

A Study on Cash Management for Turbo Engineers

DR. S. MUTHULEKSHMI, Associate Professor, Department of MBA, Rathinam Technical Campus,
Coimbatore.muthulekshmi.mba@rathinam.in

R. VINOTH KUMAR, IInd year MBA, Department of MBA, Rathinam Technical Campus,
Coimbatore.vinothvk2k24@gmail.com

ABSTRACT

Cash management plays a vital role in ensuring the financial stability and operational efficiency of business organizations, particularly in the manufacturing sector where effective working capital utilization is essential for uninterrupted business activities. This study focuses on analyzing the cash management practices of Turbo Engineers, a manufacturing company based in Coimbatore, with emphasis on liquidity performance, working capital efficiency, and short-term financial solvency. The research aims to evaluate the effectiveness of the company's cash utilization and its ability to manage current financial obligations efficiently. The findings reveal that while the company maintains operational efficiency in certain financial parameters, fluctuations in working capital management and liquidity indicators suggest the need for improved cash planning and better receivables management. The study concludes that effective cash management significantly contributes to financial sustainability, profitability, and informed managerial decision-making. Appropriate recommendations are provided to enhance the efficiency of cash utilization and strengthen the company's financial performance.

Keywords: Cash Management, Working Capital Management, Liquidity, Financial Performance, Ratio Analysis, Cash Conversion Cycle

INTRODUCTION

Cash management is one of the most critical components of financial management, as it ensures the availability of adequate cash to meet the day-to-day operational and financial obligations of an organization. Cash is often regarded as the lifeblood of a business because every organizational activity directly or indirectly depends on the availability of sufficient funds. While excess cash may result in idle resources and reduced profitability, inadequate cash can disrupt operations, delay payments, and negatively impact business continuity. Therefore, maintaining an optimum balance between liquidity and profitability is essential for financial sustainability. Turbo Engineers, a manufacturing enterprise operating in the engineering sector, requires efficient cash planning and working capital management to ensure smooth business operations and effective financial control. The organization's ability to manage receivables, inventories, current liabilities, and cash inflows directly influences its operational performance and short-term solvency. This study focuses on evaluating the cash management practices of Turbo Engineers over a five-year period using financial ratio analysis and trend evaluation. The research aims to assess liquidity performance, working capital efficiency, and cash utilization effectiveness, thereby providing meaningful insights for improved financial decision-making and organizational growth.

STATEMENT OF THE PROBLEM

Cash management is a fundamental aspect of financial management that directly influences an organization's liquidity, operational efficiency, and overall financial stability. Manufacturing firms often face challenges in maintaining an

optimum balance between cash inflows and cash outflows due to investments in inventory, receivables, production costs, and other short-term financial obligations.

Inefficient cash management may lead to liquidity shortages, delayed payments, increased borrowing costs, and reduced profitability. Turbo Engineers, being a manufacturing enterprise, depends heavily on effective working capital and cash flow management for smooth operational functioning. Variations in liquidity position, receivables collection efficiency, inventory holding period, and short-term solvency can significantly impact the company's financial performance. Therefore, it becomes essential to evaluate the effectiveness of the existing cash management practices adopted by the organization. This study seeks to examine the cash management efficiency of Turbo Engineers by analyzing key financial indicators over a five-year period and identifying areas that require improvement for enhanced financial decision-making and operational sustainability.

OBJECTIVES OF THE STUDY

- To analyze the cash management practices followed by Turbo Engineers during the study period.
- To evaluate the liquidity position and short-term solvency performance of the company using financial ratio analysis.
- To assess the efficiency of working capital utilization, receivables management, and inventory management in supporting the organization's financial performance.

SIGNIFICANCE OF THE STUDY

The present study is significant as effective cash management is essential for maintaining financial stability, operational efficiency, and sustainable business growth in manufacturing organizations. Proper management of cash ensures timely settlement of short-term obligations, efficient utilization of working capital, and improved liquidity performance. In today's competitive business environment, organizations must maintain an optimum balance between profitability and liquidity to avoid financial distress and operational disruptions. This study provides valuable insights into the cash management practices of Turbo Engineers by examining its financial performance through ratio analysis and trend evaluation. The findings of the study will assist management in identifying strengths and weaknesses in existing cash management practices and support better financial planning, decision-making, and resource allocation for improved organizational performance.

