losses. The United States, followed by Japan and the United Kingdom are the largest insurance markets in the world.

## II. Background of the study

It is referred to as the largest gold financing corporation in the world. similarly, to financing gold transactions, the enterprise offers foreign exchange services, money transfers, wealth control offerings, tour and tourism offerings, and sells gold coins at Muthoot Fincrop Branches.

On this look at, analysis of the effectiveness of coins control changed into conducted at Muthoot finance. The effectiveness of coins has been analysed primarily based on the records collected from Muthoot finance annual report.

### III. Review of literature

Davidson et al (1999)<sup>(2)</sup>, Any instrument of exchange that is now negotiable is referred to be cash. For any corporate purpose, it should be unrestricted. Coins must fulfil stringent requirements for widespread acceptance and availability in order to be used for immediate purchases and debt repayment. The ability of coins to be accepted for deposit by a bank is a standard test. This is a method of planning, monitoring, and accounting for cash transactions and balances. It's about putting available funds towards pricing that boost production, either directly or indirectly. Davidson et al (1999)<sup>(3)</sup>, Cash, on the other hand, is cash that is available at a bank or within a company. It isn't always inventory, it isn't always accounting receivable (what you owe), and it isn't always personal property. Those may be converted to cash at some uncertain point in the future, but it needs cash on hand or in the bank to pay suppliers, pay the lease, and so on. and to satisfy the payroll. profit increase does no longer always suggest greater cash. Pandey (2007) <sup>(14)</sup>, For the functioning of a business, cash is the most important asset right now. Money is the primary input required to keep a business running on a continuous basis, as well as the final output anticipated from marketing the firm's services or products. The corporation should have enough currency on hand, neither more nor fewer. The company's manufacturing processes will be disrupted by a cash shortfall, while extra cash will really stay dormant. without making a contribution to the tint's profitability. As a result, maintaining a legitimate cash function is a key aspect of the economic supervisor.

Hampton (2001)<sup>(9)</sup>, Cash is money that a company may spend immediately immediately with no restrictions. Cash comprises coins, currencies, and checks owned by the company, as well as balances in its bank bills. Near-coins products, such as marketable securities or bank time deposits, are occasionally wrapped in cash as well. The main advantage of near-coin assets is their ease of conversion into cash. When a corporation has extra cash, it usually invests it in marketable securities. This type of investment generates a little amount of revenue for the company. Walston and Head (2007)<sup>(17)</sup>, Coin control is defined as a concept concerned with maximizing the quantity of coins available, boosting interest earned via spare price ranges that are no longer required immediately, and reducing losses caused by money transfer delays. Zimmerer et al, (2008) <sup>(19)</sup>, The process of forecasting, investing, and planning for the money that a firm need to function efficiently is known as cash management. They also noted that cash management is a critical undertaking since cash is a small business's most important but least effective asset. A firm will most likely be declared bankrupt if it lacks the money to satisfy its obligations. Lender's workers, and creditors want to be paid on time, and coins are the preferred alternate medium.

Zimmerer et al, (2008) <sup>(20)</sup>, However, a few businesses keep an excessive amount of money on hand in case of an emergency. These inactive coins have an earnings-incomes potential that owners are overlooking, limiting a company's growth and lowering its profitability. Even if it is only for a short period of time, investing coins can increase a company's earnings. Right cash control permits the proprietor to appropriately meet coins needs of the enterprise, avoid retaining unnecessarily large coins balances and stretch the income generating strength of every dollar the commercial enterprise owns. Jeffrey P. Davidson et al, (1992) <sup>(10)</sup>, For start-ups and expanding enterprises, cash management is critical. According to their e-book, money flow might be a problem even if a small firm has a lot of customers, produces new items, and has a high reputation in the market. Westerfield et al, (1999) <sup>(18)</sup> It should be noted that distinguishing between actual cash management and the more popular worry of liquidity management is critical. The difference is a source of misunderstanding since the term coins is used in a variety of different ways. Kasilo, (1997) <sup>(12)</sup> The amount of money a company earns in a certain period of time is referred to as cash flows from operations. The amount of operating cash waft is determined using a variety of methods. The cash waft declaration is typically prepared using the income statement and the balance sheet (also referred to as declaration of sources and application of budget). Kasilo op cit: 30, Vause and Woodward op sit: 99<sup>(11)</sup> positive cash flows suggest how an awful lot cash the corporation has generated from operations during the economic yr. poor coins flows imply how tons additional cash has been used to aid the operations all through the identical length. typically, a firm with negative coins float from operations is not able to finance its operations. De facto, its miles ingesting coins flows in place of producing them. It becomes prone to technical insolvency problems and it can cross financial ruin.

