



WORKING CAPITAL MANAGEMENT”

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Abstract

The topic given by my research guide was “A STUDY OF WORKING CAPITAL MANAGEMENT”. The working capital is required for each and every industry and unit for their day to day operation. Company helps to meet their financial need by financing them, so that they can run their business unit smoothly without any scarcity of working capital

Keywords: ESL, FAT, SNF, PFA, APEDA, FDA



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INTRODUCTION

Concept & Context of Study:- Topic selection is one of the important aspects of my research. As it decides the course of action is to be followed. The topic given by my research guide was “A STUDY OF WORKING CAPITAL MANAGEMENT”. The working capital is required for each and every industry and unit for their day to day operation. Company helps to meet their financial need by financing them, so that they can run their business unit smoothly without any scarcity of working capital. Analyzing, how to manage company working capital to business unit is important topic for the management students who may have an opportunity to work in company. Under this study, I analysed the financial position of the companies. This analysis was very essential for the sanctioning of the required fund to the organization. The working capital management of the concern so as to analyze and interpret the inventory position of the Arkay Fabsteel Systems Pvt. Ltd. To assess the strength and weakness of the concern in various areas. To assess the overall efficiency and performance of the company.

Rationale of the study

- The Working Capital of a company implies management of the current assets and the current liabilities and the interrelationship that exist between them. Financial working capital consist of, Short-Term loan, Current assets and also Current liabilities.
- According to conventional rule (2: 1) current assets twice of current liabilities is that even with drop out of 50 percent (half) in value of current assets a firm can meet its obligation.
- Sufficient working capital is necessary to sustain sales activity. Technically this is eferred to as the operating or cash cycle.
- The training at “Arkay fabsteel Systems Pvt. Ltd.” was undertaken with a view to study certain fundamentals as well as commercial and operational aspects of the company. While the usefulness of this training hardly needs to be emphasized “Arkay Industries” also stands to benefit in many ways.

Utility to Researcher:-

- To know the various procedural aspects of granting loan for working capital to business organization.
- To interact with the manager of the company and gain knowledge through their experiences.
- To gain the knowledge about the operational and departmental work of company.
- To know the various document required for sanctioning the loans to business organization.

Utility to Company:-

- Study help the organization rectify the errors in lending process.
- Various data and operational work carried out by me can help company to full filling their immediate informational and other needs. Thus saving on valuable executive time and efforts.

WORKING CAPITAL MANAGEMENT

Meaning of working capital:- The study on working capital is major importance to internal and external Business analysis of its close relationship with the current day to day operation of business organization. Irrespective of the size of the business, working capital may be regarded as lifeblood of the business sector. The term working capital refers to current assets, which may be defined as those which are convertible in to cash or equivalent with in a period of one year. And those which are required to meet way to day operations such as purchase of raw material and payments of wages etc. the fixed assets as well as the current assets, both

requires investment of funds. Working capital is the difference between inflow and outflow of funds. In the other words it is the net cash inflow, financing of short term is termed as working capital management, which forms an important part of corporate sector. The study of working capital is a difficult task. Finance managers can take efficient decisions with regard to capital investment but the need to struggle for funds meet the day to day requirements.

Deamination of working capital:-

According to Genestenberg:- “Circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another, as for example, from cash to inventories, inventories to receivables, receivable to cash”.

According to Guttman & Doug all:- “Excess of current assets over current liabilities”

According to Park & Glad son:- “The excess of current assets of a business (i.e. cash, accounts receivables, inventories) over current items owned to employees and others (such as salaries & wages payable, accounts payable, taxes owned to government)”.

Working Capital refers to that part of the firm's capital, which is required for financing short-term or current assets such a cash marketable securities, debtors and inventories. Funds thus, invested in current assets keep revolving fast and are constantly converted into cash and this cash flow out again in exchange for the current assets. Working Capital is also known as revolving or circulating capital or short-term capital.

