Working Capital Management

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Dissertation Report

of

Study on comparing Working Capital Management of Indian Manufacturing & Telecomunication Industry

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SUMMARISATION

A decent designed of working capital management is predictable to donate completely to the establishment of @ firm's worth.

Working capital is the principal invested in various items of current assets essential for the business initiatives like inventory. Debtors. cash & other current assets like loans & advances.

Those current assets are crucial for smooth business processes & proper utilization of fixed assets. The firm should maintain enough level of working capital to yield upto a stipulated capacity & maximize the return on investment in fixed assets of the manufacturing enterprises.

The scarcity of working capital indication to lower capacity utilization, lesser turnover & hence lower profits. Working Capital, in additional of the sum required to food to full volume, is idle & consequently leads to failure in profits.

The study distillates on the main workings of working capital like inventory management, accounts-receivable mgmt & cash management of the Indian Manufacturing Initiatives.

Abbreviations

Wcm=working capital management

Wc=working capital

Mgmt.=management

Rcd= receivable days

Pyb=payable days

Iod=inventory days

Coy= cash conversion cycle

Hyp=hypothesis

Between=b/w

1.Introduction :

WCM represents the vital & chief aspect of financial mgmt of a Indian Manufacturing & telecommunication enterprises. The wc is the operating system of any manufacturing enterprises. It is indispensable for the day-to-day functioning of the enterprises. It is basically a financial metric that characterises the operating liquidity available to any business or any firm, including public/ Government entities. WCM represents to a mgmt.. accounting strategy which is used to monitor the 2 substituents of wc, in order to guarantee financial efficiency of the business enterprise/firm. The foremost objective of WCM is to retain always cash sufficient for daily operations required by an organisation.

There are many uncertainties in the global financial market & the one that effects the organisations most is that of the currency devaluation. The value of the Indian Rupee currency fluctuates every now & then. Among all the chief executives in the organisations across India, their primary concern is of maximisation of the shareholder's returns & how the earnings earned by the organisation can be managed effectively & efficiently. It becomes very important to maximise the liquidity & maintain cash flows in the organisations, keeping in view of the volatility of the economic climate of our country. Companies must always remember that majority of the cash is tie to the working capital components. Hence working capital is given utmost importance by the financial managers in the organisation.

The working capital has two major components that include current assets & current liabilities. Working capital focuses on short term assets of a company. Working capital management revolves around managing short term assets like inventories, accounts payable & receivable, cash(short term borrowings, loans, etc). Viability of the business is depended on how well the individual components of working capital vis. receivables, payables & inventory are managed. In order to maintain liquidity, solvency & profitability of any business organization, the most crucial factor is efficient working capital management. Some of the significant major objectives of working capital management include maintaining the working capital operating cycle & ensuring its ordered operation, to minimize the cost of capital spent on the working capital, & to maximise the return on current asset investments.

2.Literature Review:

A careful review of the literature on management of working capital is done in order to understanding the context of WCM in manufacturing industries of India. The literature has been taken from various sectors & various countries have been taken in focus to develop a context regarding WCM. Literature has been developed by studying various research papers published by various authors. Various studies related to WCM involve short term components like current assets & current liabilities.

Akoto, Awunyo-Vito, Angmor (2o13) , studied the relationship between WCM & profitability of manufacturing firms in Ghana. By using the secondary data from 13 listed manufacturing firms in Ghana from period 2oo5-2oo9, & by using panel data methodology concluded that there exists a significantly negative relationship between profitability & accounts receivable days. However, the firms' cash conversion cycle, current asset ratio, size, & current asset turnover significantly positively influence profitability. The study suggested that managers can create value for their shareholders by creating incentives to reduce their accounts receivable to 3o days.

Shivakumar, Thimmaiah (2o16) , studied the relationship between WCM & its impact on the liquidity & profitability of coal India Ltd. They studied the organisation for the period of 5 year, i.e. data from 2o1o-11 to 2o14-15. They analysed the data by using various ratios & statistical inferences that provided knowledge regarding working capital performance of the firm. They concluded that the firm showed improved performance over the period considered & certain aspects debtors ratio, working capital turnover ratio needed to be improved in order to improve the overall the liquidity & profitability of coal India.

