A STUDY ON LIQUIDITY RISK MANAGEMENT

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ABSTRACT

The Liquidity risk generates from the basic incapability to assemble reimbursement obstruction in the time it comes due or only becoming able to meet these obstructions at extreme costs. The concept of risk management in the financial condition of the organizations. The study aims to shows all the importance of the financial risk management in the organization. Influence of the better risk management theories in the application of the internal environment of the organization. It also shows some of the issues that the mangers of the organization face in the application of financial developments. It contains the information related to the participants, data collection and others those are used for the research. This makes collection of the primary data from the survey of managers and the employees of Indian organization applying the liquidity risk management methods. The total essence of the research by filling the accuracy if data those are primarily connected to become verified. It concludes the better performance of the organization in the economy as well as in the financial performance of the organization. The part of the management that monitors the financial performance of the organization is liquidity risk management

Keywords: Managing techniques, Risk management, liquidity risk management, Financial and economic condition of the organization, Communication with the employees

INTRODUCTION

A Company is formed with different rules and regulations and further, the inclusion of risks is mandatory focusing on the whole operation management. It focuses on the better performance of the organization in the economy as well as in the financial performance of the organization. The part of the management that monitors the financial performance of the organization is liquidity risk management. It basically ensures the revenue earnings of the organization.

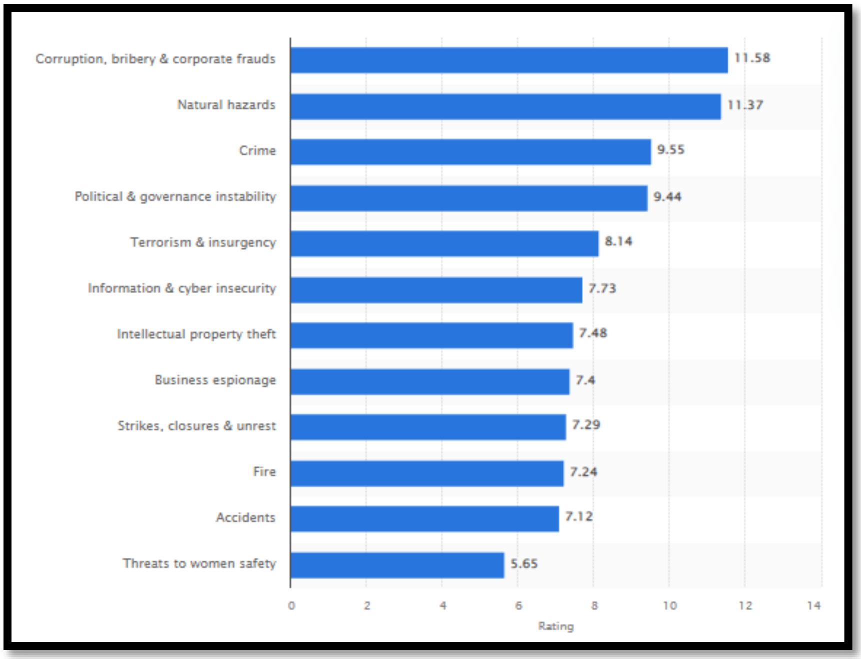

Figure 1: Factors of the risk management in the organization

(Source: Statista, 2022)

One of the tasks of the management of the organization is liquidity risk management. Among all the other risks in the management of the organization, the liquidity risk of the organization is very vital other factors of risk management like natural hazards show 11.37 % and information and cyber security are about 7.73 %. About 80% of the total risk of the management of the organization depends on the risk management of the organization (Statista, 2022). It ensures the implementation of the funding in the working performance of the organization.

The aim of the study is to implement the best and most effective way of liquidity risk management in the managing task of the organization.

OBJECTIVES OF THE STUDY

- To describe the concept of risk management in the organization.
- To elaborate on the impact of effective risk management in the working environment of the organization.
- To identify some of the issues occurring in the liquidity risk management team of the organization.
- To mitigate the issues that obstructs the success of the managing techniques of the risk management of the liquidity.

Following are the Research Questions

- What is the importance of liquidity risk managers in the making development oif the economic condition of the organization?
- How do the risk managers make the examination of the financial environment of the organization?

- How effective planning of the managers make an examination of the generating risk in the management of the organization?
- What can be methods to identify the issues generated in risk management and mitigate the issues?

