IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 6, Issue 4, September 2026
Impact Factor: 8.2

Analytical Study of Working Capital Management by Bakeries in Selected Areas of Pune City

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Abstract: *Working capital management is the process of optimizing a company's short-term assets and liabilities to ensure smooth operations. It involves monitoring cash flow, managing receivables and payables, and maintaining the right inventory levels. A well-managed working capital cycle enables businesses to meet their financial obligations, invest in growth, and respond effectively to market fluctuations. Present study aims to identify and analyse the working capital management practices of small-scale bakeries situated in Pune City with a specific focus on inventory management, debtor and creditor performance, and cash flow efficiency.*

For the purpose of analysis ratios tools has been used to analyse working capital management of the bakeries. Various ratios used like Current Ratio, Inventory Turnover Ratio, and Return on Investment (ROI), etc. Furthermore, the study compares the overall working capital performance of bakeries by classifying them based on their number of years of operation like 1–3 years, 3–5 years, 5–10 years, and more than 10 years. The research is geographically focused on bakeries located in the Ambegaon, Narhegaon, Dattawadi, and Vadgaon region of Pune.

For the purpose of study data was collected primary and secondary sources. Present study is analytical in nature. Structured survey questionnaires were used to collect data directly from bakery owners. The key areas of focus included cash holdings, inventory levels, credit terms, payment patterns, revenue, profit, and expenses. Secondary data was collected by financial and accounting records provided by bakery owners , industry reports, journals, and online resources on small-scale business financial practices.

101 small scale bakeries situated in Pune City selected on random basis for the purpose of primary data collection. Non-probability convenience sampling method used to collect data.The bakeries were selected based on accessibility, availability, and willingness to share financial and operational data in the Ambegaon, Narhegaon, Dattawadi, and Vadgaon areas of Pune. Total Sample Size of the study is 101 small-scale bakeries, categorized based on their number of years of establishment:

Present study provides leveraging theoretical insights from established financial management frameworks with comprehensive understanding of the challenges and best practices in managing working capital in the bakery industry.

Keywords: working capital, bakery industry, receivables, inventory, credit term

I. INTRODUCTION

This document is a templat capital management is the course of optimizing a company's short term assets and liabilities to ensure smooth tasks. It involves monitoring cash flow, managing receivables and payables, and maintaining the right inventory levels. A well-managed working capital cycle enables businesses to meet their financial obligations, invest in growth, and respond effectively to market fluctuations. The bakery business life cycle involves five main stages.

1. Conception or planning
2. Start-up (high-effort, initial sales)

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3. Growth (scaling operations)
4. Maturity (stable market position)
5. Renewal or decline

For Bakery industry success requires addressing high operational demands, regulatory compliance, and evolving consumer preferences for specialized products. Present study aims to identify and analyze the working capital management practices of bakeries, with a specific focus on inventory management, debtor and creditor management and cash flow efficiency. Study compares the working capital of bakeries by based on their years of establishment from 1–3 years, 3–5 years, 5–10 years, and more than 10 years. The research is geographically focused on bakeries located in the Ambegaon, Narhegaon, Dattawadi, and Vadgaon region of Pune.

Objectives:

1. To analyze the key challenges faced by bakery businesses in managing their working capital.
2. To understand how small bakeries manage their cash flows and to study inventory management, debtor's debtor management practices in bakery businesses.

Significance of the study:

Present study useful to understand small-scale bakery businesses to manage cash flow, inventory, and credit efficiently, reducing financial risks. It also covers to identifies common working capital management issues faced by bakery businesses, such as cash shortages and inventory mismanagement. Optimizing working capital leads to better financial planning, cost control, and improved business performance. Present study aids to understand working capital management and its real-world applications in small-scale industries, specifically in the bakery sector to analyze financial challenges, working capital management.

II. LITERATURE REVIEW

Hassan Dashti, Mohsen, (2017) , "A Study of Bakery Industry in Pune District with Special Reference to Marketing and Financial Problems". This study highlights that small-scale bakeries in Pune face significant marketing and financial challenges, including limited access to capital, inadequate marketing strategies, and stiff competition. Addressing these issues is crucial for the sustainability and growth of the bakery industry in the region.

