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EXAMINING THE EFFICIENCY OF WORKING CAPITAL MANAGEMENT PRACTICES IN JSL INDUSTRIES LTD. AND ATLANTA ELECTRICAL PVT. LTD: A COMPARATIVE STUDY

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Abstract

This study examines the value of working capital management in daily business operations and how it affects an organization's financial performance. The investment in current assets, including as cash, debtors, and stock, is known as working capital. The availability of raw materials is crucial for the efficient operation of equipment and for the success of all corporate operations. A healthy balance between cash consumption and generalization is ensured by effective working capital management, which prevents financing shortages. In order to manage current liabilities and assets, plan short-term financing, monitor cash flow, evaluate receivables investment, and manage short-term accounts, financial management must set aside enough time. Through a comparative analysis, this study seeks to determine how effectively JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. manage their working capital.

Keywords: *Working Capital, Management Practices, JSL Industries, Atlanta Electrical*

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1. INTRODUCTION

The lifeblood of any company organization is working capital. Working Capital advancement without sufficient business or industry. Inadequate working capital is another name for a lack of contribution. The size of a business should not exceed or decrease the amount of working capital. Equal parts of current assets and current liabilities make up working capital. Since the management of a company's working capital has a greater effect on its liquidity and profitability, it is reasonable to conclude that its significance has grown in tandem with the rise in capital expenses and the scarcity of available funds. A well-managed company's working capital maintains a steady flow of funds between its revenue and expenses, allowing for smoother operations. To strike a balance between liquidity and profitability, working capital management aims to secure funds at the right moment, from the right place, for the right amount of time.

The term "working capital" is commonly used to refer to the gap between the book value of current assets and current liabilities, despite the fact that it is technically described as "non-fixed capital." Working capital is also known as fluctuation capital, fluctuating capital, or circulating capital.

Working capital is the word used to describe the money needed by a company to carry out its daily business operations. In other terms, it refers to the quantity of capital that an organization has immediately available.

1.1 Concept of Working Capital:

The following two concepts are useful for categorizing and comprehending working capital:

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Figure 1: Concept of Working Capital

1) Gross Working Capital:

The word "working capital" refers to a company's total cash on hand. Investment capital represents a company's entire liquid assets. It is also known as "total current assets" of the company.

Gross Working Capital is equal to Current Assets.

2) Net Working capital:

Net Working Capital is considered both Current Assets and Current liabilities of the business organization. Net Working capital can be excess of current assets over the liquid liabilities during the particular period. Similarly current assets exceed the current liabilities. It is said to be positive working capital and it is vice versa.

2. REVIEW OF LITRETURE

Raheman and Nasr's (2007) research on Pakistani businesses focuses on the connection between working capital management and profitability. The study looks at different working capital management metrics and how they affect the bottom line of the chosen organizations. The results

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show the significance of good management of current assets and liabilities in Pakistani enterprises and suggest that efficient working capital management favorably influences profitability.

The relationship between working capital management and profitability in Pakistan is examined by Firdaus and Sibghatullah (2012). The study examines how working capital management techniques affect Pakistani businesses' financial results. The results highlight the significance of optimizing working capital to improve overall financial performance by demonstrating a significant positive association between profitable working capital management and profitability.

Smith (1980) carries out a comparative analysis to look at how working capital management affects profitability. The study compares how businesses in various industries handle their working capital and assesses how this affects their profitability. The results highlight the need for good management of current assets and liabilities to improve financial performance by showing that efficient working capital management positively improves profitability.

Filbeck and Krueger (2005) conduct a comprehensive study of the methods used to manage working capital in a variety of different sectors. The relationship between effective working capital management and financial success across sectors is investigated. The findings demonstrate that the tactics used to manage working capital and their consequences on profitability differ significantly amongst sectors. The research stresses the importance of using working capital management strategies tailored to individual industries for optimal financial results.

Overall, these studies deepen our familiarity with the link between working capital management and profitability. In order to boost financial performance, they highlight the significance of careful management of current assets and liabilities and provide helpful advice for business owners and financial managers to implement effective working capital management strategies.