LITERATURE REVIEW

Concept of liquidity Risk management

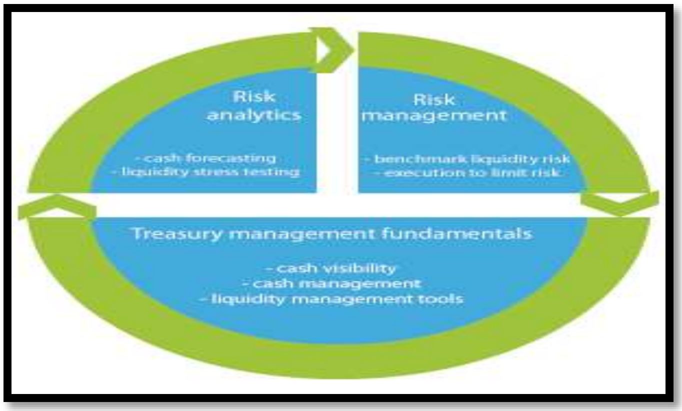

Figure 1: **liquidity Risk management**

(Source: Influenced by Deene, 2015)

Factors related to the liquidity risk management is shown in the above figure. The risk in the organization generates in every part of the working performance. As per the views of Deene, (2015), the main focus of the team of liquidity risk management structure is to ensure that the team can complete its recompense obligations at every time and this can be managed and risks in the funding inside its risk enthusiasm. On the other hand, Wani, & Ahmad, (2015) argued that the structure considers appropriate and significant factors of liquidity risk, in the on-balance sheet or off-balance sheet. These basically make increase in the monitoring of the implementation of the funding of the organization and the work as per that expectation.

Impact of liquidity risk management in the Organization

Figure 2: Impact of liquidity risk management

(Source: Influenced by Effiong, & Ejabu, 2020)

The above figure represents the impact of liquidity risk management in categorize to make an appropriate liquidity risk management in the internal environment of the organization. As per the views of Effiong, & Ejabu, (2020), it is necessary to observe all the relevant regulations and systems, even on domestic business performance or the management plan applied by the organization, in categorize to stay away from predicted distasteful conditions. On the other hand, Ippolito et al. (2016) argued that a liquidity risk management system helps organizations to sustain enough liquidity and clarify that the organization is in an appropriate financial position to attend to the daily obstruction of liquidity and manage conditions of high liquidity threats.

Challenges faced by the risk managing team

Figure 3: Challenges faced by the risk managing team

(Source: influenced by Ndoka et al.2017**)**

Challenges faced by HRM is depicted in the above picture. The development of the organization is responsibility of the managers of the organization. The risk management of the organization makes the examination of the financial risk of the organization. As per the views of Ndoka et al. (2017), in that performance it faces some of challenges that are the lack of knowledge in the management team members, the time consumption in the making of the analysis of the economic condition, bad quality of communication among the level of the employees and so on. The rapid increase of the issues makes the deterioration of the financial condition of the organization.

Mitigation of the risk faced by liquidity risk managers

The rapid increase of the issues makes the deterioration of the financial condition of the organization. Based on the views of Osoro, & Muturi, (2015), the work makes the introduction of some of the methods in the application of the risk managers of the organizations. It mitigates the challenges that are the lack of knowledge in the management team members, the time consumption in the making of the analysis of the economic condition, and bad quality of communication among the level of the employees. The proper implementation of the managerial plans and monitoring make the solution of the financial risk generating in the organization.

Risk management theory

Principles of Administrative Management

It focuses on the economic situation of the organization. The management makes the regular examination of the financial condition of the organization. In the present day of the world, the competitive market of the work of management becomes very difficult. This theory basically states a systematic management structure, proper distribution of labor, and application of power and authority to management related to the task.

METHODOLOGY

The work in the study makes the collection of data from the primary source such as using quantitative data collection which includes the collection of information from the managers of the Indian organization. In this methodology section, the work makes a systematic actual representation of the information briefly (Effiong, & Ejabu, 2020). It makes the representation of the collected data from 65 responses in a brief way that shows all the results of the methods in the utilization of the methods of risk managers. The methodical and typical way of making the work makes a clear concept to the risk manager in the organization in increasing the efficiency of the management of the financial risk in the organization. The survey has been conducted among 65 employees and the mangers of the Indian company. The use of SPSS software was made to analyze the hypothesis in a proper manner.

FINDINGS AND DISCUSSION

Hypotheses testing

Hypotheses 1

H1: The management of the organization makes the proper implementation of the risk management plans.

H0: The management of the organization does not make the proper implementation of the risk management plans.

