Impact of Cash Management on Financial Performance of Some Selected Company of Oil and Gas Industry in India

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***Abstract:* -** Oil & Gas companies is one of the most important Aspect of Indian economy to keep running country. In Human body, blood streams give vitality and strength same as cash needs to business keep working & growth. The main Purpose of our research segments is to analyze the impact of cash management on Financial performance level of some selected companies of oil & gas industry in India. In this research Work, secondary data has been used. The study concentered on two broad variables; in which one independent variable of Cash management and other dependent variable Shows financial performance level. For the Purpose of Analysis, various kinds of tests like Various tools of descriptive statistics and correlation coefficients techniques is used in order to establish, whether there is significant relation between cash management and Financial performance level. The Final Conclusion of this research Work shows that, effective cash management is one of the best tools or aspect for better Financial performance in oil & gas industry.

Key word: Cash management, Performance level, Descriptive statistics, Correlation coefficients technique etc.

I. INTRODUCTION:

Cash management as the word recommends is the ideal utilization of to ascertain maximum liquidity and maximum profitability. It refers to the proper collection, distribution and investment of cash. In such scenario managing the cash is one of the major challenges for the organizations. Moreover, here in this scenario, the impact of cash management on profitability will also assessed and essentials in various manufacturing and service industries. The cut off competition is abundant in all industry so management of cash has become most important effective tool to accomplish the liquidity and ascertain the proper usage of financial resources.

The question that will come to mind, what importance is cash management in ensuring an effectual, reliable and optimistic fund flow system of oil and gas company? Or how necessary is cash management to the successively of a company or organization? In cash management Centre's on how a firm accomplishes its operating cycles and cash flow cycle as this expresses the timing of cash outflows and cash inflows. Cash management has been professionalized due to the momentous of trade cash. There is a substantial affiliation between cash management, performance and liquidity. However, cash in preceding investigations have been basically discussed in diverse contexts by financial experts, academic scholars, and international organizations with an attempt to enlarge to the knowledge of actual corporate practice of cash management.

General Rules of Cash Management

1. Determinable distinctions of cash need
2. Eventuality cash requirement
3. Accessibility of external cash
4. Maximizing cash incomes
5. Minimizing cash payouts
6. Maximizing cash operation.
7. Invest idle cash source

Function of Cash Management

1. Forecasting of Cash
2. Planning of Cash
3. Management of Cash Flow
4. Control of Cash Flow
5. Optimum Cash Level
6. Investment of Surplus Cash

II. Object of the study

The main object of the study is evaluating the impact of effective cash management techniques on financial performance of selected listed companies engaged in Oil and Gas industry in India. To canonical relationship between cash management and profitability.

III. Review of literature

Abioro (2013) he had studied about "The impact of cash management on the performance of manufacturing in Nigeria". In this research segment, there is a significant relationship between cash management on performance of manufacturing companies in Nigeria. He was also investigated that purely availability of cash without proper management does not materially that there is beneficial performance for manufacturing companies. For this research paper primary and secondary data both were used. At the end of research, he concluded that cash management cannot be avoidable tool of business center. And also said that when companies recognize and enforcement the concept of efficient cash management, companies can achieve their goal successfully. Nevertheless, company's management strong or bad management of cash may result in negative or loss, bad impression due to not payment of liability on due dates and bankruptcy or may be go out of business.

Mr. Mbawuni (2016), he had studied about "The impact of working capital management on profitability of petroleum retail firms: An Empirical evidence from Ghana". In his study, he concludes that, firms have favorable and positive net working capital in Kumasi Metropolis. Here working capital management (WCM) component that drives the firm profitability, measured in favorable Net Working Capital to Total Assets and Return on Assets (ROA) on Average Days Payable (ADP). There is some other conclusion about working capital management. First, the relationship between Average Number of Days Inventory (ADI) and profitability are contradictory. Second, there are also some contradictory findings on the relationship between Account Receivable and Profitability. Third, there are also contradictory findings on the relationship between Account Payable and Profitability.

