Liquidity Management in Janatha Credit Co-Operative Society Ltd

Soundarya S[1]
[1]MBA Student, Department of MBA,
Dr. Ambedkar Institute of Technology, Bangalore

Dr. S Baskaran[2]
[2]Professor of MBA,
Dr. Ambedkar Institute of Technology, Bangalore

Abstract:- This study gives a clear idea about the liquidity management in Janatha credit cooperative society ltd. to know the financial stability of the company, how the company works with the members to provide loans with what interest rate, how much loan amount is approved for the members and how much money collected from the members as deposits and a pigmy in society. Using mixed ratio analysis, trend analysis and quantitative research data collected from primary data and secondary data to identify the availability of cash and assets in a company and how they convert assets into liquid cash.

Keywords:- *Liquidity Management, Janatha Credit Co-Operative Society ltd., Financial Stability*.

I. INTRODUCTION ABOUT THE STUDY

Liquidity refers to the speed with which a security or asset can be converted into cash at a market price. Liquidity management is the process of providing services to business customers that allows them to use interest on customer current accounts and pool funds from different accounts. It revolves around ensuring that the company has enough cash to handle deposit withdrawals, manage day-to-day operations and meet credit requirements without facing disruption or insufficient liquidity.

The cooperative's current assets are cash and its assets, which must be converted into cash within one year, including receivables and salable inventory.

A cooperative's capital assets are those that can be used in a business opportunity, such as machinery, equipment and buildings.

Cooperatives are initiated by raising funds through taking deposits, providing loans and shares, liquidity management is essential for cooperatives as it ensures that they can meet their financial obligations efficiently and quickly.

II. STATEMENT OF THE PROBLEM

This Janatha Credit Cooperative Society has its own practical application through a complete study. The study is focused on the company's strengths and weaknesses.

The study is useful to society and therefore socially relevant.

Sometimes lack of professionalism, weakness of functions, mishandling of power by authorities, mishandling and administration, lack of awareness, lower ability to mobilize resources, high transaction costs.

To solve the problem of liquidity management in the cooperative society, it is essential to expand well the method and processes for managing needs, forecasting and monitoring. This includes implementing successful cash flow management, mitigation techniques, maintaining a distinct financial base, measuring liquidity risk and organizing emergency funding plans.

A cooperative may need to increase its coordination and communication with members, perform liquidity burden measurements and update with advance regulatory requirements to ensure productive liquidity management.

III. OBJECTIVES OF THE STUDY

- *Evaluating Liquidity Risk.*
- *Assessing the Practices of Liquidity Management.*
- *Recognize Issues and Challenges.*

IV. REVIEW OF LITERATURE

- *Aldo Soprano (March 2015):*
Liquidity management: A Funding Risk Handbook Robust management of liquidity risk within the changing regulatory framework. In this book identifies a processes, theory and techniques of current risk to control liquidity risk and managing in the organizations in respect with preparation in case of any economic crisis in future. It provides valuable information, real actionable by practical guide.

- *Pooya Farahvash (2020):*
Asset-liability and liquidity management. In this book the study defines about liquidity risk like, compounding, Interest rate and Future value.

- *D. Chandra Bose (2016):*
Fundamentals of Financial Management book given the idea about trend percentage analysis.

- *Dr.Chinmoy Roy and Mr.Sujit Das (August 2012):*
A case study on Tripura State Cooperative Banks ltd.This research case gives the clear picture about intention for the study on liquidity management in cooperative banks.

V. TYPE OF RESEARCH

This study involves Quantitative Research, helps to identify or understand the degree of liquidity management in Janatha credit co-operative society ltd., to know the conditions of liquidity capacity in the society. Quantitative research means collecting numerical data and analyzing the process of numerical data, it focuses on convergent reasoning rather than divergent reasoning this research also an unchanging, and detailed data. Ratio analysis was used to analyze the financial position of the society, by using graphs of trend analysis and ratio analysis.

The quantitative research in the analysis of ratio is a course of action of gaining a look into a firm's working regulation, liquidity, revenues, and profitability through analyzing its financial statements and records, and in trend analysis is completely depends on what happens over a duration of time .

VI. SCOPE OF THE STUDY

This study covers liquidity management of Janatha credit cooperative society ltd. This research provides a clear picture of providing an understanding of the past, present and future financial conditions and the state of cash in the community, and is an important task for the company's finance department. Its main purpose is to provide liquidity to the society at all times when there is a need for money to pay the society's bills and to invest without facing liquidity problems in the society.

