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“A Study on Working Capital Management of TSS Ltd., Sirsi”

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ABSTRACT

The purpose of this project is to understand the Working Capital Management of TSS Ltd., Sirsi” the finance managers of most firms invest maximum time and effort on working capital management strategy aimed to maintaining a balance between liquidity and profitability has far reaching results on the growth and survival of the firm. Therefore, in order to bring out the relationship between working capital management and profitability of the firm this topic has been chosen.

Researcher have adopted descriptive research methodology and Primary Data collected from personal interaction with finance manager and other staff of the Totgars Co-operative Sales Society Ltd., Sirsi. Secondary Data: 5 years financial statement of Totgars Co-operative Sales Society Ltd., Sirsi, Journals and Books of working capital management and websites.

The working capital ratio states that the firm has not taking proper use of working capital efficiently from last 3 years. The TSS Ltd had enjoyed good financial position with profit margin Current ratio reached to standard ratio is 2:1 and it shows positive direction to the firm so it is favourable to the company for liquidity.

By the analysis of working capital management it conclude that, overall financial performance of the TSS. , ltd is satisfactory. The company should take some measures to increase profit i.e. proper utilization of available resources and sale promotion to attract new customers.

KEY WORDS: Effective Management, Optimal Maintenance, Analysing Performance

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INTRODUCTION

Globalisation has made agriculture no more customary occupation of a conventional society but a business like as any other commercial activity. But in Indian situation, the farmers have to be trained properly and provided with infrastructural back up like processing units, marketing facilities to accommodate themselves in the era of trade world. It also necessary to create a new taste among the food consumers world over by utilising the diversified traditional knowledge of the Indian folk society.

The vast diversity of biological resources in our country has endowed us with equivalent diversity biological resources in our farmers considering the universal scope available to them if properly exploited.

INDUSTRY PROFILE

A Co-operative Society is a voluntary association of person combining together on the basis of equality and Carry on the business for their own welfare and not with the intention of earning profit and fulfilment of their economic and business interest.

Co-operative Society is taken birth in England on 18th century for the first time, and it was introduced to the world by Robert oven who was leader of the labour. After this the Co-operative Society are begun in Germany, Russia, Denmark and Japan. And it came into India in 1904, under the credit Co-operative Society Act with the intention of supporting with finance to the Indian farmers & artisans and providing freedom from the exploitation made by the money lenders and agents. This was the beginning of co-operatives in India.

COMPANY PROFILE

The Totgars co-operative sale society ltd is also known as TSS ltd instituted on 1923 which is stationed at APMC yard Sirsi. And it is merchandise of areca nut, clove, pepper and cardamom and the Uttar Kannada district is well known for the manufacturing for this agriculture products.

Shri Venkat Rao Nilekani, Pundilkar Pandit, M.S Jade, Uma Maheshvar Hegde Alesar, ganapti bhat akkdas, T V Ritti, S.N keshwaini were the leaders who served their services to build this co-operative society. The society started branch in yallapura, opened rice mill, medical store, kirana store and fertilizers department. It also starts a society petrol bunk and handed over to separate management. It also provides hospitality services in Sirsi town area due to lot of work pressure it also handed over to separate management.

LITERATURE REVIEW

1. **Dinesh M (2008):** Explains the concept of working capital, the different challenges it has to be faced by every organization in maintaining working capital and the techniques to be used in the rational management. Dinesh concludes with the view that every business is unsuccessful not for need of benefit but for lack of working capital. The fastest productivity and sales impact on the business to take use of all financial sources searching growth and making assets such as stocks, bills receivables and other assets.
2. **Dr Kaddumi Thair A and Ramadan Imad Z (2012):** They were analyzed the effect of working capital management on the profitability with the sample of 49 Jordanian industrial operations listed at Amman stock exchange, with the help of 2 alternative measures that the profitability as proxy for the performance and five proxies of working capital management, estimation of 20 models panel data cross sectional time series had been tested using 2 regression which is the fixed effects models and the ordinary least model. The findings are to be significantly consistent with the of the traditional working capital.
3. **Dr, Arbab Ahmed and Dr, Matarneh Bashar (2011):** They explain that registration tools are very helpful statistical techniques of working capital prediction. In the area of working capital management, it will be helpful in doing casting after installing the average correlation in the earlier between sales and working capital, and its various components. The research can be done with the help of calculation of mathematical formulas.
4. **Dr, Khatik S.K. and Jain Rashmi (2009):** They explain the management of working capital is one of the very important and major resources a firm for its daily activities. Working capital can be taken as investment resources for daily operations of business. It is a very important way of capital management and profitability of a firm. The author has analysed the working capital management position of MPSEB by ratio analysis techniques and it was identified that the situation of current ratio, quick ratio, acid test ratio, working capital ratio, stock turnover ratio are not at the standard ratio.
5. **Rahman Mohammed M (2011):** In his study he focuses on the relationship between the working capital and profitability. A dominant working capital management has having positive effect on the profitability of the organization. From his study it has analysed that the textile industry profitability and working capital situation are analysed that they are beyond the benchmark.

