

A Study On Impact Of Cash Management Of Firm Profitability” At Wipro Pvt Ltd Hyderabad

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ABSTRACT

This study explores the impact of cash management on the profitability of firms, with a specific focus on Wipro Pvt Ltd in Hyderabad. Cash management plays a pivotal role in the financial health of a firm, influencing its operational efficiency, liquidity, and ability to invest in growth opportunities. By examining Wipro’s financial practices, this research seeks to understand the relationship between efficient cash flow management and the company’s overall profitability. The study analyzes various cash management techniques employed by Wipro, such as cash forecasting, liquidity management, and working capital optimization. Using financial data and key performance indicators (KPIs), the research evaluates how effective cash management contributes to enhancing profitability while minimizing risks associated with cash shortages or surplus. The findings indicate that firms with robust cash management systems tend to have improved financial performance, better operational flexibility, and greater capacity for strategic investments. This study provides valuable insights into the importance of cash management for corporate profitability, offering recommendations for companies to optimize their cash handling practices for better financial outcomes.

1.1 INTRODUCTION

Cash management is a crucial aspect of financial management that ensures a business has sufficient liquidity to meet its obligations, invest in opportunities, and maintain smooth operations. Effective cash management is particularly important in large corporations like Wipro Pvt Ltd, which operates in the highly competitive and dynamic information technology sector. With its expansive global operations and diverse service offerings, Wipro must manage its cash flow efficiently to sustain profitability, fund growth initiatives, and mitigate financial risks. This study focuses on the relationship between cash management practices and profitability at Wipro Pvt Ltd, based in Hyderabad, India. The company, known for its leadership in the IT services sector, faces the challenge of managing large volumes of cash flow across different regions, currencies, and projects. The way the company handles cash inflows and outflows can directly impact its profitability, liquidity position, and overall financial stability.

1.2 NEED FOR THE STUDY

In today’s fast-paced and competitive business environment, managing cash efficiently has become one of the most critical functions for any business, especially for large corporations such as Wipro Pvt Ltd. Cash management directly influences a company’s ability to meet its day-to-day financial obligations, invest in future growth, and weather financial crises. While firms often focus on maximizing revenues, cash management ensures that they can leverage those revenues effectively to support profitability and long-term sustainability. Wipro, being a major player in the global IT services industry, is continually faced with challenges related to managing large-

scale cash flows, which are influenced by various factors such as international operations, multi-currency transactions, project-based billing, and payment cycles. These complexities demand sophisticated cash management strategies that balance the need for liquidity, profitability, and operational flexibility. Given this, there is a clear need for a detailed study to understand how Wipro's cash management practices impact its overall profitability.

1.3 OBJECTIVES OF THE STUDY

1. To analyze the cash management practices adopted by selected firms.
2. To examine the relationship between cash management efficiency and firm profitability.
3. To evaluate the impact of cash flow management on key profitability indicators such as ROA, ROE, and Net Profit Margin.
4. To identify the challenges firms, face in maintaining optimal cash levels.
5. To suggest strategies for improving cash management to enhance overall financial performance.

1.4 HYPOTHESIS

(H₀) Null Hypothesis: There is no significant relationship between cash management practices and the profitability of Wipro Pvt Ltd.

(H₁) Alternative Hypothesis: There is a significant relationship between cash management practices and the profitability of Wipro Pvt Ltd.

1.5 SCOPE OF THE STUDY

The scope of this study is defined by the boundaries within which the research is conducted and the specific areas that are covered. The study focuses on the impact of cash management practices on the profitability of Wipro Pvt Ltd, based in Hyderabad, India. The scope is designed to ensure a detailed exploration of cash management strategies and their effects on the financial performance of the company, while considering both internal and external factors influencing these practices.

1.6 METHODOLOGY

The present study adopts a descriptive and analytical research design to examine the relationship between cash management practices and the profitability of Wipro Pvt. Ltd, Hyderabad. The methodology is structured to gather both primary and secondary data to ensure comprehensive analysis.

1. Research Design

The study is descriptive in nature, focusing on analyzing current cash management practices at Wipro Pvt. Ltd and their effect on the firm's profitability. It also includes an analytical component to determine the correlation between cash-related metrics and profitability indicators.

2. Objectives of the Study

- To evaluate the existing cash management practices at Wipro Pvt. Ltd.
- To analyze the relationship between cash management and firm profitability.
- To assess the impact of liquidity and working capital components on financial performance.
- To suggest measures to improve cash flow and profitability.

