

A Study on Working Capital Management Link Enterprises, Nagpur

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Abstract: *Optimal management of working capital is an important financial decision and contributes positively to the value creation of business. Every business needs investment to procure fixed assets, which remain in use for a longer period. Money invested in these assets is called 'Long term Funds' or 'Fixed Capital'. Business also needs funds for short-term purposes to finance current operations. Investment in short term assets like cash, inventories, debtors etc is called 'Short-term Funds' or 'Working Capital'. The 'Working Capital' can be categorized, as funds needed for carrying out day-to-day operations of the business smoothly. The management of the working capital is equally important as the management of long-term financial investment. It is also concerned with maintaining liquidity in the business to ensure smooth running of day to day operations and to meet its financial obligations. The role of finance manager, therefore, is a very vital and vested with responsibility of maintaining the business operations in an efficient and profitable manner.*

Keywords: Optimal management

I. INTRODUCTION

Financial management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise. Financial management is the scientific manipulation and exploitation of our business and financial environment, using a range of statistical, mathematical, and economics tools, with the aim of making the best economic decision, under prevailing circumstances and availability of information and scarce resources.

II. LITERATURE REVIEW

This part represents the review of those studies that have been carried out in the financial performance.

Rao (1993) discussed in his research about 'Financial appraisal of Indian Automotive Tyre Industry'. Main objective of study was intended to probe into the financial condition- financial strength and weakness-of the Indian tyre industry. He has been measured and evaluates the financial performance through inter-company and inter-sector analysis for the period of 1981-1988. He has found that the fixed assets utilization in many of the tyre undertakings was not as productive as expected and inventory was managed fairly well. He has considered that the tyre industry's overall profit performance was subjected to inconsistency and ineffective. He has suggested some recommendations to improve financial performance.

2.1 Objectives

The intention of study is to determine working capital requirements of the Link Enterprises and policy adopted to financing it's Working Capital.

The objectives of the study are as follows:-

1. To compare and analyses the financial statements for the past three financial years.
2. To know the profitability position of Link Enterprises.
3. To forecast the annual growth rate of income of the company with the help of Trend analysis.
4. To provide suggestions for improving the overall finance performance of Link Enterprises.

2.2 Hypothesis

H1:- The Company should utilize the funds more efficiently to maximize shareholder return, equity fund & debt fund.

H0:- The Company should not utilize the funds more efficiently to maximize shareholder return, equity fund & debt fund.

III. RESEARCH METHODOLOGY (COLLECTION OF DATA, SAMPLE SIZE, STATISTICAL TOOLS)

Data collection :-

Sources of information:-

There are mainly two sources for the data and information collection that is the

- 1) Primary sources
- 2) Secondary sources

In this project 1 used both the data collection sources where,

Primary sources:-

There are various methods of collecting the primary information i.e. interview methods, questionnaire methods, observation methods, etc. in this case it is the study of a single organization, so personnel interview methods is used for collection the necessary information and data. For this purpose, at the time of every visit personal interview of the managing directors, secretary, finance manager are taken, through which the point like requirement of working capital, sources of working capital, history of organization etc. and other relevant issues are discussed and the required information is collected.

Secondary sources:-

This study is based on facts and figures for which the sources are also used for collecting the data and information for this project. Secondary data was gathered from various documents and articles from finance and steps follows and steps follows for effective and efficient management find out the actual capital. This data help me a lot to find actual information and data about working capital.

Sample Size: 3 Years Data (21-22-23)

IV. ANALYSIS & INTERPRETATION

Working capital is one of the important filed of management it is therefore very essential for an analyst to make a study about the trend and the direction of the working capital. The working capital trends analysis represent a picture of variation in current assets, current liabilities and working capital over a period of time. Such an analysis enables us to study the upward and downward trend I current assets and liabilities and its effect on the working capital position. The term "Trend" is very commonly used in day conversion, trend is also called as secular or long trend is the basic tendency of population, sales, income, current assets and liabilities etc. to grow or decline over a period of time". The trend is defined as smooth irreversible movement in the series. It can be increasing or decreasing. Secular trend is the effect such a factors, which are more or less constant for a long time or which change very gradually or slowly.

V. CONCLUSION

On Inventory Management

Inventory turnover ratio is also fluctuating in the range. More the ratio greater the efficiency of the inventory management and low inventory turnover ratio suggest poor inventory management. Less of profit and less cost of sale distribution boxes is not allowed to another factory. All factories have to sell distribution boxes under the control of government which result the speed of sales, so DBs factories have to maintain huge stock of finished goods blocking heavy amount.

On Cash Management:-

Cash turnover ratio showing upward trend .the greater cash to sale ratio indicates the effective and better utilization of cash resources. The sale of DBs cannot be used freely used by DBs factories because the amount of sale is deposited in banks working capital loan account as per term of loan.

On working capital trend and liquidity:-

The working capital turnover ratio is found fluctuating during the study period. During the three year period the working capital of the factory showing fluctuating trend. The current assets and current liabilities are showing decreasing trends. A very high ratio may result of over trading and a low ratio may be result of under trading.

On receivable Management:-

The receivables turnover ratio shows increasing trends. Receivables include wastages, sales receivables, other traders outstanding, raw material, cutting of metal sheets, and shorter the collection period better the quality of receivables management.

On payables Management:-

The average payables period is very large in the comparison to average collection period i.e. it is near about 10 times of period of credit allowed to debtors. So it is goods sources of financing the working capital.

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