STATEMENT OF PROBLEM

The study of working capital very important for an organization to understanding whether it has sufficient working capital or not. The finance managers of most firms invest maximum time and effort on working capital management strategy aimed to maintaining a balance between liquidity and profitability has far reaching results on the growth and survival of the firm. Therefore, in order to bring out the relationship between working capital management and profitability of the firm this topic has been chosen.

OBJECTIVES OF THE STUDY

- To study the changes of working capital over a period of 5 years.
- To study the liquidity position of “The Totgars Co-operative Sales Society Ltd, Sirsi,” through various working capital related ratios.
- To study the efficiency and effectiveness of working capital management.

SCOPE OF THE STUDY

The Study is principally concentrates on working capital management of the “The Totgars Co-operative Sales Society Ltd, Sirsi,” The analysis is based on the financial data available from last 5 years.

TOOLS AND TECHNIQUES

- Ratio Analysis
- Karl Pearson’s co-efficient of correlation

RESEARCH METHODOLOGY

- **Sources of Data:**

Primary Data:

- The information collected from personal interaction with finance Manager and other staff of the Totgars Co-operative Sales Society Ltd., Sirsi

Secondary Data:

- 5 years financial statement of Totgars Co-operative Sales Society Ltd., Sirsi
- Journals and Books of working capital management.
- websites.

LIMITATIONS OF THE STUDY

- The study is committed on the basis of data provide by the firm.

- This study is depends on the secondary data.
- Detail study is impossible due to time constraint and limited sources.
- The study is committed to Totgars Co-operative Sales Society ltd., Sirsi.

DATA ANALYSIS AND INTERPRETATION

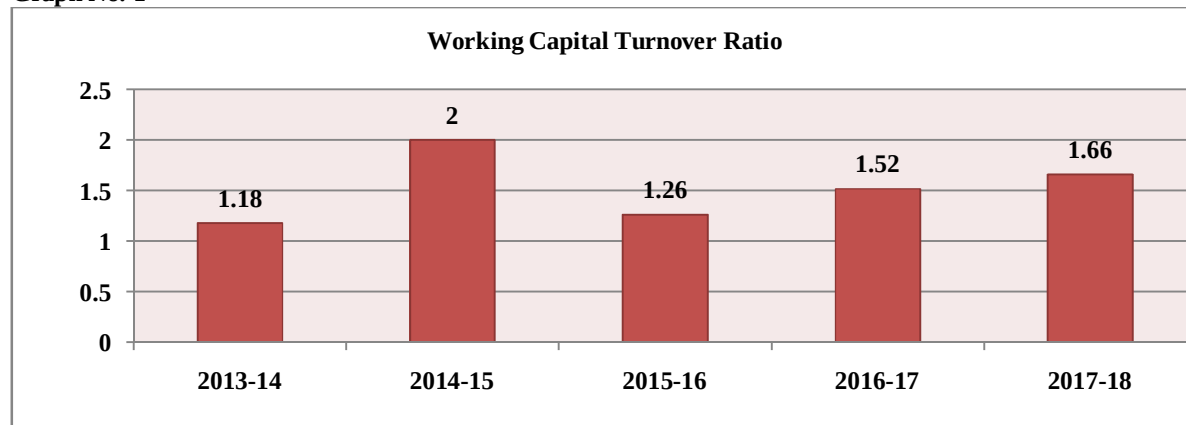
1. RATIO ANALYSIS

Table No: 1 Table Showing Working Capital Turnover Ratio

Year	Net Sales	Net Working Capital	Working Capital Turnover Ratio
2013-14	155,20,60,886	131,09,95,630	1.18Times
2014-15	288,93,98,887	144,00,83,756	2.00 Times
2015-16	224,53,44,968	176,86,24,461	1.26 Times
2016-17	292,46,60,032	191,47,14,260	1.52 Times
2017-18	346,04,97,258	207,56,27,344	1.66 Times