Vause and Woodward (2001) <sup>(16)</sup> Cash flow accounting entails the reporting of categorized list of ultimate year's coins flows, and a hard and fast of forecast cash flows, with helping evaluation of the variances between final 12 months' real and forecast coins flows. It therefore emphasizes the most essential occasions in enterprise sports, cash flows into and out of the firm, and the segregation of beyond (cash) statistics from

future estimates, accounting time period allocation, based on estimates of intake are avoided. Arnold and wearing 1988:313<sup>(1)</sup>, However, critics of the coins go with the flow system argue that money go with the flow reports can be distorted, for instance, via delaying bills to lenders, and as they forget about non-cash adjustments in assets and liabilities, such as keeping profits and losses, in order that no estimate is provided of the quantity to which these flows had been obtained by means of consumption of assets. running coins flows have additionally be located to be negative predictors of failure. Kasilo, op cit: 31, Vause and Woodward, op cit: 95<sup>(11)</sup> The cash drift claim of an agency reveals whether the firm has increased or decreased its cash within the time period covered by the announcement. A lower number may indicate how poor the company's operations were at some time throughout the year, and vice versa. Because profits are not cash, a firm can record earnings while remaining technically sound. Davidson et al, 1992<sup>(3)</sup>, The minimal cash balance is calculated by taking into account the required basic safety cushion, minimum financial institution stability requirements, and the pace of daily coin collects and disbursements. Coin balances should be kept to a bare minimum since additional coins earn nothing and deplete buying power during periods of rising prices.

Davidson (1992:13-12)<sup>(4)</sup>, The minimum coins stability is installed with the aid of contemplating the fundamental protection cushion wished, minimal bank balance necessities, and the charge of every day coins collections and disbursements.

The essential liquidity cushion sought should be the minimal cash stability, considering the charge of day-to-day coin collects and disbursements. With the help of the proportion of the common coins stability to whole operating expenses for the year, the average coins stability (duration of call for deposit) provisionally calculated may be tested towards industry favored. Gallagher and Andrew (2003)<sup>(8)</sup> Among the minimum and maximum limitations, monetary theorists have devised mathematical models to aid organization's in locating the most optimal "target" coins stability that balances liquidity and profitability considerations. This type of model, the Miller-Orr model, will be discussed in the following sections. Davidson et al, (1992)<sup>(6)</sup> The minimum cash balance ought to be the simple liquidity cushion wished taking into account the fee of every day cash collections and disbursements. cash control has four essential features; dedication of minimal coins balances, powerful borrowing, fine funding of extra coins, and acceleration of coins drift.

Soliman, (2008). Blessing and Onoja (2015)<sup>(15)</sup> Accept that profitability, assets, liabilities, and equity are all useful tools for evaluating group performance and making investment decisions. Deogun et al. (1997), Dubes and Jains, 1988, Eom, (1999)<sup>(7)</sup>. Wang (2008) emphasizes the need of categorizing airway ratios into four groups based on their patterns. Wang breaks the financial ratios of Taiwanese domestic airlines into subcategories, including economic structure, solvency, turnover, and profitability. Feng and Wang (2000) create an overall performance evaluation version for Taiwanese airlines that takes into account economic factors ratios.

#### **IV. Statement of The Problem**

Money is the lifeblood of every business, and it is an important attribute of every business since finance is required to carry out the various activities of the business. Coins are the most significant current asset for the operation of the business. It is the most important input required to keep the business functioning smoothly. It's also the final output that the corporation expects to achieve by employing its marketing services. The firm must have enough cash on hand to ensure that neither a bigger nor a lesser cash shortfall would interrupt the firm's production processes, and that excess cash will merely sit idle, adding nothing to the firm's profitability. As a result, holding a coin is a manager characteristic of an economic manager is to hold a coin's function.

#### **V. Objective of the Study**

- To study on cash management techniques effect on profit and loss account.
- The study of the cash is to be providing current analysis by process or operation and by different elements.

## VI. Research Methodology

**6.1 Type of Research - Descriptive research:** It was defining current position of a spectacle and sometimes appeal valid conclusions based on the truths find out throughout study. It focuses more on 'what' also it deals with the present and manipulation of the variables is not possible. In a current situation what exist with respect to variables of a condition. Compare between the present situation and what we want to be and develop strategy to achieve goal. Research, the research design was used as a tool.

