ISSN:2321-2152
www.ijmece .com
Vol 11, Issue.3July 2023

ISSN:2321-2152
www.ijmece .com
Vol 11, Issue.3July 2023

A STUDY ON WORKING CAPITAL MANAGEMENT AT CO-OP CENTRAL BANK LTD

M.Manikanta , Ms. Ramya Sree.M

Abstract

Working capital management is an important aspect of firm financial management since it directly affects liquidity, profitability, and operational efficiency. This abstract provides an overview of working capital management, including its significance and important improvement initiatives. Working capital management is the process of managing a company's current assets and liabilities in order to guarantee that there is enough liquidity to meet short-term obligations and keep day-to-day operations running. It is vital to strike a careful balance between keeping enough working capital on hand to minimize liquidity worries and reducing idle cash, which can have an impact on profitability. This abstract discusses and emphasizes the importance of the various components of working capital, such as cash, inventories, receivables, and payables, in working capital management. It emphasizes the need of understanding cash flow dynamics and forecasting tools in order to forecast future working capital requirements accurately. In addition, the abstract emphasizes some important working capital management practices. Among these methods are effective cash flow management, inventory control systems, optimizing receivables and payables cycles, and the use of financial instruments such as credit lines and factoring. It also stresses the use of technology, such as automated payment systems and real-time financial reporting tools, to streamline working capital activities.

Key Words: Working capital management, Financial instruments, Minimize liquidity, Factoring, Profitability.

I. INTRODUCTION

The brains and heart of a business are its operating capital. When a company has enough operating capital, it can get better buying terms, lower production costs because of cash discounts, lower borrowing rates, and so on. A business can't make money if it doesn't have enough working capital. Having a steady source of working cash is very important. The financial manager is responsible for figuring out how much working capital is needed. When a business has enough cash on hand, it can take advantage of any opportunity, whether it's to fill an urgent order, buy more of what it needs, or wait for the market to get better. It's important to know a business's working cash for a number of reasons.

1. M.Manikanta, II-MBA, Malla Reddy Engineering College (Autonomous), Department of MBA, Hyderabad, E-mail: manikanta2000@gmail.com

2. Ms. Ramya Sree.M, Assistant Professor, Department of MBA, Malla Reddy Engineering College (Autonomous), Hyderabad, E-mail: mramyasree004@gmail.com

The firm and its clients will be able to tell how well the business is doing by figuring out how much working capital it has. Also, the company's working capital grows when new tools and stock lines are bought, among other things. Working capital is the most important thing to think about when looking at a company's success or making predictions about its growth. If a company's managers don't know about working capital and how to handle it well, it could hurt the company's growth and performance. A company can't grow if it doesn't have enough money to run. The ACC is a very big business. Because of this, there is a lot going on all the time. For ACC to pay for its current assets, it needs a lot of working cash to buy raw materials, stock, and replacement parts.

DEFINITION

Working capital management is a set of practices that help businesses make the most of what they already have and make money. Its main goal is to make sure that all bills and expenses are paid without hurting the company's ability to spend in its long-term success.

CONCEPT OF WORKING CAPITAL:

Working capital is the difference between a company's liquid assets and its current liabilities, such as debts, bills due, and bank overdrafts.

Working capital can be thought of in two ways. The following is what they are: First, we'll look at the total amount of working cash.

Gross Working Capital:

This idea says that a company's working capital is the amount of money it has right now to spend in its most liquid assets.

Net Working capital:

It shows a gap between the current assets and liabilities of the company. The net operating capital can be up or down. Net working capital is good when short-term assets are more than short-term liabilities. When current expenses are higher than current assets, this is called negative working capital. You can figure out how liquid a company is by looking at its net working capital.

IMPORANCE OF WORKING CAPITAL FOR COMPANY:

- Firms need a steady stream of working capital to pay their normal bills, deal with unexpected costs, and stock up on important goods.
- Good management of working capital is essential for keeping businesses running smoothly, increasing sales, and making more money. Stock control, managing AR/AP, and managing working capital are all things that are discussed. The main goals of working capital management are to keep the working capital operating cycle running smoothly, to lower the cost of capital used for working purposes, and to get the best return on investments in current assets.
- Working capital is easy to understand because it is directly linked to the cost of living for each person. It's important to pay off debts and save a set amount of money every day to cover bills and other costs of life.
- Working cash is often a sign of how well, quickly, and generally a business is doing. It shows the results of many business actions, such as collecting money, managing debt, keeping track of inventory, and paying suppliers. This is because it includes cash on hand, short-term debt that is due in part within a year, and accounts payable and outstanding.

