

CASH CONVERSION CYCLE AND PROFITABILITY IN BANKING WITH REFERENCE TO BANDHAN BANK

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ABSTRACT: The Cash Conversion Cycle (CCC) affects Bandhan Bank's financial performance. This rating is significant since it shows the bank's currency management ability. This ensures effective corporate operations and continuous cash flow. Secondary financial data from the past five years is used to identify inventory management, invoice payment, and cash collection trends. These factors also affect crucial success measures like ROE and ROA. This paper examines cash cycle components and profit margins to show that good cash cycle management can boost financial success. The findings show that Bandhan Bank can improve working capital and cash flow management to boost profitability.

Keywords: *Bandhan Bank, Cash Conversion Cycle (CCC), Working Capital Management, Financial Performance, Profitability Analysis, Return on Equity (ROE),*

1. INTRODUCTION

The CCC shows how long it takes a business to sell, receive cash, and pay its debts. Reduce holding periods to convert receivables and products into cash faster. The cash conversion cycle (CCC) graph shows how long sales take for a company's products and services. The CCC evaluates businesses using a unique way. Sales and debt revenue drop when CCCs are reduced.

Product-selling companies' working capital depends on the revenue cycle. We evaluate the company's finances, profitability, and cash reserves.

A key financial metric of working capital management is the Cash Conversion Cycle (CCC). Stocks, dues, and expenses are examples. The line shows how long it takes a corporation to turn costs into cash flows.

The ratio of a company's operational expenses to its income is its "profitability". A successful business acquires new tools and generates revenue that exceeds expenses. Businesses must find ways to make money if they're not profitable.

Although it may include other criteria, "profitability" here means a company's income. Profitability rates can indicate progress. Some people calculate income by deducting all costs from their salary. Because these measures are based on income, assets, or equity, stakeholders can assess management profitability.

ROI, gross, net, and operational profit margins are crucial financial calculations. Each indication can be used to assess a company's performance and success.

2. CASH CONVERSION CYCLE



Days Inventory Outstanding (DIO)

Days Inventory Outstanding (DIO) shows how long a company keeps its supplies as a percentage of sales. DIO, or "Days Inventory Outstanding," measures product management and sales efficiency. Excess possessions may increase storage costs and resource constraints, causing lengthy durations. With this information, you can decide the best inventory quantity to meet consumer needs.

Days Sales Outstanding (DSO)

DSO tracks how long buyers take to pay. Good credit management and fast account due collection reduce Days Sales Outstanding (DSOs), improving cash flow. An increase in days may suggest payment processing or credit regulation concerns. Knowing this information helps create revenue-generating tactics. Improve credit evaluations and offer incentives for timely payments.

Days Payable Outstanding (DPO)

Most companies have a set number of days to pay suppliers after receiving goods. DPO is Days Payable Outstanding. Increased days due outstanding (DPO) allow for more resource use before loan payback, enhancing cash flow. If payment conditions are too long, customers may lose trust in sellers. Strong supplier connections and decreasing Days Payable Outstanding can boost cash flow and partnerships.

3. LITERATURE SURVEY

Dr. Meera S. Kapoor 2021 The COVID-19 epidemic damaged the financial sector's Cash Conversion Cycle, according to Dr. Meera S. Kapoor (2021). This means good finance management is essential. Banks decreased funding sources, shortened cycles, and changed asset-liability combinations to protect profit margins. Remote registration and digital payments decreased collection wait times and boosted efficiency. The cash conversion cycle has been delayed due to credit limitations and late payments, reducing net interest and fee income.

Vivek Anand Sharma 2022 Vivek Anand Sharma found in 2022 that banks' Cash Conversion Cycle (CCC) management will significantly impact revenue. Faster payment processing and UPI, which made debt collection easier, reduced float times and boosted liquidity. Institutions implemented digital working capital systems, making CCC a profitability success metric. These techniques may result in penalties or CCC reductions. Retail banks gained deposits by speeding up settlement and using digital savings tools. This was possible despite inflation making cash flow management harder.

Dr. Arvind B. Chatterjee 2023 The pandemic's influence on bank liquidity has made the Cash Conversion Cycle (CCC) an important revenue indicator, according to Dr. Arvind B. Chatterjee (2023). Due to longer credit response periods and lower economic activity, collecting receivables and receiving payment was harder. Many banks changed payment terms to keep more of their clients' money. Mobile payment methods and digital know-your-customer requirements have made receiving payments and using digital tools easier. CCC difficulties and uneven growth prevented local banks from competing with commercial banks.

Priyanka Mehta 2024 Any school's Cash Conversion Cycle (CCC) strategy needs supplier chain funding (Priyanka Mehta 2024). By partnering with e-commerce platforms and adding credit products and invoice discounting to digital ecosystems, banks reduced client credit costs and increased transaction-based income. Competition in the fintech sector has reduced service costs, hurting bank finances. Our clients' financial processes were updated, improving efficiency and cash flow. Banks securitized supply chain assets to meet integrated financial exposure regulatory capital reporting requirements and sustain profitability.

