Working Capital Management in Investosure

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Abstract- Working capital management is significant in financial management. It plays a vital role in keeping the wheel of the business running. Every business requires capital, without it can't be promoted. Investment decisions is concerned with investment in current assets and fixed assets. working capital plays a key role in a business enterprise just as the role of heart in human body. it acts as grease to run the wheels of fixed assets. its effective provision can ensure the success of business while its inefficient management can lead not only to loss but also to the ultimate downfall of what otherwise might be considered as a promising concern. Efficiency of a business enterprise depends largely on its ability to its working capital. working capital management is one of the important facts of affirms overall financial management for increasing shareholder's wealth a firm has to analyze the effect of fixed assets and current assets on its return and risk.

I. INTRODUCTION

Working capital management is significant in financial management. It plays a vital role in keeping the wheel of the business running. Every business requires capital, without it can't be promoted. Investment decisions is concerned with investment in current assets and fixed assets. working capital plays a key role in a business enterprise just as the role of heart in human body. it acts as grease to run the wheels of fixed assets. its effective provision can ensure the success of business while its inefficient management can lead not only to loss but also to the ultimate downfall of what otherwise might be considered as a promising concern. Efficiency of a business enterprise depends largely on its ability to its working capital. working capital management is one of the important facts of affirms overall financial management for increasing shareholder's wealth a firm has to analyze the effect of fixed assets and current assets on its return and risk.

Working capital management of current assets. The management of current assets on the basis of the following points:

1. Current assets are for short period while fixed assets are for more than one year
2. The large holding of current assets, especially cash, strengthens liquidity position but also reduce overall profitability, and to maintain an optimal level of liquidity and profitability, risk return trade-off is involved holding current assets
3. Only current assets can be adjusted with sales fluctuating in the short run. Thus, the firm has greater degree of flexibility in managing current assets. The management of current assets helps a firm in building a good market reputation regarding its business and economic conditions. Now first let us discuss the paradigms of working capital management.

- CONCEPT OF WORKING CAPITAL:

The concept of working capital includes current assets and current liabilities both. There are two types of working capital they are gross and net working capital. 1. Gross working capital: Gross working capital refers to the firm's investment in current assets. current assets are the assets, which can be converted into cash within an accounting year or operating cycle. It includes cash, short term securities, debtors (account receivables or book debts), bills receivables and stock (inventory). 2. Net working capital: net working capital refers to the difference between current assets and liabilities are those claims of outsiders, which are expected to mature for P payment within an accounting year. It includes creditor's or accounts payables bills payable and outstanding expenses. Networking copulate can be positive or negative. A positive working capital will arise when current assets exceed current liabilities and vice versa.

- NATURE OF WORKING CAPITAL

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter relationship that exists between them. The term current refers to those assets which in the ordinary course of business can be, or will be converted into cash within one year without undergoing a diminution in value and without disrupting the operation of the firm. The major current assets are cash, marketable securities, accounts receivables and inventory. Current liabilities are those liabilities, which are intended at their inception, to be paid in the ordinary course of business, within a year out of the current or the earning of the concern. The basic current liabilities are accounts payable, bills payable, bank overdrafts and outstanding expense. The goal of working management is to manage the firm's assets and liabilities in such a way that a satisfactory level of working capital is maintained. This is because if the firms cannot maintain a satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. The current assets should be large enough to cover its current liabilities in order to ensure a reasonable margin of safety. Each of the short-term sources of financing must be continuously managed to ensure that they are obtained and used in the way. Interaction between current liabilities is, therefore the main theme of the of management of working capital METHODOLOGY For the purpose of the study necessary information has been collected through primary and secondary sources

II. LITERATURE REVIEW

NCEAR (1966): -

The National council of applied Economic Research (NCEAR) in 1966 first time formal study was conducted on working capital management in India. The council published a structure of working capital" which was limited analysis of the creation of working capital with special attention to the fertilizers, and cement and sugar industries the main objective of this study was emphasized on come out with findings that working capital management practices were extremely unplanned and hence need to develop proper accounting policies like inventory management, debtors management as above. And the study suggested developing suitable working capital policies required in the success of business.