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3. RESEARCH METHDOLOGY

Working capital management is one of the most crucial aspects of day-to-day business operations. Working capital causes money to be invested in current assets. Examples include various creditors, cash, and stock investments. E.g. Without raw materials, a piece of machinery in a specific business cannot be used. Working capital is established through that investment in the purchase of raw materials. It is undeniable that a significant portion of the fund is tied daily to raw material inventories.

But a company organization's lifeblood is working capital. The right balance between the use of cash and generalization without a funding shortfall is achieved through working capital management. Therefore, the financial management should devote a lot of time to managing current liabilities and current assets, planning short-term financing, controlling cash flow, analyzing investment in receivables, and managing accounts for short-term financing.

3.1 Meaning of Research Methodology

Kothari defines research methodology as the systematic, theoretical examination of the procedures typically employed in a given discipline. The methodology of a study refers to its means, procedure, or approach. Methods for describing, understanding, and anticipating events are employed in this approach.

3.2 Identifying the issue

Working capital management issues also affect the capital structure's fundamental function. Most organizations and businesses seek higher debt levels as part of their capital requirements. The big scale huge level of corporations or firms rely on long term sources of finance, retained earnings and depreciation of fund, whilst tiny organizations are habituated to current liabilities and bank loans.

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So, after reading the existing literature and conducting a literature review in the library, the researcher must choose a specific topic. They must also take into account their time constraints and relevant information, resources, and approaches.

4. DATA ANALYSIS AND RESULT

Table 1: Composition of inventories in current assets during the study period from 2011–12 to 2015–16 for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd.

Year	**JSL**		**ATLANTA**		**TCA (100%)**	
	Rs.	**%**	**Rs.**	**%**	**JSL**	**ATLANTA**
2011-12	9.05	45.89	53.96	34.66	19.72	155.69
2012-13	5.47	26.51	123.44	45.37	20.63	272.06
2013-14	7.14	40.59	140.31	54.84	17.59	255.84
2014-15	8.76	45.82	127.6	42.92	19.12	297.35
2015-16	7.59	47.08	109.32	74.76	16.12	146.22
AVERAGE	7.602	41.178	110.926	50.51	18.636	225.432

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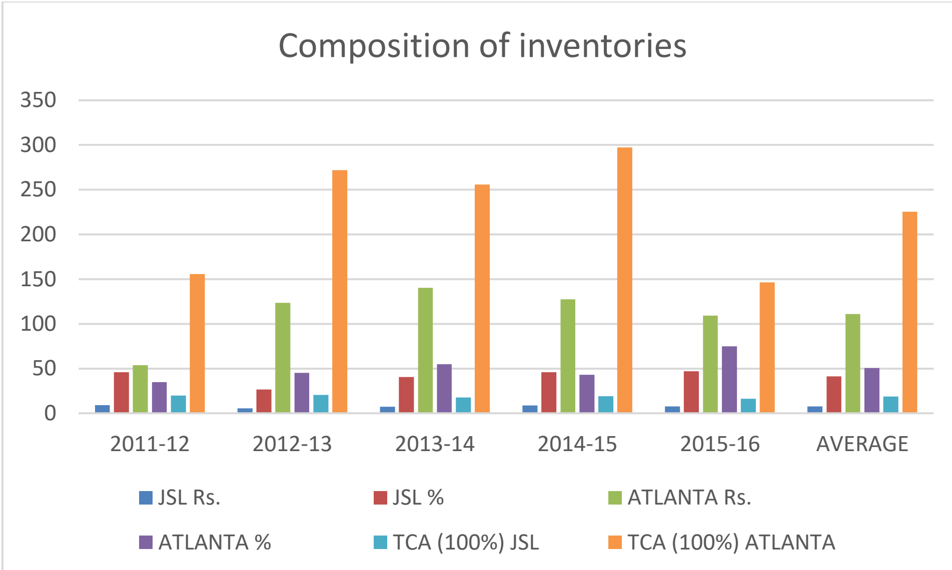

Figure 1: Composition of inventories in current assets during the study period from 2011–12 to 2015–16 for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd.