TYPES OF WORKING CAPITAL:-

The various types of working capital are as follows:-

1. Net working capital
2. Gross working capital
3. Permanent working capital
4. Temporary or Variable working capital

1. **Net working capital:** The net working capital is the difference between current assets and current liabilities. The concept of net working capital enables a firm to determine how much amount is left for operational requirements.

2. **Gross working capital:** Gross working capital is the amount of funds invested in the various components of current assets. This concept has the following advantages:

Gross working capital provides the correct amount of working capital at the right time. It enables a firm to realize the greatest return on its investment. It helps in the fixation of various areas of financial responsibility.

3. **Permanent working capital:** Permanent working capital is the minimum amount of current assets which is needed to conduct a business even during the dullest season of the

year. This amount varies from year to year depending upon growth of the company and the stages of the business cycle in which

4. Temporary or variable working capital: It represents the additional assets which are required at different times during the operating year, additional inventory, extra cash etc. Seasonal working capital is the additional amount of current assets particularly cash, receivables and inventory which are required during the more active business seasons of the year.

Balance Sheet working Capital:- Balance Sheet working capital is one which is calculated from the items appearing in the balance sheet Net working capital which is represented by the excess of current assets over current liabilities; are example of the balance sheet working capital.

Cash working capital:- Cash working capital is one which is calculated from the items appearing in the profit and loss account. It shows the real flow of money or value at a particular time and is considered to be the most realistic approach in working capital management. It is on the basis of operation cycle concept.

Working Capital Management:- Working Capital management is integral part of overall management. Working capital management is nothing but a relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable and cash. When current assets are less than current liabilities, an entity has a working capital deficiency also called a working capital deficit.

Working Capital Cycle:- At the beginning of a business venture, cash is provided by owners and lenders. A part of this cash is invested in tools, machinery, furniture, equipment, building and other form of fixed assets which are not to be sold throughout the year during the normal course of business. The remaining cash is used as working capital to meet the current requirements of a business enterprise such as purchase of services, raw materials or merchandise. When a firm's products or finished goods are sold, it is known as cash or receivables. When receivables are collected, more cash is available for financing of services and the purchase of raw materials and so on. This is called working capital cycle.

In other words, Working capital cycle is a loop which starts at the cash, marketable securities account, goes through the current accruals accounts as directed labour and materials are purchased and used to produce inventory, which is in turn sold and generates accounts

receivable, which are finally collected for replenish cash. The major point to notice about this cycle is that the turnover (or velocity) of resources. Through this loop is very high relative to the other inflows of the cash account.

To see why this cycle is very important to the firm's survival because cash account is the major flow of working capital cycle. As long as the firm has cash or marketable securities on hand, it can pay bills and thus survive. We can show the inflows and outflows of working capital through this figure.

OBJECIVES

PRIMARY OBJECTIVE

The primary data is that data which is collected fresh or first hand and for first time which is Original in nature .Primary data can collect through personal interview, questionnaire etc. to Support data.

SECONDARY OBJECTIVES

- To study previous three year balance sheets for the analyses the company working capital.
- To do the comparative study of asset & liabilities for the working capital management.
- To evaluate the company financial and overall performance .
- To study the financial position of the company.

SCOPE OF THE STUDY: - Working capital management is concerned with the problems arise in attempting to manage the current assets, the current liabilities and the inter relationship that exist between them. The goal of working capital management is to manage the firm's current assets and current liabilities in such way that the satisfactory level of working capital is mentioned.

RESEARCH METHODOLOGY

TYPE OF RESEARARCH: - **QUANTITATIVE RESEARCH.**

DATA COLLECTION TECHNIQUES:- The first step is to collect the data from various sources like

- Tally
- Monthly performance review meetings (MPRM) Reports
- Annual Reports
- Computerized Inventory Management system (CIMS)

After the collection of data, it has been analyzed to find out the points to be worked on. These points are further analyzed in details and rearranged according to the Requirements, so that the required results can be obtained.

The suggestions of different departments especially the finance department personals are taken to get the correct information.

Considering the objective of the research following method of study is adopted.