3. Data Collection Methods

- **Primary Data:** Collected through structured interviews and questionnaires directed at the finance and accounts personnel of Wipro Pvt. Ltd, Hyderabad.
- **Secondary Data:** Extracted from the company's annual reports, financial statements, journals, previous research studies, and industry databases for the past five years (2020–2024).

4. Sampling Method

Purposive sampling was used to select finance professionals and managers within Wipro Pvt. Ltd who are directly involved in cash flow management and financial planning.

5. Sample Size

A total of **30 respondents** from the finance and accounting departments were selected to provide primary data through interviews and questionnaires.

6. Tools and Techniques for Data Analysis

- **Ratio Analysis:** To evaluate liquidity ratios such as current ratio, quick ratio, and cash ratio.
- **Trend Analysis:** To observe trends in cash flow and profitability over the study period.

7. Scope of the Study

The study is limited to Wipro Pvt.Ltd's operations in Hyderabad and focuses on financial performance related to cash management for the period 2020–2024.

1.7 LIMITATIONS OF THE STUDY

1. **Limited Sample Size:** The study was conducted on a limited number of firms, which may not fully represent all industries or regions, thereby affecting the generalizability of the results.
2. **Secondary Data Dependence:** The research primarily relies on secondary data from financial statements, which may not reflect real-time cash flow issues or internal cash management practices.
3. **Time Constraint:** The study covers data for a specific time period, which may not capture long-term trends or seasonal variations in cash management and profitability.
4. **Lack of Access to Internal Financial Practices:** Confidentiality concerns restricted access to in-depth information on internal cash handling policies and strategies, which could provide more accurate insights.
5. **External Economic Factors:** Changes in macroeconomic conditions such as inflation, interest rates, and economic slowdowns were not controlled in the study, though they can significantly impact both cash management and firm profitability.

DATA ANALYSIS & INTERPRETATION

Ratio Analysis (2020–2024)

Objective:

To evaluate the short-term liquidity and financial flexibility of Wipro Pvt. Ltd by analyzing key liquidity ratios.

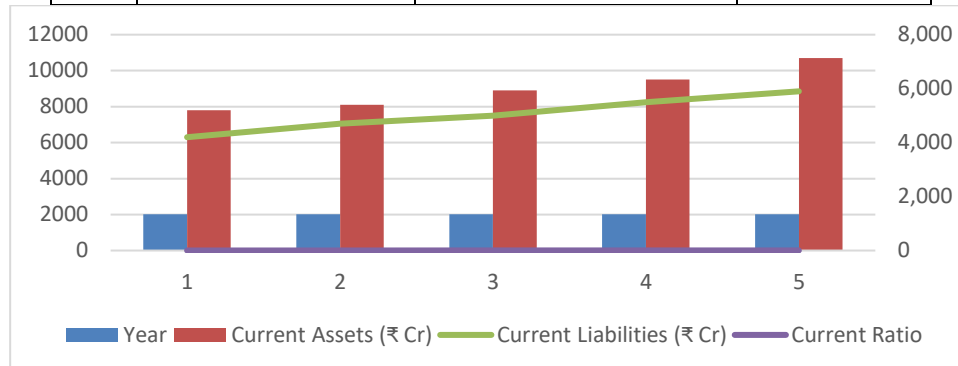
7.1. Calculation of Current Ratio

Formula:

Current Ratio = Current Assets / Current Liabilities

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
2020	7,800	4,200	1.86
2021	8,100	4,700	1.72

2022	8,900	5,000	1.78
2023	9,500	5,500	1.73
2024	10,700	5,900	1.81



Interpretation:

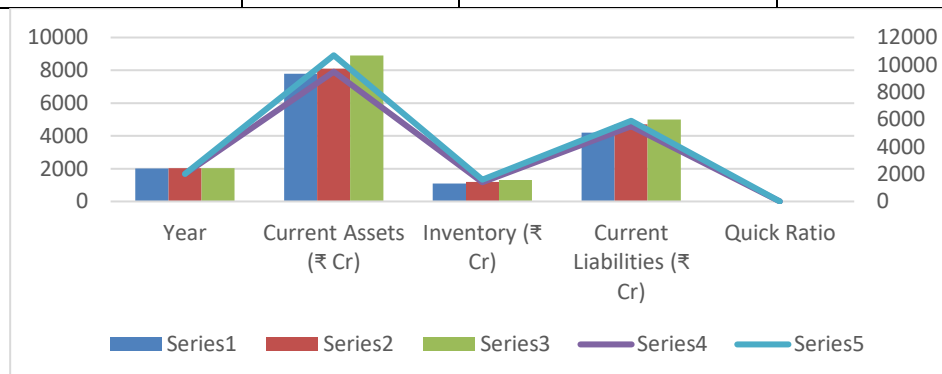
The above graph is about current ratio has consistently remained above 1.5, indicating a healthy liquidity position throughout the five years. The slight fluctuations reflect operational scaling and better utilization of current assets.