Bhatt V. V. (1972): -

He has given concentration on system to appraise working capital management and its finance specially for the large-scale companies. This tools also helpful to other sectors like agriculture as well retail trade etc. As bank provide short term finance to operation of business at the same time need to pay attention on repayment of loan and required finance necessity. If these two areas is to be maintain properly no need to appraise the working capital management concern.

Smith Keith V. (1973): -

Research has been given focused on the short-term finance need to be given more attention for the success of the individual firm. For that finance manager has to give more attention on current assets and current liability. Many firms do investment of current assets in a basket while current liability in many different request. This paper consisteight distinct approaches to working capital management out of it first three gives common guidelines next three regarding constrain set and cost balancing and last two about probability models and portfolio theory.

Chakraborthy S. K. (1974):-

In this research author try to make difference among cash working capital v/s balance sheet working capital. And research is based on two dimensions. Fist is operating cycle concept and second calculation of operating cycle period in all the four cases. Main aim of this research is to exhibit operating cycle concept based on published annual report of the firm.

Misra (1975): -

Here, in this analysis try to identify the problems of working capital in six public enterprises for the period of 1960.Importance and findings are here under: selected samples of companies were not able to utilize working capital efficiently. As well excess inventory level which shows inappropriate management of inventory. In order delay exchange was made to foreign exchange and issue of import license. Furthermore account receivable ratio is very law because liberal credit policy and inappropriate collection policy. In most of the selected firms were having huge cash amount on account and improper management and control on cash. Natarajan Sundar (1980) has been given views on working capital is having immense important at both, the national as well business level. To keep control on working capital at the national level by controlling credit controls. In practice efficient working capital includes to determine the best suitable level of working cpaital, financing it and control over it. If we talked about corporate level investment is important in both case short term investment and fixed assets. And that can be possible many company not surviving as well not incurring profit because of not efficiently manage the working capital. Thus, cost management with improved operational efficiency, and that aspect working capital is very important to be manage in proper way.

Rajeshwar (1985): -
He has done the study on few selected public enterprises in India. He tried to check the working capital policies adopted by the sample units. He made attempt to examine the working capita components how efficiently managed. At the last no one company clearly defined working capital polices and hence most of them could not achieve efficiency in working capital management. In this study it is found that majority of investment was made in finished goods inventory that was indicate that working capital was not managed in planned way. Thus, study recommended for careful management of working capital in finance management.

Rao K.V. and Rao Chinta (1991): -
This study observed that strong and weak point of conventional techniques of working capital analysis. Outcomes of this study shows that some of the conventional techniques which could realized the working capital behaviour well. And some of them fail to do so. And thus authors suggest proper working capital management with conventional method i.e. ratio analysis. Study suggests further inclusive factors which are decisive yardstick in working capital efficiency.

Fazzari Steven M. and Petersen Bruce C. (1993):-
Research has been put light on financial restrain on investment by giving focus the ignoring role of working capital in both as use and source of funds. As per the views of author liquidity can be maintain by maintaining working capital on smooth manner means to be investment in a manner which does not create cash flow constrain. Through the research found that working capital investment should be “excessively sensitive” with summing up that controlling on smoothing working capital create a long-term impact of finance constraints and reported in many other studies also.

OBJECTIVES OF THE STUDY
Working capital is the most widely used and powerful technique of financial Analysis. The main objective of the present study is to know the financial condition of the company.

- To know the overall operational efficiently and performance of the INVESTOSURE PVT. LIMITED.
- To interpret the financial position of company of is appropriate (or) not.
- To assess the long term financial viability of company to know whether the management is constantly concerned about the overall profitability of the company (or) not.
- To provide reliable financial information about economic resources and obligation of a business enterprise.
- To provide reliable financial information those add, it’s in estimating the potential of the enterprise.
- To disclose to the extent possible other information related to the financial statements users.

