

# AN ANALYSIS OF CASH MANAGEMENT WITH REFERENCE TO MEDAVAKKAM URBAN CO-OPERATIVE CREDIT SOCIETY

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## ABSTRACT

The title of the project is “AN ANALYSIS OF CASH MANAGEMENT WITH REFERENCE TO MEDAVAKKAM URBAN CO-OPERATIVE CREDIT SOCIETY ”. The project aims to identifying overall financial performance of the company. To analyse the cash position and interest earnings and to bring out suitable measures. This study is carry out to know the various loans and deposits schemes offered by medavakkam urban co-operative credit society.

The Medavakkam urban co-operative credit society had the distribution simultaneously commencing operations in sixteen branches. Today co-operative society has a vast domain in banking sector and six branches. The objective of the study is to analyse the liquidity position of medavakkam urban co-operative credit society. The study is carried to know the various loans and deposits schemes offered by the society.

The study identify the cash inflows and outflows using cash budget. The analysis purely based on the balance sheet over a period of five financial years (2014 – 15 to 2018-19). The research methodology used in this study is analytical research design. The data are collected from the financial information of the society. The analysis is done with ratio analysis, cash budget, trend analysis.

**Keyword:** - Cash management, Analytical research design.

## 1. INTRODUCTION

Cash management refers to the collection, handling, control and investment of the organizational cash and cash equivalents to ensure optimum utilization of the firm, liquid resources. Money is the lifeline of the business, and therefore it is essential to maintain a sound cash flow position in the organization. Cash management refers to a board area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investment.

In banking, cash management or treasury management, is a marketing term for certain service related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts provide to businesses of a certain size, but it is more often used to describe specific service such as cash concentration, zero balance accounting, and clearing home 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.

**1.1 Four facts of cash management:****Cash planning:**

Cash inflows and outflows should be planned cash surplus or deficit for cash period of the planning of the planning period. Cash budget should be prepared for this purpose.

**Managing the cash flows:**

The firm should decide about the properly managed. The cash inflows should be accelerated while, as far as possible, the cash outflows should be decelerated.

**Optimum cash level:**

The firm should decide about the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances.

**Investing surplus cash:**

The surplus cash balance should be properly invested to earn profits. The firms should decide about the division of such cash balance between alternative short-term investment opportunities such as bank deposits, marketable securities, or inter-corporate lending.

**1.2 Need For The Study**

There is a need to study about inflows and outflows of cash in Medavakkam urban co-operative credit society. The cash management is to provide the information cash generated and used in operating, financing and investing activities. It is also needed to know about liquidity position of the company and cash available to meet the urgencies. This is helpful to boost the performance of the company and pave way to attain the objectives in competitive advantage.

**1.3 Objectives Of The Study****Primary Objective:**

- To analyze the Cash Management with reference to the Medavakkam urban co-operative credit society.

**Secondary Objectives:**

- To study liquidity position of Medavakkam urban co-operative credit society.
- To understand the inflows and outflows of cash using cash budget.
- To provide suggestions to improve the fluctuations in liquidity position of Medavakkam urban co-operative credit society.

**1.4 Scope Of The Study**

The study is based on the accounting information of medavakkam urban co-operative credit society. The study covers the period of 2015-2019 for analyzing from cash budget. It helps to increase the profit and growth of the society.

**1.5 LITERATURE REVIEW**

This abstract is about the title *Model for operational optimal control of financial resources distribution in a company* it has been published in the journal of computer research and modeling, volume 11(2), 343-358, 2019, has been published by the Ekaterina Vladimirovna Orlova; A Critical analysis of existing approaches,

methods and models to solve the problem of financial resources operational management has been carried out in the article. A number of significant short coming of the presented models were identified, limiting the scope of their effective usage. There are a static nature of the models, probabilistic nature of financial flows are not taken into account, daily amounts of receivables and payables that significantly affect the solvency and liquidity of the company are not identified. This necessitates the development of a new model that reflects the essential properties of the planning financial flows system-stochasticity, dynamism, non-stationarity.

