

An Analysis of Cash Management With Reference To Indian Overseas Bank

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Abstract- This project report entitled to “An Analysis OfCash Management With Reference To Indian Overseas Bank “. The main objective of the study is to analyze the financial position of the company. It is process of identifying the financial strength and weakness of the firm properly establishing relationship between the item of balance sheet and profit and loss account. Secondary data are based on the annual reports of 2018-19 to 2022-23.The study gives an assessment of how effective the company is in its financial position. In this study the various were used like ratio analysis and cash flow statement and also charts and tables are for better understanding. The company could take measures to resolve liquidity crisis. This can be done by taking steps to increase sales, increase revenue from investments and financial activities etc. In addition to this company should focus on reaching an ideal level in its financial ratios. The final conclusion is that in future more attention should be developed to improve the cash management process. This study presents some aspects which may help to explain the current behaviour of cash management of the company.

Keywords- Cash management , Cash flow statement, Ratio analysis , Financial performance

I. INTRODUCTION

Cash management is the monitoring and maintaining of cash flow to ensure that a business has enough funds to functions.A company's inflows and outflows, and consequently its cash management, can be impacted by investments, bill payments, and unforeseen liabilities.The act of gathering and overseeing cash flows is referred to as cash management . It can be crucial for both individuals and businesses to manage their cash. It is Essential of a company's financial stability in business. Even though cash is typically seen as a component of an individual’s overall wealth portfolio, it is also crucial for people’s financial stability. Banks are one of the many alternatives available to individuals and businesses to aid them with their cash management needs. For those who desire the highest return on cash assets or the most thoroughly efficient use of cash, cash management solutions are also offered

In a banking institution, the day to day management of cash inflows and outflows is referred to as cash management in a banking organization. There are a lot of cash transactions every

- The process of controlling cash inflows and outflows is known as cash management.
- The financial market offers a wide range of cash management options and solutions for both people and corporations.
- Individuals can use options like banks and financial institutions for their cash management needs.
- For businesses, the cash flow statement is a central component of cash flow management.

One of the main tools for managing corporate cash flow is the cash flow statement. One of the main assets that people and businesses utilize to meet their financial responsibilities and make investments is cash. What organizations do on a daily basis to handle their cash inputs and outflows is known as cash management. The financial standing and liquidity issues of an organization can be improved with proper cash management.

II. NEED FOR THE STUDY

This study is needed to analyze the cash management of Indian overseas bank. To know the financial aspect of the Organization and to test the effective use of cash flows in the organization during a particular period to analyze the funds position of the company and to study the source and application of fund in the organization in that particular time period.

III. OBJECTIVES OF THE STUDY

- To Maintain the optimum cash balance
- To Measure and control the cash flows
- To evaluate the cash flows position of the firm

- To find out the liquidity position of the concern through ratio analysis

IV. SCOPE OF THE STUDY

The Scope of the study is limited to collecting financial data published in the annual reports of the organization every year. The analysis is done to suggest the possible solution. An analysis of the Cash statement Involves the cash flows that a organization taps in order to meet its requirements of finance. The Scope of the study is confined to that sources that organization tapped over the years under study from 2018-2019 to 2022-2023

V. LITERATURE REVIEW

Richard A. Price (2022), This instructional case illusttes how Amazon strategy has evolved over time and how these characteristics are reflected in the financial statements. A particular emphasis is placed on the cash flow statement and examine its articulation with the other financial statements. Students create a direct method cash flow statement in the year of Amazon's initial public offering using the information available in the financial statements.