Abdul Latif & Aysa Yeasmin, (2014) , in his research paper "Impact of Financing Techniques in Maintaining Profitability of Problem-Ridden Small-Scale Bakery Industry; A Study on Selected Bakeries of Sylhet District" , concludes that effective financing techniques, such as proper utilization of trade credit and capital structuring, play a vital role in maintaining the profitability of small-scale bakeries facing operational challenges. Implementing these techniques can lead to improved financial health and sustainability.

Hassan Dashti, Mohsen, (2017) in his research paper titled "A Study of Bakery Industry in Pune District with Special Reference to concludes that small-scale bakeries in Pune face significant marketing and financial challenges. These challenges include limited access to capital, inadequate marketing strategies, and stiff competition. Addressing these issues is crucial for the sustainability and growth of the bakery industry in the region.

Diksha Sharma & Vaibhav Tripathi (2024) , in their research paper title "Effect of Working Capital Management on the Profitability of Indian Firms", tells that working capital management has a non-significant impact on the profitability of Indian firms. This suggests that while managing working capital is important, it may not directly influence profitability, and other factors could be more critical in determining financial performance.

CA Seema Korgaonkar & Preksha Gosar (2024) , in their research paper "A Study of Working Capital Management in Small Scale Industries", highlights the critical role of working capital management in the financial health of small-scale industries. It identifies that challenges such as inefficient inventory management and delayed receivables can adversely affect liquidity and operational efficiency.

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Mr. Harshal Ulhas Padwal (2024) , in his research paper titled "A Study of Working Capital Management in Small Scale Industries", determines that effective working capital management is pivotal for the success of small-scale industries. It points out that strategic planning and monitoring of current assets and liabilities can lead to improved financial performance and competitiveness.

Dr. A. B. Mishra & Ms. Ritika Singh (2023) , "Pune's Iconic Kayani Bakery: A Case Study of Family Business Management", case study demonstrates how Kayani Bakery has successfully managed to sustain its operations over generations through effective family business management practices. It emphasizes the importance of legacy, quality maintenance, and customer loyalty in the longevity of family-runbusinesses.

III. RESEARCH METHODOLOGY

For the purpose of study data was collected primary and secondary sources. Present study is analytical in nature. Structured survey questionnaires were used to collect data directly from bakery owners. The key areas of focus included cash holdings, inventory levels, credit terms, payment patterns, revenue, profit, and expenses. Secondary data was collected by financial and accounting records provided by bakery owners, industry reports, journals, and online resources on small-scale business financial practices.

101 small scale bakeries situated in Pune City selected on random basis for the purpose of primary data collection. Non-probability convenience sampling method used to collect data.The bakeries were selected based on accessibility, availability, and willingness to share financial and operational data in the Ambegaon, Narhegaon, Dattawadi, and Vadgaon areas of Pune. Total Sample Size of the study is 101 small-scale bakeries, categorized based on their number of years of establishment:

a. 32 bakeries operational for 1–3 years
b. 25 bakeries operational for 3–5 years
c. 19 bakeries operational for 5–10 years
d. 25 bakeries operational for more than 10 years

The collected data was processed using quantitative analysis methods, primarily: from Financial Ratio Analysis: Ratios such as Current Ratio, Quick Ratio, Inventory Turnover, Working Capital Turnover, Gross and Net Profit Margin, and ROI were calculated to assess financial performance. Bakery businesses were analysed across different age groups (1–3 years, 3–5 years, 5–10 years, and >10 years) to identify patterns in working capital efficiency. Descriptive Statistics use in the form of Percentages and frequencies were used to represent survey results such as payment methods, inventory management practices, and challenges faced.

V. OBSERVATIONS

Inventory Turnover Ratio

PARTICULARS	RANGE	COUNT	INVENTORY TURNOVER AVERAGE	%
LOW	<1	14	0.24	43.75
MODERATE	1-5	11	1.95	34.37
HIGH	5-10	5	7.93	15.625
VERY HIGH	>10	2	30	6.25

TABLE NO.1

It has been observed that 44% of all bakeries had a very low turnover ratio (0.24), which means they were holding too much stock that wasn't converting into sales. This often leads to spoilage of perishable bakery items like dairy, flour, and eggs. Where, 5-10 years old 54% bakeries has moderate inventory turnover ratio of 3.57. It indicates, only 23.1% of older bakeries have a low ITR (<1), which suggests better inventory control and less wastage.