**This abstract is about the title *A multi-objective approach to the cash management problem* it has been published in the journal of *Annals of operation research*, volume 267(1-2), 515-529, 2018, has been published by Franciso sales-molina, david pla-santamaria, juan A Rodriguez-aguilar;** Cash management is concerned with optimizing costs of short-term cash policies of a company. Different optimization models have been proposed in the literature whose focus has been only placed on a single objective, namely, on minimizing costs. However, cash management may also be interested in risk associated to cash policies. In this paper, we propose a multi-objective cash management model based on compromise programming that allows cash managers to select the best policies, in terms of costs and risk, according to their risk preferences. The model is illustration through several examples using real data from an industrial company, alternative cost scenarios and two different measures of risk. As a result, we provide cash managers with a new tool to allow them deciding on the level of risk to take in daily decision-making.

### 1.6 Research Methodology

#### Research:

Research is defined as human activity based on intellectual application in the investigation of matter. The primary purpose for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe.

#### Research Methods:

Research methods are the strategies, process or techniques utilized in the collection of data or evidence for analysis in order to uncover new information or create better understanding of a topic.

#### Research Methodology:

Research methodology is the specific procedure or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study overall validity and reliability.

### 1.7 Limitations Of The Study

- Difficulty of getting access to some important data due to its sensitivity and secretive nature.
- The non-uniformity in the accounting periods of the years under study made it difficult to interpret the data concisely.
- It took time to collect data from the finance department.

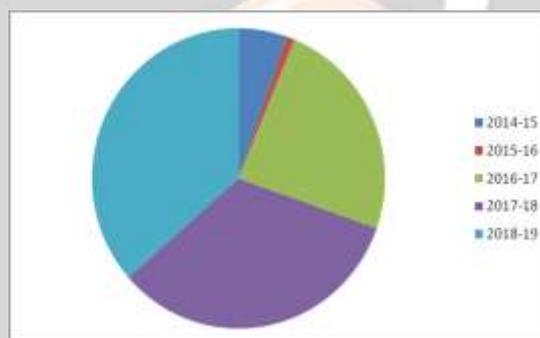
## 2.1 DATA ANALYSIS AND INTERPRETATION

### 2.1 Current ratio:

**Table 1: Table showing Current ratio of medavakkam urban co-operative credit society for the financial year 2014-15 to 2018-19.**

Year	Current assets	Current liabilities	Ratio
2014-15	45546000.09	7659620.48	5.94
2015-16	7802659.83	57738375	0.13
2016-17	207066421.4	76308685.53	2.71
2017-18	283743461.3	123629370.8	2.29
2018-19	312246391.3	137474214.7	2.27

**Chart 1: showing Current ratio of medavakkam urban co-operative credit society for the financial year 2014-15 to 2018-19.**



### INTERPRETATION:

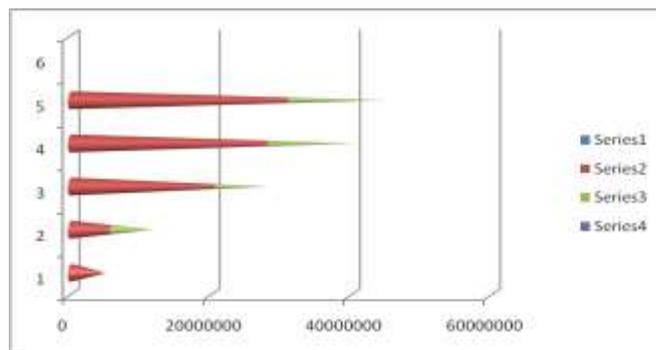
From the above table it is inferred that the current ratio increased from 5.946 in 2014-15, then it has been decreased to 0.135 in 2015-16 and it has been increased from 2016-17 to 2018-19.