Lazaridis & Tryfonidis (2oo6) had researched the relationship between profitability & WCM of 131 listed companies of Athens Stock Exchange. Through regression approach & data covering the period from 2oo1-2oo4, the authors find a statistically significant inverse relationship between profitability, measured as gross operating profit & the cash conversion cycle, accounts receivables days & inventory days. It was also found by them that significantly positive association exists between profitability & accounts payable days occurred.

Ramach&ran & Janakiraman(2oo5) studied WCM in the paper industry of India. Research focussed on analysing the relationship between Efficiency Index & EBIT from 1997-1998 to 2oo5-2oo6 .the study revealed that accounts payable days has a negative statistically significant relationship with EBIT that displays that EBIT can be improved considerably by deploying payments to suppliers.

Kasiran, Mohamad, Chin(2o16) have researched on working capital efficiency : a study on small medium enterprise in Malaysia. They found out that small enterprises are less efficient in managing the working capital. They studied working capital on three indices namely: performance index of WCM, utilisation index of WCM, efficiency index of WCM. They worked upon secondary data of 24 companies that were r&omly selected from SME corp website.

Vishwanath, Yadav, Singh, Chaudhary (2o18) have researched on WCM in construction industry. WCM in construction industry cannot be managed effectively. Unlike, in manufacturing industry, where WCM can be managed effectively WCM cannot be managed effectively in the construction sector due to geographical , contractual terms & conditions, political factors, statutory requirements, contractual conditions & terms , workforce productivity, type of contract, etc. They conducted their study by underst&ing & analysing the performance of Waste water business unit of L&T Construction. This company was selected since L&T construction being one of the largest construction firms in India encounters the issue of WCM.

Khalid, Saif, Gondal, Sarfraz(2o18) conducted a research on impact of WCM on profitability. They conducted their research on electrical equipment firms in Karachi by performing regression on the secondary data of such companies that are listed in the Karachi Stock Exchange. They analysed the data for a period of six years. They concluded that WCM has a positive significant effect on the profitability of such firms.

Rezaei & Pourali(2o15) studied the relationship between components of WCM & profitability. They chose companies 98 listed on the Tehran Stock Exchange (TSE), Iran. They worked upon data of six years(2oo8 to 2o12) & computed their results by using excel & Eviews. It was found in their research that their exists a negative relationship between components of WCM & profitability of these firms. They conducted the research with a view to help investors make significant & better investment decisions.

Kaur &Kaur(2o14) conducted a study on various determinants of WCM of passenger vehicle segment of automobile industry in India. They analysed data of ten years of four companies of automobile industry in India. The study determined that the significant determinants of working capital are current ratio & tangibility of assets. They also found out that current ratio is positive with WCM & tangibility is negative to working capital.

No	Author(Year)	Dependent Variable	Independent Variable	Year	Country in Focus	Sector in Focus
1.	Mr.N.Sureh Babu &Prof. G.V.Chalam(2o14)	Profitability (RoA)	Inventory Conversion period(ICP), Average Collection Period(ACP), Average Payment Period(APP), Cash Conversion Cycle(CCC)	2o14	India	Leather Industry
2.	Jyoti Mahato & Uday Kumar Jagannathan(2o15)	Return on Assets(RoA)	Average Collection Period(ACP), Inventory Conversion Period(ICP), Average Payment Period(APP), Cash Conversion Cycle(CCC), Debt Ratio(DR), Current Ratio(CR)	2o15	India	Telecom Sector

3.	Ahmed Elbadry(2o18)	Cash Conversion Cycle(CCC), Average Age of Inventory, Average collection period, average payment period	Return, Cash flow from Internal sources, sales growth, leverage, tangible fixed assets	2o18	Egypt	SME's
4.	Kaur &Kaur(2o14)	Working Capital Ratio	Return on Assets(RoA), Debt Equity Ratio(DER), Cash Conversion Cycle(CCC), operating Cash Flow(oCF), Current Ratio(CR),Quick ratio(QR), Assets Tangibility(Tangibility), Size of the Firm(Size)	1o yrs (2oo3-o4 to 2o12-13)	India	Automobile Industry
5.	Qurashi & Zahoor(2o17)	Working Capital	Profitability, leverage, operating Cycle, Firm Size, Growth, Level of Economic Activity	2oo9 to 2o14	UK	Pharmaceutical Sector(Companies listed on FTSE 35o Index)
6.	Azeem & Marsap(2o15)	Working capital requirements deflated by total assets	operating Cycle, operating Cash Flow, level of economic activity, growth, return on assets, leverage, size	6 yrs(2oo4-2oo9)	Pakistan	Non-financial firms(only those listed on Karachi Stock Exchange)
7.	-Bereźnicka(2o14)			2ooo-2oo9	EU countries	