RESEARCH METHODOLOGY

The present study adopts a descriptive research design to evaluate the cash management practices and financial performance of Turbo Engineers. The study primarily focuses on analyzing the efficiency of liquidity management, working capital utilization, and short-term financial solvency of the organization. The scope of the study is confined to the financial analysis of Turbo Engineers and the findings may not be universally applicable to other organizations or industries due to differences in operational structure and financial practices.

REVIEW OF LITERATURE

Tran and Phan (2020) examined the relationship between working capital management and firm performance and concluded that effective management of working capital significantly improves profitability and operational efficiency. The study emphasized that efficient cash management contributes to better financial control and sustainable business growth.

Nangih, Ofor, and Ven (2020) analyzed the impact of cash flow management on the financial performance of firms and found that effective management of cash inflows and outflows positively influences profitability and liquidity performance. The study highlighted the strategic importance of maintaining an efficient cash conversion cycle.

Dahiyat, Weshah, and Aldahiyat (2021) investigated the relationship between liquidity management and financial performance and observed that firms with strong liquidity management practices demonstrate improved financial stability and profitability. The research emphasized the importance of maintaining an optimum balance between liquidity and returns.

Ahmad and Nisa (2022) studied the effect of working capital management on financial performance and reported that efficient management of receivables, inventory, and short-term obligations significantly enhances operational efficiency and organizational profitability.

Challoumis (2024) examined modern cash management practices and emphasized that efficient cash planning, liquidity monitoring, and financial forecasting play a critical role in improving corporate financial decision-making and long-term sustainability.

The reviewed studies collectively indicate that effective cash management is a crucial determinant of financial performance, liquidity stability, and operational efficiency. These findings provide a strong theoretical foundation for analyzing the cash management practices of Turbo Engineers.

DATA ANALYSIS AND INTERPRETATION

The financial performance of Turbo Engineers with respect to cash management was analyzed using selected financial ratios and trend evaluation techniques. The analysis focuses on assessing the company's liquidity position, working capital efficiency, profitability, and cash utilization performance over the study period from 2020–2021 to 2024–2025. The selected financial indicators provide meaningful insights into the effectiveness of the company's cash management practices and short-term financial stability.

TABLE 1:WORKING CAPITAL TURNOVER RATIO

YEAR	SALES (rs in lakhs)	NET WORKING CAPITAL(rs in lakhs)	RATIO
2020-2021	316.00	35.81	8.82
2021-2022	592.00	97.99	6.05
2022-2023	773.40	101.23	7.64
2023-2024	844.47	188.72	4.47
2024-2025	654.39	164.32	3.98

INTERPRETATION

The working capital turnover ratio indicates the efficiency with which the company utilizes its working capital to generate sales revenue. The ratio was highest at 8.82 in 2020–2021, indicating efficient utilization of working capital during that period. However, a fluctuating declining trend was observed over the study period, reaching 3.98 in 2024–2025. This decline suggests that the efficiency of working capital utilization has reduced over time, indicating a possible increase in idle current assets or reduced sales efficiency relative to working capital investment.

TABLE 2:INVENTORY TURNOVER RATIO ANALYSIS

YEAR	COST OF GOODS SOLD (rs in lakhs)	AVAERAGE STOCK (rs in lakhs)	RATIO
2020-2021	316.00	20.17	15.67
2021-2022	592.00	22.78	26.03
2022-2023	773.40	28.60	27.04
2023-2024	844.47	28.92	29.20
2024-2025	654.39	47.35	13.82

INTERPRETATION

The inventory turnover ratio reflects the efficiency with which the company manages its inventory to generate sales. The ratio showed a consistent improvement from 15.67 in 2020–2021 to 29.20 in 2023–2024, indicating efficient inventory utilization. However, a significant decline to 13.82 in 2024–2025 suggests slower inventory movement and possible stock accumulation. Effective inventory control is essential for maintaining healthy cash flow and operational efficiency.

TABLE 3:CURRENT RATIO ANALYSIS

YEAR	CURRENT RATIO
2020-2021	1.20
2021-2022	1.19
2022-2023	1.15
2023-2024	1.30
2024-2025	1.25

INTERPRETATION

The current ratio indicates the company's ability to meet its short-term obligations using its current assets. The analysis reveals that Turbo Engineers maintained a relatively stable liquidity position throughout the study period. Although slight fluctuations were observed, the company demonstrated an adequate capacity to manage short-term financial commitments effectively. A stable current ratio reflects sound liquidity management and efficient cash handling practices.

