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# A Study on Fund Management in Canara Bank at Aralapura, Thirthahalli

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**ABSTRACT**
A study on cash management in Canara bank in this title focused on management of cash. In a banking activity anything is done by financial requirements. Cash management is ensuring to there should be enough cash availability and to finding out the solvency ratio involves ratio of fixed asset to current ratio and ratio of fixed assets to proprietary ratio analysis for financial statements and Secondary data. This is a study conducted to focus on the effective cash management. Cash which used to meet out the emergency purpose for the future period. Flow of cash from operating activities which sometimes used to meet investing and financing activities of the company. This research study is analytical research in nature.

## 1. INTRODUCTION

Cash, like the blood stream in the human body, gives vitality and strength to a business enterprise. Cash management includes management of marketable securities also, because in modern terminology money comprises marketable securities and actual cash in hand or in bank. The concept of cash management is not new and it has acquired a greater significance in the modern world of business due to change that took place in the conduct of business and ever-increasing difficulties and the cost of borrowing. Cash management may be defined as the ability of a management in recognizing the problems related with cash which may come across in future course of action, finding appropriate solution to curb such problems if they arise, and finally delegating these solutions to the competent authority for carrying them out the choice between liquidity and profitability creates a state of confusion. It is cash management that can provide solution.

## 2. REVIEW OF LITERATURE

Dr. S Sankar, Keerthana S, Mr.Bino Mathew, Dr. B. Nimalathasan (2021), This is a study conducted to focus on the effective cash management. Cash which used to meet out the emergency purpose for the future period. Flow of cash from operating activities which sometimes used to meet investing and financing activities of the company. This research study is analytical research in nature. In first chapter the objectives are to analyze the Cash management and to determine efficiency in cash, inventories, debtors and creditors. Further, to understand the liquidity and profitability position of the firm. These objectives are achieved by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of Cash.

Oladejo M.O, Akande O.O, Yinus Oluwaseun (2017), This study empirically investigated the effect of cash management on the performance of SMEs in the food and beverage manufacturing sector in Oyo State. Primary data was collected using a structured questionnaire, which was distributed to fifty personnel from ten randomly selected SMEs in the food and beverage sector. Out of the fifty questionnaires distributed, forty were completed, returned, and deemed useful for the study. Descriptive analysis was used to examine the data, and hypotheses were tested using chi-square analysis.

S. Abinaya, Mrs. N. Isvarya (2019), In a banking activity anything is done by financial requirements. Cash management is ensuring to there should be enough cash availability and to finding out the solvency ratio involves ratio of fixed asset to current ratio and ratio of fixed assets to proprietary ratio analysis for financial statements.

Peter et al (2020) This study investigated the impact of cash management on the financial performance of Deposit Money Banks (DMBs) in Nigeria. It analyzed variables including cash to total assets, operating cash to total assets, investing cash to total assets, financing cash to total assets, bank size, and bank age, with return on assets serving as the indicator of financial performance. Data were obtained from secondary sources, specifically the annual reports and accounts of selected DMBs from 2014 to 2018. The findings revealed that while operating cash to total assets, investing cash to total assets, and bank size did not significantly impact financial performance, financing cash to total assets and bank age had a significant and positive effect.

Francis Kakeetoet al (2017) This study aimed to explore how cash management affects organizational profitability at Gumutindo Coffee Cooperative Enterprise Limited (GCCE) in Mbale District, Uganda. Using a case study approach, the research tested the hypothesis that effective cash management positively impacts profitability. Both probability and non-probability sampling methods were used, and data was gathered from a sample of 181 employees.

Dibie, R. (2022) This study investigated how cash management affects the financial performance of publicly listed manufacturing firms in Nigeria. The study focused on cash management variables including the cash conversion cycle (CCC), Creditors Payment Period (CPP), and Cash Flow Margin (CFM). To address potential endogeneity issues, the analysis employed the Arellano and Bond dynamic panel data estimation method. The results showed that the cash conversion cycle has a positive and significant effect on financial performance.

Nakum Dilipkumar Hansraj, Dr. K. P. Damor (2022) Cash is crucial for the smooth operation of any business, acting as its primary lubricant. Without adequate cash, a company's liquidity is at risk. In today's landscape, there are various methods and models available for effective cash management. Typically, a portion of the initial cash investment is allocated to fixed assets such as land, buildings, plant and machinery, and furniture. Another portion is used for purchasing raw materials, paying wages, and covering other expenses.

