

A Study on Forecasting Working Capital Management in Anantha Maha Samakhya at Anantapururamu

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ABSTRACT

The working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship between them. The current assets are those assets which are in the ordinary course of the business can be converted in to cash within a year without undergoing a diminution in value. The current assets are cash in hand, cash at bank, sundry debtors, bills receivable, stock, prepaid expenses etc. The current liabilities are those liabilities which are paid in the ordinary course of the business within a year out of the current assets or earning of the firm. The current liabilities are sundry creditors, bills payable, and bank overdraft. Outstanding expenses etc. The goal of the working capital management is to manage the firm's current assets and current liabilities in such a way of working capital is maintained. The basic ingredient of the theory of working capital management includes the optimum level of the current assets, the trade-off between profitability and risk which is associated with the level of the current assets and current liabilities, financing-mix strategies.

KEYWORDS: working capital, current ratio, Quick ratio, cash ratio

INTRODUCTION

- One of the most important areas in the day-to-day management of the firm is the management of working capital.
- Working capital management is the functional area of the finance that covers all the current assets of the firm.
- It is concerned with management of the level of individual current assets as well as the management of total working capital.

MEANING:

- Working capital means the amount of current assets that a business firm has to maintain for its day-to-day operations.

INDUSTRY PROFILE

- DRDA has traditionally been the principal organ at the district level to oversee the implementation of anti-poverty programmes of the Ministry of Rural Development.
- Subsequently the DRDAs were entrusted with number of programmes of both state and central governments.

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- From April 1999[1] a separate DRDA Administration has been introduced to take care of the administrative costs.
- This aims at strengthening the DRDAs and makes them more professional in managing the anti-poverty programmes and be an effective link between the ministry and the district level.

OBJECTIVES OF THE STUDY

- To know the Net working capital position of AMS.
- To analyze the liquidity position of AMS.
- To study the relationship between current assets and current liabilities of AMS.
- To forecast the working capital of AMS.

NEED OF THE STUDY

- The need of the study is to know the changes in the working capital at ANANTHA MAHA SAMAKHYA. The effective management of working capital helps to operate the firm smoothly.

SCOPE OF THE STUDY

- The study on working capital management confined to ANANTHA MAHA SAMAKHYA.
- The study period covers 5 years of data that is from 2016-17 to 2020-21.

RESEARCH METHODOLOGY

SOURCE OF DATA:

The study is based on the secondary data. It is collected through the company annual report, Articles, books of the AMS.

TOOLS AND TECHNIQUES

- Liquidity ratios
- Correlation
- Tables
- SPSS
- Power BI

LIMITATIONS OF THE STUDY

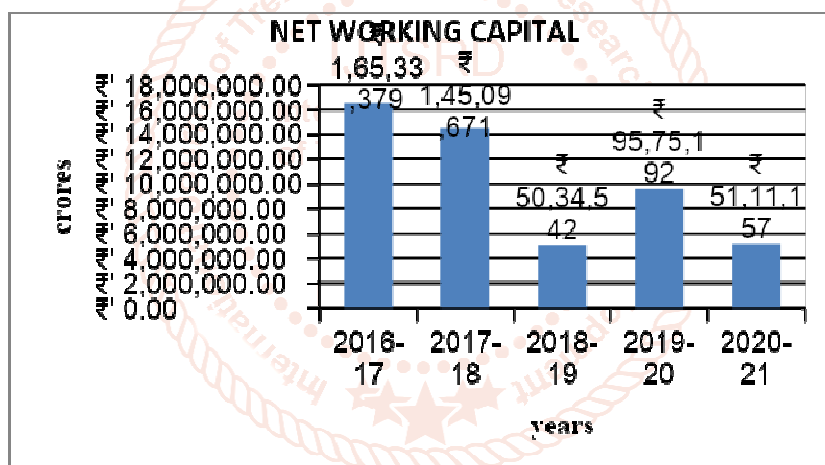
- This study is limited to ANANTHA MAHA SAMAKHYA only.
- This study is conducted for 5 years of data i.e. from 2016 to 2021 only.