VII. SOURCES OF DATA COLLECTION

- *Primary Data: Primary data refers to the first-hand data collected by the researcher himself.*
- *Secondary Data: Secondary data means data that has been previously collected by someone else.*

VIII. DATA ANALYSIS

- *Ratio Analysis*

• *Current Ratio*

This is a ratio describing the relationship between the company's assets and liabilities. Usually the current ratio is better for the company if it is more than 2 times. The current ratio helps investors analyze a company's financial health. It shows the company's ability to repay its short-term obligations with working capital.

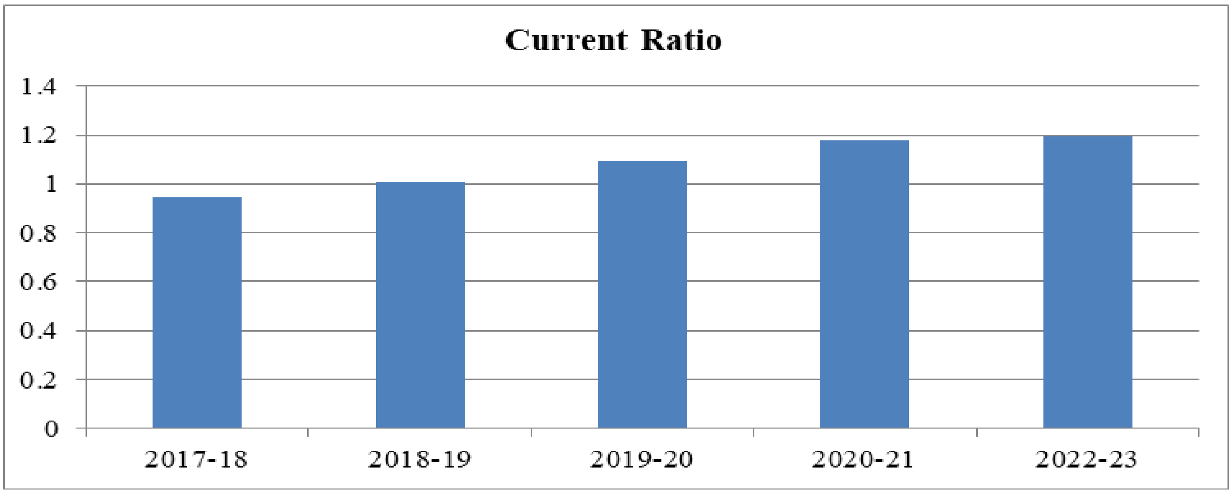
Current Ratio = Current Assets \ Current Liabilities

Table 1 Current Ratio

Year	Current Assets	Current Liabilities	Ratio
2017-18	73,05,879	77,15,530	0.946 times
2018-19	1,16,56,669	115,82,659	1.006 times
2019-20	138,39,544.25	126,78,162	1.091 times
2020-21	117,48,846.25	99,88,927	1.176 times
2022-23	193,53,617	161,97,342.18	1.194 times

- *Analysis:*

Above table it can be analyzed that current ratio for 2017-18 is 0.946 times, in 2018-19 it has increased to 1.006 times, in 2019-20 it has increased to 1.091 times, in 2020-21 it has increased to 1.176 times, and in 2022-2023 - 1,194 times. This ratio increases completely every year, because the association between the company's assets and liabilities.



Graph 1 Current Ratio

➢ *Interpretation:*

Current ratio shows the company is in a weak position because it is lower than 2 times for the whole year, only when, company has more than 2 times the current ratio, this time only company has a strong position. But the current ratio of this company increases annually from 0.946 times to 1.194 times.

- *Quick Ratio*

This ratio tells about the company's capacity for current liabilities payment except want to sell it's obtain additional financing or inventory. It is describes about the company like how well company will be capable for paying short term debts through using form the most liquid assets. Normally more than 1 times of quick ratio is treated as better for the company. This ratio is otherwise as Acid test Ratio.