Nurul Nadiah Ahmad (2016) Cash management is crucial for all businesses to enhance financial management and ensure financial stability. Effective cash management practices are essential for achieving business objectives. This study examined the extent of cash management practices in micro and small businesses across four states in Peninsular Malaysia. The overall findings indicated that cash management practices in these states are generally high. However, it was noted that internal controls related to cash management are implemented at a very low level. Consequently, capital providers should focus on re-educating entrepreneurs about the importance of robust internal controls to prevent manipulation, cash shortages, and other financial issues.

## 3. RESEARCH METHODOLOGY

I have collected primary data and secondary data in Canara Bank at Aralapura, Thirthahalli. I have prepared in Cashflow and Trend analysis from balance sheet.

**RESEARCH** - It is a process in which the researches wish to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as "A careless investigation or enquiry especially through search for new facts in branch of knowledge." Research design The research design is used in the projects is analytical in procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evaluation of the performance.

## 4. METHODS OF DATA COLLECTION

Primary data and Secondary data (balance sheet) was collected from Canara Bank. And collected information through Survey, various journals, books and through websites.

## 5. OBJECTIVES

- To find out the Liquidity position of the concern through Trend analysis
- Analysis on Secondary Data related to Cash management in Bank
- To examine a liquidity position of the bank by loans and collections

## 6. TOOLS FOR ANALYSIS:

- Trend Analysis
- Cash Analysis
- Mann Whitney U Test

## 7. HYPOTHESES

$H_0$:There is a no significant relationship between the loan disbursement and loan collection

$H_1$:There is a significant relationship between the loan disbursement and loan collection

## 8. SCOPE OF THE STUDY:

- Predicting future cash inflows and outflows to ensure liquidity and avoid shortages or surpluses.
- Efficiently managing payments to vendors, employees, and other parties to optimize cash outflows.
- Ensuring that the organization has enough liquid assets to meet short-term obligations without incurring additional costs.
- Monitoring and managing the daily cash position to ensure that sufficient cash is available for operational needs.

## 9. LIMITATIONS

- Holding too much cash can reduce potential returns compared to investing, while holding too little can lead to liquidity problems.
- Cash typically loses value over time due to inflation, meaning its purchasing power decreases.
- Keeping cash on hand means missing potential investment opportunities that could generate higher returns.
- Physical cash is vulnerable to theft or loss, necessitating careful handling and storage.
- Regularly converting between cash and other forms of payment may incur fees or charges.

# 10. DATA ANALYSIS AND INTERPERTATION

## 10.1 TREND ANALYSIS

### 10.1.1 Trend analysis in study period in rupees

**Table no 10.1.1: Table showing Trend analysis in study period in rupees**

| Particular | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | Trend (Rs) | Trend (Rs) | Trend (Rs) | Trend (Rs) |
| NON-CURRENT ASSET | 239732 | 239732 | 239732 | 239732 |
| CURRENT ASSET | 196488309 | 201451006 | 217086824 | 232683287 |
| TOTAL ASSET | **196728041** | **201690738** | **217326556** | **232923019** |
| EQUITY | - | - | - | - |
| NON-CURRENT LIABILITY | 66661335 | 45164990 | 62138446 | 55311081 |
| CURRENT LIABILITY | 130066706 | 156525748 | 155188112 | 177611938 |
| TOTAL LIABILITY | **196728041** | **201690738** | **217326558** | **232923019** |

Interpretation: The trend analysis of the company's financials from 2020 to 2023 reveals a pattern of growth and stability in its asset and liability management. Non-current assets remained constant at 239,732, indicating no expansion in long-term investments. In contrast, current assets steadily increased from 196,488,309 in 2020 to 232,683,287 in 2023, showing a focus on expanding short-term assets. Total assets grew correspondingly from 196,728,041 to 232,923,019, reflecting overall asset growth. Non-current liabilities decreased significantly from 66,661,335 in 2020 to 45,164,990 in 2021, then rose to 62,138,446 in 2022 before slightly decreasing to 55,311,081 in 2023, suggesting fluctuating long-term financial obligations. Current liabilities increased from 130,066,706 to 177,611,938, highlighting a rise in short-term obligations. Total liabilities matched total assets each year, indicating a balanced financing structure. Overall, the data shows the company has successfully increased its asset base while managing its liabilities, though rising current liabilities suggest increased short-term financial commitments.