DATA ANALYSIS & INTERPRITATION

NET WORKING CAPITAL

NET WORKING CAPITAL = CURRENT ASSETS-CURRENT LIABILITISES

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	NET WORKING CAPITAL
2016-17	₹ 2,51,65,160	₹ 86,31,781	₹ 1,65,33,379
2017-18	₹ 3,23,86,167	₹ 1,78,76,496	₹ 1,45,09,671
2018-19	₹ 1,56,97,830	₹ 1,06,63,288	₹ 50,34,542
2019-20	₹ 1,65,24,095	₹ 69,48,903	₹ 95,75,192
2020-21	₹ 56,52,542	₹ 5,41,385	₹ 51,11,157



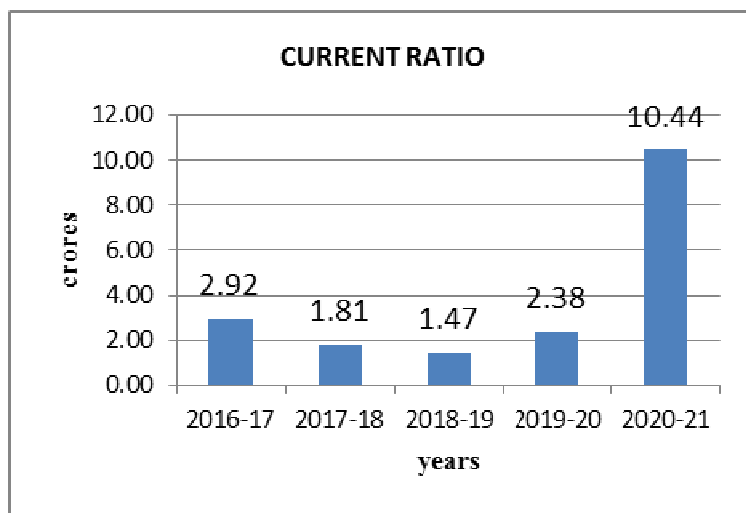
INTERPRETATION:- The above chart shows that during the year 2016-17 the company has ₹ 1,65,33,379.00 N.W.C. In the year 2017-18 decrease in the N.W.C is ₹ 1,45,09,671.00 and in the year 2018-19 huge decrease in the N.W.C is ₹ 50,34,542.00 and in the year 2019-20 increase in the N.W.C is ₹ 95,75,192.00 the N.W.C of the company is decrease compared to the previous years, in the year 2020-21 the company.

LIQUIDITY RATIOS

CURRENT RATIO:-

Current ratio = Current assets/Current liabilities

years	current assets	current liabilities	current ratio
2016-17	₹ 2,51,65,160	₹ 86,31,781	2.92
2017-18	₹ 3,23,86,167	₹ 1,78,76,496	1.81
2018-19	₹ 1,56,97,830	₹ 1,06,63,288	1.47
2019-20	₹ 1,65,24,095	₹ 69,48,903	2.38
2020-21	₹ 56,52,542	₹ 5,41,385	10.44



INTERPRETATION:-

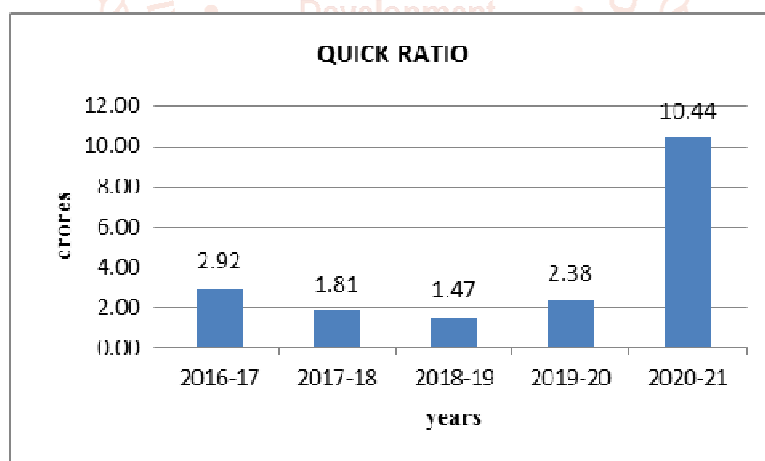
From the above chart shows that current ratio of the company is gradually fluctuating that is 2.92, 1.81, 1.47, 2.38, and 10.44.

The standard ratio of the company must be 2:1. It shows that during the year 2017-18 and 2018-19 was below of the standard ratio and 2016-17, 2019-20, and 2020-21 was above the standard ratio.