### 2.2 Liquid assets

**Table no.2 : Table showing Liquid assets of medavakkam urban co-operative credit society for the financial year 2014-15 to 2018-19.**

Year	Liquid assets	Current assets	Ratio
2014-15	43658114.79	7659620.48	5.69
2015-16	57738375	57738375	1
2016-17	205855412.9	76308685.53	2.69
2017-18	281274135	123629370.8	2.27
2018-19	310703102.5	137474214.7	2.26

**Chart 2. Chart showing liquid ratio for medavakkam urban co-operative credit society for the financial year 2014-15 to 2016-17.**



**INTERPRETATION:**

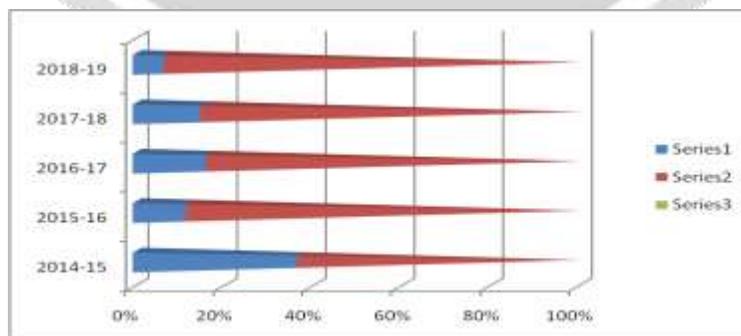
From the above table it is inferred that the liquid ratio increased from 5.699 in 2015-16, that it has been decreased to 1 in 2016-17 and it has been increased to 2.275 in 2018-19.

**2.3 Cash position ratio**

**Table 3: Table showing Cash position ratio of medavakkam urban co-operative credit society for the financial year 2014-15 to 2018-19.**

Year	Cash and bank	Current liabilities	Ratio
2014-15	4465406.06	7659620.48	0.58
2015-16	7802659.83	57738375	0.13
2016-17	14943010.34	76308685.53	0.19
2017-18	21995307.18	123629370.8	0.17
2018-19	10341618.25	137474214.7	0.07

**Chart 3: Chart showing changes in cash position ratio for medavakkam urban co-operative credit society for the financial year 2014-15 to 2018-19.**



**INTERPRETATION:**

From the above table it is inferred that the cash position ratio increased from 0.582 in 2015-16, then it has been decreased to 0.135 in 2016-17 and it has been increased in 0.195 in the financial year 2017-18.

## 2.4 Cash budget:

**Table 4: Table showing Cash budget of medavakkam urban co-operative credit society for the financial year 2014-15 to 2016-17.**

Particular	2014-15	2015-16	2016-17
opening cash balance	1090739.6	292844089.5	591110152.5
(+) Cash receipts:			
cash sales	56147682.85	57832983.75	53111606.3
collection from debtors	25806445	25567594	24566797
sale of assets	196055919	192989224	165669334
interest on bonds	28449886	42325364	77284259
total receipts(A)	307550672.5	611559255.3	911742148.8
(-) Cash payments:			
cash purchase	10000	-	-
payment to creditors	14665794	20034050.5	18548991.8
payment of expenses	30789	399769	711020
sundry creditors	-	15283.35	-
total payment(B)	14706583	20449102.8	19260011.8
closing bal(A-B)	292844089.5	591110152.5	892482137

**Chart 4: Chart showing Cash budget for medavakkam urban co-operative credit society for the financial year 2014-15 to 2016-17.**



### INTERPRETATION:

From the above table it is required that the cash budget increased from 321821087.3 in the financial year 2016-17.

### 3. FINDINGS

- By studying ratio analysis it has been found the current ratio of the society is not attain a satisfactory expected level except for one year of the study period.
- The absolute liquid ratio, cash to other income and cash to working capital shows a satisfactory level in the 2018 which means at this year society have shown a good solvency position.

- From trend analysis it has been found that trend on sales, purchases, other income, cash on hand and cash at bank shown an increasing trend period.

#### 4.SUGGESTIONS

- Medavakkam urban co-operative credit society must maintain a liquidity position. This indicates that the society needs to improve short-term financial position.
- The firm can adopt modern method of cash management.
- The co-operative society managers gives more importance to utilization of funds.
- Excess funds invested to diversified project.

#### 5. CONCLUSION

In this study, an analysis on efficiency of cash management of medavakkam urban co-operative credit society was done. The efficiency of the society during last five years is taken up for study. The efficiency of fund has been analyzed on the basis of the data collected from the annual report of medavakkam urban co-operative credit society. This efficiency of cash management in medavakkam urban co-operative credit society was analyzed with the help of ratio analysis, trend analysis and cash budget.

#### 6. REFERENCES

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