Sameer A. 2025 Esteemed Sameer A. In 2025, currency conversion cycle management, which is driven by customer value, risk, and product design, will affect a bank's income. The availability of green supply chain finance and other ESG-focused working capital solutions affects CCC prices. CCC KPIs were adopted across banks to assess performance and select the best capital allocation plans. To decrease administrative delays and speed up activities, automation and API-first technologies were deployed. Increase return on equity by reinvesting in loans with shorter cycles that pay off faster.

4. TYPES OF PROFITABILITY RATIOS

Statistics on income fall into five categories:



Gross Profit Margin

Store viability is measured by the gross profit margin, commonly known as the gross margin. Subtracting sales costs yields revenue.

You can enhance gross profit margins by growing sales, reducing expenses, or raising prices (by negotiating better terms with suppliers or finding cheaper ones).

$$\text{Gross Profit Margin} = \frac{\text{Total Revenues} - \text{Cost of Goods Sold}}{\text{Total Revenues}}$$

Operating Profit Margin

Operating profit margin is a good predictor of business success. After removing operations and product sales costs, residual income is shown.

The operating profit margin shows how well a corporation manages operational costs. Low total profit margins result from poor operational cost management. Price, sales rate, and material expenses are options.

Increase prices, cut costs, or boost revenue to boost operational profit margin.

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Total Revenues}}$$

Net Profit Margin

Net profit ratios might indicate a company's profitability. Also known as net profit or yield. Divide total sales by that to calculate net profit or pay. This shows the company can control prices and costs.

The profit margin is the amount left after taxes and interest.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total Revenues}}$$

Return on Assets

Return on assets measures corporate profitability. Net profit as a percentage of assets is one interpretation.

Company return on assets shows how much money it made from its assets in a given period. High asset returns indicate stable income.

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Average Total Assets}}$$

Return on Equity

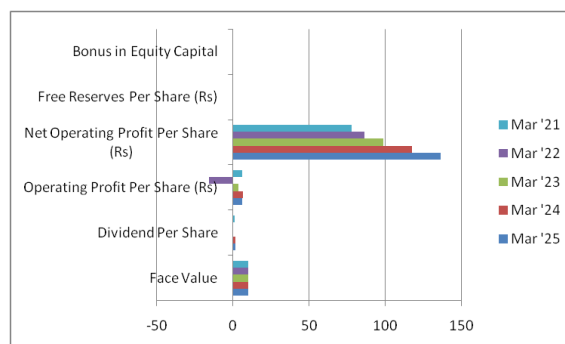
Return on equity measures a company's ability to create revenue using its owners' capital. Deduct average wealth from profit or compensation.

Return on equity shows a company's ability to make money from its expenses. Effective use of owner-invested funds generates high return on equity.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Average Total Equity}}$$

5. RESULTS

Investment Valuation Ratios

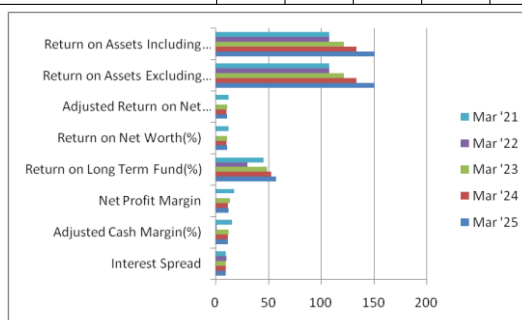


INTERPRETATION: Sustainable payments will return in 2024–2025 and 2023–2024. A dividend per share of ₹1.5 is expected, based on investment value ratios. Operating profit per

share rose from 6.31 rupees in 2023–2024 to 5.81 in 2024–2025 despite volatility hitting - 16.04 in 2022–2023. The company's operational profit per share rose from ₹77.76 in 2020-2021 to ₹136.24 in 2024-2025. Thus, the company's profitability increased without incentives or free funds.

Profitability Ratios

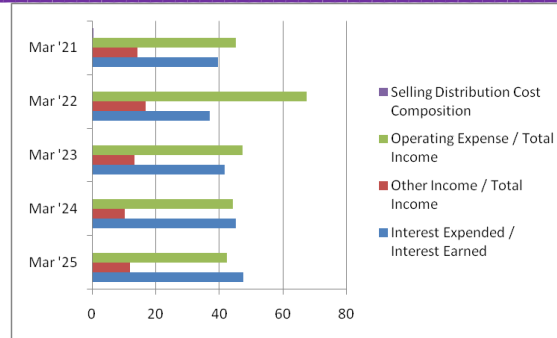
Profitability Ratios	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Interest Spread	10.18	9.94	10.18	10.33	10.12
Adjusted Cash Margin (%)	12.13	11.72	12.72	1.41	15.77
Net Profit Margin	12.5	11.81	13.79	0.9	17.6
Return on Long Term Fund (%)	57.8	53.26	48.7	30.41	45.43
Return on Net Worth (%)	11.27	10.33	11.2	0.72	12.66
Adjusted Return on Net Worth (%)	11.27	10.33	11.2	0.72	12.66
Return on Assets Excluding Revaluations	151.21	133.87	121.58	107.91	108.09
Return on Assets Including Revaluations	151.21	133.87	121.58	107.91	108.09