(Source: Annual Report of TSS Ltd)

Graph No: 1



Graph Showing Working Capital Turnover Ratio

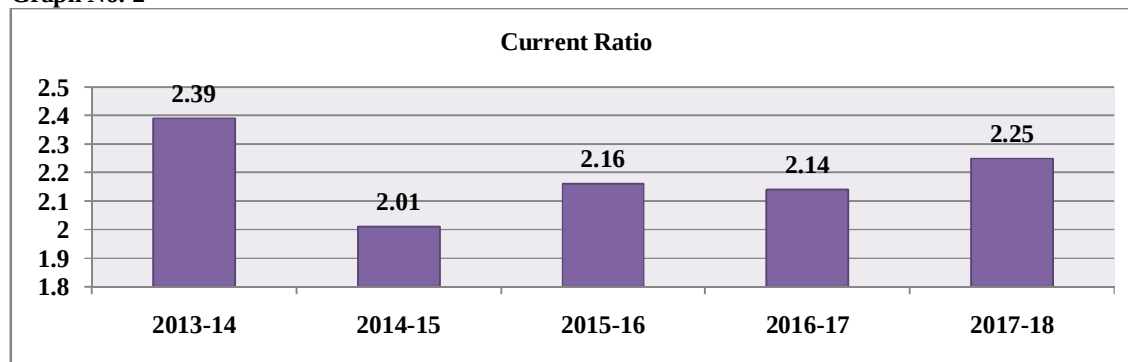
Analysis & Interpretation: 1.1 shows working capital ratio. For the year 2014, 2015, 2016, 2017 and 2018 is 1.18, 2, 1.26, 1.52, 1.66 respectively when we compare the ratio with 2018 to past 4 years data it comparatively increased it shows the efficient utilization of working capital. Firm has to earn profit, issue common stock, and restore short term debts through long term debt to get better the working capital turnover ratio.

Table No: 2 Table Showing Current Ratio

Year	Current Asset	Current Liabilities	Current Ratio
2013-14	225,18,09,288	94,08,13,658	2.39
2014-15	286,78,86,394	142,78,02,638	2.01
2015-16	329,49,37,555	152,63,13,094	2.16
2016-17	359,55,85,275	168,08,71,015	2.14
2017-18	374,20,39,528	166,64,12,184	2.25

(Source: Annual Report of TSS Ltd)

Graph No: 2



Graph Showing Current Ratio

Analysis & Interpretation: The above graph shows that the current ratio of TSS Ltd, for the financial year 2013-14 to 2017-18 was fluctuated by year to year. But it had reached to standard ratio of 2:1 and it shows positive direction to the firm so it is favourable to the company for liquidity. But compare to 2013-14 it had been decreased due to increasing the current liabilities.