Waltson and Head (2022) explained Cash management as the concept which is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds

John Wiley and sons (2020), cash as opposed to more rewarding but riskier assets such as stock or bonds, is preferable for meeting large, short-term liabilities that are well defined and predictable. Holding cash is also the only sensible investment choice for meeting uncertain (contingent) liabilities that arise in an emergency. The range of cash management alternatives is sufficiently wide and complicated towarrant careful planning when deciding on which specific cash vehicles to hold. The general principle of modern portfolio management can and should be professional cash management

MustapherFaque (2020) Cash management strategies and firm financial performance Cash(liquidity) management is at the heart of a firm's financial management. It is a silver lining between the bankruptcy and the success story of a company. Management practices such as stochastic cash management model, speeding up cash collections, centralization & decentralization of management, asset portfolio diversification, and cash disbursement are discussed. The

study suggests that a sound financial performance can be achieve

Robert J. Sack (2020) , in his case asks student teams to make a number of accounting decisions in the context of a single company. The decisions address the allowance for bad debts, inventory valuation, depreciation lives and methods, contingency provisions and accounting for off-book entities. The case setting requires us to address these issues in an integrated way, and establish a rationale for decisions required. The teamwork required illustrates the way differing personal judgements, regarding both facts and principles enter into the determination of net income, so that team will be practicing about earnings management.

VI. RESEARCH METHODOLOGY

Research

The act of acquiring data on all facets of company with the aim of using it to support organizational expansion, boost revenue, and optimize profit is known as "business research." The methodical process of stating the issue and developing a solution is called research. formulating a hypothesis, gathering information, examining the information, and drawing conclusions.

Research design

The proposed research is of Analytical in nature. Research planning is necessary because it enables the smooth progress of various research activities and thus makes the research as efficient as possible. A research as efficient as possible. A research plan for a given problem usually includes consideration of the following factors.

Analytical Research

In the analytical research, the fact and a man's already available from annual reports and financial statement and analyses these to make critical evaluation. It is form of research where available secondary data is processed to derive necessary information to solve the research problem at hand.

Data collection tools

To Analyze the data acquire from the secondary sources which is collected from the organization

1. RATIO ANALYSIS:

- Current ratio = Current assets / Current Liabilities

- Operating profit ratio = Operating profit / Net sales* 100
- Working capital turnover ratio = Net sales / working capital
- Absolute Liquidity ratio = Cash in hand + cash at bank / Current liabilities

2. CASH FLOW STATEMENT :

A cash flow statement tracks the inflow and outflow of cash, providing insights into a company's financial health and operational efficiency.

The three main features in cash flow statements are: h flow from Operating activitie

VII. LIMITATIONS OF THE STUDY

- One of the factors of the study was lack of availability of sample information
- Most of the information has been kept confidential
- Time period was major limitation

VIII. DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO:

Current ratio = Current assets / Current Liabilities

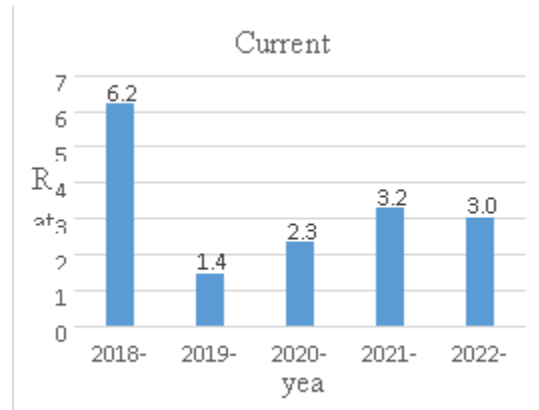
Table showing Current ratio for the financial year 2018-2019

Years	Current Assets	Current Liabilities	Current Ratio
2018-2019	30892	4968	6.21
2019-2020	24061	16200	1.48
2020-2021	30776	13106	2.34
2021-2022	36773	11147	3.29
2022-2023	20607	6796	3.03

Interpretation:

From the above table it is observed that the current asset of the company were more than the current the current liability, therefore the company was generally considered to have a good short term financial strength. Similarly the company considered that healthy current ratio is between 1.5 to 3.

Chart Showing Current ratio for the financial year 2019-2023



OPERATING PROFIT RATIO:

Operating profit ratio = Operating profit / Net sales* 100

Table showing Operating profit ratio for the financial year 2018-2019

Years	Operating profit	Net sales	Ratio
2018-2019	2489.51	17631.26	14.1
2019-2020	699.72	17406.11	4.01
2020-2021	6605.71	16965.53	38.9
2021-2022	7466.96	16729.87	44.6
2022-2023	9644.82	19400.33	49.7

Interpretation:

From the above table it is observed that the operating profit demonstrate the financialSustainability of the company’s basic operations prior to my Financial tax and ideal value is above 20% . In the 2019 and 2020 the values are less than the ideal value i.e.14.1 and 4.01.