The breakdown of inventories in current assets for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. over the course of the study is shown in Table 1 and Graph 1. We can see that the inventories do not remain constant and keep below 48% in the case of JSL Industries Ltd., and do not remain constant and maintain below 75% in the case of Atlanta Electrical Pvt. Ltd., which shows that the inventory portion is not good. During the study period, the proportion of inventories in JSL was 47.08% in 2015–16 and in Atlanta it was 74.76%; on the other hand, the proportion in JSL was 26.51% in 2012–13 and in Atlanta it was 34.66% in 2011–12. JSL makes up a total aggregate portion of 41.178%, while Atlanta makes up 50.51%.

Table 2: Composition of Other Debtors in Current Assets of JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. during 2011–12 and 2015–16

Years	JSL		ATLANTA		TCA (100%)	
	Rs.	%	Rs.	%	JSL	ATLANTA

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2011-12	10.35	52.48	90.49	58.12	19.72	155.69
2012-13	11.28	54.68	136.8	50.28	20.63	272.06
2013-14	8.69	49.4	91.24	35.66	17.59	255.84
2014-15	7.06	36.92	150.4	50.58	19.12	297.35
2015-16	4.82	29.9	24.16	16.52	16.12	146.22
Average	8.44	44.676	98.618	42.232	18.636	225.432

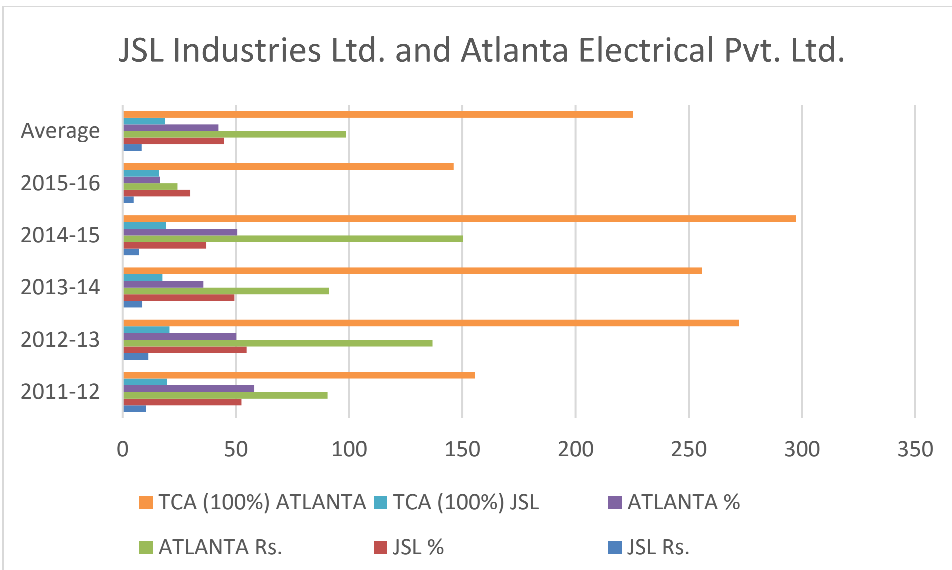

Figure 2: Composition of Other Debtors in Current Assets of JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. during 2011–12 and 2015–16

The compositions of various debts in current assets for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. from 2011–12 to 2015–16 are shown in Table 2 and Graph 2, respectively. When compared to Atlanta Electrical Pvt. Ltd., we can see that various debtors are not constants or maintain below 59%, which is not good in the study period. In the case of JSL Industries Ltd., the portion of debtors in gross working capital in year 2011–12 remains at 52.48%, increases to 54.68% in the following year, and then regularly decreases from 49.4% to 29.9%. The study period

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continues to show that the highest percentage of borrowers in JSL is still 54.68% in 2012–2013 and the highest percentage in Atlanta is still 58.12%. The lowest percentage of debtors in JSL is still 29.9% in 2015–2016 and the lowest percentage in Atlanta is still 16.52% in 2015–2016.

Table 3: Composition of cash and bank accounts in current assets during the research period from 2011–12 to 2015–16 for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd.