NEED OF THE STUDY
A systematic financial analysis of accounting figure helps to analysis the probable caused relationship among different items after analyzing scrutinizing the past result which helps the management to prepare budgets, to formulate company policy and to prepare future plan of action. It focuses on company’s relative performance in sales growth margins and assets management. It is a simple tool where by a company can make its internal audit to evaluate internal strengths and weakness of the part of the strategic planning.

LIMITATIONS OF THE STUDY
The study conducted and done is analytical, subject to the following limitations

1) The study is mainly carried out based on the secondary data provided in the financial statements.

2) This study is based on the historical data and information provided in the annual reports therefore it may not be a future indicator.
3) There may be some fractional differences in the calculated ratios. As the study was for short span of 1 month and due to lack of time other areas could not be well focused.

III. RESEARCH METHODOLOGY

This chapter includes the methodology which was used to carrying out the study. Aspect covered includes research design, sampling design, data collection method, data analysis method. This study was concerned with the working capital management in an organisation.

- What data to collect (what data to ignore)
- Who to collect it from (in Research, this is called “sampling design”)
- How to collect it (this is called “data collection methods”)
- How to analyze it (this is called “data analysis method”)

RESEARCH DESIGN

This study was sample survey study. This was because the population was large and a census survey was not possible in terms of time, finance and manpower.

Type of Study –Quantitative

Types of Data- Primary and Secondary Data

Method of Data Collection - Questionnaire and Records of the Company. Method of Data Analysis- Pie Chart

SAMPLE DESIGN

The sample was arrived through a systematic sampling. In this method from the target population, a starting point is chosen at random and thereafter at regular intervals

Sampling Plan	Quota Sampling
Tools used for data collection	Questionnaire
Data Collection	From A, B and C
Sample Size	90

DATA COLLECTION METHOD

The study used the primary data which was obtained through the use of a questionnaire which had both open and closed end question.

DATA ANALYSIS METHOD

Data for this study was analyses using descriptive statistics such as frequency and percentage. The data collected was analyses to fit into the certain sections of cash management practices, inventory management practices, receivables management practices and creditor’s management practices.

CONCLUSION

Firms are created to generate revenues for their owners in the long-term. However, the long-term value is a sum-total of short – term values. Working capital management takes care of the short – term value creation. Working capital management requires managing the short-term levels of investment and financing them. Managing working capital levels refer to the investment in cash, inventories and receivables as well as short-term financing sources such as trade credits and bank loans. Working Capital is the lifeline of every industry, irrespective of whether it's a manufacturing industry, services industry. Working Capital is the prime and most important requirement for carrying out the day-to-day operations of the business. Working Capital gives the much-needed liquidity to the business. Working Capital Finance reduces the overall fund requirement, required to build up the Current Assets, which in turn help you improve your Turnover Ratio. Most of capital is managed will have a significant impact on Profitability of those companies. We have found a strong negative relationship between net operating profitability and the liquidity and a positive relationship between efficient working capital management and profitability of the company

On the basis of the above information, we may further conclude that these results (findings) can be further strengthened if the companies manage their working capital in ways that are more efficient. Management of working capital means "management of current assets and current liabilities, and financing these current assets". If those companies properly manage their cash, accounts receivables and inventories in a proper way, this will ultimately increase profitability of those companies

SUGGESTIONS

1) Suggested the company should follow the present working capital.
2) The company spends reasonable amount on inventory so that it should be followed.
3) The current ratio is maintained at a satisfied level. So that company peruses this much of current assets to meet the objective of the firm.
4) Company is maintaining high quick assets to overcome current liabilities for better results.
5) For better results company has to maintain cash inflows to overcome current liabilities of the firm.
6) The company should make arrangement of receivables and cash

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