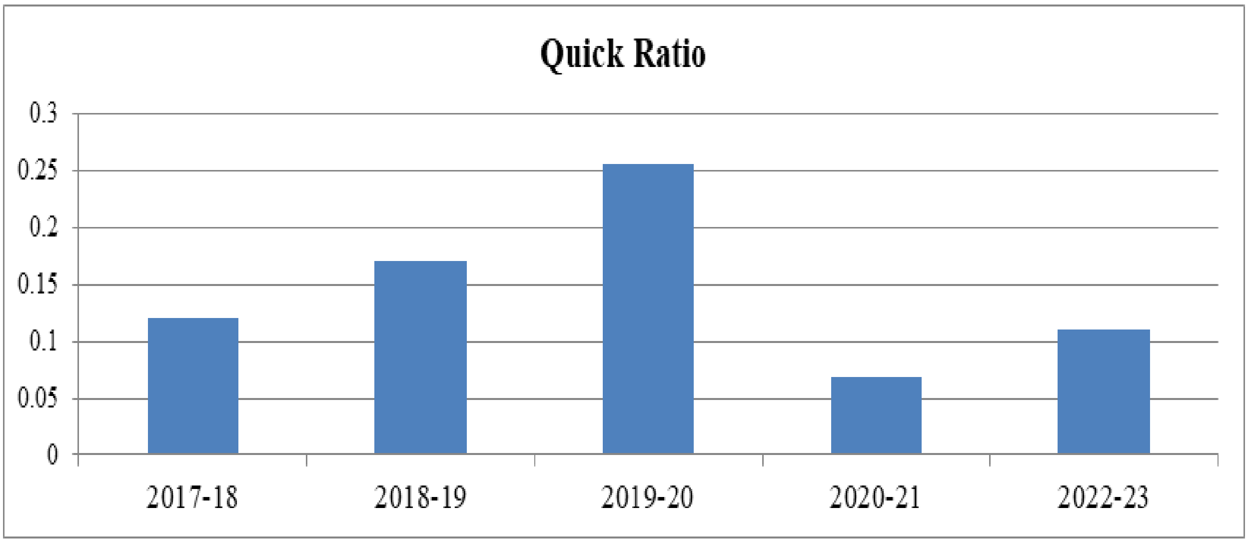
Quick Ratio= Liquid Assets \ Current liabilities

Table 2 Quick Ratio

Year	Liquid Assets	Current Liabilities	Ratio
2017-18	9,32,146	77,15,330	0.1208 times
2018-19	19,80,172	115,82,659	0.1709 times
2019-20	32,41,700.25	126,78,162	0.2556 times
2020-21	6,87,957.25	99,88,927	0.0688 times
2022-23	17,98,909.25	161,97,342.18	0.1110 times

➢ *Analysis:*

From above table it could be seen that in 2017-2018 the speed factor is 0.1208 times, in 2018-19 it has increased to 0.1709 times, in 2019-20 it is increasing to 0.2556 times. , in 2020-2021 it was reduced to 0.1688 times, and in 2022-23 it was increased to 0.1110 times from 0.0688 times.



Graph 2 Quick Ratio

➢ *Interpretation:*

Above chart it could be analyzed that in 2020-21 the company has lowest ability to run the business that is 0.0688 times, in this study the company has less range of ratio means it is less ability to do the business, normally anything is higher than 01 times it considered as better for the company to run the company. But here in all the year it is lower than 01 time.

- *Proprietary Ratio*

This ratio determines the percentage of acquisition of the company's total assets through the owner's fund. If company has 0.5 percent or larger, it is considered its capital, at least 50 percent of company's assets.

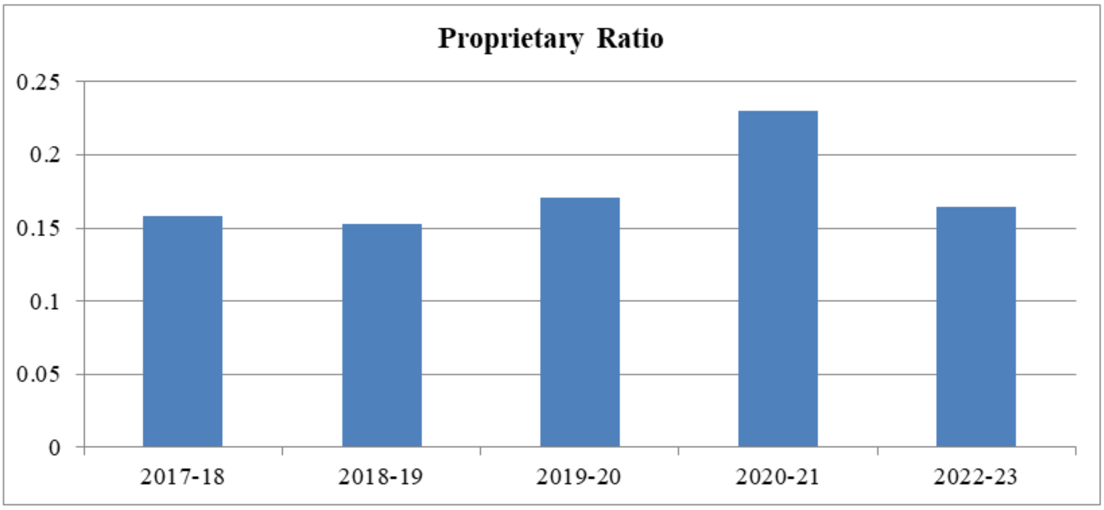
Proprietary Ratio= Shareholders fund/Total Assets