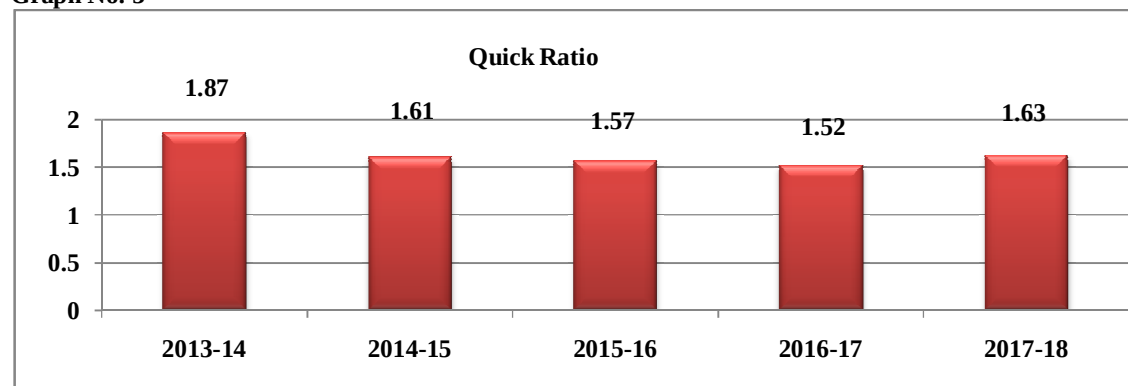
Table No:3

Table Showing Quick Ratio

Year	Quick Asset	Quick Liabilities	Quick Ratio
2013-14	176,26,43,305	94,08,13,658	1.87
2014-15	230,65,23,169	142,78,02,638	1.61
2015-16	240,49,45,480	152,63,13,094	1.57
2016-17	256,74,30,468	168,08,71,015	1.52
2017-18	272,75,90,335	166,64,12,184	1.63

(Source: Annual Report of TSS Ltd)

Graph No: 3



Graph Showing Quick Ratio

Analysis & Interpretation: The above graph shows that quick ratio in the year 2013-14 is 1.87, 2014-15 is 1.61, 2015-16 is 1.57, 2016-17 is 1.52 and year 2017-18 is 1.63 and it is more than the ideal ratio of 1:1, hence it is concluded that it can pay rotten its short term liabilities out of its quickly realizable assets without any difficulties.

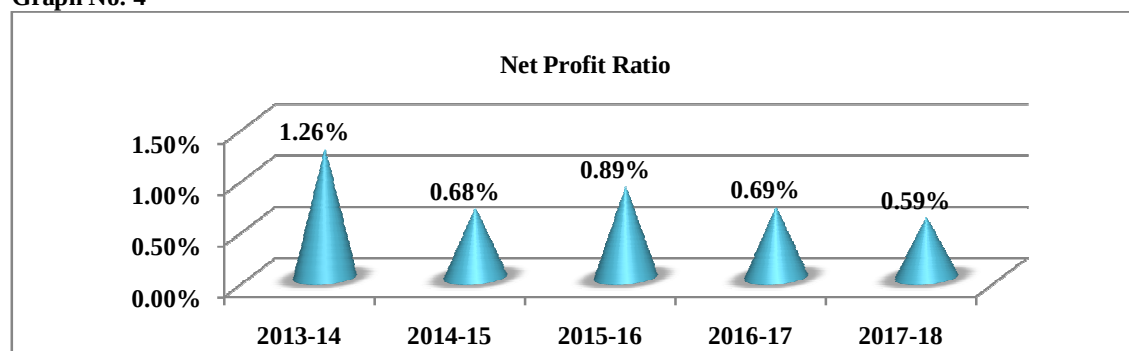
Table No: 4

Table Showing Net Profit Ratio

Year	Net Profit	Net Sales	Net Profit Ratio
2013-14	1,95,90,545.64	155,20,60,886	1.26%
2014-15	1,97,19,967.37	288,93,98,887	0.68 %
2015-16	2,00,28,148.25	224,53,44,968	0.89%
2016-17	2,03,47811.71	292,46,60,032	0.69%
2017-18	2,05,50,589.38	346,04,97,258	0.59%

(Source: Annual Report of TSS Ltd)

Graph No: 4



Graph Showing Net Profit Ratio

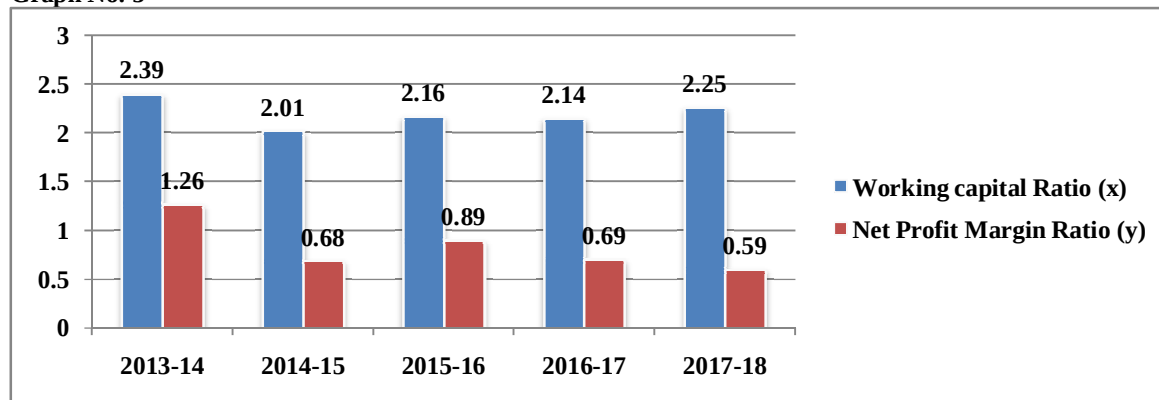
Analysis & Interpretation: The TSS ltd had enjoyed good financial position with profit margin in the year 2013-14. But there was a sudden decrease in the year 2014-15 due to higher administrative expenses. During the year 2017-18 the net profit ratio is 0.59% because it is able to reduce administrative expenses. Firm has to reduce cost of goods sale and other administrative expenses to earn profit.