**6.2 Sampling methods:** simple random sampling and convenient sampling will be used this study. Simple random defines as randomly selected sample from large population.

**6.3 Sampling Design:** Last 2 years Financial Statements are used for the study i.e., 2019-2020.

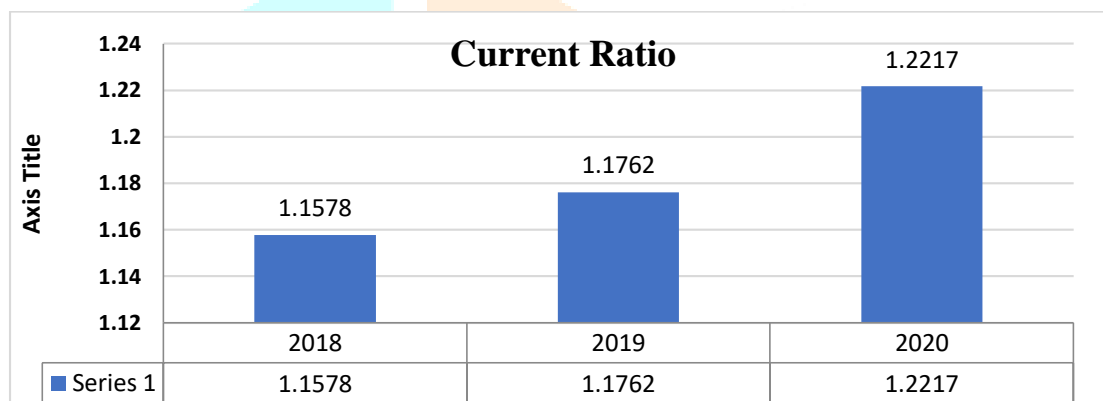
### 6.4 Sources of data:

**Primary data:** primary data has been gathered by researchers, meeting the respondents personally that too with the help of the questionnaire.

**Secondary data:** secondary information is those which has been amassed by using a person and right here secondary facts are accumulated from the business enterprise internet site, journals, and books.

## VII. Data Analysis and Interpretation

The budget is the cornerstone of any solid financial plan. Budgeting is in reality a monitoring of month-to-month charges to determine how your money in reality is spent. how to create the price of month-to-month couples you could discover



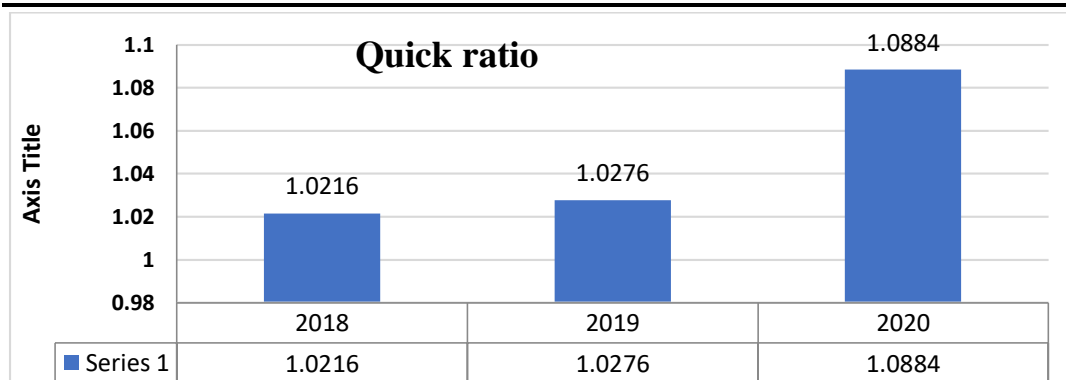
**Chart- 1.1** current ratio

When we compare the current assets to current liability, we can understand the company has good position in their current assets compare to its current liability and ratio is in 1.2217 in 2020 1.1762 in 2019 and 1.1578 in 2018. In the above statement it is increase to year to year.

### 1. Calculation of Quick ratio:

$$\text{Quick Assets} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current liability}}$$

Particular	2020	2019	2018
Current asset	828,040,979	807,744,337	712,368,486
Quick liabilities	760,743,613	786,035,800	697,251,788
Ratio	1.0884	1.0276	1.0216