II. REVIEW OF LITERATURE

Verma's (2015) study on working capital management at Tata Iron and Steel Company Ltd., Indian Iron and Steel Company, and Steel Authority of India Ltd.. Utilizing a variety of financial and statistical approaches between 1978-1979 and 1985-1986, it was determined that the three firms used bank borrowing to meet their working capital needs.

Vijaykumar and A. Venkatachalam (2016) study focuses Tamilnadu Sugar Corporation for which spans the years 1985–1986 through 1993–1994. That suggests the company maintains a reasonable level of working capital. Long-term money were used to pay off short-term obligations as well as surplus obligations. This study period also had an impact on profitability.

Rehman Abdul and Mohamed Nasr (2018) In that study, he noted that working capital management and its impact on business profitability as well as liquidity. He chose 94 Pakistani companies to list on the Karachi Stock Exchange during a six-year period, from 1999 to 2004.He made use of a variety of tools and approaches for regression and correlation analysis of people. Lastly, identify the relationship between working capital management in a firm's positive and negative aspects.

Paul (2018) – this is comprehensive study of working capital management in motor industries company limited. During the period of 2001 to 2005 for 5year data collected. To analysis purpose uses various kinds of ratio analysis. Finally shows that working capital of company under study has not been managed efficiently and effectively

III. NEED FOR THE STUDY:

- Working capital management is one of the most important parts of making financial decisions because management has to make sure that investing too much in current assets doesn't put the company at risk of running out of stock.
- Current assets are a good way to figure out how liquid a company is.
- The goal of working capital management is to keep a company's current assets and current obligations in good shape. If the company can't keep its working capital at a level that makes sense, it will likely go bankrupt because it won't be able to pay its bills.

IV. SCOPE OF THE STUDY:

- The study examines both long-term and short-term sources that CO-OP CENTRAL BANK LTD used to pay its bills.
- Duration of the study is 2018–2022 i.e., five years.
- The study is conducted in Coop central bank’s Hyderabad location.

V. OBJECTIVES OF THE STUDY:

- ➢ The goal is to find out how CO-OP CENTRAL BANK LTD manages its working cash right now.
- ➢ To figure out how liquid the company is by looking at its current assets and current debts.
- ➢ The goal is to figure out how well the current method of handling working capital is working.
- ➢ Find out where the company gets the money it needs to run.
- ➢ Check to see how well the organization's working capital has helped it make money.

ISSN:2321-2152
www.ijmece .com
Vol 11, Issue.3July 2023

- Based on what you found, make some suggestions to management.

VI. RESEARCH METHODOLOGY:

Data Sources: Only secondary sources can help with study on working capital management.

information on has been gathered by

Secondary sources: Published firm annual reports for the years 2018–2022.

DATA ANALYSIS

- Ratio analysis, graphic analysis, and year-over-year analysis were used to process the data and learn more about the capital structure at the moment.
- The company's annual reports from 2018 to 2022, as well as books and the Internet, were used to find secondary statistics. Primary source information came from interviews with the company's head.