### 10.1.2 Trend Analysis in the study period in Percentage

$$\text{Trend Analysis} = \frac{\text{Current year amount}}{\text{Base year amount}} * 100$$

**Table no 10.1.2: Table showing Trend analysis in study period in Percentage**

| Particular | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | Trend (%) | Trend (%) | Trend (%) | Trend (%) |
| NON-CURRENT ASSET | 100 | 100 | 100 | 100 |
| CURRENT ASSET | 100 | 102.525 | 110.48 | 118.42 |
| TOTAL ASSET | **100** | **102.522** | **110.47** | **118.39** |
| EQUITY | - | - | - | - |
| NON-CURRENT LIABILITY | 100 | 67.752 | 137.58 | 82.97 |
| CURRENT LIABILITY | 100 | 120.24 | 119.31 | 136.55 |
| TOTAL LIABILITY | **100** | **102.522** | **110.47** | **118.39** |

**Source: Table no 10.1.2**

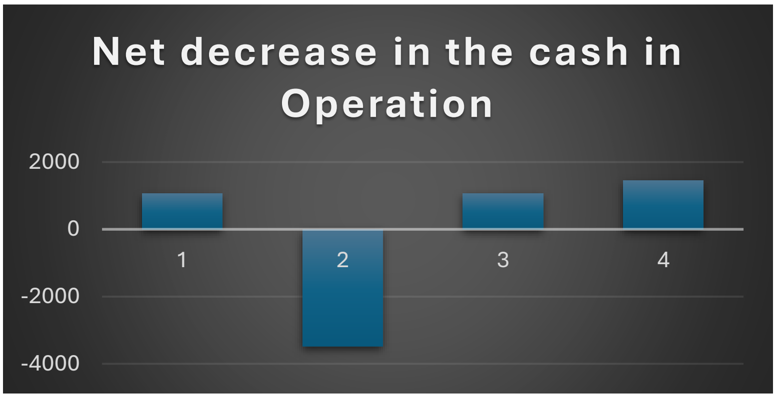
Interpretation: The Trend analysis from 2020 to 2023 shows changes in the company's assets and liabilities. Non-current assets remained constant at 100% throughout the period. Current assets increased steadily, reaching 118.42% by 2023, indicating improved short-term financial strength. Total assets followed a similar upward trend, reflecting overall growth. Non-current liabilities fluctuated significantly, decreasing to 67.75% in 2021, spiking to 137.58% in 2022, and dropping again to 82.97% in 2023, suggesting variable long-term financial obligations. Current liabilities consistently increased, reaching 136.55% by 2023, indicating rising short-term debts. Total liabilities mirrored the trend of total assets, indicating balanced growth.

### 10.1.3 TABLE SHOWING CASH ANALYSIS FROM THREE ACTIVITIES

**Table no 4.14: Table showing cash analysis from three activities**

| Year | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Cash from the operating activities | 1071.60 | -3473.32 | 1071.60 | 1457.63 |
| Cash from the investing activities | -6.43 | -6.36 | -4.09 | -6.43 |
| Cash from the financing activities | - | - | - | - |
| Net decrease in the cash in Operation | 1064.57 | -3479.68 | 1067.51 | 1451.2 |

**Chart No. 4.4.1: Cash analysis from three activities**




**Interpretation:** The volatility in operating cash flow suggests that the company's core business activities faced significant disruptions in 2021, possibly due to external factors like the COVID-19 pandemic or internal operational challenges. The strong rebound in subsequent years reflects a recovery in operational performance or improved cost management. The stable yet negative cash flows from investing activities indicate consistent capital expenditures or investments, which could be aimed at long-term growth. The absence of financing activities over the period implies the company did not engage in significant debt issuance, equity financing, or major repayments, relying mostly on its internal cash generation to manage its cash flow.

