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A Study on Cash Management in Milky Mist Dairy Food Private Limited, Erode.

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ABSTRACT

Finance is one of the most primary requisites of a business and the modern management obviously depends largely on the efficient management of the finance. Financial statements are prepared primarily for decision making. Cash management is the process of collecting and managing cash flows. Cash management can be important for both individuals and companies. The objective of the study is to analyze the cash management in Milky Mist Dairy Food Private Limited, Erode. The data used are of last five years from 2019-20 to 2023-24. This study covers analysis like ratio analysis, comparative financial statements, common size financial statements and trend analysis. After analyzing the financial statements of Milky Mist Dairy Food Private Limited, Erode during the five financial years, it is clear that current ratio was 2.16 in the year of 2018-19. It has decreased to 2.05 in the year of 2020-21 and net profit ratio has decreased to 11.17 in the year of 2023-2024. It is suggest that the company has to develop zeal to increase its profit. The company should utilize the available resources in proper manner. It is concluded that in order to improve the overall performance of company the management must take all possible steps to review and modify various policies, cash budgets, inventory status by using sound information management system. This will enable the management to have a close control over the various operations.

Keywords: cash management, financial statements, financial performance, profitability

I. INTRODUCTION

Finance plays a crucial role in every business, serving as the backbone for operations and growth. Effective financial management is essential for making informed decisions and maintaining the financial health of an organization. Financial analysis, which involves interpreting balance sheets, income statements, and other financial data, helps identify a firm's strengths and weaknesses. It is a strategic tool to assess profitability and financial stability. Financial management, as defined by Howard & Upton, involves planning and controlling financial resources to create wealth, ensure liquidity, and generate returns while managing risk. A key element of financial management is cash, which includes physical currency and assets that can be quickly accessed. Cash is vital for daily operations, and its proper handling ensures business continuity. Cash management involves overseeing inflows and outflows, maintaining liquidity, and investing wisely in short-term instruments like treasury bills and money market funds. Inefficient cash management can lead to insolvency, making it a top priority for businesses. Companies must balance cash collection and disbursement effectively, optimizing both to maintain stability. Proper management helps businesses stay solvent, flexible, and prepared for unforeseen events. This includes meeting obligations such as loan repayments, tax payments, and inventory purchases. Cash must be available when needed, reinforcing the importance of having strong liquidity. In essence, cash is often referred to as "king" because of its liquidity and significance. Efficient cash management ultimately supports both short-term operations and long-term sustainability.

II. LITERATURE REVIEW

Kitere and Makokha (1) analyzed how cash forecasting and cash accounting practices affect the performance of commercial banks in Kenya. The study used a mixed-method approach and was based on several financial theories. Data was collected from 6,913 bank employees using stratified sampling. Findings showed that cash accounting positively influences bank performance and inflation affects interest rates.

Islam et al. (2) explored how flexible cash-flow strategies can help Bangladeshi SMEs survive the impacts of the COVID-19 pandemic. Using a qualitative method with an online focus group of nine participants from diverse sectors, the study identified key interventions like cash flow targets, cost control, and government support. Findings suggest that adaptable cash management practices enhance SME resilience. However, the study's small sample size and potential facilitator bias limit generalizability.

Maina, Kiai, and Kyalo (3) examined how SACCO size moderates the relationship between cash management practices and financial sustainability in Kenya. Despite regulatory support, 14% of SACCOs lacked sound cash management. Using a cross-sectional survey and binary logistic regression, the

study found that SACCO size significantly influences financial sustainability. It recommends growth strategies like mergers or marketing to enhance SACCO performance.

Rahman and Sharma (4) studied the impact of operating cash flows (CFOs) on the financial performance of insurance and manufacturing firms in Saudi Arabia. Using ROA and ROE as performance indicators, they found CFOs had a positive and significant effect, while firm size and leverage showed negative associations. Data was drawn from annual reports and analyzed with control variables including firm size, leverage, and industry. The study concludes that effective cash flow management significantly enhances financial performance.

While many studies have examined cash management in terms of liquidity and financial stability, few have explored how companies utilize borrowed funds and optimize financial resources for efficiency. Past research often overlooks detailed analysis of liquidity positions and the effectiveness of fund allocation. This study fills that gap by evaluating how cash management directly impacts profitability and resource utilization.