8	Ramach&ran & Janakiraman(2oo5)	Efficiency Index(EI)	Performance Index(PIWCM),Utilisation Index(UIWCM)	2oo5	India	Paper Industry
9	Akoto, Awunyo-Vito, Angmor(2o13)	Return on equity(RoE)	Accounts receivable,cash Conversion Cycle, Current Ratio, Firm Size	2o13	Ghana	Manafacturing firms
1o.	Rezaei & Pourali(2o15)	Return on Equity(RoE)	Inventory holding period, Accounts receivable period, accounts payable period, Cash conversion Cycle, ratio of inventory to current assets	2o15	Iran	Listed companies of Iran stock exchange
11.	Rimsha Khalid, tehreem Saif, Abdul Rehman Gondal, Hamza Sarfraz	RoA	CAR,DER,ITR,oCDR	2o18	Pakistan	Electrical equipment
12.	Prof. Kushagra Goel	RoA,RoE	DCP,IHP,CPP,CCC,CR	2o12-2o16	India	Textile
13.	Kolapo,F.T., oke, M.o.(phd),Ajayi L.B.(phd)	RoA	ITC,ACP,APP,CCC)	2oo1-2o1o	Nigeria	Corporate
14.	Dr. Jeena Ann John	GPM,oPM,RoA	Fsize,GEAR,CATURN,CA_TA,INVDYS,ARDYS	2oo9-2o14	Gulf cooperation council	Manufacturing
15.	Kasiran, Mohamad,Chin(2o15)	Efficiency Index(EI)	Performance Index(PIWCM),Utilisation Index(UIWCM)	2o15	Malaysia	SME's listed in Malaysian Stock Exchange
16.	Balasundaram nimalathsan	Return on Assets (RoA)	The Inventory Conversion Period (ICP),	2oo3-2oo7	Sri Lanka	Manafacturing companies

			Debtors' Conversion Period (DCP), Creditors'Conversion Period (CCP), Cash Conversion Cycle (CCC)			listed on Colombo Stock Exchange

Working Capital Management :

The funds required by each business enterprises can be classified into fixed capital & working capital.

Fixed capital is required for the procurement of fixed assets. Fixed assets create the means of production. Investment in fixed assets by itself is dead investment & the funds so locked up do not circulate. In every business association requires some funds to carry on its operations & to produce goods for sale to earn profit. These funds, that are represented by the current capital used by the various stages of production & distribution, are invested in current assets.

The Working Capital is the capital capitalized in diverse items of current assets required for the operating business such as inventory, debtors, cash & other current assets like loans & advances. These current assets are essential for smooth business operations & proper utilization of fixed assets. The manufacturing enterprises should maintain sufficient level of working capital to produce up to a certain level of capacity & maximize the return on investment in fixed assets. The shortage of working capital leads to lower capacity utilization, lower turnover & hence lower profits. Working capital, in excess of the amount required to produce to full capacity, is idle & consequently leads to decline in profits.

Importance of Adequate Working Capital :

The importance of adequate working capital in business enterprises can never be over highlighted. A manufacturing business enterprises required funds for it's day-to-day running. Adequacy or inadequacy of these funds would determine the efficiency with which the daily business may be carried on. is an essential part of the finance manager. He has to ensure that the amount of working capital available with his concern is neither too large nor too small for its requirements. A large amount of working capital would mean that the company has idle funds. Since funds have a cost, the company has to pay huge amount as interest on such funds. The various studies conducted by the Bureau of Public Enterprises have shown that one of the reason for the poor performance of public sector undertaking in our country has been the large amount of funds locked up in working capital. This results in over capitalization.

over capitalization implies that a company has too large funds for its requirements, resulting in a low rate of return a situation which implies a less than optimal use of resources. A firm has, therefore, to be very careful in estimating its working capital requirements.