VII. Limitations of the study: The following are the limitation of this study.

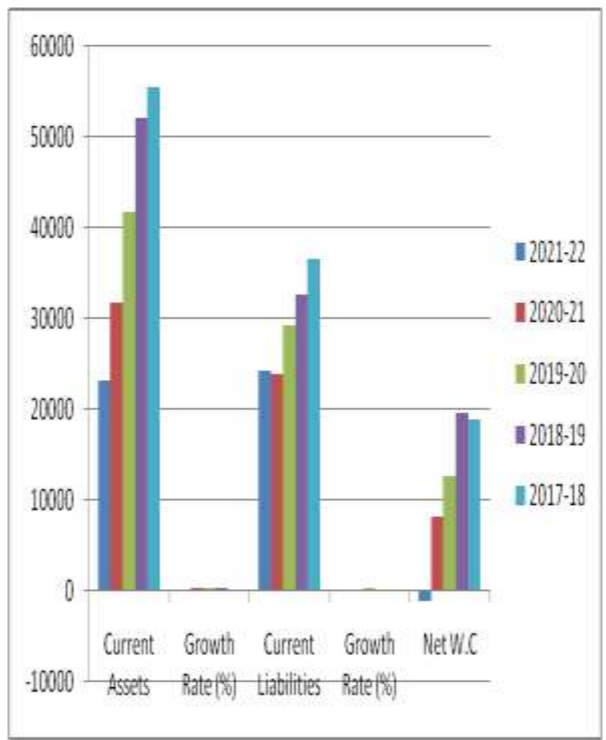
- The data collected is completely restricted to 2018- 2022; hence this analysis cannot be taken universal.
- Co-Op's Hyderabad location only considered to conduct the study.
- Ratios are the only indicators used despite availability of other financial performance metrics.

VIII. Empirical results

Tabular representation of Current assets & liabilities

Year	Current Assets	Growth Rate (%)	Current Liabilities	Growth Rate (%)	Net W.C
2021-22	23075.3	100	24270.2	100	-1194.9
2020-21	31800.3	137.8109	23803.1	98.07509	7997.23
2019-20	41713.8	131.1742	29197.8	122.6639	12516
2018-19	52158.1	125.0382	32664.9	111.8748	19493.2
2017-18	55487.7	106.3835	36584.7	111.9998	18903.03

GRAPH NO 4.a

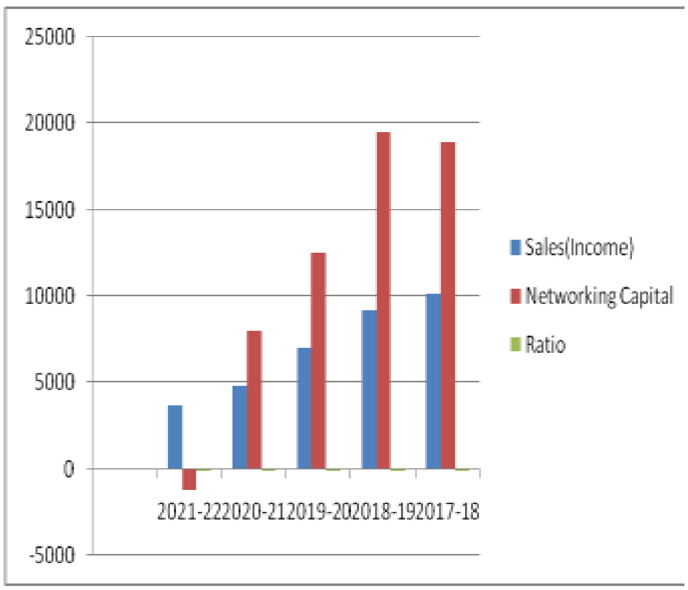


CO-OP CENTRAL BANK LTD current assets and current liabilities are both growing, but in the fiscal year 2017-18, the bank's current liabilities grew faster than its current assets by 106.38 percentage points. Similarly, the net working capital is showing signs of expansion.

Tabular representation of working capital turnover ratio

Year	Sales(Income)	Networking Capital	Ratio
2021-22	3676.54	-1194.93	-3.0768
2020-21	4811.12	7997.23	0.6016
2019-20	7028.66	12516.03	0.5616
2018-19	9203.15	19493.2	0.4721
2017-18	10166.83	18903.03	0.5378

Graphical representation of working capital turnover ratio



Turnover Ratio:

Revenue and debtors are correlated through the Debtors Turnover Ratio. A high Debtors Turnover Ratio or a short time to collect on debts are two indicators of successful credit management.

All other ratios on the Assets as of now along with their respective percentages were computed and the results indicated that Sundry Debtors, Cash, and Balance with RBI, Advances, and Balance with Bank all hit all-time highs between FY 2017-18 and FY 2022-23. Sundry Debtors, Cash, the Balance with the RBI, Advances, and the Balance with the Bank all rise between 2017-18 and 2022-23. Implementing a trustworthy plan for managing working cash can enhance profits for many companies. The two primary components of working capital management are ratio analysis and the management of each individual working capital component.