2. KAR L PEARSON'S CO-EFFICIENT OF CORRELATION

Table No: 5 Table Showing difference between working capital ratio and Net Profit Margin Ratio

Working capital Ratio(X)	Net Profit Margin Ratio (Y)	XY	X ²	Y ²	r = 0.686565
2.39	1.26	3.01	5.71	1.58	
2.01	0.68	1.36	4.04	0.46	
2.16	0.89	1.92	4.66	0.80	
2.14	0.69	1.47	4.57	0.47	
2.25	0.59	1.32	5.06	0.34	
10.95	4.11	9.08	24.04	3.65	

Graph No: 5



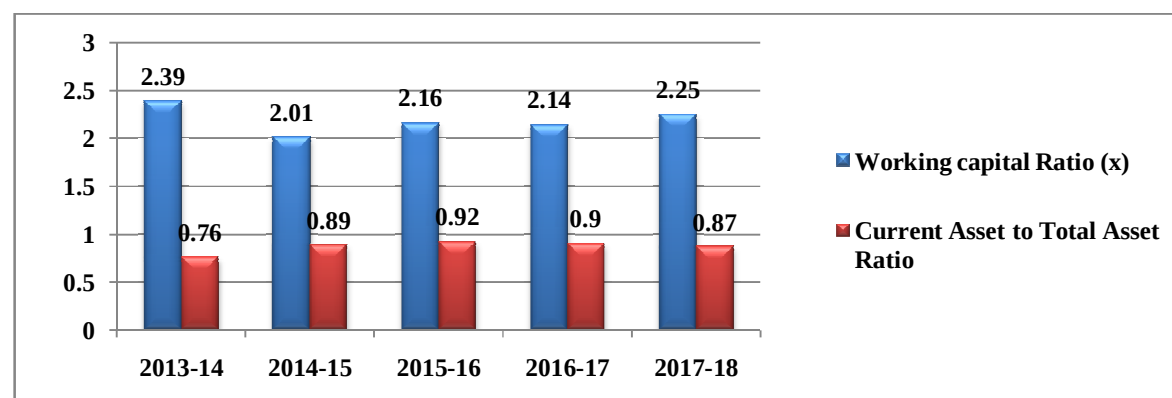
Graph Showing difference between working capital ratio and Net Profit Margin Ratio

Analysis & Interpretation: From the above table and graph calculations it can be recognized that relationship co-efficient of correlation between the working capital ratio and Net Profit Margin Ratio. It indicates **0.686565** correlated of the firm that highly positively correlation there is a strong dependency between working capital ratio and net profit margin ratio.

Table No: 6 Table Showing difference between working capital ratio and Current Asset to Total Asset Ratio

Working capital Ratio (x)	Current Asset to Total Asset Ratio (Y)	XY	X ²	Y ²	r = -0.8054
2.39	0.76	1.81	5.71	0.5776	
2.01	0.89	1.78	4.04	0.7921	
2.16	0.92	1.98	4.66	0.8464	
2.14	0.90	1.92	4.57	0.81	
2.25	0.87	1.95	5.06	0.7569	
10.95	4.34	9.44	24.04	3.78	

Graph No: 6



Graph Showing difference between working capital ratio and Current Asset to Total Asset Ratio