QUICK RATIO

Quick Ratio = Quick Assets (current assets – Inventory) /Current Liabilities

years	quick assets	current liabilities	Quick ratio
2016-17	₹ 2,51,65,160	₹ 86,31,781	2.92
2017-18	₹ 3,23,86,167	₹ 1,78,76,496	1.81
2018-19	₹ 1,56,97,830	₹ 1,06,63,288	1.47
2019-20	₹ 1,65,24,095	₹ 69,48,903	2.38
2020-21	₹ 56,52,542	₹ 5,41,385	10.44



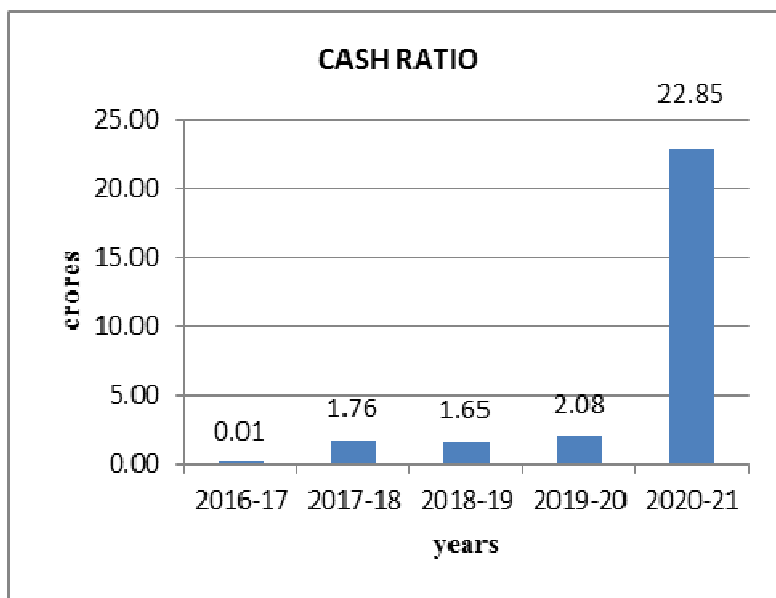
INTERPRETATION:-

From the above chart shows that quick ratio of the company is gradually fluctuating year by year are 2.92, 1.81, 1.47, 2.38, and 10.44. The standard ratio of the company must be 1:1. It shows that the quick ratio of the company is above of the standard ratio.

Cash ratio

Cash ratio = cash & bank balance / current liabilities

years	investment	Cash & bank	current liabilities	cash ratio
2016-17		₹ 60,684.00	₹ 8,631,781.00	0.01
2017-18	₹ 11,000,000.00	₹ 20,501,455.00	₹ 17,876,496.00	1.76
2018-19	₹ 12,516,098.00	₹ 5,045,941.00	₹ 10,663,288.00	1.65
2019-20	₹ 10,129,118.00	₹ 4,293,935.00	₹ 6,948,903.00	2.08
2020-21	₹ 11,420,318.00	₹ 950,425.00	₹ 541,385.00	22.85



INTERPRETATION:

During the year 2016-17 the cash ratio was 0.01, during the year 2017-18 to 2020-21 above standard ratio i.e. 1.76, 1.65, 2.08, & 22.85.

CORRELATION

years	current assets	current liabilities
2017	₹ 2,51,65,160	₹ 86,31,781
2018	₹ 3,23,86,167	₹ 1,78,76,496
2019	₹ 1,56,97,830	₹ 1,06,63,288
2020	₹ 1,65,24,095	₹ 69,48,903
2021	₹ 56,52,542	₹ 5,41,385

