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A STUDY ON CASH MANAGEMENT IN MILKY MIST DAIRY FOOD PRIVATE LIMITED, ERODE

Dr. S. RAMASAMY MA, MBA, M.Phil. Ph.D.

&

B. DHARANITHARAN, MBA

Department of Management Studies - PG
K.S.Rangasamy College of Arts and Science (Autonomous), Tiruchengode

Abstract

This study focuses on analysing the cash management at Milky Mist Dairy Food Private Limited, Erode during the period from 2018-19 to 2022-23. The aims of the study include evaluating the cash flow patterns of the organization, assessing the efficacy of the current cash forecasting methodologies, and pinpointing opportunities for enhancement. The study intends to explore these areas in order to offer insightful information that can improve the financial planning and management strategies of the organization. The results could help Milky Mist Dairy Food Private Limited, Erode make better decisions by maximizing cash flow, maintaining financial stability, and promoting informed decision-making. Analytical research method has been adopted to analyse the balance sheet. Secondary data has been used.

Keywords: *Liquidity management, Cash flow analysis, Working capital management, Cash forecasting, Cash budgeting, Cash handling procedures, Cash investment strategies.*

INTRODUCTION

Cash may be in any form of currency, like banknotes and coins, which have a legal acceptance and recognition in the market. The acceptance of cash by its user indicates that it has a trading value when tendered for purchase of goods and services. Cash is the primary asset individuals and companies use regularly to settle their debt obligations and operating expenses, e.g., taxes, employee salaries, inventory purchases, advertising costs, and rents, etc.

NEED OF THE STUDY

Finance is life blood of the business. Without adequate cash, no one can run the business effectively. Managing cash in profitability and liquidity is difficult task. In some ways, managing cash flow is the most important job of business managers. If at any time a company fails to pay an obligation when it is due because of the lack of cash, the company is insolvent. Insolvency is the primary reason firms go bankrupt.

STATEMENT OF THE PROBLEM

Financial statement analysis is used to identify the trends and relationships between financial statement items. Problem statements are widely used by businesses and organizations to execute process improvement projects. A simple and well-defined problem statement will be used by the project team to understand the problem and work toward developing solution. The most common methods used for financial statement analysis are trend analysis, common-size statements, and ratio analysis.

OBJECTIVES OF THE STUDY

- Fulfil Working Capital Requirement: The organization needs to maintain ample liquid cash to meet its routine expenses which possible only through effective cash management.
- Planning Capital Expenditure: It helps in planning the capital expenditure and determining the ratio of debt and equity to acquire finance for this purpose.
- Handling Unorganized Costs: There are times when the company encounters unexpected circumstances like the breakdown of machinery. These are unforeseen expenses to cope up with; cash surplus is a lifesaver in such conditions.
- Initiates Investment: The other aim of cash management is to invest the idle funds in the right opportunity and the correct proportion.
- Better Utilization of Funds: It ensures the optimum utilization of the available funds by creating a proper balance between the cash in hand and investment.

SCOPE OF THE STUDY

The scope of this study focuses on analyzing the cash management at Milky Mist Dairy Food Private Limited, Erode during the period from 2018-19 to 2022-23. The aims of the study include evaluating the cash flow patterns of the organization, assessing the efficacy of the current cash forecasting methodologies, and pinpointing opportunities for enhancement.

REVIEW OF LITERATURE

Eton, M. Gilbert, U., Fabian, M., Benard, P.O., & Dennis, O. (2019). The study sought to establish the effect of cash management on financial performance of business entities in Lira district. A cross sectional study design was adopted and data was collected by use of structured and closed ended questionnaire.

Parmar (2019) conducted a research study on a comparative study of cash management practice of Indian corporate sector analysis of selected companies. In his research work, seven different industries out of which five companies from each industry were selected with a convenience sampling procedure with a study period of ten years from 2008-2009 to 2017-2018.

Nyangweso, G., Mwencha, N., & Onchangwa, G. (2019) Modern management in companies assumed and cash flow management as one of the most important instruments for monitoring and controlling the normal functioning of the business.

Islam, A.; Mansoor, A.; Rahman, M.; Wahab, S.A. (2020), In a very short period, the worldwide pandemic sparked by the COVID-19 has not only taken multiple lives but has also imposed extreme restrictions on both the private and business activities.

RESEARCH METHODOLOGY**RESEARCH DESIGN**

Research is a process in which the researchers 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 careful investigation or enquiry especially through search for new facts in branch of knowledge"

SOURCES OF DATA

Only the secondary data has been used in project study. The researcher himself being an external one and doing study as a part of curriculum has had to depend mainly upon secondary data for the different aspects.

PERIOD OF THE STUDY

The data were collected for Five years from 2019-2023.

WORK OF ANALYSIS

To arrive at research findings and the conclusion of the present study, ratio analysis, comparative balance sheet analysis and Trend analysis have been used.

RATIO ANALYSIS

- The turnover ratios or activity ratios indicate the efficiency with which the capital employed is rotated in the business. The overall profitability of the business depends on two factors: (i) the rate of return of capital employed; and (ii) the turnover, i.e., the speed at which the capital employed in the business rotates.

TREND ANALYSIS

The 'trend' signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but the trend analysis. Trend analysis is carried out by calculating

trends

FINDINGS

- The current ratio has shown in a fluctuating during 2019 to 2023 which indicates a continuous increase in both current assets and current liabilities.
- The quick ratio is also in a fluctuating trend throughout the period 2019-2023. The company's present liquidity position is satisfactory.
- The cash ratio position and Net working capital ratio are satisfactory level.
- The debt ratio has shown a fluctuating trend. The debt ratio is decreased compared with the last year.

SUGGESTIONS

- The company shall maintain the stable financial position. So that the company can earn better profits.
- The company may increase investment in current asset to meet its short term obligates.
- The company may increase its capital employed turnover ratio by increasing sales every year.
- The company should have maintained optimum working capital to meet short term financial goals.
- Reserves should be utilized for the growth of the company.

CONCLUSION

From the critical analysis, it shows a clear picture about the cash management throughout the study. It is evident that the overall cash management of the company with regard to profitability is not satisfactory but still, the company can be maximize through stringent measures which enhances the operating of the company. Through this study the financial results of the company were analyzed in different accepts, from that the assessment of the cash management of company is made several issues regarding the cash management was monitored and the cause and effect of the study concludes that the overall cash position of the company is better.

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