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# AN ANALYSIS OF WORKING CAPITAL MANAGEMENT EFFICIENCY

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## ABSTRACT :

Working capital management can be considered as vital issue in financial decision-making processes in company. Consequently, it directly affects company's success in the way of its profitability. Empirical evidence is provided on a sample of Croatian and Slovenian companies in the dairy processing industry. Univariate and multivariate analyses are used to test hypotheses about impact of working capital management components and cash conversion cycle on company's profitability. Furthermore, differences in working capital management policies in condition of crisis and before crisis are examined. Our findings show that none of working capital management components significant affect profitability, measured by return on assets, while statistically significant relation exists between cash conversion cycle as working capital management comprehensive measure and profitability. Keywords: Working capital management, Dairy industry, Milk production, Profitability.

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## INTRODUCTION :

Working capital management (WCM) is the management of short-term financing requirements of a firm. This includes maintaining optimum balance of working capital components – receivables, inventory and payables – and using the cash efficiently for day-to-day operations. Optimization of working capital balance means minimizing the working capital requirements and realizing maximum possible revenues. Efficient WCM increases firms' free cash flow, which in turn increases the firms' growth opportunities and return to shareholders. Even though firms traditionally are focused on long term capital budgeting and capital structure, the recent trend is that many companies across different industries focus on WCM efficiency.

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## RESEARCH METHODOLOGIES

The objectives of this research are:

1. Discover the relationship between the WCM efficiency and firm's profitability and liquidity to find if there is evidence of WCM in telecommunication equipment industry.
2. Discover the WCM component that relates to the performance of the WCM in the telecommunication equipment industry.

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## SOURCES OF DATA:

This study is based on Secondary data:-

The secondary data are those, which have been collected by some other and which have been processed. Generally speaking secondary data are information, which have been previously collected by some organization to satisfy his own need. But the department under reference for an entirely different reason is using it.

For this project secondary sources used are:

1. Annual reports of the company.
2. Company website
3. Books
4. Other company documents

## SAMPLING DESIGN

Sampling unit : Financial Statements & Audit Reports

Sampling Size : Last four years financial statements

## LIMITATIONS OF THE STUDY

1. The study is made only on the company and therefore inter comparison is not possible.
2. This study is conducted in a short period, during this limited time the study not be detailed in all aspects.
3. The study is conducted with the available data gathered from annual reports.