In contrast, 44% of newer bakeries (1–3 years) struggle with overstocking, leading to more ingredient spoilage. Older bakeries likely use past experience to accurately forecast demand, reduce over-purchasing, and improve shelf management, avoiding spoilage. Shows, Better inventory control leads to less spoilage. Here, both Alternative

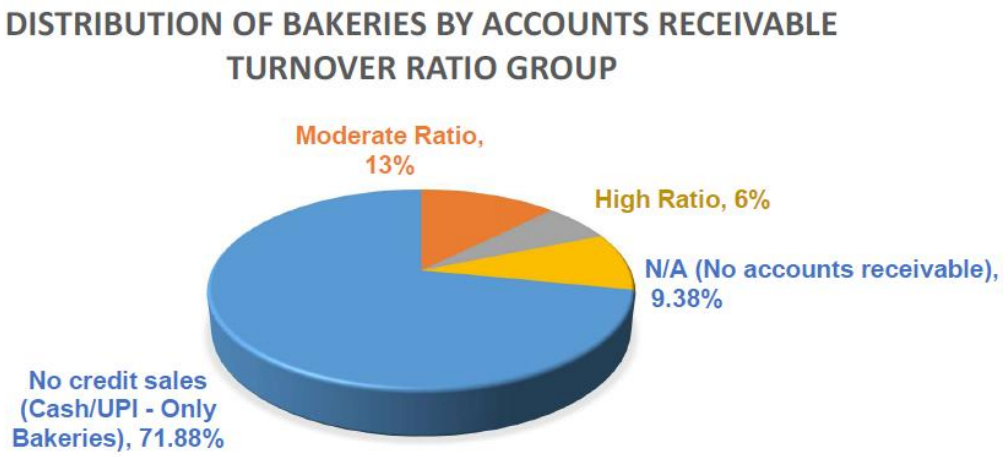
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Hypothesis of effective inventory management helps reduce wastage and improve efficiency in 1–5 years old bakeries, and Newer bakeries (1–3 years) waste more ingredients due to overstocking compared to bakeries older than 5 years .
Working Capital Turnover ratio:

PARTICULARS	RANGE	COUNT	WORKING CAPITAL TURNOVER AVERAGE RATIO	%
LOW	<5	6	2.7395	18.75
MODERATE	5-50	7	27.069	21.875
HIGH	50-100	5	67.3	15.625
VERY HIGH	>100	2	285.85	6.25
negative WORKING CAPITAL RATIO		10	-32.9	31.25
UNDEFINE RATIO(NO CURRENT LIABILITIES)		10	2	6.25

TABLE NO.2

It has been detected that 31.25% of bakeries had a negative ratio, meaning their sales were not enough TO cover working capital needs, indicating cash flow problems. cash flow cycle is disrupted in many bakeries due to delayed or absent receivables, leading to poor working capital turnover.



GRAPH NO.3

It has been observed that only 6.25% of bakeries reported strong receivable turnover (68.57); most operate solely on cash and UPI. This lack of credit recovery mechanisms increases cash flow irregularities. visual depiction of bakeries using only UPI or cash payments highlights the lack of structured credit management.

VI. FINDINGS AND SUGEESTIONS

DIMENTIONS	STAGE OF BAKERY	FINANCIAL TARGER	SUGGESTIONS
LIQUIDITY	1-3 YEARS (SURVIVAL)	QUICK RATI >1	REDUCE CREDIT SALES TO IMPROVE IMMEDIATE CASH AVAIBI.ITY
	3-5 YEARS (GROWTH)	CURRENT RATIO BETWEEN 1.5-5.0	BUILD CASH RESEARVES AND CONTROL EXPENSES