DISCUSSION OF FINDINGS

The analysis of cash management practices at Turbo Engineers indicates mixed financial performance during the study period. The working capital turnover ratio showed a declining trend, suggesting reduced efficiency in the utilization of working capital for generating sales revenue. This indicates that the company may have experienced higher investment in current assets relative to operational output. The inventory turnover analysis revealed efficient inventory management during the initial years, reflecting faster stock movement and better operational control. However, the decline observed in the final year suggests slower inventory conversion, which may affect liquidity and increase holding costs. The current ratio analysis indicates that the company maintained a relatively stable liquidity position throughout the study period, demonstrating its ability to meet short-term financial obligations effectively. Overall, the findings suggest that while Turbo Engineers maintains acceptable liquidity performance, improvements in working capital efficiency and inventory control are necessary to strengthen overall cash management effectiveness and financial sustainability.

MANAGERIAL IMPLICATIONS

The findings of this study provide important managerial insights for improving the cash management efficiency of Turbo Engineers. The management should focus on strengthening working capital control to ensure optimal utilization of financial resources and improved operational efficiency. Effective monitoring of receivables and inventory levels can significantly enhance liquidity performance and reduce unnecessary blockage of funds. The decline in inventory turnover during the final year indicates the need for improved inventory planning and stock management practices to avoid excess holding costs and slow cash conversion. Management should also adopt better cash forecasting and short-term financial planning techniques to maintain an optimum balance between liquidity and profitability. Additionally, periodic financial performance reviews using ratio analysis can support informed decision-making and enable the organization to identify potential liquidity risks at an early stage. Implementing efficient cash management strategies will contribute to enhanced financial stability, better operational performance, and long-term business sustainability.

SUGGESTIONS

Based on the findings of the study, the following suggestions are recommended to improve the cash management efficiency of Turbo Engineers:

- The company should strengthen its working capital management practices to ensure efficient utilization of available financial resources and improve sales generation efficiency.
- Effective inventory control measures should be implemented to avoid excess stock accumulation and reduce inventory holding costs, thereby improving cash flow performance.
- The management should adopt better receivables collection strategies to accelerate cash inflows and minimize delays in customer payments.
- Periodic cash flow forecasting and financial monitoring should be carried out to maintain an optimum balance between liquidity and profitability.

- The company should regularly review its short-term financial obligations and liquidity position to avoid operational disruptions and improve financial stability.
- Advanced financial planning and ratio analysis techniques should be adopted by management for better decision-making and long-term sustainability.

CONCLUSION

Cash management is a critical component of financial management that directly influences an organization's liquidity, operational efficiency, and financial stability. The present study examined the cash management practices of Turbo Engineers over a five-year period using selected financial performance indicators such as working capital turnover ratio, inventory turnover ratio, and current ratio. Overall, the study concludes that efficient cash management plays a vital role in ensuring sustainable business growth, better financial decision-making, and long-term organizational success. Strengthening cash planning and liquidity management practices will further improve the financial health of Turbo Engineers.

REFERENCES

1. Tran, Q. T., & Phan, H. T. (2020). Working capital management and firm performance: A comprehensive review. *Journal of Asian Finance, Economics and Business*.
2. Nangih, E., Ofor, T. N., & Ven, O. (2020). Cash flow management and financial performance of firms. *International Journal of Financial Research*.
3. Dahiyat, A., Weshah, S., & Aldahiyat, M. (2021). Liquidity management and financial performance: Evidence from manufacturing firms. *Accounting Journal*.
4. Ahmad, R., & Nisa, S. (2022). Impact of working capital management on financial performance. *International Journal of Economics and Finance*.
5. Challoumis, C. (2024). Modern approaches in corporate cash management and financial decision-making. *Journal of Financial Management*.
6. Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of Financial Management*. Cengage Learning.
7. Pandey, I. M. (2021). *Financial Management*. Vikas Publishing House.
8. Khan, M. Y., & Jain, P. K. (2020). *Financial Management: Text, Problems and Cases*. McGraw Hill Education.
9. Van Horne, J. C., & Wachowicz, J. M. (2018). *Fundamentals of Financial Management*. Pearson Education.
10. Ross, S. A., Westerfield, R., & Jordan, B. D. (2019). *Corporate Finance Essentials*. McGraw Hill.
11. Turbo Engineers. (2025). *Annual Financial Statements and Internal Financial Records*. Coimbatore.
12. Gupta, S. P. (2020). *Statistical Methods for Management Research*. Sultan Chand & Sons.