Table 3 Proprietary Ratio

Year	Shareholders fund	Total Assets	Ratio
2017-18	12,04,600	76,26,716	0.1579 percentage
2018-19	18,28,650	1,19,86,610	0.1525 percentage
2019-20	24,24,100	1,42,20,305.25	0.1704 percentage
2020-21	28,37,050	1,23,19,353.67	0.2302 percentage
2022-23	32,83,087.36	1,99,46,125.1	0.1645 percentage

➢ *Analysis:*

Above table shows that the ownership ratio in 2017-18 is 0.1579 percent, in 2018-19 the ratio is 0.1525 percent, in 2019-20 the ratio is 0.1704 percent, in 2020-21 the ratio is 0.2302 percent and in 2022-2023 the ownership ratio is 0.1645 percent.



Graph 3 Proprietary Ratio

➢ *Interpretation:*

A high ownership ratio indicates that a significant portion of the company's assets are accounted for by equity. This is generally seen as a positive point because it indicates the company is less dependent on debt to finance its operations. This represents a strong financial position and a healthy level of solvency.

A low ownership ratio indicates that the debt is financed for most of the company's assets. While this may not necessarily be negative, it may indicate higher risk if the company is struggling to generate sufficient cash flow to service its debt obligations.

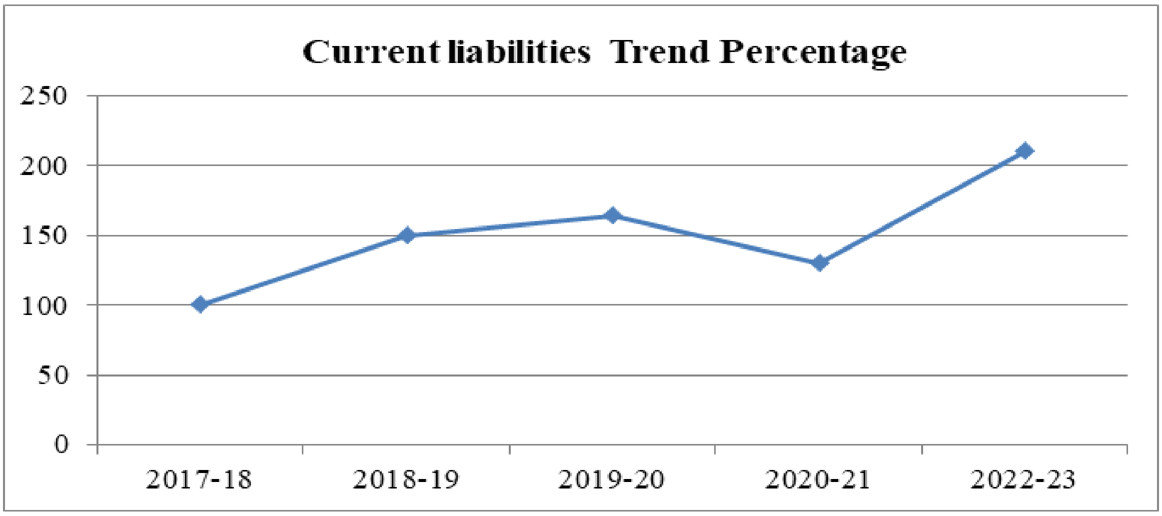
➢ *Trend Analysis*

- *Current Liabilities*

A current liability is a short-term financial obligation of a company that is makes payment within one year or within the normal operating cycle. The operating cycle, also called the cash conversion cycle, is the time it takes for a company to acquire inventory and convert it into cash through sales.