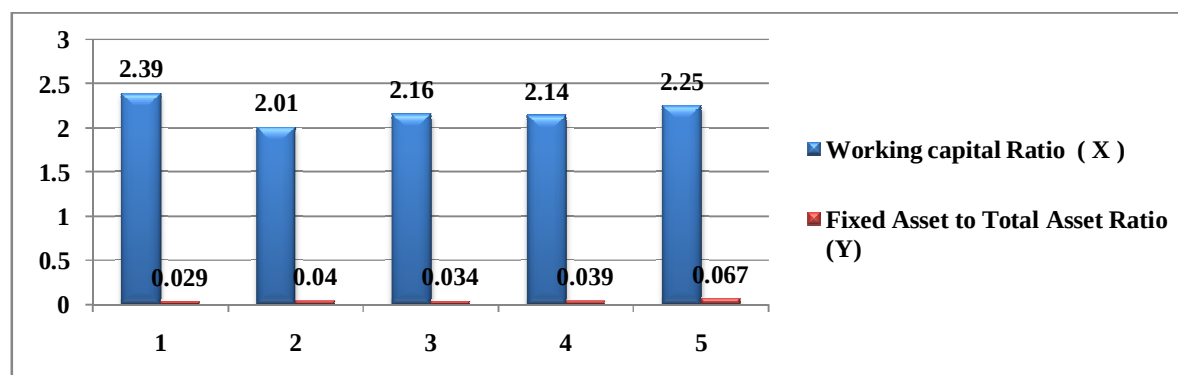
Analysis & Interpretation: From the above table and graph that calculation can be shows that relationship co-efficient of correlation between the working capital ratio and Current Asset to Total

Asset Ratio. it indicates **-0.8054** is the correlation of the firm that weakly negatively correlated with working capital and current assets to total assets ratio.

Table No: 7 Table Showing difference between working capital ratio and Fixed Asset to Total Asset Ratio

Working capital Ratio (X)	Fixed Asset to Total Asset Ratio (Y)	XY	X ²	Y ²	r = -0.04209
2.39	0.029	0.06931	5.71	0.000841	
2.01	0.040	0.0804	4.04	0.0016	
2.16	0.034	0.07344	4.66	0.001156	
2.14	0.039	0.08346	4.57	0.001521	
2.25	0.067	0.15075	5.06	0.004489	
10.95	0.209	0.45736	24.04	0.009607	

Graph No: 7



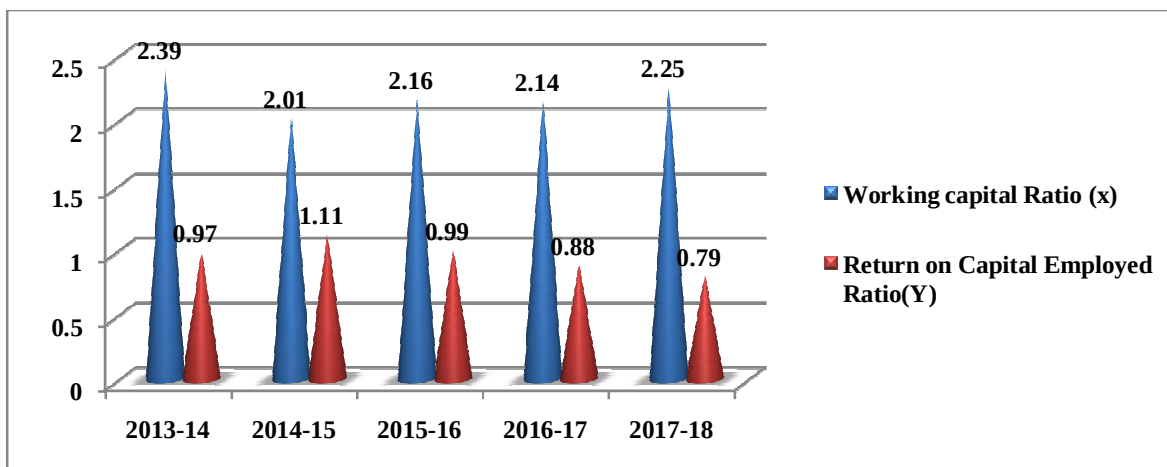
Graph Showing difference between working capital ratio and Fixed Asset to Total Asset Ratio

Analysis & Interpretation: From the above table and graph that calculation it can be analysed that relationship of co-efficient of correlation between the working capital ratio and Fixed Asset to Total Asset Ratio. It indicates **-0.04209** is the correlation of the firm that weakly negatively Correlated. There is a weekly negatively co relationship between working capital ratio and Fixed Asset to Total Asset Ratio.