Year	JSL		ATLANTA		TCA (100%)	
	Rs.	%	Rs.	%	JSL	ATLANTA
2011-12	0.32	1.62	11.24	7.22	19.72	155.69
2012-13	3.88	18.81	11.82	4.34	20.63	272.06
2013-14	1.76	10.01	24.29	9.49	17.59	255.84
2014-15	3.3	17.26	19.35	6.51	19.12	297.35
2015-16	3.71	23.01	12.74	8.71	16.12	146.22
Average	2.594	14.142	15.888	7.254	18.636	225.432

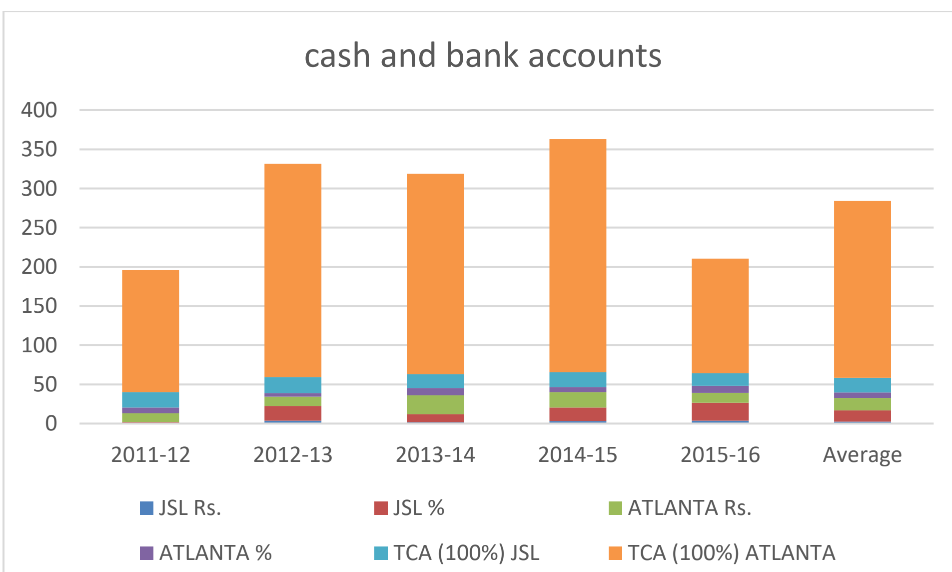

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Figure 3: Composition of cash and bank accounts in current assets during the research period from 2011–12 to 2015–16 for JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd.

One of the most significant and liquid components of working capital is thought of as being the cash and bank. It is required to cover ongoing running costs. The working capital composition of JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd. from 2011–12 to 2015–16 is depicted in Table 3 and Graph 3. As we can see in the cases of JSL Industries Ltd. and Atlanta Electrical Pvt. Ltd., the cash and bank portion is not steady and maintains below 23.01% and 9.49%, respectively. This shows that the cash and bank portion is not well and good. JSL's largest percentage is still 23.01% in 2015–16, and its lowest is still 1.62% in 2011–12, whereas Atlanta's highest portion is still 9.49% in 2013–14 and its lowest is still 4.34% in 2012–13. Throughout the study period, the whole aggregate part in JSL stays at 14.142%, while Atlanta stays at 7.254%.

5. CONCLUSION

This study focuses on the value of working capital management in daily business operations and how it affects an organization's financial health. As the investment in current assets including cash, debt, and shares, working capital is essential. Businesses may have trouble using raw materials and running machinery effectively without sufficient working capital. Effective working capital management is crucial to maintaining a healthy cash flow and preventing financial gaps.

Financial management must spend a lot of time managing current obligations and assets, planning short-term financing, managing cash flow, reviewing investments in receivables, and managing accounts for short-term financing in order to accomplish efficient working capital management.

Whether a sector is involved in manufacturing, trading, or services, working capital is the lifeblood of every industry. The most crucial element needed to carry out the regular business activities is working cash. Working capital provides the business with the essential liquidity. Working capital financing lowers your overall funding needs and helps you increase your current assets, both of which will help you increase your turnover ratio.

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The firm may achieve a sound financial position in the future and be able to manage its working capital efficiently by using superior management techniques. Overall, it can be considered that the project work I completed for my M.Phil. was a fantastic learning experience.

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