

CHAPTER I

INTRODUCTION

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INTRODUCTION & RESEARCH DESIGN

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CHAPTER 1

INTRODUCTION & RESEARCH DESIGN

1.1 Introduction:

In each manufacturing industry four aspects are important i.e. Production, Marketing, Human Resources and Finance. All these aspects are co-related with each other. All these aspects are dependent on finance. In small scale, medium scale or large scale business financial aspect is very important. Continuous finance in business is essential to run the business and survive as well as improvement and development of the business. Hence finance is the life blood of any business.

Finance may be defined as the provision of money at the time when it is required. However, as a management function it has a special meaning. Finance function is defined as the procurement of funds and their effective utilization. Finance when applied to any business can be broadly defined as the activity concerned with planning, raising, controlling and administering of funds used in business. Business finance is that business activity which is concerned with the acquisition and conservation of capital funds in meeting financial needs and overall objectives of a business enterprise.

According to Husband & Dockeray: "Business finance or Corporation finance, serves two important functions. First, it is a means of assembling the funds necessary to initiate in new business. Second and much more important, it provides a basis for continued operations".

In the words of Henery Hoagland: "Business finance primarily deals with acquisition and use of capital by business corporations. Corporation finance is not a complete philosophy of a business corporation. It is an application of the common sense principle of one thing at a time".

From these two definitions of the term business finance it can be said that the term business finance mainly involves rising of funds and their effective utilization by considering the objectives of the firm.

1.2 Meaning of Financial Management:

“Management of funds” is an important aspect in service, manufacturing industries as well as in non trading concerns like sports, club, hospital, educational institution etc. Financial management deals with procurement of funds and their effective utilization in business. Financial management is that managerial activity which is concerned with the planning and controlling of the organizations financial resources. It is an integrated decision making process concerned with acquiring, financing and managing assets to accomplish the overall goal of a business organization.

Financial management comprises the forecasting, planning, organizing, directing, co-ordinating and controlling of all activities relating to acquisition and application of the financial resources for achieving the financial objectives of the organization.

According to Solomon, “Financial management is concerned with the efficient use of an important economic resource, namely capital funds”.

According to S.C. Kuchhal, “Financial management deals with procurement of funds and their effective utilization in the business”.

1.3 Statement of the Problem:

In each manufacturing company Money, Men, Machinery, Material and Market are important aspects, each aspects depends on other aspects. All these important aspects are co-related to finance. Adequate finance as per the requirement of the company is vital.

The financial management is the breath of any business enterprise. Financial management depends on appropriate financial investment. Investment and proper financial management together contribute to the

satisfactory and successful production in the concerned business or industrial organization.

Jaysingpur has become trading and industrial center of Shirol Taluka. There are two industrial estates named L.K.Akiwate Co-operative Industrial estate and Shahu industrial estate at Jaysingpur. Shreem Capacitor Pvt. Ltd. is established in L.K.Akiwate Industrial estate. It is medium size company. It is the largest and oldest industrial unit of the L.K.Akiwate Co-operative Industrial estate. During the very short period of 30 years from its inspection the company has progressed much. It has got ISO mark and exporting the products to various countries.

The company has invested crores of Rs. in the production of capacitors. It has opened branches at various places all over India & provided employment to hundreds of workers also created indirect employment. Though the company is private Ltd. company and the head office is situated in rural area, the company is working at national level. The researcher felt to study the financial management of the company. The other reasons for choosing the industrial unit for the study are it is convenient to the researcher geographically as it is near by to the residential place to the researcher; it is also convenient to get all the required data at the suitable time.

The present research works desires to discover the significant of financial aspect of Shreem Capacitors at organizational level.

Reference – C.R.T.Varma ‘ Financial Management’ Board of studies, The Institute of Chartered Accountants of India.

1.4 Objectives of the study:

1. To study functions of the Finance Department of Shreem Capacitors Pvt. Ltd.
2. To understand the importance of Fixed Capital and Working Capital in Shreem Capacitors Pvt. Ltd., Jaysingpur.
3. To make the financial analysis with the help of Financial Tools and Techniques.
4. To make Suggestions for better performance of the company

1.5 Hypothesis:

The Shreem Capacitors Private Ltd. is financially sound due to better financial planning and its implementation.

1.6 Methodology:

The scope of Research study and methods used to Data collection are given below-

A. Scope of Research Study:

The period taken for study purpose is 6 years i.e. from financial year 2002-2003 to financial year 2007-2008. The study is related to Shreem Capacitors Pvt. Ltd., Jaysingpur. Taluka : Shirol Dist. Kolhapur.

B. Data Collection:

For collection of data it is necessary to have well defined objectives. Otherwise collected data will not able to achieve the pre-determined objectives.

The data collected is categorized as

1. Primary data
2. Secondary data

Primary Data:

The primary data is collected directly from the concerned field.

In this study the primary data is collected by using two methods - interview and discussion with Finance manager, Accountant etc.

Secondary Data:

Secondary data means the data which is already available. Secondary data may either be the published or unpublished data.

In this study Researcher have used the following sources of secondary data

1. Annual Reports of the Shreem Capacitors Pvt. Ltd.
2. Financial records, information through booklet etc.
3. Library material such as books and periodicals etc.
4. Different websites.

1.7 Data Analysis and Interpretation:

The researcher analyzed the data with the help of financial management techniques such as Funds Flow Statement, Cash Flow Statement, Comparative Tables and Ratio Analysis. The data is interpreted with the help of the analysis.

1.8 Significance of the Study:

1. The study will help to understand the requirement of capital both fixed and working.
2. It will helpful for financial planning and financial management of the company.
3. It will help to improve the financial position and financial stability of the company.

The study will be helpful for identifying the Financial Strengths and Weaknesses of the Company. The weaknesses observed can be controlled by the effective financial management.

The conclusion and suggestions emerging from the financial analysis will be effective to the company for better and effective management of the financial resources.

1.9 Limitations of the Study:

1. The study is limited to one industry i.e. the Shreem Capacitors Pvt. Ltd., Jaysingpur.
2. This study is limited for six years from 2002-2003 to 2007-2008.
3. Analysis of data has been made with the help of Annual Reports and the information provided by the company through discussion.
4. The study of Financial Management is restricted to two aspects - one is study of Fixed Capital and second is study of Working Capital.

1.10 Chapter Scheme:

The study has divided into following six chapters –

1. Introduction and Research Design
2. Review of Literature
3. Profile of the Company
4. Theoretical Framework of Financial Management
5. Financial Analysis
6. Observations, Conclusions & Suggestions

Thus, in the above chapter the researcher has explained the introduction and research design and the next chapter particularly deals with the Review of Literature.