SCOPE OF THE STUDY

The study only analyses the cash management of Milky Mist Dairy Food Private Limited, Erode during five years from 2019-20 to 2023-24. This study focuses on analyzing key aspects such as liquidity position, utilization of borrowed funds, efficiency in managing available resources, and the company's ability to generate income. It helps in understanding how effectively the company maintains financial stability and ensures smooth operations through proper cash flow management. The findings of this research can assist the company in identifying areas for improvement in fund utilization and financial planning. Businesses can use this study to enhance their cash management strategies, reduce financial risks, and optimize resource allocation. It also provides valuable insights for investors and stakeholders to assess the company's financial health and sustainability.

STATEMENT OF THE PROBLEM

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. Obviously, the prospect of such a dire consequence should compel companies to manage their cash with care. Moreover, efficient cash management means more than just preventing bankruptcy. It improves the profitability and reduces the risk to which the firm is exposed. So the study is very essential to measure the effectiveness of cash management.

LIMITATION OF STUDY

- It analysed the concern Milky Mist Dairy Food Private Limited, Erode only.
- The study is made for certain period only i.e. 2019-20 to 2023-24.
- 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.

RESEARCH OBJECTIVES

- To study the cash management in Milky Mist Dairy Food Private Limited, Erode
- To analyse the liquidity position of the company
- To assess the utilization of borrowed money in the company
- To understand the efficiency in utilizing its available funds

III. RESEARCH METHODOLOGY

Research methodology is a structural plan that explains the step, techniques, and approaches used to find answers to research questions or to test certain assumptions. It combines theoretical knowledge with practical tools to carry out proper research.

The research was carried out at Milky Mist Dairy Food Private Limited located in Erode. It mainly relies on secondary data, especially the company's annual report for five years. Additional information was gathered from journals, magazines, textbooks, newspapers and various internet sources.

IV. ANALYSIS AND INTERPRETATION

TABLE NO. 4.1.1: QUICK RATIO

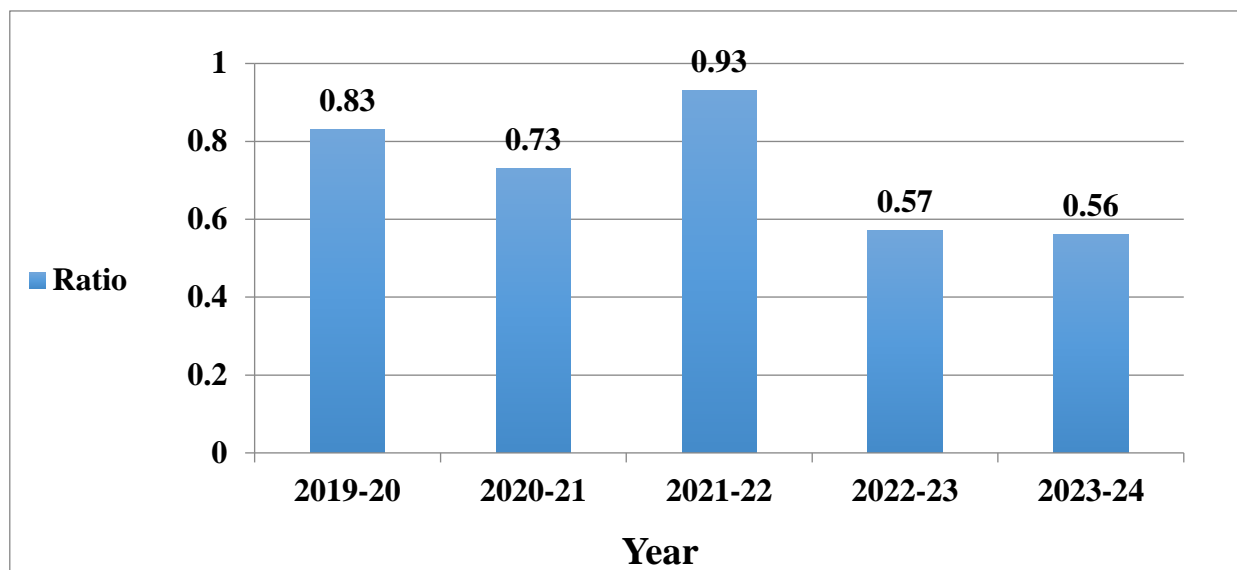
The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets

Year	Current assets- inventories	Current liabilities	Quick Ratio
2019-20	1769.77	2138.43	0.83
2020-21	1898.44	2598.56	0.73
2021-22	2779.74	3000.47	0.93
2022-23	2396.97	4229.92	0.57
2023-24	2380	4213.00	0.56

INTERPRETATION:

It shows that the quick ratio has decreased from 0.83 to 0.73 the year of 2019-20 to 2020-21. It has increased to 0.93 in the year of 2021-22. It has decreased to 0.57 in the year 2022-23 respectively. It has decreased to 0.56 in the year of 2023-24.