IV. Scope of the study

The scope of study is very widespread. The criteria are for selection of 6 (six) company. The time period of the study is determined of the 2009 to 2018 years on the basis of the convenience, industrial status and accessibility of the data.

1. Indian Oil Corporation **(IOC)**
2. Oil & Natural Gas Corporation **(ONGS)**
3. Bharat Petroleum **(BP)**
4. Gas Authority of India **(GAI)**
5. Hindustan Petroleum Corporation **(HPC)**
6. Oil India Ltd **(IOL)**

V. Research Methodology

The study carried out by selecting six Oil & Gas companies of India. The reason behind selection of the Oil & Gas companies is that it is one of the fastest growing sectors in India. For this research work secondary has been used for analytical in nature and for analysis.

VI. Period of the study

For this research work undertakes the period of Ten financial Year from 2009 to 2018. The base year 2009 chosen by researcher carefully because this year was normal for the present research work.

VII. Method of analysis and Interpretation of data

For this present research work on analysis of Financial Accounting Ratio and various statistic techniques used by the researcher as under: -

1. Accounting Techniques

(i) Ratio Analysis

2. Statistic Techniques

(i) Descriptive statistics

(ii) one-way Analysis of Variance Test (ANOVA) With help of SPSS

Financial Accounting Ratio (FAR)

Meaning: The Financial Accounting Ratio comprise Net Working Capital **(NWC)** to Total Asset Ratio.

Tools of Descriptive statistics

- Mean
- Stander Error
- Standard Deviation
- Correlation
- Confidence Level @95%

Objective:

In this research Segment, the main object of computing FAR is to measure the ability of how smoothly organisation works their daily routine and project planning.

VIII. Computation and interpretations:

Net working capital to Total asset ratio is a liquidity Ratio, which is express the net current assets or working capital of a company as a percentage of its total assets.

Formula: $$\frac{\text{Net Working Capital}}{\text{Total Assets}} \times 100$$

The Financial Accounting Ratio of selected companies of Oil & Gas Industry in India is given in the Table No. 1.1 as follows:

Table:- 1.1 Net Working Capital to Total Assets Ratio (%)

Year	Company Name					
	IOC	ONGC	BP	GAI	HPC	IOL
2009	-22.60	-32.63	-81.65	-44.31	-115.30	-65.74
2010	-5.29	-26.23	-89.08	-32.08	-132.48	-68.65
2011	15.78	-23.49	-95.75	-46.57	-157.66	-74.00
2012	15.36	-22.98	-107.83	-35.90	-127.56	-70.73
2013	28.34	-27.91	-59.95	-27.51	-48.42	-36.07
2014	43.02	-16.16	-37.43	-31.02	-43.14	-17.68
2015	34.38	-100.00	-75.16	-34.12	-58.09	-23.81
2016	41.88	-20.90	-70.52	-29.82	-55.81	-40.37
2017	40.81	-1.82	-27.10	-27.79	-43.91	-32.53
2018	26.06	-60.69	-31.32	-18.19	-29.20	-39.50

As we seen in the above table no.1.1, total 10-year Net working capital to total assets ratio is given for the above mentioned 6 company. This ratio is a liquidity ratio and its indicate the net current or working capital of a company as a percentage of its total assets. One another its indication is that company's ability to pay its short term financial obligations by comparing its total its total current assets to its total assets. Higher ratio indicates usually a positive sign, showing the company's liquidity is improving over time. From the above table No 1.1 highest ratio found in the year 2011 in HPC Company. It's positive sign for the company. There is more liquidity in HPC Company. Lowest ratio will be found in the year 2017 in ONGC Company. Its negative sign for the company's point of view. The Liquidity position in ONGC Company is not Sound. So, it is suggested that ONGC company try to increase its Net working capital.