If the firm has inadequate working capital, it is called to be *under-utilized*. Such a firm runs the risk of insolvency. This is because; paucity of working capital may lead to a situation where the firm may not be able to meet its liabilities. It is interesting to note that may firms which are otherwise prosperous (having good demand for their products & enjoying profitable marketing conditions) may fail because of lack of liquid resources.

Net Working Capital

Working capital of a business can be determined by the difference of current assets & current liabilities. It is also referred to as net working capital.

Working Capital=Current Assets-Current Liabilities

Net working capital may be positive or negative. When the current assets exceed the current liabilities, the working capital is positive & the negative working capital results when the current liabilities are more than the current assets.

Source of Working Capital

The sources of working capital can be divided as *Long-term source* of working capital & *Short-term source* of working capital. Long-term funds are required to create production facilities through purchase of fixed assets such as plant & machinery, l& & building, etc. Investments in these assets represent that part of firm's capital is blocked on a permanent or fixed basis & is called fixed capital. Short-term funds are needed to manage the day-to-day operations of the organization. It is a temporary working capital.

a) General nature of business

The working capital requirements of an enterprise are basically related to the conduct of the business. Enterprises fall into some board categories depending on the nature of their business. For instance, public utilities have certain features which have a bearing on their working capital needs. The two important features are (1) cash sales & (2) sale of services rather than commodities.

b) *Size of business operations/scale of operations*

The size of business has also an important impact on its working capital needs. Size of a business unit may be measured in terms of a scale of operation. Bigger the size of businessunit, the larger will be the amount of working capital required as because the larger business units are required to maintain huge inventories & also spend more in carrying out the business operations smoothly. A business unit carrying on activities on a small scale needs less working capital.

c) Production cycle

It refers to the time involved in the manufacture of goods. It covers the time-span between the procurement of raw materials & the completion of the manufacturing process leading to the production of finished goods. Funds have to be necessarily tied up during the process

of manufacture, necessitating enhanced working capital. The longer the time-span the larger

will be the tied-up & therefore the larger is the working capital needed & vice versa.

d) Business cycle

The working capital requirements are also determined by the nature of business cycle.

Business fluctuations leads to a cyclical & seasonal changes that, in turn cause a shift in the

working capital position, particularly for temporary working capital requirements. The

variations in business conditions may be in two directions;

Upward phase: When boom conditions prevail, *Downswing phase:* When economic activity is

marked by a decline. During in the upswing of business activity, the need for working capital

is likely to grow to cover the lag between increased sales & receipt of cash as well as to

finance purchase of additional material to cater to the expansion of the level of activity.

e)Production policy

The quantum of working capital is also determined by the production policy. The case of

certain lines of business, the dem& for the product is seasonal. In such a case there are

two options: either they confine their production only to periods when goods are purchased

or they follow a steady production policy throughout the year & produce goods at a level

to meet the peak dem&. The former option is inconvenient. The second option would

require a sufficient amount of working capital.

f) Credit policy

The credit policy relating to sales & purchases also affects the working capital. The credit policy influences the requirements of working capital in two ways. (1) Through credit items granted by the firm to its customers; (2) the credit term available to the firm from its creditors.

g) Growth & expansion

As a company grows, the working capital requirements will be more. It is very difficult to determine the relationship between the volume of business of a company & the increase in its working capital. The composition of working capital in a growing company also shifts with economic circumstances & corporate practices. other things being equal, growing industries require more working capital than those that are static.

h) Vagaries & availability of raw material

The availability or otherwise of certain raw materials on a continuous basis without interruption would sometimes affect the requirement of working capital. There may be some raw materials which can't be procured easily either because of their sources are few or they are irregular. To sustain smooth production, therefore, the firm might be compelled to purchase & stock them far in excess of genuine production needs. This will result in an

DIFFERENT ASPECTS oF WoRKING CAPITAL MANAGEMENT

a. Management of inventory.

b. Management of accounts receivables.

c. Management of cash.

a. Management of inventory

Management of inventories means an optimum investment in inventories. It should neither

be too low affect the production adversely nor too high to block the funds unnecessarily.

The inventory management includes the following aspect:

- Size of inventory- max level & min level.
- Establishing time schedules, procedures & lot of sizes for new orders.
- Ascertaining minimum safety levels.
- Coordinating sales, production & inventory policies.
- Providing proper facilities.
- Arranging the receipts, disbursements & production & procurement of materials & developing the form of recording these transactions.
- Assigning responsibilities for carrying out inventory control functions.
- Providing the report necessary for supervising the overall activities

b. Management of account receivables.