Table 4 Current Liabilities

Year(Base Year 2017-18)	**Amount**	**Trend Percentage**
2017-18	77,15,530	100
2018-19	1,15,82,659	150.12
2019-20	1,26,8,162	164.32
2020-21	99,88,927	129.46
2022-23	1,61,97,342.18	209.93



Graph 4 Current Liabilities

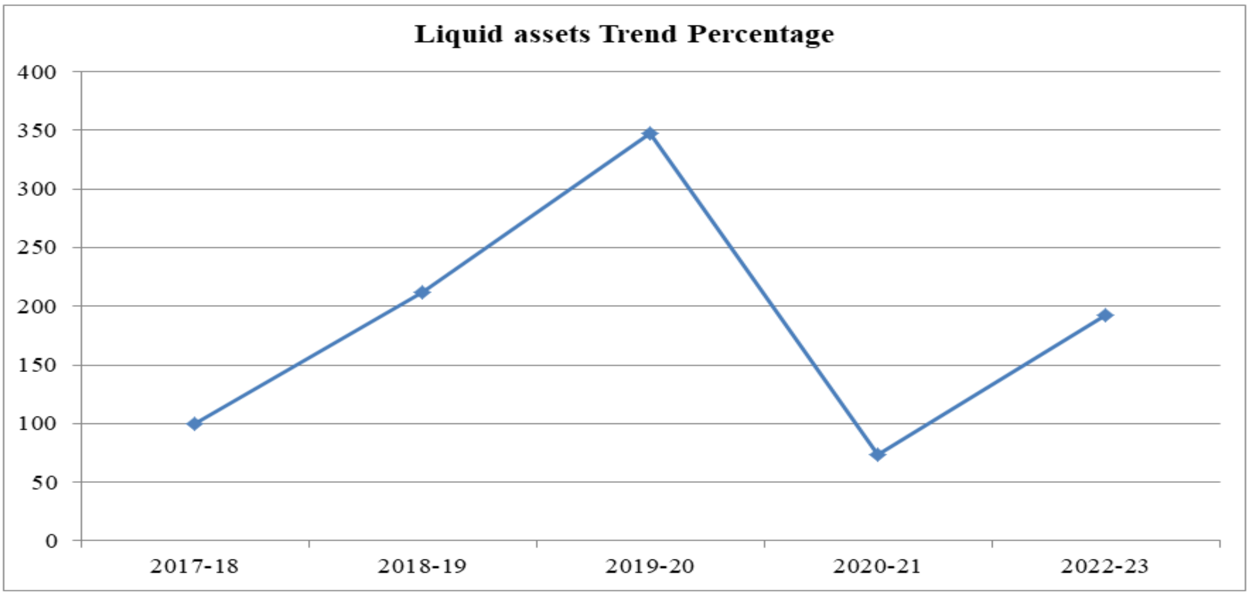
Changes in current liabilities is impact on financial ratios, A sharp increase in short term debt might affect the ability of company to recover its commitment , may be leading to a greater current ratio.

- *Liquid Assets*

Liquid assets mean the assets that can be easily and quickly convertible into cash. The usual liquid assets are cash, treasury bills and treasury bonds, exchange traded funds, mutual funds, certificate of deposit, bonds, stocks, money market funds. Base Year (2017-18).

Table 5 Liquid Assets

Year	Amount	Trend %
2017-18	9,32,146	100
2018-19	19,80,172	212.43
2019-20	32,41,700.25	347.76
2020-21	6,87,957.25	73.80
2022-23	17,98,909.25	192.98



Graph 5 Liquid Assets Trend Percentage

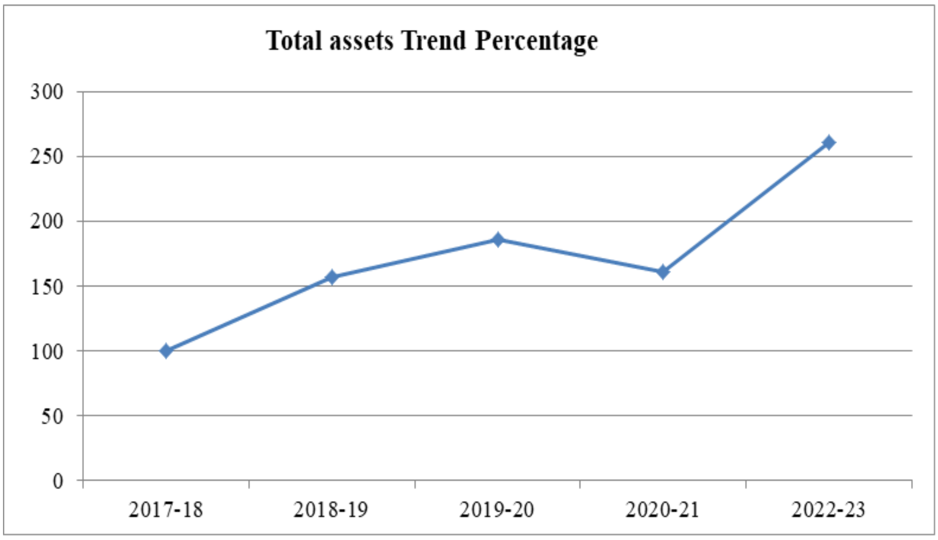
Fluctuations in liquid assets may be arising because of many factors such as business operations changes, investment decisions, or cash flow timings. Sudden drop down may be leading unexpected cash outflows, and significant increases might be the outcome of the non-core assets sale.