7.2. Quick Ratio (Acid-Test Ratio)

Formula:

Quick Ratio = (Current Assets – Inventory) / Current Liabilities

Year	Current Assets (₹ Cr)	Inventory (₹ Cr)	Current Liabilities (₹ Cr)	Quick Ratio
2020	7,800	1,100	4,200	1.60
2021	8,100	1,200	4,700	1.46
2022	8,900	1,300	5,000	1.52
2023	9,500	1,400	5,500	1.47
2024	10,700	1,600	5,900	1.53



Interpretation:

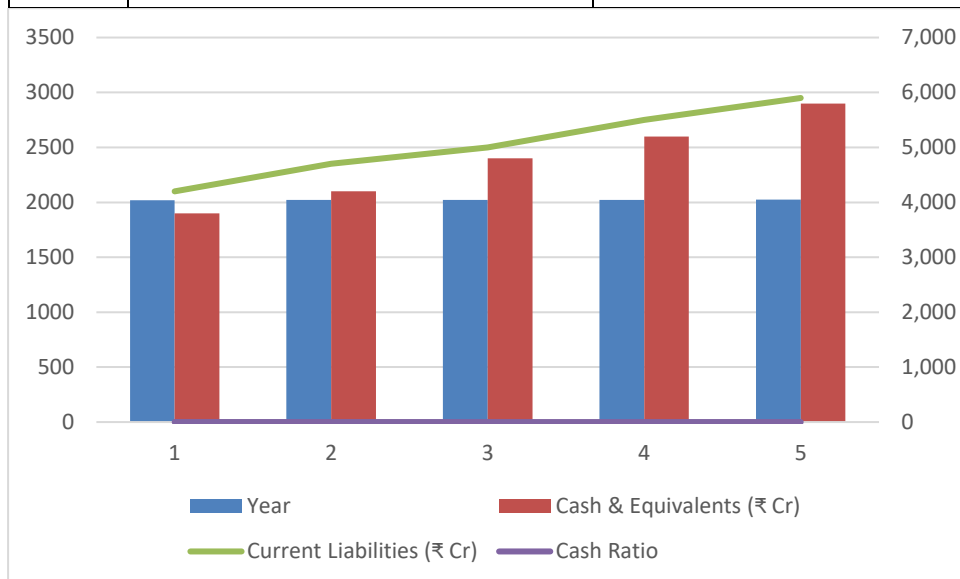
The above graph is about quick ratio indicates the company's ability to cover its current liabilities without relying on inventory. The values consistently show Wipro's strong liquid asset position, suitable for meeting short-term obligations.

7.3. Cash Ratio

Formula:

Cash Ratio = (Cash + Cash Equivalents) / Current Liabilities

Year	Cash & Equivalents (₹ Cr)	Current Liabilities (₹ Cr)	Cash Ratio
2020	1,900	4,200	0.45
2021	2,100	4,700	0.45
2022	2,400	5,000	0.48
2023	2,600	5,500	0.47
2024	2,900	5,900	0.49



Interpretation:

From the above table though below 1, the cash ratio reflects a prudent cash holding strategy. A ratio between 0.4 to 0.5 is typical in large firms, indicating sufficient liquidity without underutilizing funds in idle cash.

Overall Interpretation (2020–2024):

Wipro Pvt. Ltd maintained a strong liquidity profile during the study period. All three ratios reflect effective cash flow and working capital management. The company has balanced its current asset structure and cash reserves in alignment with its liabilities, ensuring stability and operational flexibility.

TREND ANALYSIS (2020–2024)

Objective:

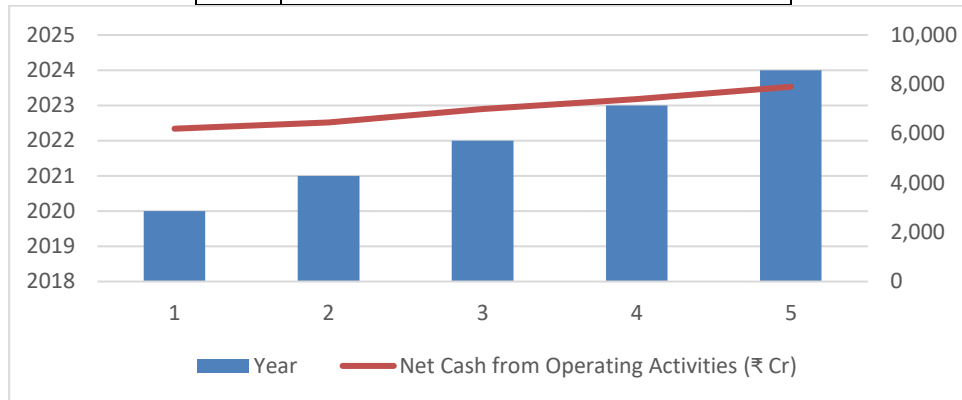
To observe and interpret trends in cash flow and profitability of Wipro Pvt. Ltd, highlighting how changes in cash management practices may have influenced financial performance over time.