It is the process of weighting the benefits as well as the costs of investments on accounts

receivables & taking such steps as regards as investment on accounts receivable which will

result in maximum results or benefits to the firm.

In other words, it means the maintaining of the accounts receivables at an optimum level or

point i.e., at such a level or point at which there is a trade off or balance between

profitability & costs.

Management of accounts receivables has 3 aspects. They are:

Establishing the credit policy of the concern

It involves:

a. Determination of the level of credit sales.

b. Determination of the credit standards.

c. Determination of the credit terms.

Establishing the collection policy of the concern

It means the determination of the policy & procedure to be followed for the collection of accounts receivables.

Control of the maintaining the accounts receivables at the minimum possible level.

It means maintaining the accounts receivables at the minimum possible level

c. Management of cash

Cash management involves the efficient collection & disbursement of cash & any temporary investment of cash while it resides with the firm. It is concerned with the managing of cash flows into & out of the firm, cash flows with in the firm, & cash balances held by the firm at a point of time by financing deficit or investing cash surplus.

METHoDS oF ESTIMATING WoRKING CAPITAL

There are two methods which are usually followed in determining working capital requirements. They are:

1. Conventional method

According to the conventional method cash inflows & outflows are matched with each other. Greater emphasis is laid on liquidity & greater importance is attached to current ratio, liquidity ratio, etc…which pertains to the liquidity of a business.

2. operating cycle method

In order to underst& what gives rise to differences in the amount of timing of cash flows,

one should first think of the length of time which is required to convert cash into resources,

resources into final product, final product into receivables, receivables back into cash. The

length of the operating cycle is a function of a nature of a business. There are four major

companies of the operating cycle of a manufacturing company. These are:

The length of time involved in the conversion of cash into raw materials, raw materials into

work- in-progress, work –in-progress into finished goods, finished goods into debtors

,debtors into cash again the operating cycle or working capital cycle.

The length of operating cycle or working capital cycle may differ from one firm to another,

depending upon the nature of the business.

WoRKING CAPITAL PoLICIES

A business firm can adapt any of the following working capital policies:

1. Conservative working capital policy

2. Aggressive working capital policy

3. Moderate working capital policy

Under Conservative approach, the firm carries high investment in current assets such as

cash, marketable securities & carries large amount of inventories & grants generous

terms of credit to customers resulting in a high level of debtors. The consequences of conservative working capital policy are quick deliveries to customers & more sales due to generous credit terms.

Under Aggressive working capital policy, investment in current assets is very low. The firm keeps less amount of cash & marketable securities, manages with less inventories & tight credit terms resulting in low level of debtors. The consequences of aggressive working capital policy are frequent production stoppages, delayed deliveries to customers & loss of sales. A trade off between two costs namely carrying cost & shortage cost determines the optimal level of current assets. Costs that rise with current assets i.e. that cost of financing a higher level of current assets form carrying costs. Shortage costs are in the form of disruption in production schedule, loss of sales & loss of goodwill.

The optimum level of current assets is denoted by the total costs (= carrying costs + shortage costs) minimized at that level

After determining the level of current assets, the firm must determine how these should be financed.

Investment in current assets can be broken into two parts

1. Permanent current assets

2. Temporary current assets

3.RESEARCH METHoDoLoGY

This chapter explains the procedure through which the objective of the study would be undertaken. It includes the sample size taken, the type of research undertaken, the variables used & the model that would identify the relationship existing between WCM & profitability.

3.a.Data Sources:-

The sources of data for a research can be both primary or secondary.

For the purpose of this study, the data used is secondary data. Secondary data is that data which is readily available & has been collected from various resources.

Secondary data has been collected from CMIE prowess database. CMIE prowess database contains financial data of companies of various sectors, from agriculture to mining, etc. This database contains data of over 49,ooo Indian companies.

The various variables used for conducting the study are rcd, pyb, iodetc have been obtained from the prowess database. Logarithm of sales gives the size of the firm.

The period of study undertaken is 2009-2016.

3.b Hypothesis :

Hyp-1

H0: no relation b/w the iod & the profitability.

H1: iod is negatively related to the profitability .

Hyp-2

H0: no relation b/w the pyb & the profitability.