	Table – 1.2 Tools of Descriptive statistics					
	IOC	ONGC	BP	GAI	HPC	IOL
Mean	21.774	-33.281	-67.579	-32.371	-81.157	-46.908
Stander Error	6.8451	8.7685	8.8572	2.0687	14.7513	6.6152
Median	27.20	-24.86	-72.84	-31.55	-56.95	-39.935
Stander Deviation	21.6461	27.7285	28.0090	8.2495	46.6478	20.9189
Sample Variation	468.554	768.87	784.5093	68.0557	2176.02	437.603
Kurtosis	0.57427	3.5955	-1.2349	0.4147	-1.5583	-1.7341
Skewness	-1.1050	-1.8044	0.2597	-0.2152	-0.5639	-0.1234
Range	65.62	98.18	80.73	28.38	128.46	56.32
Minimum	-22.6	-100	-107.83	-46.57	-157.66	-74
Maximum	43.02	-1.82	-27.1	-18.19	-29.2	-17.68
Sum	217.74	-332.81	-675.79	-327.31	-811.57	-469.08
Count	10	10	10	10	10	10
Largest (1)	43.02	-1.82	-27.1	-18.19	-29.2	-17.68
Smallest (1)	-22.6	-100	-107.83	-46.57	-157.66	-74
Confidence Level (95%)	15.4846	19.8358	20.0365	5.9014	33.3698	14.9645
Correlation	-0.30433	-0.95998	-0.46942	-0.66516	0.462438	-0.10278

As we seen in the above **Table No. 1.2**, Ten-year data related to some selected Companies is revealed. The average or in this table is lies between -67.579 to 21.774. The highest ratio is found in HPC in the Year 2011. Similarly, Lowest ratio found in the year 2017 in ONGC. Highest Ratio show that, the company's liquidity position is sound in comparison of rest of the year. It indicates that the high proportion of net working capital 0and it shrinks the financial liquidity in Business operation. So, the company attempt to reduce the investment in inventory by exhausting various mentors of holding inventory.

Median, Standard Deviations and Standard error – these all are statistical tools labelled the distinctions between sample selected for Analysis. It signposts that how mean value is deviated from average or mean of such distribution. If the variance and standard deviation is less compare to its mean, then results by using such data is more authentic and reliable. Standard deviation is lies between 8.2495 to 46.6478. If the variations between sample is large then it's standard deviation is also high while Sample Variance is shows in percentage and it's indicates the variations between sample in percentage. In **HPC** company, standard deviation is highest, indicates that there are more variations in sample. Less variations in sample provides the unadulterated Result regarding its relationship between the two Variable described in this table i.e. Inventory and Working Capital. In **GAI** Company, standard deviation is tiniest compare to rest of the companies, and it expressed that, there is a very less variations between sample. If the variations are less, data is more consistent and conclusion is also more reliable and truthful. More variations between two Variable indicates less genuineness of the data and result of by using such data is also not more reliable and authentic.

Correlation displays the linearity concerning two Variable. If the correlation is positive, shows the significant relationship between two Variable. Here, in this table, the correlation of all the company is Negative except HPC. Now. There is Negative linear relationship between value of inventory and working capital in case of following company.

- **IOC**
- **ONGC**
- **BP**
- **GAI**
- **IOL**

And there is Positive linear relationship in case of HPC Company.

CONCLUSION

Inventory to working capital Ratio is indicating Financial Liquidity and its efficiency of the particular company. This ratio displays a relationship between the stock of the particular company and Net working Capital i.e. Net current assets means deduction of current Liabilities from current assets. Higher the Ratio, lower the Liquidity of the company and vice a versa. Highest Ratio is found in HPC in the Year 2010-11. Similarly, Lowest ratio found in ONGC in the year 2016-17. Highest ratio indicates the highest Soundness of the company, Increased the financial liquidity of the company. So, the company try to reduce its stock level by maintaining various methods into the consideration. For maintaining optimal stock level and reducing wastage the Listed industries also used various methods of controlling inventory like EOQ, FSN, SDC, VED and ABC method. So that the company always maintain his sound position.

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