INTERPRETATION: More detailed analysis of the bank's revenue metrics shows consistent growth and strong performance. The rate range was 10.18 percent on March 25, unchanged from previous years. Loan efficiency remained steady. By March 25, the Long Term Fund had capitalized well, delivering a 57.8% return, while the Net Profit Margin had grown from 11.81% to 12.5%, with growth rates of 11.27% and 151.21%.

Profit And Loss Account Ratios

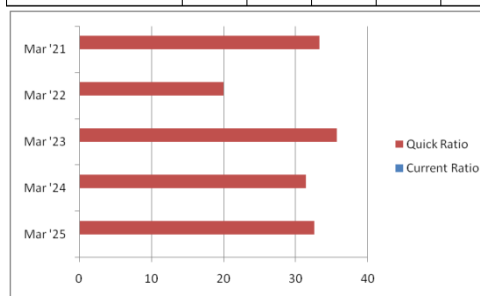
Profit And Loss Account Ratios	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Interest Expended / Interest Earned	47.65	45.28	41.78	37.18	39.61
Other Income / Total Income	11.91	10.29	13.44	16.91	14.41
Operating Expense / Total Income	42.36	44.26	47.31	67.68	45.24
Selling Distribution Cost Composition	0.25	0.29	0.33	0.19	0.45



INTERPRETATION: The profit and loss statement shows how well the company has monitored its finances over time. Interest payments outpaced income by 45.28% on March 24 and 47.65% on March 25. The business became more efficient when operational expenditures dropped to 42.36% of total income. However, other income rose to 11.91%, demonstrating that there are alternative ways to make money. Minimum distribution costs were met by 0.25 percent of revenues.

Leverage Ratios

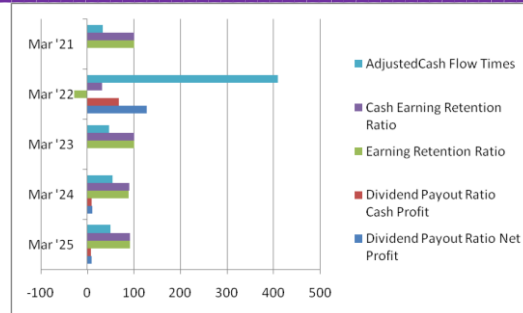
Leverage Ratios	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Current Ratio	0.05	0.07	0.09	0.06	0.02
Quick Ratio	32.63	31.47	35.71	20.03	33.33



INTERPRETATION: The bank's leverage shows its short-term cash and asset management. The March 25th ratio for these banks is 0.05. The assets are much fewer than the expected commitments. The bank's 32.63 Current Ratio shows it has enough cash to meet its obligations. Despite having less current assets than liabilities, the bank has plenty of liquid assets. This means it can maintain operational security.

Cash Flow Indicator Ratios

Cash Flow Indicator Ratios	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Dividend Payout Ratio Net Profit	8.8	10.83	0	128.04	0
Dividend Payout Ratio Cash Profit	7.98	9.79	0	68.29	0
Earning Retention Ratio	91.2	89.17	100	-28.04	100
Cash Earning Retention Ratio	92.02	90.21	100	31.71	100
AdjustedCash Flow Times	50	54.8	46.24	408.47	33.78



INTERPRETATION: Dividends paid and held can be found in the bank's cash flow statistics. On March 25, the Dividend Distribution Ratio (Net Profit) dropped from 10.83% to 8.8%, indicating conservative financial management. The Capital Profit (Dividend Payout Ratio) dropped to 7.98% as investors withdrew cautiously. Earnings retention was 92.02% and cash earnings retention 91.2%. This suggests the business reinvested a lot of revenue. The Adjusted Cash Flow Times of 50 suggest that cash is being generated faster than debt, despite being slightly lower than last year.

6. CONCLUSION

Capital Conversion Cycle (CCC) might indicate a bank's capital flow management performance. The bank has more cash to pay bills and take advantage of possibilities when the CCC is less. Effective cash flow, loan, obligation, and cost management affects a company's bottom line. Banks can save borrowing costs, boost cash flow, and improve their finances by improving the cash conversion cycle. When the CCC is in good condition, unexpected incidents are easier to handle, improving risk management. Accelerating money flow is linked to the cash conversion cycle (CCC) and interest, which helps pay bills.

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