Hypothesis 2

H1: The management of the organization makes the monitoring risk liquidity ratio.

H0: The management of the organization does not make the monitoring risk liquidity ratio.

Hypothesis 3

H1: The management of the organization makes the development of the financial and economic condition of the organization.

H0: The management of the organization does not make the development of the financial and economic condition of the organization.

Demographic data

Age

2. What is your age?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Between 20 to 35	25	38.5	38.5	38.5
	Between 36 to 45	25	38.5	38.5	76.9
	Between 46 to 55	15	23.1	23.1	100.0
	Total	65	100.0	100.0	

Table 1: Age Analysis

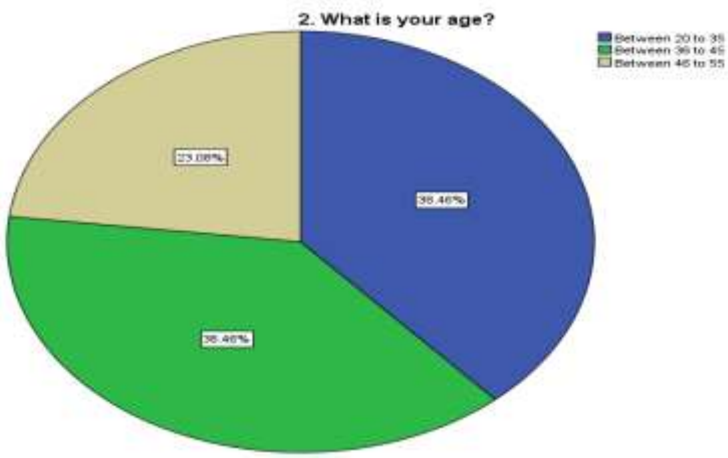

Figure 4: Age analysis

(Source: SPSS)

The above table and the pie chart shows there are 38.46 per cent that is the mass amount of people are between ages of 20 to 35 years and there are 38.46 percent of the people are between the years of 36 to 45 years. 23.08 Percent of the people are from the age group of 46 to 55.

Gender

1. What is your Gender?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	10	15.4	15.4	15.4
	Male	45	69.2	69.2	84.6
	Others	10	15.4	15.4	100.0
	Total	65	100.0	100.0	

Table 2: Gender Analysis

(Source: SPSS)

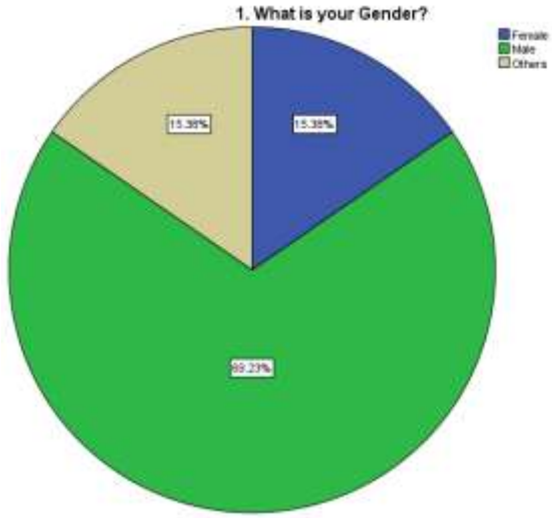

Figure 5: Gender analysis

(Source: SPSS)

The above table and figure generated from SPSS shows it has been calculated that there are 15.38 percent of the people who have taken part in the survey are female and there are 69.23 percent are males who have given their responses for the collection of data for the research. 15.38 per cent of the responders are from the other genders.

Earnings

3. What is your monthly Income?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Above Rs 50000	10	15.4	15.4	15.4
	Below Rs 15000	15	23.1	23.1	38.5
	Between Rs 15000 to 30000	15	23.1	23.1	61.5
	Between Rs 30000 to 50000	25	38.5	38.5	100.0
	Total	65	100.0	100.0	

Table 3: Income analysis

(Source: SPSS)