IX. Findings, Suggestions & Conclusion:

Findings:

- Between 2017 and 22 the CO-OP CENTRAL BANK LTD net working capital displays an upward trend, which is encouraging; nevertheless, after that point it begins to decline.
- During the study period of 2017-2022, the current ratio at CO-OP CENTRAL BANK LTD is satisfactory. Initially, it rises, but then it begins to fall.
- Quick ratio shows maximum value of 1.75 in 2020-21 and then decreasing to be deal, although on average CO-OP CENTRAL BANK LTD has a poor quick ratio.
- CO-OP CENTRAL BANK LTD turnover ratio for fixed assets went increased. This is something the corporation must keep up.
- There have been no sudden drops in the inventory turnover ratio of CO-OP CENTRAL BANK LTD between 2017 and 2018. It's going to go up in 2018-2019 and go up again in 2020-21. Effective management can be predicted from well-organized stockpiles.
- CO-OP CENTRAL BANK LTD has an unsatisfactory total-assets turnover ratio of less than one in every year except 2020-21, when it rises to 2.54.

ISSN:2321-2152
www.ijmece .com
Vol 11, Issue.3July 2023

- The ROI is low and unsatisfactory. This suggests that the corporation is wasting its resources.

Suggestions:

- The funds allotted to the position improvement should be used wisely.
- Increased sales can be achieved through improved brand recognition.
- It is possible to implement mechanisms for reducing costs.
- The production process can be improved upon.
- Spending on raw materials should be done only when absolutely necessary. Funding constraints could be caused by unnecessary investment.
- The industry's earnings and liquidity situation will not be negatively impacted by inventory turnover ratios that are either too high or too low. A healthy middle ground should be found between maximising profitability and maintaining cash flow.
- The raw materials must be purchased from a reliable vendor at a fair price for the quality they provide.
- Changes need to be made to the way CO-OP CENTRAL BANK LTD purchasing department works in order to speed up product delivery without sacrificing quality by making better use of available resources.

Conclusion

The HDCC bank net profit ratio for 2017-2018 is positive. This development is hardly surprising given that the Net Profit Ratio has been steadily declining over the past two years. The rising cost of providing banking services has led to a decline in CO-OP CENTRAL BANK LTD profit margin CO-OP CENTRAL BANK LTD has an adequate Net Working Capital Ratio. For the 2016-2017 fiscal year, the ratio of return on total assets at CO-OP CENTRAL BANK LTD has a negative value. CO-OP CENTRAL BANK LTD operating ratio has been rising since 2017–18 and will peak in 2020–21. Therefore, it is imperative that we cut expenditures wherever possible. CO-OP CENTRAL BANK LTD has an acceptable operating ratio. This ratio is dropping as production costs rise. Therefore, it is imperative that the cut back on administrative costs.

References:

1. Filbeck, G., & Krueger, T. M. (2005). An analysis of working capital management results across industries. American journal of business.
2. Smith, K. V. (1973). State of the art of working capital management. Financial management.
3. Deloof, M. (2003). Does working capital management affect profitability of Belgian firms?. Journal of business finance & Accounting.
4. Preve, L., & Sarria-Allende, V. (2010). Working capital management. Oxford University Press.
5. Baños-Caballero, S., García-Teruel, P. J., & Martínez-Solano, P. (2010). Working capital management in SMEs. Accounting & Finance.
6. Palombini, N. V. N., & Nakamura, W. T. (2012). Key factors in working capital management in the Brazilian market. Revista de Administração de Empresas.
7. Aktas, N., Croci, E., & Petmezas, D. (2015). Is working capital management value-enhancing? Evidence from firm performance and investments. Journal of Corporate Finance. Pass, C. L., & Pike, R. H. (1984). An overview of working capital management and corporate financing. Managerial Finance.
8. Pass, C. L., & Pike, R. H. (1984). An overview of working capital management and corporate financing. Managerial Finance.
9. Valipour, H., Moradi, J., & Farsi, F. D. (2012). The impact of company characteristics on working capital management. Journal of Applied Finance and Banking.

10. Mansoori, D. E., & Muhammad, D. (2012). Determinants of working capital management: Case of Singapore firms. Mansoori, E, Joriah Muhammad (2012), Determinants of working capital management: Case of Singapore firms," Research Journal of Finance and Accounting.