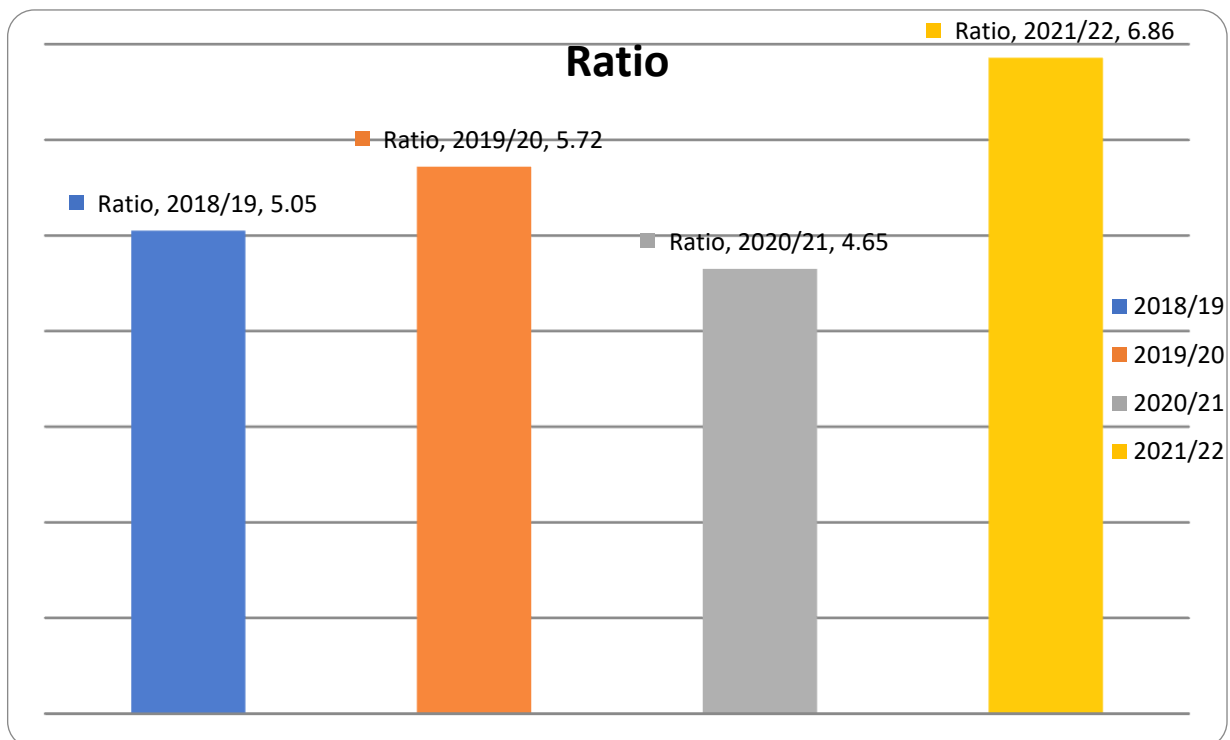
## DATA ANALYSIS

### Working Capital Turnover Ratio:-

It is taken as one of the primary indicators of the short-term solvency of the business. It establishes the relationship with the net sales. It measures the efficiency with which the working capital is being used by the firm.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

Year	Net Sales	Net Working Capital	Ratio
2018/19	102,199,181	20,229,751	5.05
2019/20	132,858,985	23,244,807	5.72
2020/21	171,671,451	36,879,727	4.65
2021/22	221,246,824	32,265,850	6.86



### INTERPRETATION:

In The year 2018/19 working capital t/o ratio was 5.05 time, 5.72 time in the year 2019/20. In the year 2019/20 the working capital has increases. And in financial year 2020/21 it decreased and again in financial year 2021/22 it increased.

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## FINDINGS

- Current assets for the year 2019/20 is increases and it is good condition for the company and current liabilities of the company is increased by 1,153,939 that's shows working capital of company decreased. Here debtors decreased that's good for company it shows cash of company increased.
- Current ratio (C.R) of fiscal year 2018/19 to 2021/22 showed slightly increase i.e. 0.67 to 0.91. But in fiscal year 2019/20 C.R decreased comparatively in deposits and in fiscal year 2020/21 C.R is again increase 0.86 due to increase in factors which influence it.
- Cash and Bank balance to current assets ratio of the company is in 2019/20 decreased and in 2020/21 it increased and again in 2018/19 is decreased.
- The above figure depicts that the cash and bank balance to total deposit of BALIC has been slightly decreasing in FY 2019/20, 2020/21, 2021/22.
- Net profit to total asset ratio in 2018/19 1.05 and it increasing slightly in financial year 2019/20, 2020/21 and 2021/22.

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## SUGGESTIONS

1. The company has able to repay the liability of the creditors because the profit of the company has increased every year.
2. Because of the current assets has declined in the year 2020-2021 but profit of the company has increased in the year 2018-2019. There for the return on current assets is high.
3. Company has able to full fill the standard level of current ratio i.e. 2:1 .There for the company has able to repay the liability and loan of company.

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## CONCLUSION

The Working Capital Management contributes much in the over all management of the organization affairs, efficiency of organization operations depend on how it manages its short term business dealings. Working Capital management contributes for the firm efficiency as well as the finance manager is proper utilizing the available wealth and maintaining the required liquidity.

Working capital is considered to be an important tool for progress. Working capital management techniques are playing significant role in assisting the management for decision making. The study of working capital management at Bajaj Allianz Life Insurance Pvt. Ltd. Is found to be very effective. The working capital contains the management of Cash, Debtors, and creditors. The Bajaj Allianz Life Insurance Pvt. Ltd has profit oriented company .

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### WEBSITES:

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2. [www.scribd.com](http://www.scribd.com)
3. [www.fmsource.com](http://www.fmsource.com)