

A STUDY ON WORKING CAPITAL MANAGEMENT FOR PUBLIC SECTOR COMPANIES

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ABSTRACT:

One of the most important areas in day to day management of the Industry is the management of working capital. Working capital management is the fictional area of finance that covers all the current account of the Industry. Working capital management involves the relationship between an industry short term assets and its short term liabilities the goal of Working capital management is to ensure that an industry is able to continue it's a operations and that it has sufficient ability to satisfy both maturing short term debt and upcoming operational expenses. The paper is mainly focuses on the industry profile, company profile, SWOT analysis, annual report and about working capital and ratios.

Keywords: Working capital, financial ratio

INTRODUCTION:

Assets are possessions owned by the firm which are capable of being expressed in monetary terms, whether tangible (like land, building, stock, etc.,)intangible (goodwill, patents, copyrights, etc.,) These are used by the company for generating future benefits fixed assets are those assets which are permanent in nature and are held for use in business activities and not for sale. examples of fixes assets are land, building , machinery, long - term investment etc.,.

Current assets on the other hand, are those liquid assets of the company which are either held in the form of cash or can be easily converted into cash within one accounting period , usually a year. Examples of current assets are cash, short-term investments sundry debtors or account receivable, stock, loans and advances, etc.,.

Liabilities' are economic obligations of the company to pay cash or provide goods or services outsiders including shareholders. Liabilities may be long-term or current. Long-term liabilities are those which are repayable over a periods greater than the accounting period like share capital debenture long term loans etc.,. current liabilities on the other hand have to be paid within the

accounting periods like sundry creditor or account payable bills payable outstanding expenses short-term loans etc.

Objectives of the study:

- 1) To study the working capital management.
- 2) To know the sources of working capital.
- 3) To study the different components of working capital of the company

Research Methodology:

“A Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure” The research design followed to study the working capital management is Descriptive and Analytical Research Design.

PRIMARY DATA: The information collected from personal interaction with manager and other staffs

SECONDARY DATA: The secondary data are those which have already collected and stored. Secondary data easily get those secondary data from records, journals, annual reports of the company etc. It will save the time, money and efforts to collect the data. Secondary data also made available through trade magazines, annual reports, books etc. This paper is based secondary data collected through annual reports of the organization. The data collection was aimed at study of working capital management of the company.

ANALYSIS AND INTERPRETATION

INTERPRETATION

The statement shows that the changes in working capital in the year 2018-19 and 2019-20. It shows how the current assets and current liabilities are changes in two years the different between current asset and current liabilities i.e. net working capital of two years 2018-19 and 2019-20 is Rs 81651878 and Rs 74532655 respectively it shows the working capital decreases of Rs 7119223 in 2018-19 which compare to 2019-20.

In current assets

1. cash in hand increases of Rs 26407
2. Cash at bank is decreasing of Rs 392953
3. F.D with banks is also decreased Rs 15805000
4. Deposits has increased of Rs 2000
5. Sundry debtors has increased of Rs 16207888
6. Advances has increased to Rs 2446296
7. Other receivables has decreases of Rs 2000
8. Closing stock has increased to Rs 94773

In current liabilities

1. Bonus provision is increasing of Rs 25794
2. Other payables is increasing of Rs 623252
3. Other liabilities are increased to Rs 9047589

CALCULATION OF OPERATING CYCLE

Investment in working capital is influenced by four key events in the production and sales cycle of the G.C.T.M

- Purchases of raw materials
- Payment of raw materials
- Sale of finished goods
- Collection of cash for sale

The firm begins with the purchase of raw material which are paid for after a delay which represent the account payable period. The firm converts the raw material into finished goods and then sells the same. The time lag between the purchase of raw materials and sale of finished goods is the inventory period customers pay there bills some time after the sales. The period that elapses between the date of sales and date of collection of receivable is the accounts payable period.

The time that elapses between the purchase of raw materials and the collection of cash for sales is referred to as the operating cycle. Where as the time length between the payment for raw material purchases and the collection of cash for sales is referred to as the cash cycle. The operating cycle is the sum of the inventory period and the accounts receivable period, whereas the cash cycle is equal to the operating cycle less the accounts payable period.