- *Total Assets*

In the below table, represent the total assets are in fluctuations trend percentages comparing one year to another year, in 2017-18 the trend percentage is 100 because always the base year should be only 100 percentage, and it is increasing in the trend up to 2019-20 than the base year and in 2020-21 it is decreasing to 161.52 percentages and it is increasing to 261.52 percentages and it is more than the base year percentages. (Base Year 2017-18).

Table 6 Total Assets

Year	Amount	Trend Percentage
2017-18	76,26,716	100
2018-19	1,19,86,610	157.1
2019-20	1,42,20,305.25	186.45
2020-21	1,23,19,353.67	161.52
2022-23	1,99,46,125.1	261.52



Graph 6 Total Assets Trend Percentage

An increase in total assets may indicate, the company is making investments in its business to support growth. These investments may include new equipment, facilities, technology, or acquisitions of other companies.

IX. HYPOTHESIS

- *H0: There is no significant association between the liquidity management and profitability in Janatha credit co-operative society ltd.*
- *H1: There is a significant association between the liquidity management and profitability in Jantha credit co-operative society ltd.*

X. FINDINGS

- Current Ratio of Janatha credit co-operative society ltd has been less than the Ideal ratio i.e., 0.946 times.
- The Quick Ratio of Janatha credit co-operative society ltd is shows in study is less than ideal ratio in this study in every year.
- The proprietary ratio of Janatha credit co-operative society ltd is less than the ideal ratio in each year it means the company's asset is not at least 50 percentages.
- Current liabilities show that the trend is above the base year percentage till 2019-20 and in 2020-21 the trend percentage is less but more than the base year percentage. And in 2022-2023, the trend percentage increases rapidly than the base year percentage, which is (209.93-100) 109.93 percent.
- The liquid asset shows that the trend percentage in 2020-21 is less than the base year percentage which is 73.80 percent. And in 2019-20, the trend is higher compared to every year (347.76 percent).
- Trend of total assets shows, this trend is greater than the base year trend for the whole year and there is some variation in the trend year by year from 2017-18 to 2019-20, it is increasing and more than the base year percentage and in 2020-21 the trend has decreased, than in previous year, but it also exceeds the percentage of the base year. And in 2022-23, the trend percentage is again increased to 261.52 percent.

XI. CONCLUSIONS

The overall liquidity is good in the Janatha credit co-operative society ltd, when comparing with the balance sheet using ratio analysis and trend analysis. The overall profitability position is in the fluctuation situation in the company it is good in 3 year that is 2017, 2019, 2022 respectively it is more than the ideal ratio, and in 2018, 2020 it is less than the ideal ratio that is lower than 10 percentage. Credit co-operative societies are more focused on liquidity of the society for that main reason capacity of profit earning is greater in the society and it aimed to gaining more profit in the society by providing loans and advances, issuing shares and accepting deposits.

REFERENCES

[1]. CMR IMS Report Submitted to MRSA, Bangalore University by 151PCMD063 ROJA
[2]. A STUDY ON COST ANALYSIS OF BEER MANUFACTURED BY UBL LTD BY 18UK1E0007, YR 2020, JNTUH
[3]. Foreign Direct Investment Regulation, Business Taxes, and Corruption Cross-Count by Haddad-2017
[4]. Trasplante pulmonar Informe Anual 2006 by -2008. A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SIEMON CABLING SOLUTIONS PVT LTD DURING 2 BY 18B61E0028 YR 2020, JNTU

- *Books*

[5]. D. Chandra Bose (2016): Fundamentals of Financial Management.
[6]. Pooya Farahvash (2020): Asset-liability and liquidity management.
[7]. Aldo Soprano (March 2015): Liquidity management: A Funding Risk Handbook Robust management of liquidity risk within the changing regulatory framework.
[8]. Gordon pepper (2006): The Liquidity Theory of Asset Prices, ISBN 139780470027394