**Chart - 4.2 Quick ratio**

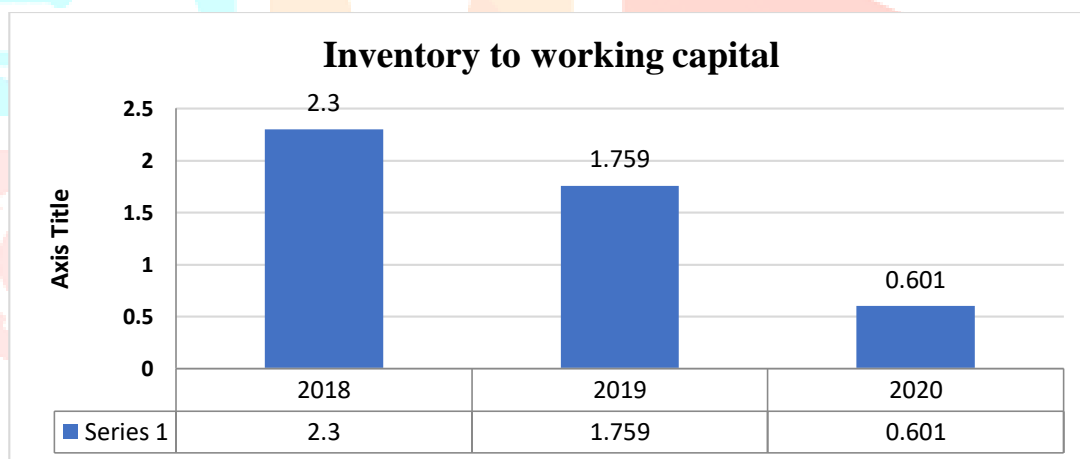
When we compare the quick asset of the company, we can find out it have a good assets proportion in 1.0884 in 2020 1.0276 in 2019 compare to 1.0216 in 2018.

**2. Calculation of Inventory to working capital:**

$$\text{Inventory to working capital} = \frac{\text{Inventory}}{\text{Working capital}}$$

$$\text{Working capital} = \text{Current Assets} - \text{Current Liability}$$

Particular	2020	2019	2018
Inventory	101,381,068	116,834,240	94,968,295
Working capital	168,678,434	138542777	110084993
Ratio	0.6010	1.759	2.23



**Chart - 1.3 Inventory to working capital**

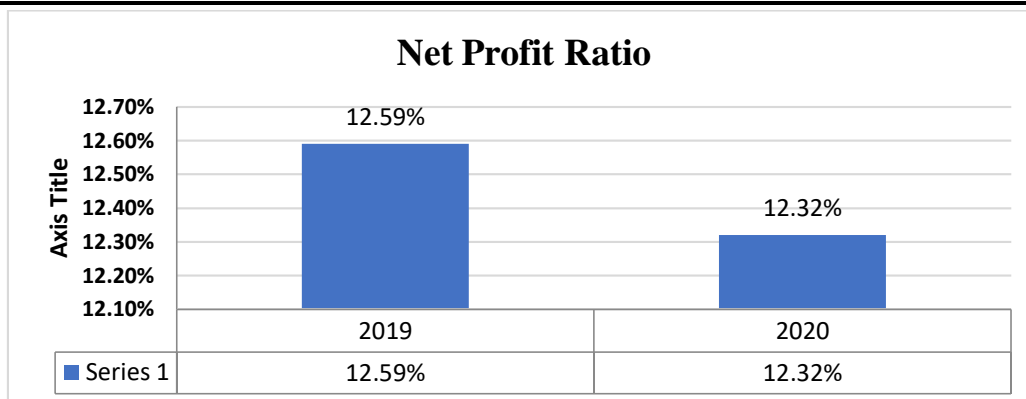
Above the calculation of inventory to working capital turnover ratio it shows the day-to-day expenses going on the production. When the production expenses are less the profit will be increased and also the sales are increased in less waste in the population place. In 2018-2019 the ratio is high compared to the all years. The ratio can fluctuate the less value of ratio 2020-2019 after it take proper step to increase the value of the ratio yearly.

**3. NET PROFIT MARGIN RATIO:**

$$\text{NET PROFIT} = \text{Profit after tax/sales} * 100$$

Analysis:

YEAR	PROFIT ATER TAX	SALES	NET PROFIT RATIO
2019	87.107.428	691.669.227	12.59%
2020	50.875.737	412.914.451	12.32%



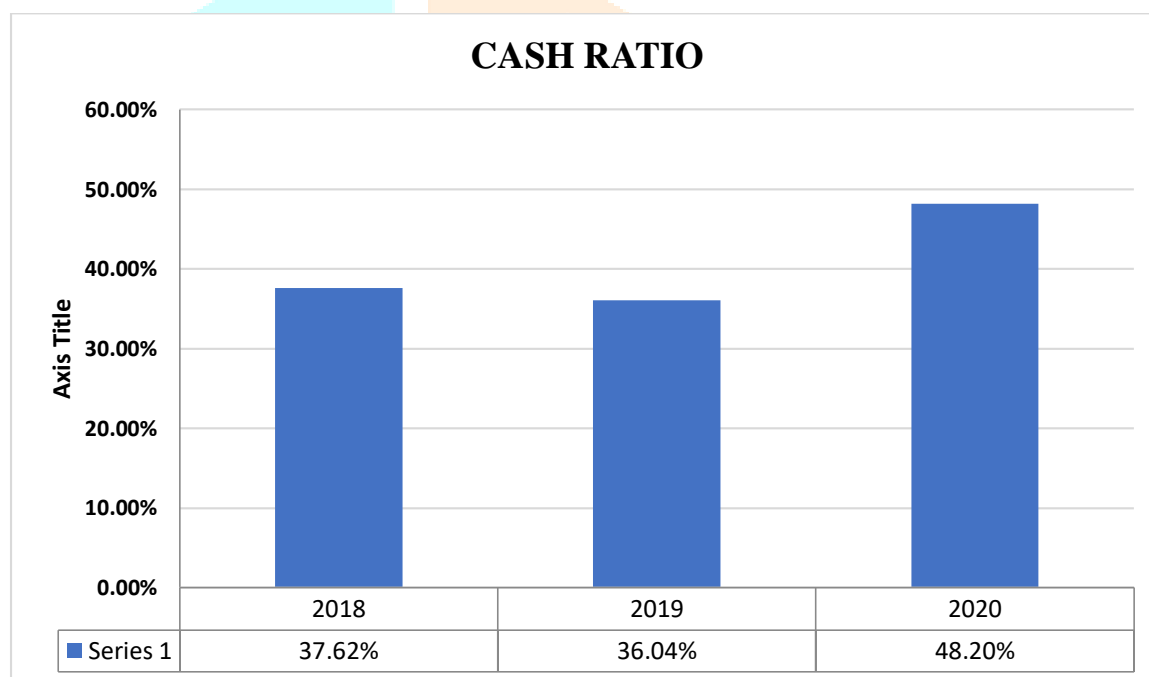
**Chart – 1.4 Net Profit Ratio**

The above the table shows that the profit after tax ratio in the year 2019 is 12.59 and in 2020 is 12.32.

#### 4. CASH RATIO:

**CASH RATIO = CASH/CURRENT LIABILITY\*100**

YEAR	CASH	CURRENT LIABILITY	RATIO IN %
2018	418.195.734	1.111.458.820	37.62%
2019	464.940.271	1.289.976.458	36.04%
2020	633.730.285	1.314.777.329	48.20%



**Chart – 1.5 Cash Ratio**

From the above data shows the cash ratio of the company is fluctuated over the year. It can see very less cash ratio 48.20% in the year 2020.

### VIII. Results and findings

- Above the calculation of current ratio show that ratio can-will fluctuates year by year. the high current ratio in 2018 after it can be decreasing the value of current ratio year 2019 after that it can be increase in 2020 compare to 2019.
- The above calculation shows the debt ratio its all the year is same values of ratio in year 2018 to 2020 current yearly. When the company income and expenditure both are some ratios is equally to 1.
- The above calculation shows the values the ratio decreases in 2020 compare to other years 2019 and 2018.
- The above calculation the internet earnings ratio is a useful device to Miserere standard profitability of the commercial enterprise a excessive ratio indicates the green control affaires of the enterprise. while we analyze the net earnings ratio of this agency we will recognize, the employer has excessive internet earnings after tax examine to this internet income.
- The agency has to take degree to decrease its operating charges.

- The Muthoot desires to preserve the contemporary asset to enhance its current asset.
- The Muthoot desires to lower the collection length because its more than the specified.
- The Muthoot wishes to acquire payment from the borrowers in time.
- The company must have a top-quality amount of money so that the coins requirement can be fulfilled correctly.
- The agency needs to lessen idle time of low interest so its help in growing greater customers and they could availability.

## IX. Conclusion

On this look at, analysis of the effectiveness of coins control changed into conducted at Muthoot finance. The effectiveness of coins has been analyzed primarily based on the records collected from Muthoot finance annual report. The effectiveness of Muthoot finance cash control became analyzed via analyzing the connection among cash and balance of operating, making an investment, and financing activities. coins management is the lack of manage over coins waft and the control of inefficient liquidity can be averse to the commercial enterprise. in the maximum case, terrible coins management is due to company screw ups. powerful coins control is, therefore, a need for organization.

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