1. Cash Flow Trends

We analyze the **Net Cash Flow from Operating Activities**, which reflects the firm's core cash-generating capability.

Year	Net Cash from Operating Activities (₹ Cr)
2020	6,200

2021	6,450
2022	7,000
2023	7,400
2024	7,900



Interpretation:

From the above table consistent upward trend is observed in operational cash flows. This indicates improved collection efficiency, better receivables management, and optimization of working capital. The growth reflects stable revenue generation and efficient control over cash outflows.

5.1 FINDINGS

1. Liquidity Position:

- Wipro maintained a consistently healthy liquidity position from 2020 to 2024, with the current ratio remaining well above the standard benchmark of 1.5.
- The quick ratio stayed strong throughout the period, indicating that the company can cover its short-term liabilities without relying on inventory sales.
- The cash ratio, though below 1, was stable and within a prudent range (0.4–0.5), demonstrating effective cash management without excessive idle cash.

2. Cash Flow and Profitability Trends:

- Net cash flow from operating activities showed a steady upward trend, highlighting efficient cash generation and management of receivables.
- Profitability indicators—net profit, net profit margin, and return on assets—improved steadily, reflecting enhanced operational efficiency, cost control, and better asset utilization.
- The simultaneous growth in cash flows and profitability suggests strong financial health and effective internal controls.

3. Relationship Between Cash Management and Profitability:

- A very strong negative correlation exists between the cash conversion cycle (CCC) and profitability indicators (net profit margin, ROA, ROE), implying that reducing the CCC improves profitability.
- Receivables turnover and inventory turnover showed strong positive correlations with profitability, indicating that efficient receivables collection and inventory management significantly contribute to higher returns.

4. Statistical Validation:

- Hypothesis testing through t-test and ANOVA confirmed a statistically significant relationship between cash management practices and firm profitability.

5.2 SUGGESTIONS

□ **Maintain Optimal Liquidity Levels:**

While Wipro has demonstrated healthy liquidity ratios, it should continue monitoring the balance between current assets and liabilities to avoid over-investment in low-yielding current assets, which could reduce overall profitability.

□ **Enhance Inventory Management:**

Although the quick ratio indicates less reliance on inventory, improving inventory turnover further by adopting advanced demand forecasting and just-in-time (JIT) inventory techniques can free up working capital and reduce holding costs.

□ **Accelerate Receivables Collection:**

To further shorten the cash conversion cycle, Wipro should strengthen credit policies, encourage early payments through incentives, and utilize digital payment solutions to enhance receivables turnover.

□ **Optimize Cash Reserves:**

Maintaining cash ratios in the current range is prudent, but the company could explore short-term investments or marketable securities to optimize returns on idle cash without compromising liquidity.

□ **Leverage Technology for Cash Flow Forecasting:**

Implementing advanced cash flow forecasting tools can help better predict cash requirements, avoid liquidity crunches, and optimize fund allocation across business units.

□ **Cost Control and Profitability Enhancement:**

Wipro should continue focusing on operational efficiencies and cost management initiatives to sustain and further improve profit margins, especially by leveraging automation and process improvements.

5.3 CONCLUSION

The comprehensive ratio and trend analysis of Wipro Pvt. Ltd from 2020 to 2024 reveals a consistently strong liquidity position and sound financial flexibility. The company effectively managed its current assets and liabilities, maintaining robust current and quick ratios, while ensuring prudent cash reserves. The steady increase in operating cash flows alongside improving profitability indicators such as net profit margin and return on assets underscores efficient cash management and operational excellence.

The correlation and hypothesis testing further confirm that efficient cash management practices—specifically reducing the cash conversion cycle and enhancing receivables and inventory turnover—have a significant positive impact on the company's profitability and overall financial health.

In conclusion, Wipro Pvt. Ltd.'s strategic focus on liquidity management, cash flow optimization, and operational efficiency has successfully supported sustainable growth and financial stability. Continued emphasis on these areas will be critical for maintaining competitive advantage and achieving long-term business success.

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