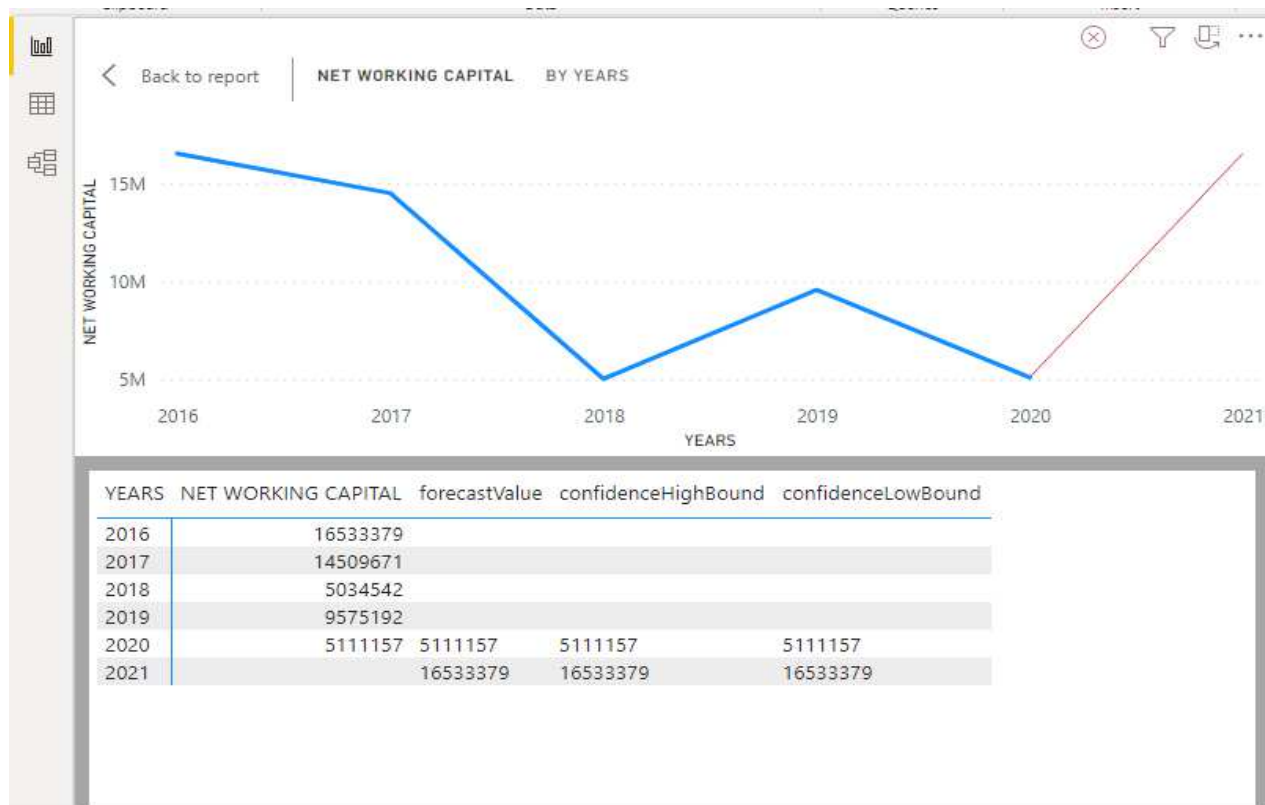
		Current assets	Current liabilities
Current assets	Pearson Correlation	1	.899*
	Sig. (2-tailed)		.038
	N	5	5
Current liabilities	Pearson Correlation	.899*	1
	Sig. (2-tailed)	.038	
	N	5	5

INTERPRETATION

From the above we observed that the correlation value is 0.899 which is positive correlation. There exist positive relation between current assets and current liabilities

FORECASTING WORKING CAPITAL

YEARS	NET WORKING CAPITAL
2016-17	₹ 1,65,33,379
2017-18	₹ 1,45,09,671
2018-19	₹ 50,34,542
2019-20	₹ 95,75,192
2020-21	₹ 51,11,157



INTERPRETATION

From the above table is forecasting working capital for only one year that is 2021-22 is 16533379. It is increasing compare to previous year.

FINDINGS

- The year 2016-17 the company has ₹ 1, 65, 33,379.00 N.W.C. In the year 2017-18 decrease in the N.W.C is ₹ 1,45,09,671.00 and in the year 2018-19 huge decrease in the N.W.C is ₹ 50,34,542.00 and in the year 2019-20 increase in the N.W.C is ₹ 95,75,192.00 the N.W.C of the company is decrease compared to the previous years, in the year 2020-21 the company.
- Current ratio of the company is gradually fluctuating that is 2.92, 1.81, 1.47, 2.38, and 10.44. The standard ratio of the company must be 2:1. It shows that during the year 2017-18 and 2018-19 was below of the standard ratio and 2016-17, 2019-20, and 2020-21 was above the standard ratio.
- Quick ratio of the company is gradually fluctuating year by year are 2.92, 1.81, 1.47, 2.38, and 10.44. The standard ratio of the company must be 1:1. It shows that the quick ratio of the company is above of the standard ratio.
- During the year 2016-17 the cash ratio was 0.01, during the year 2017-18 to 2020-21 above standard ratio i.e. 1.76, 1.65, 2.08, & 22.85.
- The correlation value is 0.899 which is positive correlation. There exist positive relation between current assets and current liabilities.

- The forecasting working capital for only one year that is 2021-22 is ₹ 1,65,33,379. It is increasing compare to previous year.

SUGGESTIONS

- The net working capital of the firm has been fluctuating trend. So, It suggest to the company it should have proper control on current assets and current liabilities.
- The company is having current liabilities equal to current assets. It suggest that the company should invest more in current assets.
- The liquidity position of the company is good. It has to maintain it further, to run the business long term.
- The company working capital has fluctuated, but future will increased working capital compare to previous years. It is good for the company.

CONCLUSION

It is conclude in spite of all suggestions the company has fluctuating working capital due to should not proper maintains on current assets and current liabilities. In the future the working capital has increase. So, it is good sign for the company.

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