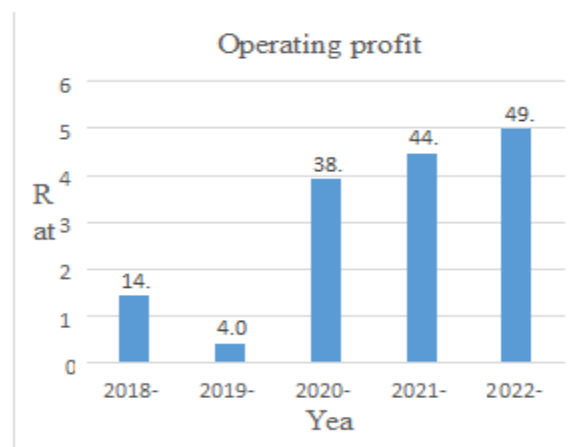


Chart Showing Operating profit ratio for the financial year 2019- 2023

WORKING CAPITAL RATIO:

Working capital turnover ratio = Net sales / working capital

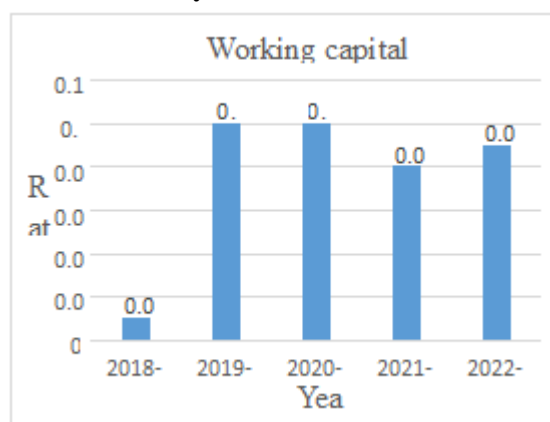
Table showing working capital turnover ratio for the financial year 2019-2023

Years	Net sales	Working capital	Ratio
2018-2019	17631.26	174770.83	0.01
2019-2020	17406.11	161983.17	0.10
2020-2021	16965.53	162491.69	0.10
2021-2022	16729.87	186685.74	0.08
2022-2023	19400.33	209069.61	0.09

Interpretation:

From the above table it is observed that a working capital Turnover ratio measures how a business effectively uses its operational currency to generate sales and the ideal value is less the 1.5 and in all the year the company maintained a healthy working capital ratio.

Chart Showing Working capital ratio for the financial year 2019- 2023



CASH FLOW STATEMENT FOR THE YEAR 2020-2021

Table Cash flow statement for the financial year 2020-2022

PARTICULARS	2021 Amt (in Cr)
OPERATING ACTIVITIES	
Profit from operations	1,912
Loans Advances	(10,326)
Operating investments	(16,010)
Operating borrowings	219
Deposits	17,336
Other WC items	11,940
Working capital changes	3,159
Direct taxes	(122)
CASH FROM OPERATING ACTIVITIES	4949
INVESTING ACTIVITIES	
Fixed assets purchased	(65)
Fixed assets sold	19
Investment in group cos	0
CASH FROM INVESTING ACTIVITIES	(46)
FINANCING ACTIVITIES	
Proceeds from shares	0
Proceeds from debentures	0
Redemption of debentures	(1,967)
Interest paid fin	(320)
Dividends paid	0
Share application money	4,100
CASH FROM FINANCING ACTIVITIES	1,813
NET CASHFLOW	6716

Interpretation The cash flow statement for the year ended 31st march 2021 shows that there is cash flow operating activities and cash equivalents are positive and Negative for financing activities. The overall Cash equivalents at the end of the year are positive.