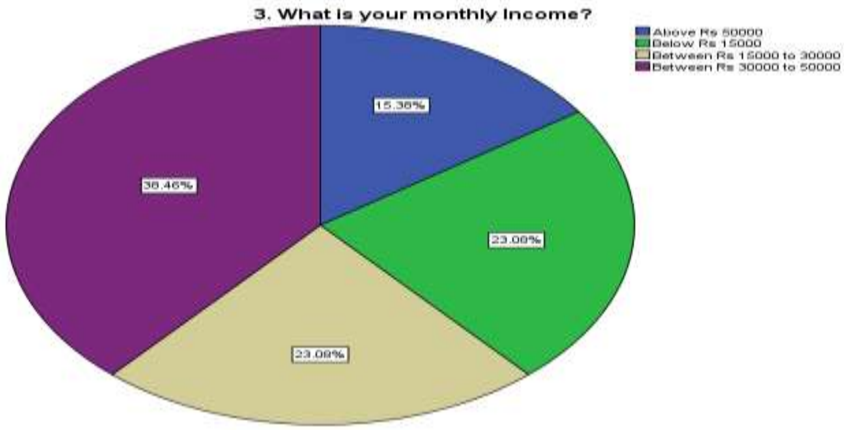

Figure 6: Income analysis

(Source: SPSS)

The above figure and the table shows the earning analysis shows that the earnings of the responders below 15000 are 23.08 percent. 15.38 Percent of the responders earn above 50000 monthly. The amount showing the range of 15000 to 30000 is 23.08 percent of the responders.

Descriptive data analysis

Hypothesis 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.919[a]	.845	.843	.94534	.845	344.135	1	63	.000	2.660

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	307.545	1	307.545	344.135	.000[b]
	Residual	56.302	63	.894		
	Total	363.846	64			

Table 4: Hypothesis 1 and its regression analysis

(Source: SPSS)

The above-shown table is supportive for the examination of the regression model that is used for scaling data and the hypothesis of the study. Tests of numerous regressions are helpful for testing the data that are considered for examination of data in the statistical analysis method. In order to know the variance the execution of the data is required. The value of R and R square is put on the table of model summaries that are needed for this study. The value of R should be ranged between -1 to +1.

Hypothesis 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.939[a]	.881	.880	.82730	.881	468.607	1	63	.000	2.179

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	320.727	1	320.727	468.607	.000[b]
	Residual	43.119	63	.684		
	Total	363.846	64			

Table 5: Hypothesis 2 and its regression analysis

(Source: SPSS)

The above-represented table shows the in the research is associated with the model of regression that is helpful for the exertion of Hypothesis 2. The R-value is around .881 and the value of the R-square is around 0.939. It is helpful to show that there is a genuine correlation between the variables of the research. Again the significance value is around 0.000 which is a good sign.

Hypothesis 3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.882[a]	.777	.774	1.13377	.777	220.055	1	63	.000	2.675

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.051	.326		-.156	.876
	IV3	1.156	.078	.882	14.834	.000

Table 6: Hypothesis 3 and its regression analysis

(Source: SPSS)

The above-represented table shows the research is making the model of regression that is help full in the representation hypothesis 3. The R-value is 0.882 This representation shows the correlation between the variable of the research work. This includes the significance value of 0.777 which shows a good impact. Therefore this data representation shows that the calculated data is significant.

DISCUSSION

This research makes the impact of effective managerial ways in the management of financial improvement management of Indian organizations management teams. It examines all the positive outcomes of the methods in the management of the management of business process. The discussion of the concept of liquidity risk management methods elaborates the concept of different challenges and rules to be followed (Deene, 2015). This makes the observation of all the environments of the management in the performance of it in the developing the risk management business performance.

CONCLUSION

The work concludes that the better performance of the organization in the economy as well as in the financial performance of the organization. The part of the management that monitors the financial performance of the organization is liquidity risk management. It basically ensures the revenue earnings of the organization.

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Appendices

Appendix 1: Survey questions

Demographic

1. What is your Gender?
2. What is your age?
3. What is your monthly Income?

DV: Management

4. Do you think the Function of the management makes the development of the organization?
5. The proper functioning of the management of the organization make the increases of brand value of the organization?

IV.1 Risk Management

6. Do you agree the influence of the risk management is the vital function of the management?
7. The Risk management is one of the factors in making the examination of the economic condition of the organization?

IV 2: liquidity ratio

8. Do you agree that the management of the liquidity ratio is necessary in the organization?
9. Regular monitoring of the liquidity rates of the organization is required?

IV 3: Economic and financial condition

10. Management plays a vital role in developing the financial and the economical condition of the organization?
11. The financial performance of the organization depends on the better functioning of the management among the customers of the market?

IV4: Liquidity Risk Management

12. The Liquidity Risk Management is one of the major functions of the management team of the organization?
13. Dou you agree Liquidity Risk Management is necessary management in the organization?