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	5+YEARS (MATURITY)	WORKING CAPITAL rS.1-5 LAKH/MONTH	NEGOCIATE LONGER PAYMENT TERMS WITH SUPPLIERS TO ASE CASH PURCHASE
EFIICIENCY	ALL SATGES	INVENTORY TURNOVER : 18-24 TIMES / YEAR	USE DEMAND FORCASTING TOOLS TO AVOID WASTAGE
		DAYS SALES OUTSTANDING (DSO)<15 DAYS	aPPLY STRICT CRDIT POLICIES DOR FASTER CUSTOMER PAYMENTS
Profitability	Early Satge	Gross Profit Margin > 35%	REDUCE OVERPRODUCTION
	Established Satge	Net Profit Margin 20-25 %	INCREASE SAKES OF HIGH MARGIN ITEMS FOR BETTER PROFITABILITY

TABLE NO.3

1. Working Capital Cycle theory explains how quickly a business converts its resources (like raw materials) into cash. In Bakeries the time to sell inventory (like bread, cake, etc.) is short because items are perishable. Longstanding bakeries (>10 years) sell their inventory in about 12.5 days, while newer ones (1–3 years) take around 25 days. It takes 8 to 13 days to collect money from customers after credit sales. Bakeries pay suppliers very quickly, in 7 to 12 days, which is risky. Ideally, they should take 15 to 30 days to manage cash better.

2. Liquidity vs. Profitability

Trade-off theory says businesses must balance having enough cash (liquidity) and earning good profits. It has been observed that New bakeries (1–3 years) shows high profit return (ROI = 70%) but poor liquidity (Quick ratio = 0.47).I means they earn well but may not have enough cash to pay bills. Whereas Longstanding bakeries (>10 years) have better cash management (Current ratio = 2.03) and decent profits (Net margin = 23.3%, ROI = 11.7%). They are more balanced and stable.

3. Just-in-Time (JIT)

Inventory Theory indicates buying or producing only as much as needed, reducing waste and cost. In Bakeries Longstanding bakeries restock quickly (29.3 times/year), almost like JIT.But 20% of products are wasted because they make too much (overproduction). Younger bakeries have slower turnover (14.4 times/year) and 25% spoilage. The best results are in 3–5-year bakeries, with better balance between production and waste.

4. Perishability CONSTRAINT:

IN bakeries, products spoil quickly, unlike other industries where goods lose value slowly. If not sold on time, bakery items lose full value. 55% bakeries face waste due to unpredictable customer demand. 55% BAKERIES using inventory tracking systems and 24.8 % sell all products daily , Produce in small, fast batches .

5. Credit Management CHALLENGES:

Bakeries often allow customers to pay later, which helps sales but creates payment delays. 32% of younger bakeries use credit to increase sales but 29.7% face delayed payments, even though on average it takes just 8–13 days to collect.28 .7 % bakeries offer discounts for early payments , promote digital payments like UPI .

6. Supplier Power PROBLEM:

Suppliers have more control over payment terms.Bakeries pay suppliers in about 7.3 days, while they collect money from customers in 8 days. 26.7% of bakeries face cash flow problems because of rising ingredient prices. only 16.8% buy in bulk to save costs.

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7. Technology Adoption CURVE:

24.8 % bakeries records manually and 24.8% use Excel sheets (24.8%) for maintaining records 21.8 % bakeries use basic accounting software 28.7 % bakeries used Specialized bakery systems . Not a single bakery adopted Fully integrated POS + inventory tracking systems. Move bakeries toward digital, automated systems to reduce errors and manage inventory better.

8. Financial Literacy Progression:

Long-lasting bakeries knows basic Level concepts of working capital like current assets, liabilities, and CCC . Mature level bakeries has intermediate Level like usage of financial ratios like current ratio, ROI, etc. All type of bakeries lack in advance level of understanding working capital

VII. CONCLUSION

Working capital management is the process of optimizing a company's short-term assets and liabilities to ensure smooth operations. It involves monitoring cash flow, managing receivables and payables, and maintaining the right inventory levels. A well-managed working capital cycle enables businesses to meet their financial obligations, invest in growth, and respond effectively to market fluctuations. It has been observed that small bakeries need a customized model of working capital management Because their products are perishable, which shortens their cash cycle, they often face unfair trade terms, paying suppliers faster than collecting from customers, they adopt technology slowly and unevenly, their financial priorities change over time from surviving in the beginning to optimizing operations in maturity. A "one-size-fits-all" SME working capital model is not suitable for bakeries. Instead, sector-specific strategies are required, especially around inventory speed, cash flow, and credit control in the food

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