CASH FLOW STATEMENT FOR THE YEAR 2021-2022

Particulars	Amt (in Cr)
OPERATING ACTIVITIES	
Profit from operations	6,374
Loans Advances	(19,993)
Operating investments	(3,163)
Operating borrowings	(1,266)
Deposits	21,871
Other WC items	2,492
Working capital changes	(60)
Direct taxes	(748)
CASH FROM OPERATING ACTIVITIES	5,566
INVESTING ACTIVITIES	
Fixed assets purchased	(55)
Fixed assets sold	7
Investment in group cos	0
CASH FROM INVESTING ACTIVITIES	(48)
FINANCING ACTIVITIES	
Proceeds from shares	0
Proceeds from debentures	665
Redemption of debentures	0
Interest paid fin	(186)
Dividends paid	0
Share application money	0
CASH FROM FINANCING ACTIVITIES	479
NET CASHFLOW	5,997

Interpretation:

The cash flow statement for the year ended 31st march 2022 shows that there is cash flow operating activities and financing activities are positive and investing activities are negative .The overall Cash equivalents at the end of the year are Positive

Interpretation:

The cash flow statement for the year ended 31st march 2023 shows that there is operating and investing activities are negative and Positive for financing activities .The overall Cash equivalents at the end of the year are negative

CASH FLOW STATEMENT FOR THE YEAR 2022-2023**Table Cash flow statement for the financial year 2022-23**

PARTICULARS	2023
	Amt (in Cr)
OPERATING ACTIVITIES	
Profit from operations	6,830
Loans Advances	(36,742)
Operating investments	3,303
Operating borrowings	17,533
Deposits	(1,276)
Other WC items	(4,627)
Working capital changes	(21,808)
Direct taxes	(641)
CASH FROM OPERATING ACTIVITIES	(15619)
INVESTING ACTIVITIES	
Fixed assets purchased	(582)
Fixed assets sold	23
Investment in group cos	0
CASH FROM INVESTING ACTIVITIES	(559)
FINANCING ACTIVITIES	
Proceeds from shares	0
Proceeds from debentures	200
Redemption of debentures	0
Interest paid fin	(187)
Dividends paid	0
Share application money	0
CASH FROM FINANCING ACTIVITIES	13
NET CASH FLOW	(16,166)

IX. FINDINGS

- The current asset of the company were more than the current the current liability, therefore the company was generally considered to have a good short term financial strength
- the operating profit demonstrate the financial Sustainability of the company's basic operations prior to my Financial tax and ideal value is above 20% . In the 2019 and 2020 the values are less than the ideal value i.e.14.1 and 4.01.
- working capital Turnover ratio measures how a business effectively uses its operational currency to generate sales and the ideal value is less the 1.5 and in all the year the company maintained a healthy working capital ratio
- Absolute liquidity ratio represents that one's pay off its debt as when they become due. an the value should be between 0.5 or above. All the year liquidity ratio has good value.
- The cash flow statement for the year ended 31st march 2021 shows that there is cash flow operating activities and cash equivalents are positive and Negative for financing activities. The overall Cash equivalents at the end of the year are positive.
- The cash flow statement for the year ended 31st march 2022 shows that there is cash flow operating activities and financing activities are positive and investing activities are negative .The overall Cash equivalents at the end of the year are Positive
- The cash flow statement for the year ended 31st march 2023 shows that there is cash flow operating and investing activities are negative for financing activities.The overall Cash equivalents at the end of the year are negative.

X. SUGGESTIONS

- The company could take measures to resolve liquidity crisis. This can be done by taking steps to increase sales, increase revenue from investments and financial activities etc. In addition to this company should focus on reaching an ideal level in its financial ratios

- The company could maximise its receivables, so that the organisation manage a good cash flows .

[11] www.researchgate.net/publication.com[12] www.iob.in

XI. CONCLUSION

The study on cash management is the study on the financial position of the Organisation which has provided a clear view on various activities of the Organization. The use of Ratio Analysis, Cash Flow Statement helped to find out the financial soundness of the company. It is evident that the overall cash management of the company can be maximized through stringent measures which will enhance the operation of the company. This evaluation provides a great deal to the management to make a decision on the regulation of the funds to increase the sales and bring profit to the company. The Organizational study conducted at Indian overseas bank was a great experience. The live experience of watching the working of financial gave immense exposure.

Handling of different situation was unique and the problem solving method were good.

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