

# A Study on Cash Management with Reference to Sri Raj Vignesh Modern Rice Mill

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## ABSTRACT

This study assesses the financial performance of SRI RAJ VIGNESH MODEN RICE MILL, focusing on key ratios and common-size balance sheets spanning from 2019 to 2024. Notably, the ability to repay current liabilities using cash declined from 0.07 to 0.03 in 2022-2023, emphasizing the need for strategies to enhance liquidity. The study observes a steady increase in the cash ratio, with a notable surge between 2021-2022 and 2022-2023, reflecting the company's liquidity fluctuations. Despite a positive growth in the ability to pay short-term debt in 2019-2020, a decrease occurred in 2021-2022. The liquid position, as indicated by the current ratio, rose to 0.83 in 2020-2021 but slightly decreased to 0.80 in 2022-2023. The Various ratios, such as the relationship between sales and working capital, current assets to total assets ratio, and inventory efficiency, offer insights into the company's financial dynamics. The common-size balance sheets reveal nuanced trends, and by analyzing comparative balance sheets, the study highlights both positive and negative growth phases. Recommendations include implementing strategies to enhance liquidity, refining short-term debt management, optimizing inventory turnover, and maintaining a balanced current asset to total assets ratio. Strategies to improve debtor turnover, monitor common-size balance sheets, and manage fluctuations in net current assets, liabilities, and reserves are crucial for sustained positive growth.

**Keywords:** Liquid Position, Ratios, Net Current Assets

## 1. INTRODUCTION

Cash management is the corporate process of collecting and managing cash, as well as using it for short-term investing. It is a key component of a company's financial stability and solvency. Corporate treasurers or business managers are frequently responsible for overall cash management and related responsibilities to remain solvent.

### 1.1 OBJECTIVE

- To analyze the cash management abilities of the company.
- To Study the firm short-term liquidity.

## 2. REVIEW OF LITERATURE

- Zeng and Zhao (2022), the adoption of financial technologies (fintech) has significantly impacted cash management practices, especially in the context of SMEs. The authors suggest that fintech has made

cash management more efficient and effective by providing real-time information on cash flow, enabling cash forecasting, and automating cash management processes

- A study by Ghosh and Jain (2020) found that effective cash management practices can significantly improve the profitability of SMEs. However, more research is needed to understand the specific mechanisms through which cash management practices impact organizational performance
- A study by Aziz and Haider (2019) examined the impact of cash management practices on the financial performance of manufacturing firms in Pakistan. The study found that effective cash management practices, such as cash budgeting, cash forecasting, and cash flow analysis, positively impact the firm’s financial performance. Furthermore, the study identified that manufacturing firms face challenges in cash management due to late payments and insufficient working capital.
- A study by Alghamdi and Alshammari (2019) investigated the cash management practices of listed firms in Saudi Arabia. The study found that effective cash management practices, such as cash forecasting, cash budgeting, and cash flow analysis, positively impact the firm’s financial performance. Additionally, the study identified that firms with high liquidity and low leverage tend to have higher firm value.

**3. RESEARCH METHODOLOGY**

This study will adopt a descriptive research design to understand and evaluate the cash management practices in Sri Raj Vignesh Modern Rice Mill. The research aims to identify the efficiency, challenges, and effectiveness of cash flow operations.

**3.1 Collection of Data**

These data, which have already been collected, compiled and presented earlier by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

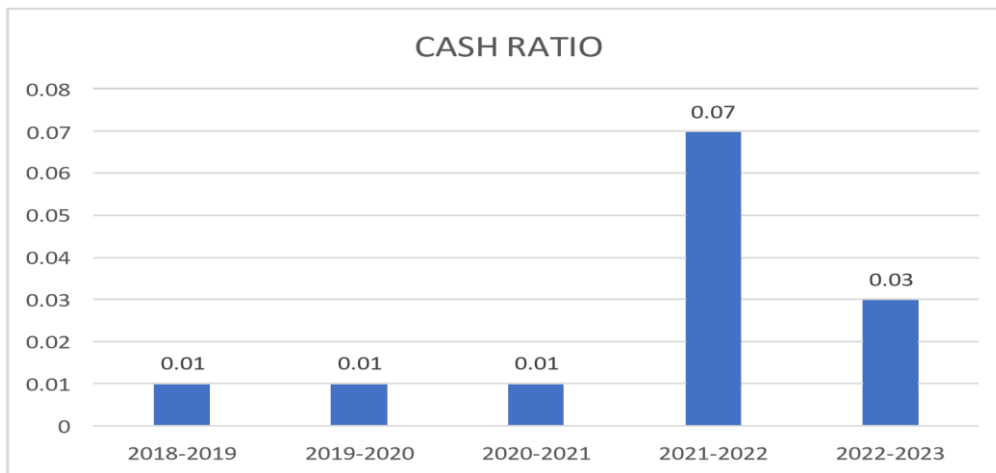
- Balance Sheet
- Statement of profit and loss A/C
- Cash Flow Statement
- Notes to the profile
- Company profile