From this study quick ratio value is more or less equal to the ideal value ratio 1: 1. In this situation the company has to maintain the quick ratio position as same as now.

CHART NO. 4.1.1: QUICK RATIO**TABLE NO.4.2.1: NET CURRENT ASSET TURNOVER RATIO**

[Current assets](#) turnover ratio shows the relationship between net [sales](#) and current assets.

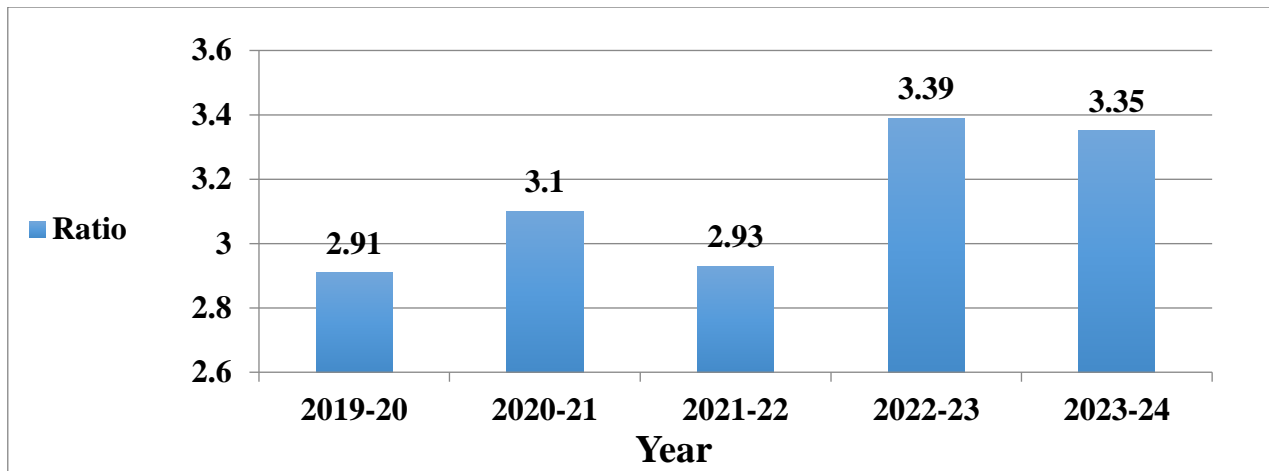
Year	Sales	Net current assets	Fixed assets turnover ratio
2019-20	12896.52	4,437.83	2.91
2020-21	15655.85	5,049.08	3.1
2021-22	19069.97	6,498.45	2.93
2022-23	20009.64	5,907.67	3.39
2023-24	20602	6,151.00	3.35

INTERPRETATION

It shows that the net current asset turnover ratio has increased from 2.91 to 3.1 and decreased to 2.93 in the year from 2019-20 to 2020-21 and 2021-22 respectively. It has increased to 3.39 and decreased to 3.33 in the year of 2022-23 and 2023-24 respectively.

From this study the net current asset turnover indicated that for one rupee of sales, the firm needs Rs. 0.15 investment in net current assets.

CHART NO.4.2.1: NET CURRENT ASSET TURNOVER RATIO



V.FINDINGS

QUICK RATIO

Quick ratio has decreased to 0.57 in the year 2022-23 respectively. It has decreased to 0.56 in the year of 2023-24.

NET CURRENT ASSET TURNOVER RATIO

The Net current assets turnover ratio shows that has increased from 2.91 to 3.1 in the year from 2019-20 to 2020-21.

VI.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.

VII.CONCLUSIONS

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 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. The company's overall position is at a good position. Since the company faces less profit in certain years, the management has to take several steps in order to improve the profitability.

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