From the financial statement of the firm we can estimate the inventory period, the accounts receivable period and accounts payable period.

FINDINGS AND SUGGESTION

1. The current ratio of the firm is not satisfactory because the firm is not utilizing available resourses properly. The highest ratio is 2.88 recorded in the year 2018-19 and the lowest ratio is 2.31 recorded in the year 2020-21. So the current ratio is no tsatisfactory. The firm needs to concentrate on current assets. By utilizing the available resources properly the firm may improve the current ratio.
2. The quick ratio of firm is not satisfactory because in the firm's quick assets there excess amount than requirement it shows that the company is not utilizing available resources properly. The highest quick ratio is 2.33 recorded in the year 2018-19 and the lowest ratio 1.35 recorded in the year 2019-20. The company needs to concentrate on quick assets. By utilizing quick assets properly the firm may improve this ratio.
3. The inventory turnover ratio is satisfactory because from the year 2016-17 it is go on decreasing but in the year 2020-21 it increased to 5.15 from 4.57 in the year 2019-20 so this ratio is satisfactory. The highest ratio 5.53 recorded in the year 2016-17 and lowest is 4.21 recorded in the year 2018-19.

4. The gross profit ratio is not satisfactory because this ratio is not stable it is fluctuating widely by year by year from the year 2016-17 to 2020-21. the highest ratio is 10.71 and the lowest ratio is 0.93 here the firm has higher the sales in 2018-19 so the ratio is high and due to lower the sales or higher the cost of good so in the year 2016-17 it is low.
5. A working capital turnover ratio indicates that of high working capital turnover and low net working capital here in the firm there is an continuous decrease for 4 years but in last year it has been increased in working capital turnover ratio. The firm is satisfactory with its last year turnover ratio. The firm has to maintain in increasing the working capital turnover ratio.
6. Here the firm's operating cycle has continuously decreased. The operating cycle of the firm is satisfactory because it has come down by 10 days. The firm's cash cycle is also satisfactory as it has decreased from 82 days to 65 days during 2017-18 to 2020- 21. However it is also observed that the debtor's collection period has increased from 0.99 days to 2.08 days during the same time period
7. The changes in working capital of 2016-17 and 2017-18 is 81651878 and 74532655 respectively it shows working capital decreased to 7119223 in 2017-18 which compare to 2016-17 here the decreasing the net working capital firm may not satisfactory with its working capital.
8. The changes in working capital of 2017-18 and 2018-19 is 74532655 and 84615654 respectively it shows the working capital increased of 10082999 in the year 2018-19 compare to 2017-18. By increasing net working capital the firm may satisfactory with its working capital.
9. The changes in working capital of 2018-17 and 2019-20 is 84615654 and 91606768 respectively it shows the working capital increased of 6991114 in the year 2019-20 compare to 2018-19. By increasing in net working capital the firm may satisfactory with its working capital.
10. The changes in working capital of 2019-20 and 2020-21 is 91606768 and 77170370 respectively it shows the working capital decreased of 14436398 in the year 2020-21 compare to 2019-20. By decreasing net working capital the firm is satisfactory with its working capital.

SUGGESTIONS

1. To improve the current ratio and quick ratio the company need to concentrate on current assets by utilizing available resources in the current assets the company may improve its current ratio and quick ratio
2. The gross profit ratio is not satisfactory because there is more fluctuating in the ratios so company need to concentrate in its profits
3. During the year 2017 and 2018 the companies working capital is decreased due to less current assets and more liability so it has to make proper use of its current assets and to make improve.
4. during the year 2020 and 2021 the companies working capital again decreased so the firm has to has to concentrate on its current assets to maintain the business transaction.

CONCLUSION:

This study helps to know that the companies financial position. The sale of the company is decline in the year 2021. There is an increases cost in some years so it is needs to reduce its costs.As the study helps to know that the changes in financial statements i.e.increase or decrease in the liabilities and assets. By the ratio analysis we come to know that the companies solvency. The company have to take some measures tocontrol the costs.

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