



ORIGINAL RESEARCH PAPER

Management

A STUDY ON WORKING CAPITAL MANAGEMENT IN PAZHAVOOR PRIMARY AGRICULTURE CO-OPERATIVE CREDIT SOCIETY LTD, PAZHAVOOR, TIRUNELVELI, TAMIL NADU.

KEY WORDS: Working Capital Management, Pazhavoor Primary Co-operative Credit Society.

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ABSTRACT

The title of the research article is "A Study on Working Capital Management in Pazhavoor Primary Agriculture Co-operative Credit Society Ltd., Pazhavoor, Tirunelveli, Tamil Nadu." Working capital management involves the relationship between a company's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a company is able to continue its operation and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable and cash management. Further the study is based on last five years annual reports of Pazhavoor Primary Co-operative Society. The objective of the study is to analyze the working capital position in Pazhavoor Primary Co-operative Society and to analyze the profitability and solvency position of the Pazhavoor Primary Co-operative Society. The study of working capital is based on tools like Ratio analysis, statement of changes in working capital, comparative balance sheet and trend analysis. By analyzing the topic of working capital management in Pazhavoor Primary Co-operative Bank Ltd. It concludes that the bank is having less working capital in the year 2019 but in the year 2020 the working capital is increasing, So the bank maintains the constant working capital which helps perform the day-to-day business by increasing the current asset.

INTRODUCTION

Working capital is a financial metric which represents the operating liquidity of a business enterprise. It is a measure of a company's efficiency and its short-term financial position. Working capital is the difference between the current assets and the current liabilities. Working capital refers to the amount of capital that is readily available to an organization. Organization needs both-terms and short-term fund, Funds are needed for long-term purposes of fixed assets, such as plant and machinery, land building, furniture. Funds are also required for short-term purpose like purchases of raw materials, payment of wages and other day-to-day expenses. The objective of working capital management is to maintain the optimum balance of each of working capital components.

History of Indian Banking Sector

The first bank in India, called The General Bank of India was established in the year 1786. The East India company established The bank of Bengal/Calcutta (1809) Bank of Bombay (1840) and bank of Madras (1843). The next bank was bank of Hindustan which was established in 1870. These three individual units (bank of Calcutta, bank of Bombay, and bank of Madras) were called as presidency Banks. Allahabad Bank which was established in 1865, was for the first time completely run by Indians. Punjab National Bank Ltd. was set up in 1894 with the headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian bank and Bank of Mysore were setup. In 1921 all presidency Banks were amalgamated to form the Imperial Bank of India which was run by European shareholders. After that the Reserve Bank of India was established in April 1935. At the time of first phase the growth of banking sector was very slow. Between 1913 and 1948 that were approximately 1100 small banks in India.

Organization Profile

The Palavoor Primary Cooperative Bank Ltd, was established on 08-11-1969 with its registered office at Vallioor. Their mission is to become the primary bank of the district by providing modern, speedy, honest and secure services with the full commitment of various banking services to improve the quality of life of all parties. The bank is also serving others like artisans, youth, employees, traders, etc., and providing banking service to the general public through its network of 25 branches. Carrying out the banking services, financial assistance, technology development and banking activities to

reach all the people of Palavoor Primary for the benefit of economic development.

Research Objectives

- To study the working capital position in Pazhavoor Primary Agriculture Co-operative Credit Society Ltd.
- To analyze the profitability and solvency position of the Pazhavoor Primary Agriculture Co-operative Credit Society Ltd.
- To examine the changes in working capital position in Pazhavoor Primary Agriculture Co-operative Credit Society Ltd.
- To analyze the financial position of the Pazhavoor Primary Agriculture Co-operative Credit Society Ltd.

Research Design

This study A Study on Working Capital Management in Pazhavoor Primary Agriculture Co-operative Credit Society Ltd., is considered as analytical research. Analytical Research is defined as the research in which, researcher has to use facts or information already available, and analyze these to make a critical evaluation of the facts, figures, data, or material. The study of working capital is based on tools like ratio analysis, statement of changes in working capital, comparative balance sheet and trend analysis. Further the study is based on last five years annual reports of Pazhavoor Primary Agriculture Co-operative Credit Society Ltd. The methodology of data collection pertains to information to how the data is collected i.e., either from primary sources or secondary sources. It explains the methods utilized and the instruments used in data collection.

Current Ratio

Table showing the Designation of Respondents

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared with its peer group, it

indicates that management may not be using its assets efficiently.

$$\text{Current ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Table showing Current Ratio

Year	Current asset	Current Liabilities	Ratio
2016-2017	15,745,512.37	50,412,858.10	0.99
2017-2018	54,054,700.01	47,903,603.80	1.128
2018-2019	56,432,810.00	51,388,760.00	1.098
2019-2020	55,276,400.00	64,348,082.00	0.85
2020-2021	105,042,168.30	102,403,343.40	1.025

Source: Secondary Data

Interpretation:

The current ratio standard is 2:1 were as they considered to a satisfactory for the financial condition, here the bank current ratio is below two so, the current ratio is not satisfactory. Because up to 2016-2021 it does not reach the standard ratio.