**Mann Whitney U Test**

$H_0$:There is a no significant relationship between the loan disbursement and loan collection

$H_1$:There is a significant relationship between the loan disbursement and loan collection

**Table no 4.17: Table showing loan disbursement and collection**

| Year | Loandisbursement(in crores) | Loan Collection(in crores) |
|---|---|---|
| 2020 | 5000 | 3800 |
| 2021 | 6100 | 4200 |
| 2022 | 7500 | 5500 |
| 2023 | 8000 | 6000 |

**Rank Table**

| S.no | Rank | Items |
|---|---|---|
| 1 | 3800 | (LC) |
| 2 | 4200 | (LC) |
| 3 | 5000 | (LD) |
| 4 | 5500 | (LC) |
| 5 | 6000 | (LC) |
| 6 | 6100 | (LD) |
| 7 | 7500 | (LD) |
| 8 | 8000 | (LD) |

Rank for Loan disbursement

3+6+7+8 = 24

Rank for loan collection

1+2+7+8 = 12

RD = 24, RC=12

UD = nD×nC+2nD×(nD+1)−RD

= 4×4+2(4) × (4+1) – 24

= 16+8×(5) -24

= 32

UC= nD×nC+2nC×(nC+1)−RC

= 4×4+2(4) × (4+1) – 12

= 16 + 24 – 12

= 40 + 16 -12

= 44

Lowest is UD = 32

LOS is 0.05

Table Value = 289

H0: Null is rejected because table value less than calculated value

H1: Alternative is accepted because table value less than calculated value

**Interpretation:** The Mann-Whitney U test was conducted to determine if there is a significant relationship between loan disbursement and loan collection. The test resulted in a U value of 32 for loan disbursement, which is lower than the table value of 289 at a 0.05 significance level. Since the calculated U value is less than the critical table value, we reject the null hypothesis (H0) and accept the alternative hypothesis (H1).

This finding suggests a statistically significant relationship between loan disbursement and loan collection, indicating that fluctuations in loan disbursement are likely associated with changes in loan collection.

**5.1 Findings:**

- The trend analysis reveals that while the company has experienced consistent growth in its current assets and total assets, it has also faced significant fluctuations in its non-current liabilities and a steady increase in current liabilities. This indicates that the company is expanding its short-term financial base, but at the cost of rising short-term obligations, which could lead to liquidity risks if not managed properly.
- The cash flow analysis from 2020 to 2023 reveals significant volatility in the company's cash management. Particularly, the company experienced substantial fluctuations in cash from investing activities, which contributed heavily to the inconsistent net cash changes each year. This instability in cash flow management suggests that the company's investment strategies are highly variable and potentially risky, impacting overall financial stability.
- The chi-square test was conducted to explore the relationship between the digitalization of banks and customer satisfaction. The observed chi-square value ($X^2 = 68$) was significantly greater than the tabulated value ($X^2$ tab = 0.352) at a 95% level of significance. This indicates that the calculated chi-square value is greater than the critical value, leading to the rejection of the null hypothesis.

**5.2 Suggestions:**

- The company should consider implementing a more balanced and consistent investment strategy to mitigate the extreme fluctuations in cash flow. By maintaining a steady approach to investment activities, the company can reduce the risk of large cash outflows that negatively impact net cash flow and ensure more stable financial performance
- The company should consider implementing a more balanced and consistent investment strategy to mitigate the extreme fluctuations in cash flow. By maintaining a steady approach to investment activities, the company can reduce the risk of large cash outflows that negatively impact net cash flow and ensure more stable financial performance
- It given the clear impact of digitalization on customer satisfaction, banks should continue to invest in and refine their digital platforms and services. By focusing on areas such as user-friendly interfaces, robust security measures, and responsive customer support, banks can further enhance customer experiences. Additionally, banks might benefit from gathering more detailed customer feedback to identify specific digital features that drive satisfaction and prioritize their development.

**5.3 Conclusions:**

- To stabilize cash flow, the company could adopt a phased investment approach, spreading out large investments over multiple periods rather than concentrating them in a single year. Additionally, establishing a cash reserve policy that sets aside funds during periods of high cash inflows can help buffer against future cash shortfalls. This strategy would allow the company to manage its investment activities more effectively while maintaining sufficient liquidity to support its operational needs.
- In Trend analysis it address these issues, the company could implement a financial strategy that includes renegotiating long-term debt to secure lower interest rates, thereby reducing the burden of non-current liabilities. Additionally, the company should establish strict credit controls and improve

working capital management to curb the growth of current liabilities. This approach would help maintain liquidity and financial stability while continuing to support asset growth.

- The study concludes that there is a statistically significant relationship between loan disbursement and loan collection. As the U value for loan disbursement is significantly lower than the critical table value, we reject the null hypothesis and accept the alternative hypothesis. This finding underscores the importance of managing loan disbursements carefully, as they directly influence the success of loan collections, impacting the financial stability of the institution.

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