H1: pyb are negatively related to the profitability .

Hyp-3

H0: no relation b/w the coy & the profitability.

H1: coy is negatively related to the firm's profitability

Hyp-4

H0: no relation b/w profitability & debt

H1: -ve relation b/w DER & the profitability.

Hyp-5

H0: no relation b/w size of the firm & profitability.

H1: +ve relation b/w the size of the firm & profitability

3.c Multiple Regression Analysis(MRA):

MRA is used to study relation that is linear relation b/w dep variable & ind. Variable.

Equation is given as:-

$$Mr=c+\beta 1r1+\beta 2r2$$

Mr=dep variable

C= slope intercept

$\beta 1$=co-eff ind var r1.

R1=ind var1

$Gp=c+\beta 1x\ rcd+\beta 2xpyb+\beta 3xiod+\beta 4xcoy+\beta 5xln(sales)$.

4.Data Analysis & Interpretation

there are 2 types of analysis used. Descriptive & MRA analysis is used.

Descriptive Analysis:

Industry of manufacturing:

Var	N	min	max	mean	std dev
Gp	80	0.025	2.01	0.42	0.2921
Rcd	80	0.62	117.02	53.25	23.29
Pyb	80	0.05	137.02	33	22.02
Iod	80	4.06	133.21	9.56	23.13
Coy	80	-19.24	139.01	31.21	29
In(sales)	80	210	28000	842	5622

i. mean value of the gross profit is 42% & the standard deviation is 29.21%. it represents gp varies from mean to the both sides by 29.21%.

ii. mean of coy is 31.21 days.

iii. enterprises receive payment from the customers at an average of 53.25.the standard deviation of the rcd is 22.02 days.

iv. max value is 117.02 days, is very significant. Manufacturing firms making payment to the suppliers after 33 days on a average basis. It indicates 1 month credit period is agreed between suppliers & firms. the max value is 137.02 day.

V. The mean of iod is just 9.56 days.. But the days can vary to 32 days.

Industry of telecommunication:

Var	N	Min	max	mean	std dev
Gp	18	0.02	0.72	0.35	0.31
Rcd	18	13.12	202.3	98	44.54
Pyb	18	5.02	127.01	49	31
Iod	18	0.2	889.25	94	222.52
Coy	18	-43	400.21	89	98.21
ln(sales)	18	8.35	1072	220.3	272

i. mean value of the gp is 35% & the std dev is 31%. This means the gross profit can vary mean in the both sides by 31%. On the other hand the min value of the gross profit is 0.02 . The max value is 72%.

ii. The firms receive payment from the customers at an average of 98; the std dev of the rcd is 43.2 days. The max value is 202.30 days, is very significant.

iii. Telecommunication companies make payment to the suppliers after 49 days on an average basis. it can vary by 31 days by the both the sides. The max value of credit term is 127.01 day..

iv. The mean of the inventory is 94 days; the std dev is 222.52 days. The max value of iod are 889.25 day is very significant. This could be due to the wip. The iod are very low in the manufacturing compared to telecommunication firms.

v. The average value of the cash conversion cycle is 89 day which is very significant. coy is 40 days. The min value is 43 days On the other hand it can vary by 98.21 days on the both the sides.

4.1 Multiple Regression Analysis(MRA):

Industry of manufacturing

var	co-eff	s.e. co-eff	t	p
c	0.3321	0.1122	2.12	0.021
rcd	0.0006	0.0032	0.32	0.921
pyb	0.0021	0.0021	0.7	0.442
iod	-0.004	0.0021	-2.12	0.21
coy	0.0021	0.0022	0.89	0.412
sales	0.000008	0.000008	1.03	0.322

Equation is :

Gp= 0.332+0.0006 rcd+0.0021 pyb-0.004 iod+0.0021 coy+0.0000008sales

Industry of telecommunic@tion:

var	co-eff	s.e. co-eff	t	p
c	29.01	15.21	2.01	0.09
rcd	0.082	0.1723	0.52	0.762
pyb	0.2132	0.3233	0.72	0.454
iod	-0.04221	0.0433	-0.77	0.942
coy	0.0232	0.048	0.34	0.765
sales	-0.00593	0.02001	-0.35	0.78

Equation is :

Gp=29.01+0.082rcd+0.2132pyb-0.04221iod+0.0232coy-0.00593sales.