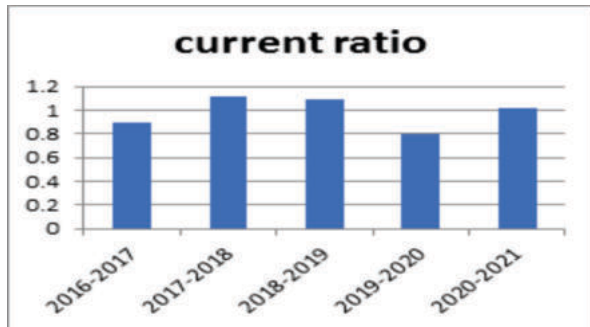


Figure showing the Current Ratio

Working Capital Turnover Ratio

It is taken as one of the primary indicators of the short-term solvency of the business. It establishes their relationship with the net sales. This ratio represents the number of times the working capital is turned over in course of a year i.e., it measures the efficiency with which the working capital is being used by the firm.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Loan}}{\text{Net working capital}}$$

Net working capital = Current Asset – Current Liabilities

Year	Loan	Net working capital	Ratio
2016-2017	38,848,589.00	3,466,345.63	1.12
2017-2018	32,163,924.00	6,151,097.00	0.52
2018-2019	24,647,652.00	4,544,950.00	0.53
2019-2020	46,064,428.00	9,071,682.00	0.19
2020-2021	82,427,148.00	2,638,824.90	0.03

Table showing Working Capital Turnover Ratio

Source: Secondary Data

Interpretation:

In the year 2020-2021 the working capital turnover ratio is very high when compared with the previous year 2016-2017 with 1.12 %. A high working capital turnover ratio indicates that a bank is running smoothly.

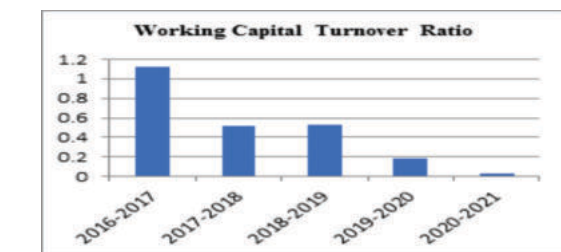


Figure showing the Working Capital Turnover Ratio

Findings

- Findings are the end result of the project study. It is the conclusion, which the researcher establishes after analyzing the data from the annual report.
- Working capital position of the bank has increased from the period 2020-2021. It must be result of increase in current assets and decrease of current liabilities.
- The current ratio of the bank is below the standard ratio 2:1 from the lowest ratio of the 0.99 in 2016-2017 to the highest ratio of 1.098 in 2020-2021.
- The working capital turnover ratio is lowest ratio of 0.03 in the year 2020-2021 and highest ratio of 1.12 in the year 2016-2017. A high working capital turnover ratio indicates that a bank is running smoothly.
- The comparative of working capital is increased in the year 2020-2021 and decreased in the year 2016-2017 . The profit position of the bank was higher in 2020+2021 when compared with the previous year.
- The trend analysis was increased in the year 2019-2020 and the probability level was decreased in the year 2020-2021.

Suggestions

- The bank needs to increase its current ratio by increasing its current assets so it helps to maintain the standard form 2:1.
- Liquidity position of the bank is weak. Hence it should increase in current assets.
- The bank has able to repay the liability of the creditors because of the current ratio of SDT & TPL is above the standard of current ratio i.e., 2:1.
- The profit of the bank has increased every year. Because of the current assets has declined in the year 2019-2020 but profit of the bank has increased in the year 2020-2021. There for the return on current assets is very high.
- Bank able to fulfill the standard ratio of current ratio i.e., 2:1. There for the company has able to repay the liability and loan of company and the change in working capital declined in the year 2018-2019 due to the sundry creditors has more and provision of tax has been very high.
- Bank is utilizing working capital effectively this is good for the bank. It has to maintain it further.

CONCLUSION

By analyzing the topic of working capital management in Pazhavoor Primary Cooperative Bank Ltd. I conclude that the bank is having less working capital in the year 2019 but in the year 2020 the working capital is increasing. So, the bank maintains the constant working capital which helps perform the day-to-day business by increasing the current asset. This project report helps me to get knowledge on the working capital utilization for better maintenance of the bank. After going through the different aspects of the industry departments and the awards it has received in different fields. There is good relationship between manager and the employee. The management concerned about employee's complete health and wealth. Working capital may be regarded as life blood of a business. Its effective provision can do much to ensure the success of a business.

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