Table No: 8 Table Showing difference between working capital ratio and Return on Capital Employed Ratio

Working capital Ratio (X)	Return on Capital Employed Ratio (Y)	XY	X ²	Y ²	r = -0.4727
2.39	0.97	2.6529	5.71	0.9409	
2.01	1.11	2.2311	4.04	1.2321	
2.16	0.99	2.1384	4.66	0.9801	
2.14	0.88	1.8832	4.57	0.7744	
2.25	0.79	1.7775	5.06	0.6241	
10.95	4.74	10.6831	24.04	4.5516	

Graph No: 8



Graph Showing difference between working capital ratio and Return on Capital Employed Ratio

Analysis & Interpretation: From the above table and graph that calculation it can be analysed that the relationship of co-efficient of correlation between the working capital ratio and Return on capital employed Ratio. It indicates **-0.4727** correlation of the firm that weakly negatively Correlated. It can be interpreted that the working capital ratio and Return on capital employed Ratio are weakly negatively co related.

FINDINGS

- The working capital ratio states that the firm has not taking proper use of working capital effeciently from last 3 years.
- Current ratio reached to standard ratio is 2:1 and it shows positive direction to the firm so it is favourable to the company for liquidity.
- The TSS ltd had enjoyed good financhial position with profit margin in the year 2013-14. but there was a sudden decrease in the year 2014-15 due to higher adminstrative expenses.
- Firm having highly positively correlation between working capital ratio and net profit margin ratio that is **0.686565**.
- Relationship between the working capital ratio and Current Asset to Total Asset Ratio is- **0.8054** is the correlation of the firm that weakly negatively Correlated.
- Relationship between working capital ratio and Fixed Asset to Total Asset Ratio is-**0.04209** is the correlation of the firm that weakly negatively Correlated.
- Relationship between working capital ratio and Return on capital employed Ratiois **-0.4727** weakly negatively correlated.

SUGGESTION

From all the studies we can suggest some point to improve the profitability of the firm

- To improve the working capital turnover ratio firm has to earn more profit, replace short term debt among long term debt, selling the long term assets for cash and collect extra of the account receivables.
- The company has sufficient working capital and has better liquidity position, by efficient utilizing this short-term capital, and then it should increase the turnover.
- To maintain the current ratio, firm has to switch from short term debt to long term debt, reducing the overhead expenses and remove the unproductive assets.
- To meet the standard ratio of quick ratio firm has to increase the sales it improve the inventory turnover and increase the company's cash.
- The stock turnover ratio can improving by reducing the cost, increasing the demand for the products and optimizing supply chain.
- Debtor's turnover ratio may be improving when increasing collection efficiency and rewarding the efficient payment.
- Increasing the sales revenue and reducing the utilities are helping in earning more profit.
- Decreasing the liabilities helps to increasing the working capital efficiency.
- Effective Management of working capital helps to increasing the profitability ratio.
- Control the overall expenses the firm can get more profit.
- Society should take necessary actions and adopt cost reduction technique to minimize the expenses to earn good profit.
- Updating of technology in rice mill section and sweet supari manufacturing unit helping in reducing the maintenance cost and earning more profit in future.
- The society has to maintain current assets as much as possible because it helps to increase liquidity position.
- Inventory conversion period has to reduce by increase sales year to year implementing strategies.
- The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
- The company is utilizing working capital effectively this is good for the company it has to maintain it further. Better to reduce too much use of outsiders fund in financing the asset.

CONCLUSIONS

The TSS Ltd has completed 94 years and from the establishment its motto is to support farmers as well as agriculture in the region. The TSS Ltd became famous and largest co-operative society in Uttar Kannada District by having good history and success with the three branches in different Taluka's and having more than 24000 members. However income earned by the society is generating from the members through their purchases of the all the products in the society

The Research at TSS ltd., Sirsi. This study helps to know the financial position through ratio analysis. In this study we can identify the changes in financial statements i.e. increase or decrease in the liabilities and assets. By the ratio analysis we know the companies solvency, efficiency, liquidity.

By the analysis of working capital management it conclude that, overall financial performance of the TSS. , ltd is satisfactory. The company should take some measures to increase profit i.e. proper utilization of available resources and sale promotion to attract new customers.

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