5.conclusion & furtr researh

5.1 Conclusion

The reading was conducted with the main focus of finding out how and why substituents of wc influence the profits earned by the companies operating in the manufacturing industry. since over the previous past years many Indian companies & businesses have failed to release the cash due to improper or inappropriate wcm.

Any business organisation that gets the cash flow from any available sources, it invests these in other business scenarios that it finds is potential for earning profits. By the very purpose of maximising flow of cash & wc, every organisation & business needs to have a making system of budgets. The classification of budgeting in finance dept. in institutes, would help to maintain wc components. By doing so, various organisations & the business operating would be able develop create system of substituents of wc which are efficient. Enhancing for better wc, it befits towards having & ensuring superiority to system of budget process , it becomes essential for managers towards foretelling truthfulness & key correctness of flow of cash that is short term. Towards the objective aimed at holding cash more in the amount for investment & additional opportunities, taxes spent & prospects towards expenditure of cash would protect currencies from expenditure. Recognizing & categorising ranges of liberation of tax is a method. may possibly be also due to the nature of business that various companies discover it challenging to improve WC , hence best strategy that could be implemented in order to enhance performance is by identification of the key aspects of WCM.

By preliminary & early studies, notion was that profitability & wc components exhibit relation that is negative. During course of research undertaken, there is insignificant relation among wc components rcd, pyb, iod, coy& firm profitability.. Results demonstrate finance manager it is essential by finance manager to emphasis to core business operations &practices for wealth maximisation of shareholder.,

By the same manner our hyp H1 is discarded (negative relation b/w iod & profitability), hyp H2 is dicarded (negative relation b/w the pyb & profitability), hyp H3 is discarded (negative relation b/w the coy & profitability), hyp H4 (positive relation b/w the sale & profitability of the firm), indicating that there is insignificant relation b/w wc substituents & profitability.

the profitability of the firm is mainly determined by how it is able to add value to its customer by ideas that constitute innovation.. more inventive &new a business is greater its earnings in profits. it is appropriate for companies to enhance competitive advantage by & in its value chain. From the point of view of this approach, the companies succeed to increase the margin of profit & wealth of share holders is maximised..

it can be established that WCM is essential for every company, business organisation as it can be used as a source of finances. Aiming on core business's operations is very vital as it determines the expenses customers would willingly pay for the merchandises & services.

5.2 Further research

Highlighting the further scope of research in the project undertaken. Some of points of further research are:

i. Rather than considering the listed companies, wcm could be determined & analysed of unlisted firms. Since business that are operated by families(family business), do not deal the force & pressure of maintaining wcm , it would be interesting to observe that. The manner in which the private corporations deal with wc substituents.

ii. The research undertaken does considers other factors which are related to wc substituents like govt. policies, economical theories, sales,etc.

iii. A large sample size can be taken for steering and performing the research.

one is to focus on how a company can use optimal working capital policy to improve its liquidity position. By doing Effective & efficient management of working capital can reduce the short term borrowing required by a company, hence saving interest payments & improving the profitability. Hence, the question arises here is to what extent a company can rely on working capital to improve its profitability. It is also a good idea to select other variables like quality, labour, innovation to carry out a research & find out how it having an impact on profitability. Based on the findings of the relationship it could be then determined, what are the factors important for a company that should give high preference when it's come to determining the profitability. It is due to the very reason that there are other several factors that determine the profit margin of the company. In the value chain, it includes quality of the raw material, labour hours, bring awareness & etc. so it is also very important for each & every company to focus on core business principles. In the mean time these companies needs to develop strategy to maximise the use of working capital components.

other potential research opportunity is to select large amount of sample (for example 5oo to 1ooo) covering a period of 1o years & doing a research on country basis. This could be done by including comparing western countries & Asian countries; it could bring in new understandings. The management style in each part of the world is different so the result will be very interesting.

The dependent variable profitability can be measured in different terms includes net profit margin, return on asset, return on capital employed & etc. So by considering each & every profitability measures to find out which profitability measure is significantly influenced by working capital components can be very useful for the managers in
corporate world.

Additional research can also be carried out to find the factors determining working capital policy of the company. For eg: sales, economics, political stability of the country & etc. Assume country x is having high level of inflation, in that case the interest rate will be very high. So the companies will be under pressure to use its working capital components to finance its short term requirements.

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