**4. DATA ANALYSIS AND INTERPRETATION**

**CASH RATIO**

$$\text{CASH RATIO} = \text{CASH AND EQUIVALENCE} / \text{CURRENT LIABILITIES}$$

YEAR	CASH&EQUIVALENCE	CURRENT LIABILITIES	RATIO
2018-2019	1.96	150.13	0.01
2019-2020	1.94	181.81	0.01
2020-2021	2.74	234.44	0.01
2021-2022	26.39	393.44	0.07
2022-2023	12.44	452.05	0.03



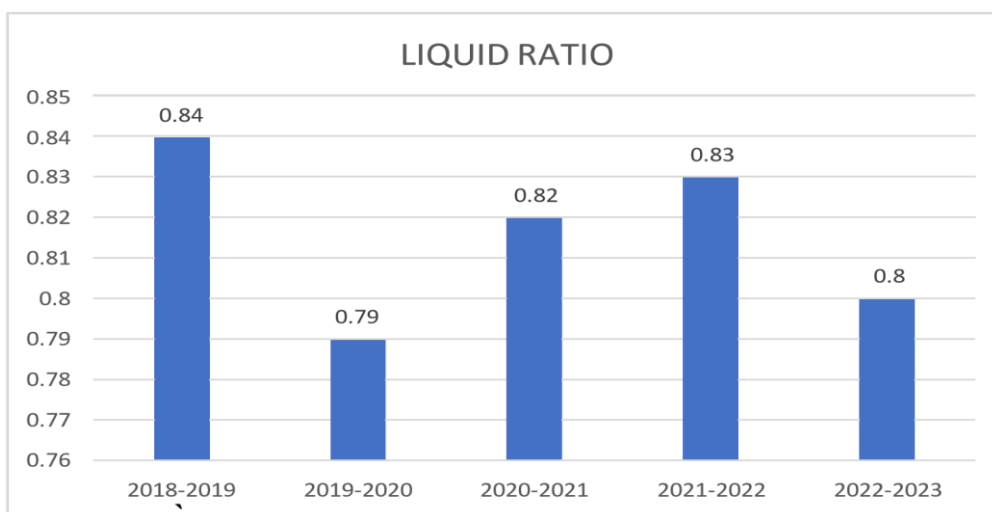
**INFERENCE**

The above table infers that the measures the ability of the business to repay its current liabilities by only using its cash and cash equivalents. Its more in 0.07 in 2021- 2022but got decreased to 0.03 in the year 2022-2023.

**LIQUIDITY RATIO**

$$LIQUID\ RATIO = \frac{LIQUID\ ASSET}{CURRENT\ LIABILITY}$$

YEAR	LIQUID ASSET	CURRENT LIABILITIES	RATIO
2018-2019	126.2	150.13	0.84
2019-2020	144.42	181.81	0.79
2020-2021	191.83	234.58	0.82
2021-2022	328.14	393.44	0.83
2022-2023	359.8	452.05	0.80



**INFERENCE**

The above table infers that the liquidity position for the firm.It has increased to 0.83 the year 18-19 and

got decreased to 0.80 in the year 2022-2023

## **FINDINGS**

- The ability of the business to repay its current liabilities by only using its cash and cash equivalents has increased to 0.07 in 2020-2021 but got decreased to 0.03 in the year 2021-2022.
- The ratio has increased steadily from 17% in 2018-2019 to 21% in 2021-2022, showing a consistent 4% growth. The most significant acceleration was observed between 2020-2021 and 2021-2022, indicating a notable surge in the measured parameter during the latest year.

## **CONCLUSION**

The company exhibits a mix of positive and negative growth phases over the years. Focus on improving liquidity to mitigate potential challenges in repaying current liabilities using available cash and cash equivalents. Enhance strategies for managing short-term debt and other current liabilities to ensure financial stability.

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