There are two types of data collection methods available. Primary data collection, Secondary data collection

Primary data: - The primary data is that data which is collected fresh or first hand, and for first time which is original in nature. Primary data can collect through personal interview, questionnaire etc. to support the secondary data.

Secondary data:- Library search, Website www.wcm.com, Organizations Annual Report

LIMITATIONS OF STUDY

Following limitations were encountered while preparing this research:-

Limited data:- This research has completed with annual reports; it just constitutes one part of data collection i.e. secondary.

There were limitations for primary data collection because of confidentiality.

Limited period: - This research is based on three year annual reports. Conclusions and recommendations are based on such limited data. The trend of last three year may or may not reflect the real working capital position of the company

Limited area:- Also it was difficult to collect the data regarding the competitors and their financial information. Industry figures were also difficult to get.

STATEMENT SHOWING CHANGE IN WORKING CAPITAL

(Rs. In lakh)

Particulars	2009-2010	2008-2009	Increase	Decrease
A)Current Asset				
a) Inventories	53113	33757	19356	
b)Debtors	19991	36657	16666	
c)Cash and bank in hand	14409	4886	9523	
d) Other current asset	1057	956	101	
e)Short term loans & Advances	14225	11694	2531	
Total Current Assets	102795	87950		
B)Current Liabilities & Provisions	26410	28337	1927	
Total Current	26410	28337		

Liabilities				
Net Current Assets (A-B)	76385	59613		16772
			33438	33438

Table No. 1**INTERPRETATION**

- Above Table shows huge increase in the inventories 19356.
- That affects the working capital of the firm which shows the increases.
- In that increasing the 1927 and Net current, Assets decreasing the 16772.
- Hence that is leads to good for organization.

(Rs. In lakh)

Particulars	2010-2011	2009-2010	Increase	Decrease
A)Current Asset				
a) Inventories	57646	53113	4533	
b)Debtors	25059	19991	5068	
c)Cash and bank in hand	7557	14409		6852
d) Other current asset	641	1057		416
e)Short term loans & Advances	10779	14225		3446
Total Current Assets	101682	102795		
B)Current Liabilities & Provisions	24851	26410	1559	
Total Current Liabilities	24851	26410		
Net Current Assets (A-B)	76831	76385		446
			11160	11160

Table No. 2**INTERPRETATION: -**

- In the above table increase in working capital is very less compared to the previous year due to the decrease in working capital.
- Cash & Bank in hand decrease in the year 2010-2011 i.e. 6852.
- Other current assets also in 416.
- Short term loans & advances also decrease 3446. & Net current asset decrease in 446.

FINDINGS & OBSERVATION

- The working capital requirement of the company is reduced.
- Current asset of the company are increasing but the current liabilities are not increasing in proportionate.
- Company is maintaining huge amount of the Inventories.

- In the year 2009-2010 the debtors are reduced it indicates that the credit sales are reduced & the 2010-2011 the credit sale increase.
- Debtor's turnover ratio in 2009-2010 is increased as compared to the 2008-2009 & also decreased in the 2010-2011.
- Credit Turnover ratio is drastically decrease in last two year.

CONCLUSION OF THE STUDY

After the working capital management i.e. balance sheet. I have come the conclusion that.

- The study of working capital management we understand the position of current assets & current Liabilities ,and also requirement of working capital for day to day operation.
- The company's financial position is good. The company is progressive in all aspects.
- I can conclude that even through the company is to improve the efficiency in utilization of the factor for better prospectus in future. It can be concluded that the company has to concentrate on own strength cabin manufacturing.

SUGGESTIONS & RECOMMENDATIONS

Through the study I found the recommendation and suggestion for the company.

1. In the comparison of last two year it is clearly seen that the working capital requirement is reducing & company is doing well to maintain working capital minimum & same policy.
2. The huge money is blocked in the year 2009-2010. It shows the company is lacking in the projection in the requirement of the inventory and the projection of the sales. It is suggested to plan the requirement property and follow methods like JIT.
3. It can be said that overall financial position of the company is normal but it is required to be improved from the point of view of profitability.

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